

* Sec. 37(1) - General Deductions

- ① if Exp. not Allowed as Ded. u/s 30 to 36(1).
- ② Not being Capital Nature Exp.
- ③ Not being offensive or Illegal in Nature.
- ④ Exp. wholly & exclusively incurred for Business/Profession.

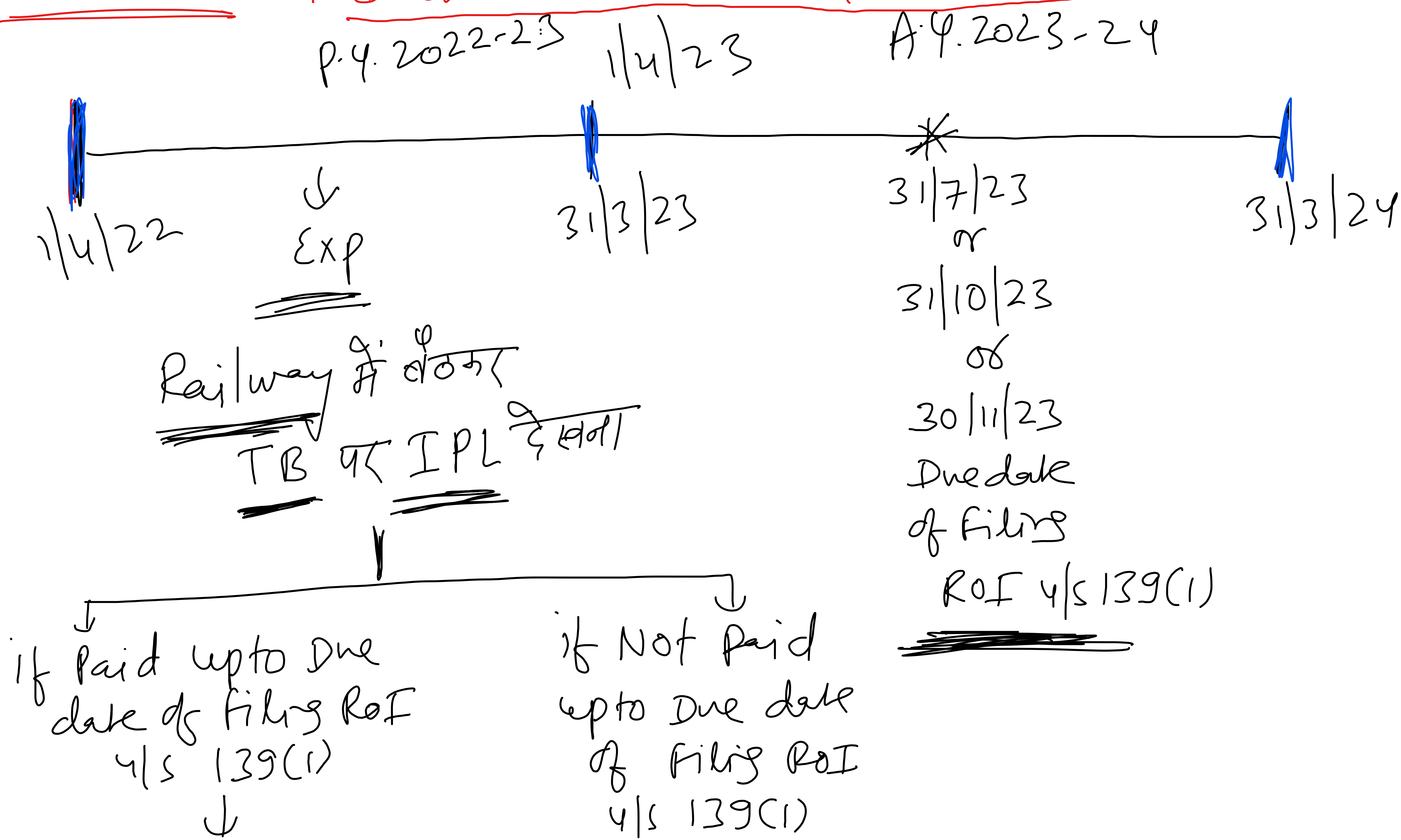
All 4 Conditions are Satisfied, Exp. shall be Allowed as Ded. u/s 37(1).

* Penalty —→ Breach of Law → Disallowed
 —→ Breach of Contract → Allowed u/s 37(1)

* GST —→ Allowed as Ded. u/s 37(1) as per Sec. 43B
 —→ if Not Paid as per Sec. 43B → Disallowed

* Income Tax → Disallowed.

