# PROFIT AND GAINS OF BUSINESS OR PROFESSION

| Sec | Dec. On | S.No | Explanations |
|---|---|---|---|
| **28** | Chargeability | i | P&G from Business or Profession or Vocation carried on |
| | | ii | **Compensation received by :** |
| | | | a) Person Managing the Affairs of Indian Company or Affairs in India of Any other Company in Relation to Termination of management |
| | | | b) Agent in India for Any other person in relation to termination of Agency |
| | | | c) Person vesting in the management of business/Property with the government or corporation owned by government |
| | | iii | Income of Trade, professional or other association for rendering specific service to members |
| | | iv | Sale of Licence granted under Import Control Order , Duty Entitlement Passbook Scheme, Duty Remission Scheme, Duty Free replenishment scheme |
| | | v | Cash Assistant against export |
| | | vi | Custom or Excise duty Drawback |
| | | vii | Any benefit / Perquisite ( Whether convertible into money or not ) |
| | | viii | Interest / Remuneration received by Partner of Firm which is allowed under 40b in the hands of the Firm |
| | | ix | Sum Received under - "Keyman Insurance policy" by **Employer** |
| | | x | Sum received for Transfer of 35AD assets |
| | | xi | Sum received for : Not carrying on a business , Not sharing any know-hows |
| **Explanation 2 to Sec 28** | Speculative Business | | Purchase or Sale of shares , otherwise than by a investment company |
| | | | **Not a Speculative Business :** |
| | | | Contract on Raw Materials , Contract on Sale of Securities by broker , Forward Market contract entered into to safeguard against Price Fluctuations. |
| | | | Eligible Transactions : Carried out Electronically in accordance with SEBI & Supported by Time Stamped Broker's Note. |
| **29** | Computation | | In Accordance with Section 30 To 43D |
| **30** | Rent, Rates, Repairs & Insurance on Building | | **Conditions :** |
| | | | Building Used for Business |
| | | | Partly in use for business - Proportionate deduction |
| | | | Own Property - Nil |
| | | | Firm uses building of Partner - Allowed |
| **31** | Repairs, Insurance of Machinery, Plant & Furniture | | **Conditions :** |
| | | | Passive as well as active use |
| | | | Even though claim accrues to third party insurance cost can be deducted |
| | | | Current repairs |

## PROFIT AND GAINS OF BUSINESS OR PROFESSION

| Sec | Dec. On | S.No | Explanations |
|---|---|---|---|
| **32** | Depreciation | | Refer Page (1) |
| **43(1)** | Actual Cost | | Refer Page (2) |
| **43(6)** | Written-Down-Value | | WDV as at the beginning of the year |
| | ( Sums 1 - 6 ) | **Add :** | Actual Cost of Addtions during the Year |
| | | **Less:** | Sales Made during the Year |
| | | | If the Assets is Transferred to Previous owner : WDV at the Beginning of the Previous owner less Depreciation allowed for the owner |
| **Explanation to 43(6)** | Income Earlier Exempt | | Cost as reduced by depreciation till date will be WDV |
| **Rule 8** | Manufacturer of Tea | | 40% of depreciation can be claimed ( 40% business income , 60% Agricultural income ) |
| **Rule 5(1)** | Rates of Depreciation | | Refer Page ( 3 ) |
| **32(2)** | Carry Forward of Depreciation | | Carried forward for indefinite period |
| **32AC** | Investment in P&M | | 15% on Investment in P&M |
| | By **Company** | | **Conditions :** |
| | | i | Manufacturing Article / Thing |
| | | ii | New P&M Installed for 25 Crores or more |
| | | iii | For ASST years 2015-16 , 2016-17 & 2017-18 Alone |
| | | iv | Would Not be deducted from WDV of the machinery |
| | | v | Not Elegible assets - Same as for Additional Depreciation |
| | | vi | Assets Should not be sold within 5 Years - If Sold the eariler allowed deduction will be Taxed under PGBP in the Year of Sale |
| **32AD** | **Notified Backward Areas** | | Backward Areas in States of Andhra Pradesh , Telangana , Bihar , West Bengal |
| | ( Sum 7 ) | | **Conditions :** |
| | | | Set-up Manufacturing unit After 01-04-2015 |
| | | | New Plant And Machinery |
| | | | Conditions under 32AC fullfilled |

## PROFIT AND GAINS OF BUSINESS OR PROFESSION

| Sec | Dec. On | S.No | Explanations |
|---|---|---|---|
| **33AB** | **Tea/Coffee/Rubber Development** | | Refer Page (4) |
| **33ABA** | **Site Restiration Fund** | | Refer Page (4) |
| **35** | **Scientific Research** | | Scientific Research which may lead to Extension of Business , Research of Medical Nature in relation to Welfare of Employees |
| Sum ( 8 , 9 ) | | | Refer Page (5) |
| **35ABB** | **Telecom Services** | | **Amount paid for Obtaining Licence would be allowed as deduction :** |
| | ( Sum 10 & 11) | | From Date of Commencement of Business or From Date of Payment for Obtaining Licence whichever is Earlier. |
| | | | Capital Expenditure incurred before Commencement is also eligible. |
| | | | Deduction Allowed in Installments during the No of Years for which licence is obtained. |
| | **Sale of Licence** | | |
| | Full Licence | | Sale Proceeds < ARU - ARU less Sale Proceeds will be the deduction for Previous Year in which it is sold |
| | Part | | Sale Proceeds < ARU - ARU less Sale Proceeds will be the deduction for Remaining Years |
| | Part or Entire Licence | | Sale Proceeds > ARU - Surplus to extent of amount already claimed will be allowed in PY |
| | | | Surplus in Excess of Amount Already allowed - Capital Gains |
| **35AC** | **Promotion of Social and Economic Welfare** | i | **Eligible Project** |
| | | ii | Payment to : Public Sector Company , Local Authority or Approved Association |
| | | iii | Company can Claim even expenditure incurred directly by them on eligible projects. |
| | | iv | CA certificate is mandatory for the claim |
| **35AD** | **Investment Linked Tax Incentives** | | **Deduction :** |
| | | i | 100% of Capital Expenditure incurred |
| | | ii | If incurred before commencement of Business and **Capitalized** in business - Allowed in Year of Commencement |
| | | | **Eligible Assessee :** |
| | | | Refer Page ( 6 ) |

