Section 43 - Actual Cost ………..

The followings are to be considered for determination of Actual Cost

(i) Actual cost refers to the cost of the asset to the assessee;

(ii) Interest on loan after commencement of commercial production should not be included in the Actual cost

(iii) Loss arising out of exchange rate differences, should be included in Actual Cost

Unabsorbed depreciation can be carried forward indefinitely and the business need not be continued in order to get the benefit of carry forward of unabsorbed depreciation.

INVESTMENT ALLOWANCE and Investment Deposit Account Scheme

Deduction Not available now.

TEA/COFFEE/RUBBER DEVELOPMENT ACCOUNT [Sec. 33AB]

(i) The assessee must be engaged in the business of tea, coffee or rubber plantation in India

(ii) The amount must be deposited in a "Special Account".

(iii) The deposit should be made within the 6 months from the end of previous year or before the due date of furnishing the Income whichever is earlier.

(iv) The accounts should be duly audited.

Amount of Deduction :

Least of the followings :

(i) Amount Deposited

(ii) 40% of the Profit of the Business

SITE RESTORATION FUND [Sec. 33ABA]

- The amount deposited in site restoration fund including interest thereon or 20% of profits, whichever is less.
- The assessee must be engaged in production of petroleum/natural gas in India.
- The amount should be deposited before the end of the previous year.

EXPENDITURE ON SCIENTIFIC RESEARCH [Sec. 35]

approved scientific Research **deduction @ 175 %**

Non-scientific research **deduction @ 125 %**

Capital expenditure incurred by assessee himself deduction @ 100%

Patents and copyrights

- **Before Apr1, 1998 should be allowable as deduction in equal installments for 14 years**
- **After This date dep. @ 25 %**

AMORTISATION OF TELECOM LICENCE FEES [Sec. 35ABB]

- It should be capital expenditure.
- Payment should have been actually made to obtain a licence.
- Expenditure may be incurred either before commencement of business or at any time during the previous year.
- Deduct can be availed till the license expires.
- Net Consideration is **more/less** than Original Cost of licence and Unallowed amount then it will be STCG/STCL as the case may be.

Amortisation of Preliminary Expenses

- Can be claimed by Indian co/ or a resident Indian.
- Not allowed to foreign companies.
- For corporate :-
  - 5% of cost of project.
  - 5% of capital employed. Whichever is less.
  - For resident only 5 % of the project.

EXPENDITURE ON ELIGIBLE PROJECTS/SCHEMES

- Where an assessee incurs any expenditure by way of payment of any sum to a public sector company or a local authority or to an association or institution approved by the national committee for carrying out any eligible project or scheme it will be allowed as deduction.
- In order to avail the deduction under this section the assessee should furnish with return of income a certificate from the chartered accountant to that extent.

EXPENDITURE BY WAY OF PAYMENT TO ASSOCIATION AND INSTITUTION FOR CARRYING OUT RURAL DEVELOPMENT PROGRAMME

Where any expenditure made in respect of :-

- any programme of rural development
- whether done on the prog held by central govt. or National rural development or any other name.
- Sum allowed as deduction.

AMALGAMATION OR DEMERGER expenditure are allowed as deduction.

EXPENDITURE INCURRED UNDER VOLUNTARY RETIREMENT SCHEME

- allowed deduction over a period of 5 years equally
- **To** Indian company

DEDUCTION FOR EXPENDITURE ON PROSPECTING etc. FOR CERTAIN MINERALS [Sec. 35E]

- **Deduction allowed to Indian company or residential asesseee.**
- **The qualifying expenditure should be incurred within 5 years including the year of commercial production.**
- Deduction is allowed over the period of 10 years.

OTHER DEDUCTIONS [Sec. 36]

The deduction provided for in the following clauses shall be allowed in respect of the matters dealt with therein, in computing the income referred to in Sec. 28.

- **INSURANCE PREMIUM FOR STOCK AND STORES**
- **PREMIUM PAID BY FEDERAL MILK COOPERATIVE SOCIETY**
- **PREMIUM FOR EMPLOYEES' HEALTH INSURANCE**
- **BONUS OR COMMISSION TO EMPLOYEES**
- **INTEREST ON BORROWED CAPITAL**
- **CONTRIBUTION TOWARDS RECOGNISED PROVIDENT FUND OR AN APPROVED SUPERANNUATION FUND**
- **CONTRIBUTION TOWARDS AN APPROVED GRATUITY FUND**

- **BAD DEBTS only in case they are written off**
- **Transfer to special reserve :-**
  - Amount transferred during the previous year.
  - 20% of the profits derived from the business activities
  - 200 % (paidup+ general reserve on last day of p/y – balance of special reserve account on d first day of p/y)
  - Whichever is low.
  - In case amt withdrawn it will be taxable.
- **EXPENDITURE INCURRED BY COMPANY FOR PROMOTING FAMILY PLANNING AMONGST ITSEMPLOYEES =** deduction allowed in 5 equal yearly installments.
- **And others…**

Regards

Renu