* Sec. 43B - Deduction on Payment Basis

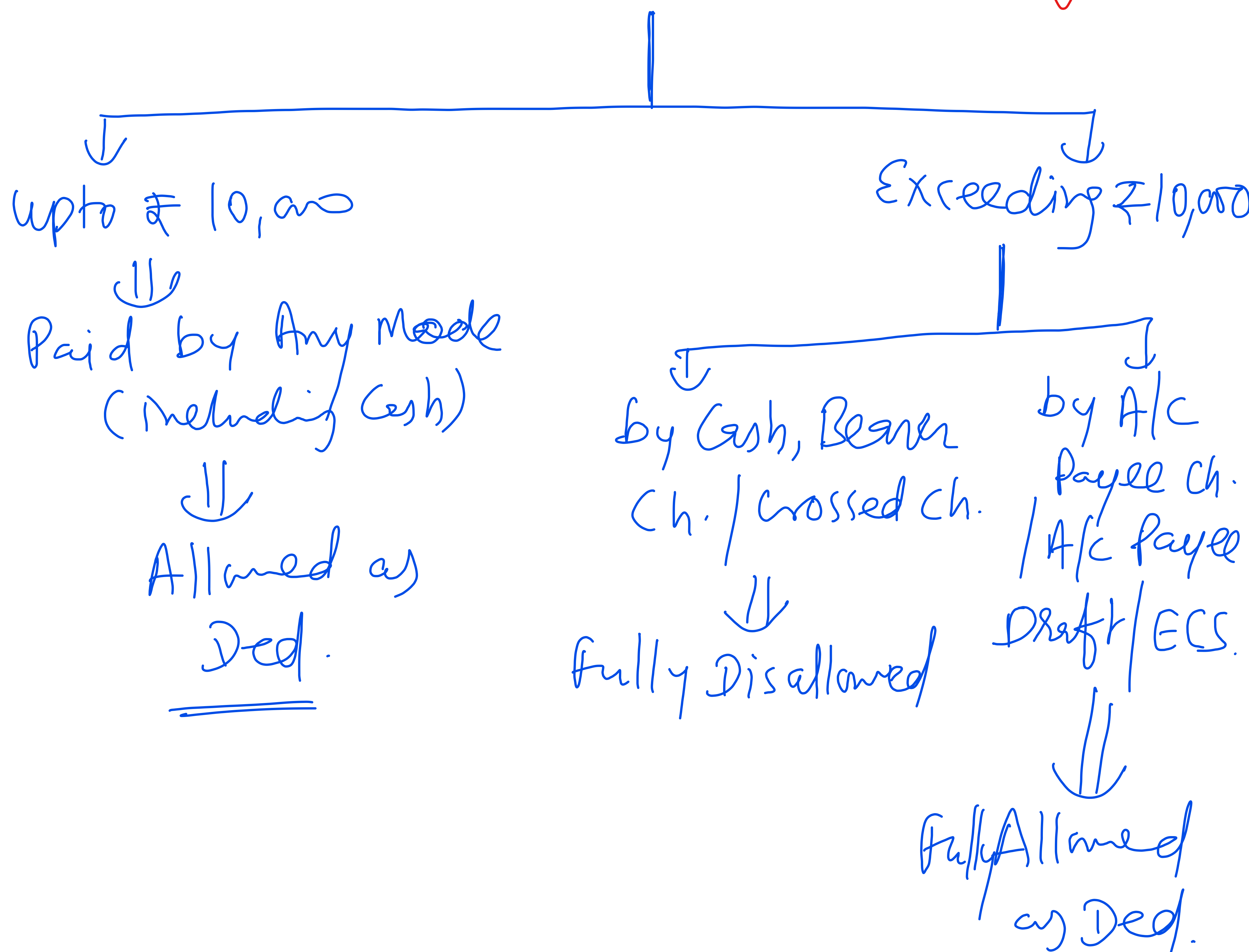


Allowed in
the Rel. P.Y.
i.e. P.Y. 2022-23

Disallowed in
the Rel. P.Y. i.e.
P.Y. 2022-23
and Allowed &
Ded. in the P.Y.
in which it
is Actually Paid

* Sec. 40A(3)

Any Payment To a Person, in a Day
(Single Person - Single Day)