## PROFIT AND GAINS OF BUSINESS OR PROFESSION

| Sec | Dec. On | S.No | Explanations |
|---|---|---|---|
| **35AD(1A)** | **Investment Linked** | | **Deduction :** |
| | **Tax Incentives** | i | 150% of Capital Expenditure incurred |
| ( sum 12,13 ) | | ii | If incurred before commencement of Business and **Capitalized** in business - Allowed in Year of Commencement |
| | | iii | Business Commenced after 01-04-2012 |
| | | | **Eligible Assessee :** |
| | | | Refer Page ( 6 ) |
| | | | **Conditions for Claiming Dedcutions u/s 35AD & 35AD(1A) - Refer Page ( 7 )** |
| **35CCA** | **Contribution for** | | Payment to Association / Instuition for Rural Development For : |
| | **Rural Development** | i | construction of any building, or other structure (for dispensary, school, training or welfare centre, workshop, etc.) |
| | | ii | The laying of any road |
| | | iii | The construction or boring of a well or tube well |
| | | iv | The installation of any plant or machinery |
| | | v | Payment for training of persons for implementing rural development programme |
| | | vi | Payment to a rural development fund set up and notified by the Central Government. |
| | | vii | Payments made to —National Urban Poverty Eradication Fund (NUPEF) set up and notified by the Central Government. |
| **35CCC** | **Notified Agricultural** | | **Expenditure incurred by the assessee for Project Notified by the Government** |
| | **Extension Project** | | **150% Deduction** |
| | Rule 6AAD | | **Conditions to Qualify as Extension Project :** |
| | | | Training of Farmers |
| | | | Prior Approval of Government |
| | | | Minimum Rs 25 Lakhs expenses |
| | Rule 6AAE | | **Conditions for Weighted Deduction :** |
| | | | Separate Books and Get Audited |
| | | | Shall not accept any amount for Training in excess of that mentioned in Notification |
| | | | No other Benefits claimed |
| | | | Cost of LAND and BUILDING not dedcutible , Expenses reimbursed to assess not covered |
| | | | Submit to CIT - Audited Accounts , note on Agri-activities , Certificate from Ministry of Agriculture |

# PROFIT AND GAINS OF BUSINESS OR PROFESSION

| Sec | Dec. On | S.No | Explanations |
|---|---|---|---|
| **35CCD** | **Skill Development Project** | | Incurred by **Companies** |
| | | | 150% Deduction |
| | | | Cost of LAND and BUILDING not dedcutible |
| | | | Project notified by CBDT |
| **35D** | **Amortization of Preliminary Expenses** | | Indian Companies & other Resident Taxpayers ( ie , Non-residents not covered ) |
| | | | 1/5 of Expenses claimed for Five Subsequent list. |
| | | | **Eligible Amounts :** |
| | | | Project Report |
| | | | Market survey |
| | | | Legal Charges / MOA / AOA / Registration Expenses |
| | | | **Limit :** |
| | | | 5% of Cost of Project or, |
| | | | 5% of Capital Employed whichever is **Higher** |
| | | | Cost of Project - Cost of Fixed Assets |
| | | | Capital Employed = Issued Share capital + Debentures + Long-term Borrowings |
| **35DD** | **Amortization of Expenses - Amalgamation / Demerger** | | 1/5 of Expenses claimed for Five Subsequent list. |
| | | | The deduction is available for the original Company for PY in which transfer is made. |
| **35DDA** | **VRS Expenditure** | | 1/5 of Expenses claimed for Five Subsequent list. |
| | | | The deduction is available for the New Company for PY in which transfer is made. |
| **35E** | **Prospecting of Minerals** | | Indian Companies & other Resident Taxpayers ( ie , Non-residents not covered ) |
| | | | **Amount of Deduction :** |
| | | i | 1/10 of Expenses or |
| | | | Amount to reduce Net profit to Nil |
| | | | Whichever is **less** |
| | | ii | Unadjusted Amount will be carried forward for Next installment. |
| | | | **Eligible expenses :** |
| | | i | Incurred in the year of Commercial Production or Upto 4 years before. |
| | | | **Not Eligible :** |
| | | i | Depreciable Assets |
| | | ii | Acquisition of site for Extration |
| | | iii | Acquisition of deposit of Minerals |

