Important Points

1. *Rent free house is not taxable if it is provided to a High court Judge, Supreme court Judge, Union Minister, leader of opposition in parliament and an official in parliament.*
2. *Section 37 ....PGBP chapter :-*
   a. *The expenses should not come under section 30 to 36.*
   b. *It should not be a capital expenditure.*
   c. *It should be incurred in previous year as well as should not be personal expenditure of the assessee.*
   d. *It should be incurred in relation to business carried on by the assessee and the expenditure should not be in connection with any offence or any purpose prohibited by law.*

Examples of Section : 37

- *Salary and perquisites to employees.*
- *Salary, bonus & travelling expenses paid by a partner-assessee to his staff to look after his interest and to earn income for partnership.*
- *Expenditure incurred on diwali /muhurat subject to Assessing officer being satisfied that the expenses are admissible as a deduction under the law are not expenses of personal, social , and religious nature.*
- *Advertisement expenditure :-*
- *Basically not allowed to Public party as they claim deduction u/s 80 GGB/ 80GGC.*

- *Terminal depreciation :-*

- Terminal depreciation means loss on transfer.
  - First we will calculate WDV of asseton the first day of the previous year.
  - Actual money received …
  - Difference is terminal depreciation in case of loss and balancing charge when there is profit.

It is allowed to power units only which has to follow SLM.

Example :-

X is a power unit which purchases plant on 20dec, 2009. Deprociation is charged on 12.77%. The asset is sold for Rs.30000.

Answer :-

As our asset is being used for less than 180 days so our depreciation rate will be 50%. So dep will be :-

½*12.77%*20 lakh = Rs. 1,27,700

So wDV will be = 20 lakh- 127700 = Rs.18,72,300

So our terminal depreciation will be Rs(18,72,300- 30,000) =

= Rs.18, 42,300

Now let's consider the typical part :- Balancing charge …

Suppose now our asset is being sold for 19 lakhs. Then our balancing charge will be Rs.27,700.

Now calculation of Short term capital gain :-

Sale	19lakh

Cost of acquisition	19lakh
Short term CG	Nil

The real doubt is ... why we had not taken the WDV as cost of asset which is Rs.18,72,300.

Provisions while calculating STCG must follow :-

- Valuation of asset should be done considering the Section 50
- It says if asset is sold then after deducting the net consideration received from the sale of such assets and till the point WDV comes to nil . And after calculating these we will calculate STCG.
- You can see this example in V.K.Sighania book also.
- If still any doubt left after this, u can mail me on rwishing@gmail.com

Regards

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