* if Paid to Transporter, then limit is ₹ 35,000

Sec. 40A(2) - Excess payment to Relative

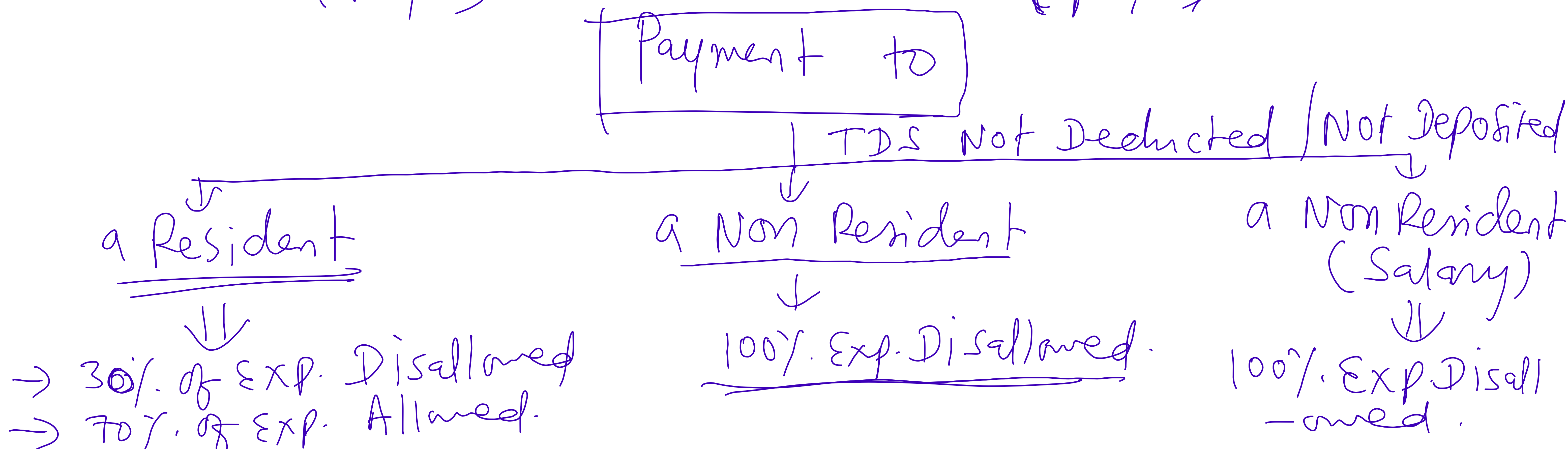
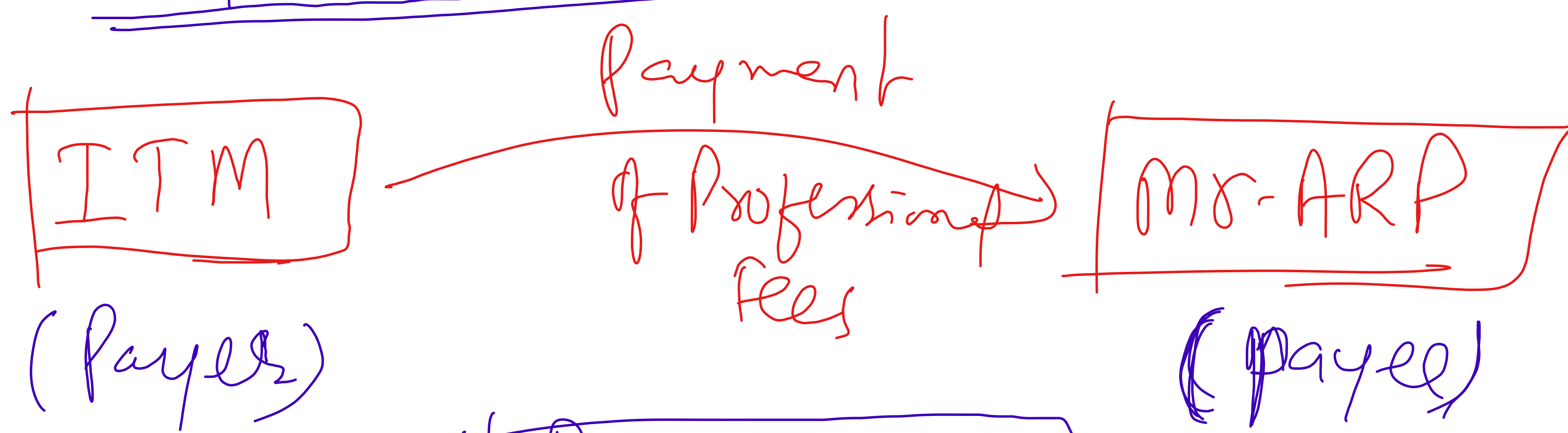
Payment is up to
FMV
↓
Allowed
as Ded.