## PROFIT AND GAINS OF BUSINESS OR PROFESSION

| Sec | Dec. On | S.No | Explanations |
|---|---|---|---|
| **36** | **Other Deductions** | | Refer Page ( 8 ) |
| **37** | **Residuary Expenses** | | Any Business Expenditure |
| | | | **Conditions :** |
| | | i | Not covered under 30 To 36 |
| | | ii | Incurred in the year by the assessee |
| | | iii | After commencement of Business |
| | | iv | Not any personal expenses |
| | | v | Revenue expenditure |
| | | | **Not allowed as deductions :** |
| **Explanation** | 1 to Section 37(1) | | Not prohibited by law |
| **Explanation** | 2 to Section 37(1) | | CSR expenditures |
| **37(2B)** | | | Advertisement in Souvenirs of Political Parties |
| **Circular 09/2014** | **BOT Agreement** | | Development expenses to be amortized over the Period of Operating |
| **40** | **Inadmissible Expenses** | | Refer Page (9) |
| **40(A)** | **Payment to Relatives / Associates** | | Payment to relatives / Associates considered as Excessive or Unreasonable |
| | | | **Related Person :** |
| | | | Individual : Spouse , linear Ascendant or descendant of individual, brother , sister |
| | | | Others ( Firm / AOP / BOI / COMPANY ) - regards to Partners / members / Directors : Having substantial Interest |
| | | | **Substantial Interest :** |
| | | | 20% of Voting power - In case of companies |
| | | | 20% of Profit sharing - Others |
| **40A(3)** | **Rs 20,000 in Cash** | | Any payment Above Rs 20,000 in a day otherwise than by an account Payee cheque |
| | | | Rs 35,000 in case of Payment to transport agency |
| | | | **Subject to Rule 6DD :** |
| | | i | **Payment to :** |
| | | | RBI , Banks , LIC , Government |

## PROFIT AND GAINS OF BUSINESS OR PROFESSION

| Sec | Dec. On | S.No | Explanations |
|---|---|---|---|
| | | ii | **Payment through :** |
| | | | LC , Telegrapic transfers , debit / Credit cards , Bill of exchange |
| | | iii | Adjustment against liability |
| | | iv | **Payment made for :** |
| | | | Agri, Animal Husbandry , Fish products , Horiculture, to the **cultivator** of such produce. |
| | | v | Payment to purchase of Goods manufactured without Aid of Electricity |
| | | vi | Payment in Village or town in which Bank is not operative |
| | | vii | Payment to employee in connection with retirement etc if such amount does not exceeds Rs 50,000 |
| | | viii | Salary payment to employee in a place other than his residential town for 15 days or more and he doesnot maintain bank at any such place |
| | | ix | On closure of Bank ( holiday or strike ) |
| | | x | Payment to agent |
| | | xi | Currency exchanges |
| **40A(7)** | Provision on Gratuity | | Provision on Gratuity fund is disallowed but not on the provisions that is actually payable (ie , Outstanding Expenses ) |
| **40A(9) to (11)** | **Contribution by employers** | | Any contribution for Employee benefit other than allowable in Sec 36 will be disallowed |
| **44C** | **Head-office Expenses** | | Amount more than Specific limits are disallowed. |
| | | | Specified limits : **lower of** |
| | | i | 5% of Adjusted Total Income |
| | | ii | Acutal Expenses attributable to Business in India |
| | | | **Adjusted Total Income :** Income before giving effect to |
| | | 32(2) | Depreciation allowance |
| | | 36(ix) | Family planning expenses |
| | | 72(1) | Brought forward Business losses |
| | | 73(3) | Brought forward Speculative loss |
| | | 74(1) | Capital Gain loss |
| | | 74A(3) | Loss on Casual income under 56 |
| | | | **Where ATI is loss :** |
| | | | Take average of 3 Prior years |
| | | | If not operative in 3 years take half of Two years ATI |
| | | | If operative only for 1 prior year - Take ATI of that year |

## PROFIT AND GAINS OF BUSINESS OR PROFESSION

| Sec | Dec. On | S.No | Explanations |
|---|---|---|---|
| **41** | Section 41(1) | | **If any allowances is allowed in any Previous Year subsequently recovered or any benefit accrued like Remission of Liability :** |
| | | | Will be taxed as Income in such year |
| | | | Taxed Even if Business is closed |
| | | | Taxed in the Hands of Successor |
| | Section 41(4A) | | Withdrawal of Specific reserve under 36(1)(viii) |
| **42** | **Business of Prospecting etc of Minerals** | | **Allowable expenses :** |
| | | | Exploration Expenses prior to Beginning of Commercial Production |
| | | | Expenses in relation to Assets ( Not being depreciable ) for Exploration or Drilling |
| | | | Depletion of Mineral Oil |
| | | | Deduction : Computed as per Agreement between the Central Government |
| | | | **Special situations :** |
| | | i | Transferred - Amount remaining allowed Less Transfer Proceeds allowed in the Year of Transfer |
| | | ii | Sale Proceeds > ARU - To extent of Deductin earlier allowed will be taxed as PGBP |
| | | iii | In case of Amalgamation - Shall be claimed by amalgamated company |
| **43A** | **Changes in Exchange Rate** | i | Where any Asset is purchased from Foreign country, if the liability to pay either increases or decreases due to exchange fluctuation : |
| | | ii | No adjustments ifthe difference is met any other Person |
| | | | **Such difference should be adjusted for calculating :** |
| | | 43(1) | Acutal Cost of Asset |
| | | 35(1)(iv) | Capital Expenditure incurred on Scientific research |
| | | 35A | Acquisition of Patent |
| | | 36(1)(ix) | Family planning expenditures |
| | | 48 | Cost of Non-depreciable assets |
| **43B** | **Actual Payment** | i | Any Tax under any law |
| | | ii | **Employee welfare fund :** |
| | | | Employer Contribution - With due date under Sec 139(1) |
| | | | Employee Contribution - to be made within due date specified in respective due dates |
| | | iii | Bonus / Commission to employees |
| | | iv | Interest on Loan |
| | | v | Lieu of Earned Salary - Paid to Employee |

## PROFIT AND GAINS OF BUSINESS OR PROFESSION

| Sec | Dec. On | S.No | Explanations |
|---|---|---|---|
| | Explanation 3C & 3D | | If interest payable to bank is converted into Loan : |
| | ( Sum 18 ) | | Will not be treated as actually paid |
| **43C** | **Cost of Acquisition** | i | If amalgamated Company takes Capital Assets or Stock-in-trade of Amalgamating Company |
| | **( in case of Amalgamation )** | ii | As Stock-in-trade of Amalgamated company |
| | | iii | At a revalued Price |
| | | | **The Cost of Such such-in-trade is the :** |
| | | i | Cost of Acquisition of Amalgamating Company + |
| | | ii | Any improvements made |
| | | | **Situations covered :** |
| | | i | Stock of Amalgamating company taken over at revalued price |
| | | ii | Capital Asset of Amalgamating Company taken over at revalued Price as Stock-in-trade ( Whether revaluation is done prior / after amalgamation ) |
| | | | **Not Covered** : Capital Asset revalued and Converted into Stock-in-trade before Amalgamation by amalgamating company [ sec (45(2) ] |
| **43CA** | **Stamp Duty Value** | | 43CA is for Stock-in-trade similar to 50( C ) is for Capital Assets |
| | | | **If Date of Agreement for sale and Date or Registration is not same :** |
| | | i | If Advance received **( other than in Cash ) -** SDV as on date of Agreement |
| | | ii | If not - SDV as on date of registration |
| **43D** | **Income of Public Financial** | | **Income by way of Interest on Bad & doubtful debts ( with regards to guidelines of RBI ) shall be taxed in the Year :** |
| | **Instuitions** | i | In which it is first credited |
| | | ii | Or in Year of Actual receipt |
| | | | Whichever is **earlier** |
| **44** | **Insurance Companies** | | Profit of Insurance companies calculated as per First Schedule of IT Act 1961, notwithstanding anything in Sec 28 To Sec 43D |

## PROFIT AND GAINS OF BUSINESS OR PROFESSION

| Sec | Dec. On | S.No | Explanations |
|---|---|---|---|
| **44A** | **Deficiency of Associations** | | **Associations for Common benefit of Members** |
| | | i | Exepnditure is more than Amount collected from Members - Deficiency |
| | | ii | Not Allowed under 10(23A) |
| | | iii | Such deficiency can be set-off against income taxable under PGBP |
| | | iv | If no PGBP income - Can be set-off against Other Heads |
| | | v | Maximum deduction - 50% of Total Taxable Income |
| | | vi | This provision is applied after set-off of any other allowances or Carried forward losses |
| | | vii | Income is not distributed to Members |
| | | | |
| **44AA** | **Maintenance of Books** | i | **Mandatory without limits :** |
| | | a | Legal / Medical / Engineering / Architectural Profession / Profession of Accountancy |
| | | | Technical Consultancy / Interior decoration / Film Artist |
| | | | |
| | | ii | **Any Others Business or Profession :** |
| | | a | Where Gross Receipts / Sales Turnover exceeds Rs 1,20,000 in a year or if |
| | | | Rs 10,00,000 in Any of the three previous Accounting Years |
| | | b | **Newly Started :** If likely to exceed Rs 1,20,000 |
| | | | |
| | | iv | If 44AE, 44BB , 44BBA - If profit declared below limits specified |
| | | | |
| | | v | If profit declared below limits specified under 44AD & income exceeds basic limit |
| | | | |
| | **Rule 6(F)** | | **Books to be Maintained :** |
| | | i | Cash book |
| | | ii | Journal |
| | | iii | Ledger |
| | | iv | Carbon copies of Bills / Receipts issued |
| | | v | Original Bills for payment / Voucher is Rs 50 and below |
| | | vi | Medical Profession : Daily Cash register , Inventory records |
| | | | |
| | | | **Assessee** : For Assessee who is mandatorily liable to maintain books without any limits if : |
| | | i | Gross receipts exceeds Rs 1,50,000 in all three preceedings years |
| | | ii | **Newly Started :** If likely to exceed Rs 1,50,000 |

## PROFIT AND GAINS OF BUSINESS OR PROFESSION

| Sec | Dec. On | S.No | Explanations |
|---|---|---|---|
| **44AB** | **Audit of Accounts** | i | If Turnover exceeds Rs 100 Lakhs ( Business ) |
| | | ii | If Gross receipts exceeds Rs 25 Lakhs ( Profession ) |
| | | iii | Where Profit claimed is below the limits specified under deeming provision of 44AE , 44BB , 44BBB |
| | | iv | If profit declared below limits specified under 44AD & income exceeds basic limit |
| | | v | **44AB does not apply for Person having income under 44B , 44BBA** |
| **44AD** | **Presumptive Taxation** | i | Business with turnover upto Rs 100 Lakhs |
| | | ii | Resident Individual / HUF / Firm |
| | | iii | Sec 10AA or Chapter VI A - Deduction in respect of Certain income not claimable |
| | | iv | Minimum of 8% of turnover to be declared as profit |
| | | v | No deduction under 30 - 38 Allowed ( including Depreciation ) |
| | | vi | 40(b) would be allowed |
| | | | **Assessee Not Eligible for 44AD :** |
| | | i | LLP , Company |
| | | ii | Professionals |
| | | iii | Commission / Brokerage business |
| | | iv | Agency Business |
| **44AE** | **Plying / hiring / Leasing Goods Carriage** | i | Not owing more than 10 Goods vehicles at any time during the year |
| | | ii | Rs 7500 per vehicle per month or part of the month of **OWING** ( not put to use ) |
| | | iii | No deduction under 30 - 38 Allowed ( including Depreciation ) |
| **44B -44BBB** | **Non-Resident Assessees** | | Refer Page ( 10 ) |
| **44DA** | **Royalty Income for Non-Resident** | | Royalty income to be computed based on Books maintained under the Act |
| | | | **Conditions :** |
| | | | Carried on through Permanent Establishment |
| | | | Maintain Books under 44AA |
| | | | Audited by a Chartered Accountant |
| | | | Expenditure not incurred wholly for business of PE - Not allowed |
| | | | Assessee not eligible for 44BB |