Excess of FMV
↓
Disallowed

Relative

- (1) for Individual → Spouse, Brothers, Sisters, L.A. & L.D.
- (2) For HUF → members of HUF
- (3) PF/UP → partners & their Relatives
- (4) Company → Directors & their Relatives, Substantial Interest holder [i.e. Holding 20% or more voting Rights (eq. sh.) in Company]

★ Sec. 40(a) Payment without TDS



Permanent
Disallowance

Temporary Disallowance

if Tax Deducted Later
& Deposited to Govt;
then it will be allowed
as Ded.

* Sec-28 Business Income / Professional Income

- ① Gross Profit / Gross Receipts
- ② Subsidy / Govt Grant Received (Revenue in Nature)
[However, Subsidy / Govt Grant Received of Capital Nature,
shall be deducted from Cost of Capital Asset]
- ③ Gift, Perquisite, value of Benefit from Client / Customer.
- ④ Any Salary, Interest, Remuneration etc. received by a
Partner from PF / LLP.

* Sec-41 Deemed PGBP

- ① Sec-41(1) - Subsequent Recovery of Exp. allowed
as Ded. in any Earlier P.Y.

Eg. GST Refund, Insurance claim Received for
Loss of stock claimed as Ded. u/s 37(1) in
any Earlier P.Y., Working Capital Loan written-off

② Sec. 41(3) Sale of Scientific Research Asset
on which Ded. claimed under 4/535

Cost of Asset ₹ 100 L (P.Y. 2021-22)

Ded. 4/535 from PGBP = 100% of 100 L

WDV = Nil = ₹ 100 L

P.Y. 2022-23

Sale of Asset

⇓

S.P. ₹ 120
(-) WDV Nil

Profit ₹ 120

|

↓ Sec. 41(3) Deemed PGBP ₹ 100 L [to the extent Ded. claimed 4/535]	↓ <u>SP - Cost</u> ₹ 120 - 100 = ₹ 20 ⇓ <u>STCG</u>
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Sec. 41(4) ⇒ Bad debts Recovery