## PROFIT AND GAINS OF BUSINESS OR PROFESSION

| Sec | Dec. On | S.No | Explanations |
|---|---|---|---|
| **44DB** | Re-organisation of Co=operative Banks | | Deductions under 32 , 35D , 35DD , 35DDA |
| | | 32 | To be apportioned between Predecessor and Successor co-operative banks in the basis of No. of Days |
| | | Others | Applicable to Successor co-operative bank in the Financial year subsequent to year of re-organisation |
| **Rule 7A, 7B , 8** | **Both Agri & Business Income** | | Refer Page ( 11 ) |

Page 1 : **SECTION 32 - DEPRECIATION**

| Particulars | S.No | Explanations |
|---|---|---|
| **Depreciation** | | **Depreciation can be deducted for :** |
| | i | Building , Plant & Machinery , Furniture |
| | ii | Know-how, Patents , Copy-rights , Trademarks, Licence |
| **Conditions** | i | Asset Put to use for Less than 180 Days - 50% of Depreciation can be deducted |
| | iii | Asset Put to use for Less than 180 Days - 50% of Depreciation can be deducted |
| | iv | Succession of Assets - Claim depreciation between Predecessor & Successor proportionately in the Ration of No of Days used |
| **Hire Purchase** | i | If Ownership is transferred to Lesee ie, Installment purchase ( the Lessor has no right to recover the asset but can sue for the Claims ) - Lessee |
| | ii | If Ownership is not transferred to Lesee ( The lessor can recover the assets ) - Lessor |
| **Computation** | i | Generation & Distribution of Power - SLM basis |
| | ii | Others - WDV based on - "Block of Assets" concept |
| **Additional** | i | **20% Additional Depreciation** |
| **Depreciation** | | **35% for Industry set-up in backward areas** |
| | | For Assets used less than 180 Days - 50% in PY and balance 50% is subsequent previous Year |
| | | **Conditions :** |
| | i | Manufacturing an article or a thing |
| | ii | **Not eligible for :** |
| | | A second hand machinery ( Either Within or outside the country ) |
| | | Machinery / Office equipements installed in Office Premises / Residence |
| | | Road transport vehicles |
| | | Assets on which 100% of Expenditure is Allowed as deduction in the previous year |
| | | Ships / Aircraft |
| **Terminal** | | **In case of Power Concerns :** |
| **Depreciation** | | Amount Received ( Even Scrap Value ) < WDV = the Difference between the two will be allowed as terminal depreciation |
| ( sum 4 ) | | If Scrap Value >WDV = Balancing Charge |

Page 2 : **Section 43(1) - Actual Cost**

| S.No | Particulars | Explanations |
|---|---|---|
| 1 | General | Cost as reduced by Portion paid by Others either directly or indirectly<br>**Add :**<br>Interest accured before assets have been put to use<br>**Less :**<br>Duties for which Credit is Available<br>Subsidy received |
| 2 | Scientific Assets | Actual Cost - Dedcutions allowed under 35 ( ie, NIL ) |
| 3 | Gist/will/inheritance | WDV of Previous Owner |
| 4 | Assets transferred<br>to Reduce Tax liability | Determined by assessing officer |
| 5 | Assets re-acquired | i) WDV as on date of **original transfer**<br>ii) Actual Purchase price<br>**Whichever is less** |
| 6 | Assets transferred<br>and re-acquired on lease | WDV as on date of original transfer |
| 7 | Personal Assets transferred<br>to Business ( Other than Building ) | Actual Cost |
| 8 | Personal Assets transferred<br>to Business ( Building ) | Actual Cost - Notional depreciation at rates prevailing on the transfer date |
| 9 | Holding to Subsidiary,<br>Amalgamation, Demerger<br>Corporatisation, conversions | WDV of Previous Owner |
| 10 | Asset Acquired outside India<br>By Non-resident &<br>Brought to India | Actual Cost - Notional depreciation at rates prevailing from Time to Time |
| 11 | 35AD assets | Nil<br>If 35AD deduction is claimed either by the assessee or the Previous owner. |

Page 3 : **DEPRECIATION RATES :**

| BLOCK | NAME OF THE ASSETS | RATE |
|---|---|---|
| | **Building** | |
| Block 1 | Building used for Resedential Purpose | 5% |
| Block 2 | Buildings - Others | 10% |
| Block 3 | Building - For Water Treatment Systems | 100% |
| Block 4 | Temporary Erections | 100% |
| | | |
| | **Furniture** | |
| Block 1 | Furniture & Fittings including Electrical Fittings | 10% |
| | | |
| | **Plant & Machinery** | |
| Block 1 | Motor Buses , lorries , Taxis used in Business of Running them on Hire | 30% |
| Block 2 | Aerplanes , Aeroengines | 40% |
| Block 3 | Air , Water Pollution Control Equipements , Solid Waste treatment systems | 100% |
| Block 4 | Energy Saving devices | 80% |
| Block 5 | Motor cars - other than above | 15% |
| Block 6 | Computes / softwares | 60% |
| Block 7 | Annual Publications - Profession | 100% |
| Block 8 | Books for lending in libraries | 100% |
| Block 9 | Other than Annual Publications - Profession | 60% |
| Block 10 | Plant & Machinery | 15% |
| | | |
| | **Ships** | |
| Block 1 | Ocean-Going Ships | 20% |
| Block 2 | Vessels in inland Waters other than Block 3 | 20% |
| Block 3 | Speed Boats on inland Waters | 20% |
| | | |
| | **Intangibles** | |
| Block 4 | Know-How , Patents , Copyrights etc | 25% |

**Specific Clarifications :**

| | | |
|---|---|---|
| Wind-Mills | Before 31-03-2014 | 15% |
| | After 01-04-2014 | 80% |
| | | |
| Rule 5(2) | Manufacture Article / Thing using Rechnology Developed by Government, | 40% |
| | Laboratory , Universities , Public Sector Company | For Any |
| | Conditions : | Block of |
| | Right to Use such Technology is Acquired | Assets |
| | Certified by Authority | |
| | Not a Eleventh Schedule Article / Thing | |

Page 4 : **33AB - TEA / COFFEE / RUBBER DEVELOPMENT :**

| Particulars | Deduction | Conditions | Violations |
|---|---|---|---|
| Assess Before 6 Months from the End of Previous Year or Before Due Date whichever is eariler : | Sum Deposited | Deduction allowed before Setting off of Brought Forward loss under sec 72 | Amount withdrawn on Closure / Dissolution / Liquidation will be taxed under PGBP |
| Deposit with NABARD any amount in special Account / deposit account as per scheme approved by Tea / Coffee / Rubber Board | 40% of Profit computed under PGBP | Where the Assessee is a FIRM / BOI / AOP then such deductions should not be claimed in the hands of Partner / Members | Amount utilized for the Purpose wont be allowed as deduction |
| | **Whichever is Less** | Accounts Audited by Chartered Accountant | Amount released but Unutilized - Tax as PGBP |
| | | Amount withdrawn should be used for Purpose mentioned in the scheme | Asset Sold Within 8 Years - Cost Earlier Allowed will be Taxed as PGBP |
| | | Utilized for Assets Not Qualifying for " additional Depreciation " & not Manufacturing Eleventh Schedule Goods | ( if Sold for Government, Local Authority etc - Not a Violation ) |

**33ABA - Site Restoration Fund**

| Particulars | Deduction | Conditions | Violations |
|---|---|---|---|
| Assessee Carrying on Business of Extraction or Production of Petroleum , Natural Gas | Sum Deposited | Where the Assessee is a FIRM / BOI / AOP then such deductions should not be claimed in the hands of Partner / Members | Account Closed - Amount Withdrawn less amount payable to CG as a Share in Profit under the Agreement will be taxed under PGBP |
| Deposit with SBI any amount in special Account / deposit account as per scheme approved by Ministry of Petroleum and Natural Gas | 20% of Profit computed under PGBP | Accounts Audited by Chartered Accountant | Amount utilized for the Purpose wont be allowed as deduction |
| | **Whichever is Less** | Amount withdrawn should be used for Purpose mentioned in the scheme | Amount released but Unutilized - Tax as PGBP |
| | | Utilized for Assets Not Qualifying for " additional Depreciation " & not Manufacturing Eleventh Schedule Goods | Asset Sold Within 8 Years - Cost Earlier Allowed will be Taxed as PGBP |
| | | | ( if Sold for Government, Local Authority etc - Not a Violation ) |

**SECTION - 35**

| Sec | Incurred by | For | Deduction |
|---|---|---|---|
| 35 | Himself | Scientific Research **releated to his Business** | 100% |
| | **Revenue Expense :**<br>Material Used / Salary Incurred 3 Years Prior to Commencement of Business<br>Allowed in the Year of Commencement of Business | | |
| | **Capital Expense :**<br>Capital Expenditure other than **LAND** | | |
| **Note :** | On Sale of Asset for which deduction is Allowed : | | |
| | **Without Use :** | Least of Sale Proceeds or Deduction Allowed is Taxed under PGBP<br>Excess of Sale Proceeds over Cost - CAPITAL GAINS | |
| | **With Use :** | Asset will be Added to Block with **NIL** Cost<br>On Sale the Sale proceeds will be deducted from WDV of the Block | |
| 35(1)(ii) | University , College or Other instuition or Research Institution | Scientific Research Purpose | 175% |
| 35(1)(ii) | In-House Research of Government Company | Expenditure on Sponsored Research | 175% |
| 35(1)(iia) | Company Registered in India and Having Main Object as<br>Research and development | Scientific Research | 125% |
| 35(1)(iii) | Research Association,University, College<br>( notified in Official Gazette ) | Social Science or Statistical Research | 125% |
| 35(2AA) | National Laboratory / University / IIT | Scientific Research Approved by pescribed Authority | 200% |
| 35(2AB) | **Company** Engaged in Business of Drugs , Electronic Equipments<br>Capital Expenditure other than **LAND and Building** | Scientific Research | 200% |

Page 6 : **ELIGIBLE ASSESSEES FOR CLAIMING DEDUCTION UNDER SECTION - 35 AD**

| S.No | ELIGIBLE ASSESSEE FOR 100% DEDUCTION |
|---|---|
| 1 | Setting-Up And Operating Cold Chain' Facilities For Specified Products; **( AFTER 01-04-2009 )** |
| 2 | Setting-Up And Operating Warehousing Facilities For Storing Agricultural Produce; **( AFTER 01-04-2009 )** |
| 3 | Laying And Operating A Cross-Country Natural Gas Or Crude Or Petroleum Oil Pipeline Network For Distribution, Including Storage Facilities Being An Integral Part Of Such Network **( AFTER 01-04-2007 )** |
| 4 | Building And Operating A Hotel Of Two-Star Or Above Category, Anywhere In India; ( Even when Operating of Hotel is transferred to Another Person but ownership remains the same ) |
| 5 | Building And Operating A Hospital, Anywhere In India, With At Least 100 Beds For Patients; |
| 6 | Developing And Building A Housing Project Under A Scheme For Slum Redevelopment Or Rehabilitation Framed By The Central Government Or A State Government, As The Case May Be, And Notified By The Cbdt In Accordance With The Prescribed Guidelines. |
| 7 | Developing And Building A Housing Project Under A Notified Scheme For Affordable Housing Framed By The Central Government Or State Government; **( AFTER 01-04-2011 )** |
| 8 | Production Of Fertilizer In India; **( AFTER 01-04-2011 )** |
| 9 | Setting Up And Operating An Inland Container Depot Or A Container Freight Station Notified Or Approved Under The Customs Act, 1962; **( AFTER 01-04-2012 )** |
| 10 | Bee-Keeping And Production Of Honey And Beeswax; And **( AFTER 01-04-2012 )** |
| 11 | Setting Up And Operating A Warehousing Facility For Storage Of Sugar. **( AFTER 01-04-2012 )** |
| 12 | Laying And Operating A Slurry Pipeline For The Transportation Of Iron Ore; And **( AFTER 01-04-2014 )** |
| 13 | Setting Up And Operating A Semiconductor Wafer Fabrication Manufacturing Unit, If Such Unit Is Notified By The Board In Accordance With The Prescribed Guidelines. **( AFTER 01-04-2014 )** |

| S.No | ELIGIBLE ASSESSEE FOR 150% DEDUCTION |
|---|---|
| 1 | Setting Up And Operating A Cold Chain Facility; |
| 2 | Setting Up And Operating A Warehousing Facility For Storage Of Agricultural Produce; |
| 3 | Building And Operating, Anywhere In India, A Hospital With At Least 100 Beds For Patients; |
| 4 | Developing And Building A Housing Project Under A Scheme For Affordable Housing Framed By The Central Government Or A State Government. Such Scheme Should Be Notified By The Cbdt In Accordance With The Prescribed Guidelines; And |
| 5 | Production Of Fertilizer In India. |

Page 7 : **35AD - CONDITIONS FOR CLAIMING DEDUCTIONS :**

| S.No | CONDITIONS |
|---|---|
| 1 | It should not be set up by splitting up, or the reconstruction, of a business already in existence; |
| 2 | It should not be set up by the transfer to the specified business of machinery or plant previously used for any purpose;<br>ie, The Total Value of P&M should not exceed 20% of the value of the total plant or machinery used in the new business.<br><br>**P&M used outside India by any person other than the assessee wont be considered provided the following conditions are satisfied:**<br><br>i) Such plant or machinery was not used in India at any time prior to the date of its installation by the assessee;<br><br>ii) The plant or machinery was imported into India from a foreign country;<br><br>iii) No deduction in respect of depreciation of such plant or machinery has been allowed to any person at any time prior to the date of installation by the assessee. |
| 3 | **In respect of the business of laying and operating a cross-country natural gas or crude or petroleum oil pipeline network for distribution, including storage facilities being an integral part of such network, such business,—**<br><br>(a) India Companyor consortium of such companies or by an authority or a board or a corporation established under any Act.<br><br>(b) Approved by the Petroleum and Natural Gas Regulatory Board<br><br>(c ) Notified in the Official Gazette<br><br>(d) Should have made not less than such proportion of its total pipeline capacity available for use on common carrier basis by any person other than the assessee or an associated person. Ie,<br><br>(1) one-third for natural gas pipeline network; and<br><br>(2) one-fourth for petroleum product pipeline network. |
| 4 | Chapter IV-A or 10AA deductions not allowed. |
| 5 | Assets Should be used for Specified business for 8 Years |
| 6 | **LAND , GOODWILL or FINANCIAL INSTRUMENTS** not Eligible |
| 7 | When assets are transferred to Other Business of the Assess less than market value - Transfer Value would be deemed to be market value. |
| 8 | Audited by Chartered Accountant |
| 9 | If assets is used for Any other business : Deduction Earlier allowed less Depreciation Allowable will be taxed under PGBP |
| 10 | If asset is demolished , Destroyed , Discarded - Amount received on Such sale is Taxable. |

Page 8 : **36 - OTHER DEDUCTIONS**

| SEC | Related to | S.No | Explanation |
|---|---|---|---|
| 36(1)(i) | Insurance | | Premia on Insurance of Stock / Stores |
| 36(1)(ia) | Insurance | | On life of Cattle owned by member of Federal Co-operative Milk Society |
| 36(1)(ib) | Health Insurance | | Paid **other than in cash** - employee Health insurance |
| 36(1)(ii) | Bonus & Commission | | Paid to Employees ( not as profit / Dividend as bonus ) |
| 36(1)(iii) | Interest on Borrowed Capital | | Interest after date of Putting the Asset into Use. |
| 36(1)(iiia) | Discount on ZCB | | Discount to be claimed on Pro-rata basis during the Period of Maturity |
| 36(1)(iv) & (v) | Contribution to Funds | | Approved Funds for Employee benefit |
| 36(1)(iva) | Pension Scheme | i | Employer's Contribution |
| ( Sum 14 ) | | ii | Maximum of 10% of Salary + DA |
| 36(1)(vi) | Allowance for Animal | | Cost - Sale Proceeds ( If Animal decomes Permanently useless or is dead ) |
| 36(1)(vii) | Bad debts | i | Debt should be related to Business |
| | | ii | Should be Taken as income of any previous years |
| | | iii | Written off in the books of accounts |
| | | iv | Limited to Amount which exceeds the provision for bad debts account |
| | | v | Where the Bad debts of a concern includes **Advances** |
| | | | The Bad debts is to be debited to Provision for Bad & Doubtful debts |
| | | vi | Where a debt not recorded in the books but considered in the Income Tax as per ICDS, it would be deemed to be written-off |

Page 8 : **36 - OTHER DEDUCTIONS**

| SEC | Related to | S.No | Explanation |
|---|---|---|---|
| 36(1)(viia) | Provision for Bad debts | | **For Rural Branches of scheduled banks** |
| ( sum 15 ) | | i | 7.5% of Gross Total Income |
| | | ii | 10% of Aggregate average advances |
| | | | **For Foreign Banks , Public finance instutions :** |
| | | i | 5% of Gross Total Income |
| 36(1)(viii) | Special Reserve of | i | **Specified entity** |
| | Specified Entities for | A | Financial Corporation specified in section 4A of the Companies Act, 1956 Financial corporation which is a public sector company, Banking Company or Co-operative bank |
| | Eligible Business | | (other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank) |
| | | B | A housing finance company |
| | | C | Any other financial corporation including a public company |
| | | ii | **Eligible business** |
| | | For A | Business of providing long-term finance for -<br>(i) Industrial or agricultural development or<br>(ii) Development of infrastructure facility in India; or<br>(iii) Development of housing in India. |
| | | For B | Business of providing long-term finance for the construction or purchase of houses in India for residential purposes. |
| | | For C | Business of providing long-term finance for development of infrastructure facility in India. |
| | | iii | Maximum Dedcution - 20% of Profit Computed under PGBP |
| | | iv | If Reserve is greater than 2 time of Paid-up Capital + Reserves - Excess not allowed |

Page 8 : **36 - OTHER DEDUCTIONS**

| SEC | Related to | S.No | Explanation |
|---|---|---|---|
| 36(1)(ix) | Family Planning | | Company for Promoting Family planning amongst employees |
| | | | 1/5 for Five Subsequent years |
| 36(1)(xii) | Entities established by Provincial Acts | | **Conditions:** |
| | | i | Constituted under State / Central Provincial Act |
| | | ii | Notified in official Gazette |
| | | iii | Not capital expenditure |
| | | iv | Incurred for Purpose authorized in the Act |
| 36(1)(xiii) | Cash Transaction Tax | | Banking Cash transaction tax is deductible |
| 36(1)(xiv) | Contribution by Public Financial Instuition | | Amount paid to Credit guarantee fund trust for small industries |
| 36(1)(xv) | Securities Transaction Tax | | When income from Taxable securities transactions is included in "PGBP" |
| 36(1)(xvi) | Commodities Transaction Tax | | CCT paid (0.01% ) on Taxable commodity transactions are deductible |
| | | | Commodity derivative : Contract for delivery of Goods which is not a ready delivery, Contract which derives it value from the underlying Stock |
| 36(1)(xvii) | Sugarcane purchase | i | Co-operative Society |
| | | ii | Engaged in Manufacturing Sugar |
| | | iii | Price of sugarcane $\leq$ price fixed by government |

Page 9 : **SECTION 40 - INADMISSIBLE EXPENSES**

| SEC | Expenses |
|---|---|
| 40(a) | **100% of Any Payment** |
| | i) Outside India ii) In India to a non resident |
| 40(a)(ia) | **30% of Sum payable to resident** |
| | **Where TDS is deductible but :** |
| | i) Not deducted |
| | ii) Deducted but not paid to government within Due date of filing u/s 139(1) |
| **Note :** | If the TDS is paid after the due date the Said expenses will be allowed in the year of Payment |
| | If TDS is not deducted but the resident payee ( from whom TDS is deductible ) pays income tax : |
| | Allowable in the year of Payment. |
| **Taxes** | Any Sum which is allowable under Sec 90 , Sec 91, Sec 90A, Wealth Tax paid |
| **Salary** | To Non-resident or Outside India if TDS not deducted |
| **SG. Undertaking** | Any amount payable as royalty / fees etc, by a state government undertaking to State Government |
| | Any amount apportioned directly or indirectly, by a state government undertaking to State Government |
| **Contributions** | Contribution to pension fund etc, if Assessee has not made effective arrangements for deducting TDS on Payments from the Fund |
| **Tax paid on perquisites** | Allowable in the hands of Employee , so disallowed in the hands of Employer |
| **40(b)** | Interest - 12% or Specified in Deed whichever is lower |
| | Remuneration - 90% on First 3 Lakhs of book profit , 60% on rest or Authorized by deed whichever is lower |
| | Minimum - Rs 1,50,000 can be claimed even in case of Loss |
| **40(ba)** | Payment of Interest / Bonus / Commission etc, by BOI, AOP is not allowed |

Page 10 : **SPECIFIC PROVISION FOR NON-RESIDENTS :**

| Section | 44B | 44BB | 44BBA | 44BBB |
|---|---|---|---|---|
| **Eligible Assessee** | Non- Resident | Non- Resident | Non- Resident | For **Foreign Companies** |
| **Eligible Business** | Shipping Business | Assessee being non-resident supplying Machinery on Hire or any other service for exploration of Mineral Oils. | Operation of Aircrafts for Carriag | Civil Constructions in Trunkey Power Projects |
| **Deduction** | **7.5% of Aggregate of** : | **10 % of Aggregate of** : | **5% of Aggregate of** : | **10 % of Aggregate of** : |
| **a** | Amount paid / Payable within or Outside India for Shipping from Indian Port | Amount paid / Payable within or Outside India for service rendered in India | Amount paid / Payable within or Outside India for Operation in India | Amount paid / Payable within or Outside India for service rendered in India |
| **b** | Amount received / receivable in India for Shipping from any port other than in India | Amount received / receivable in India for service rendered outside India | Amount received / receivable in India for operations outside India | Amount received / receivable in India for service rendered outside India |

**Page 11 : Rule 7A , 7B & 8**

**In Computing Such income :**

Allowance for Cost of Planting Rubber in Replacement of plants that became useless

No deduction from Cost of Subsidy which is not includible under Section 10 clause 31

| 7A | 7B | 8 |
|---|---|---|
| **Rubber** | **Coffee** | **Tea** |
| 35% of Income is Treated as Taxable | Grown , Cured - 25%<br>Grown , Cured , Roasted , Grounded - 40% | 40% of Income is Treated as Taxable |