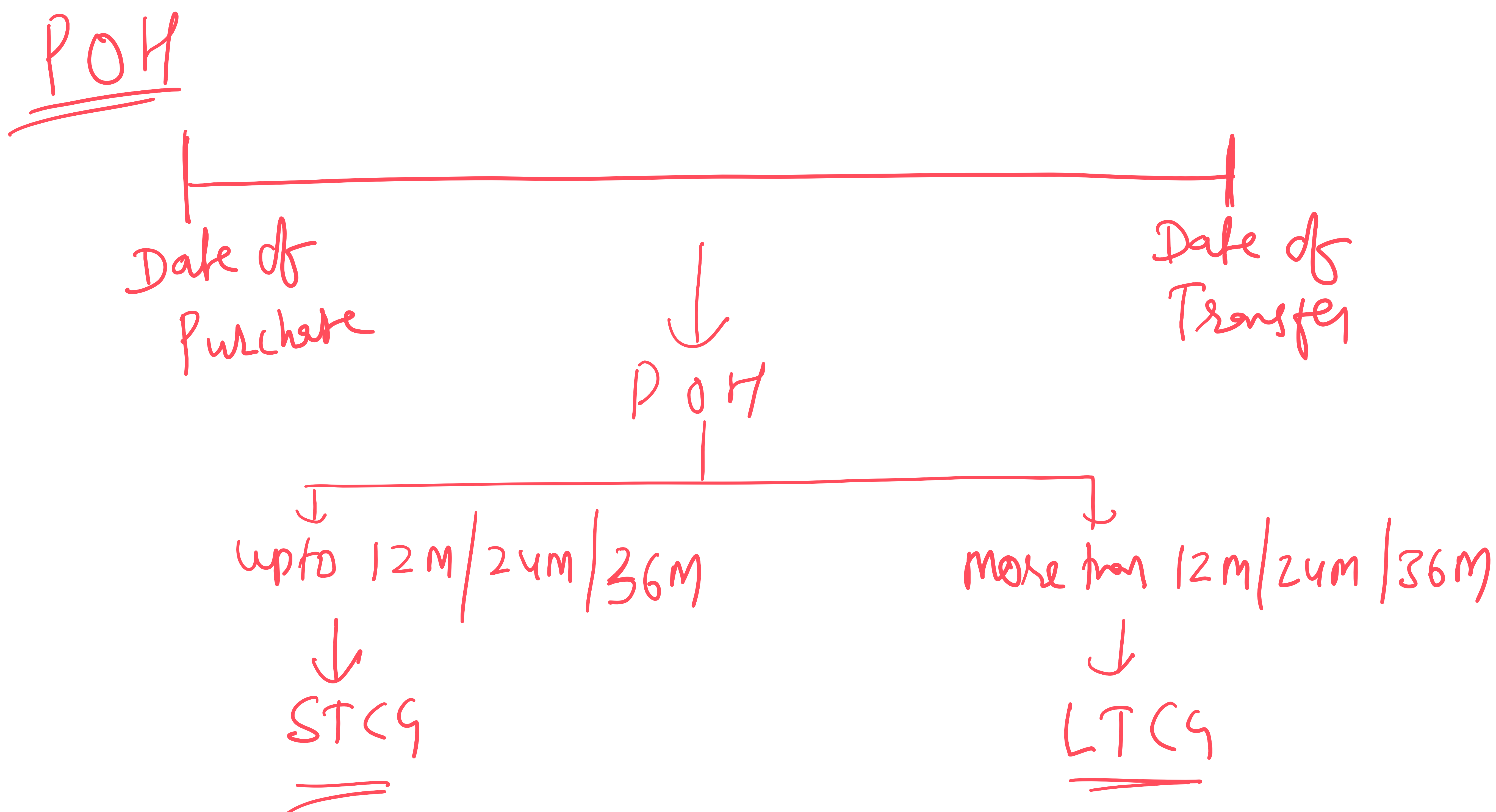
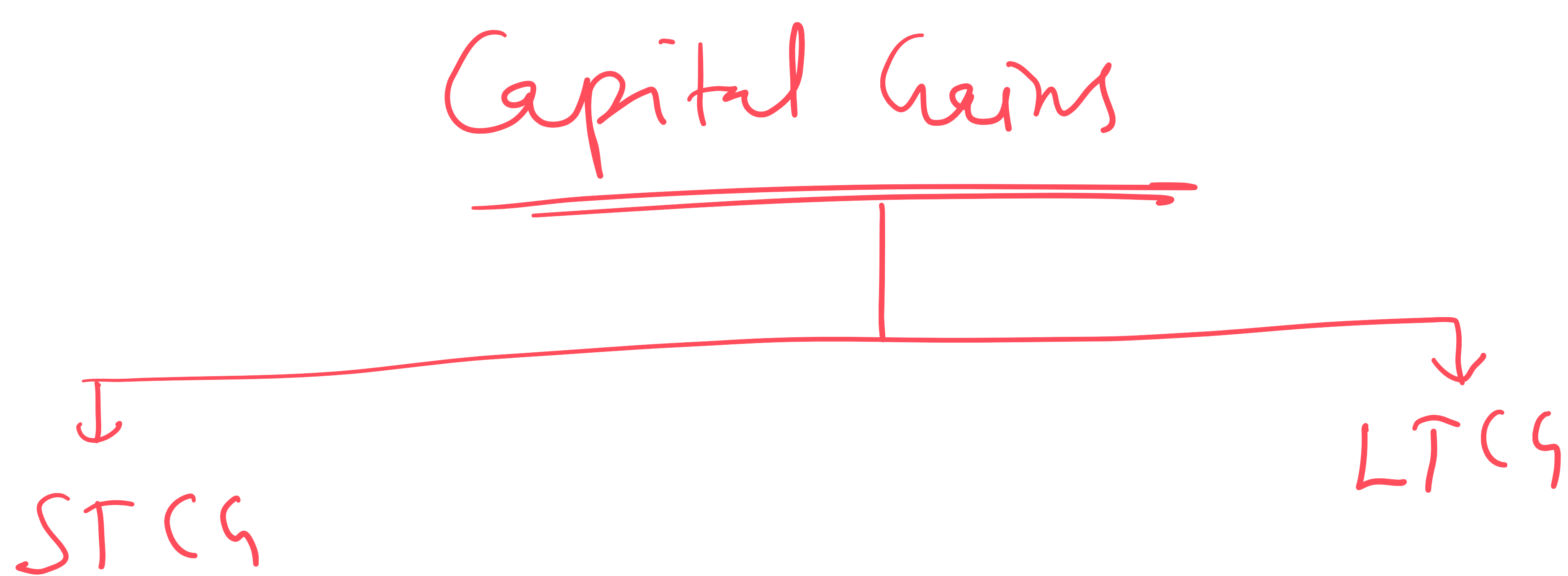
₹ 10/unit Electricity Bill ₹ 10,00,000 paid in P.Y. 21-22

Ded. 4/537(1) P.Y. 2021-22 = ₹ 10,00,000

2022-23 ⇒ ₹ 6/unit (retrospective from P.Y. 2021-22)

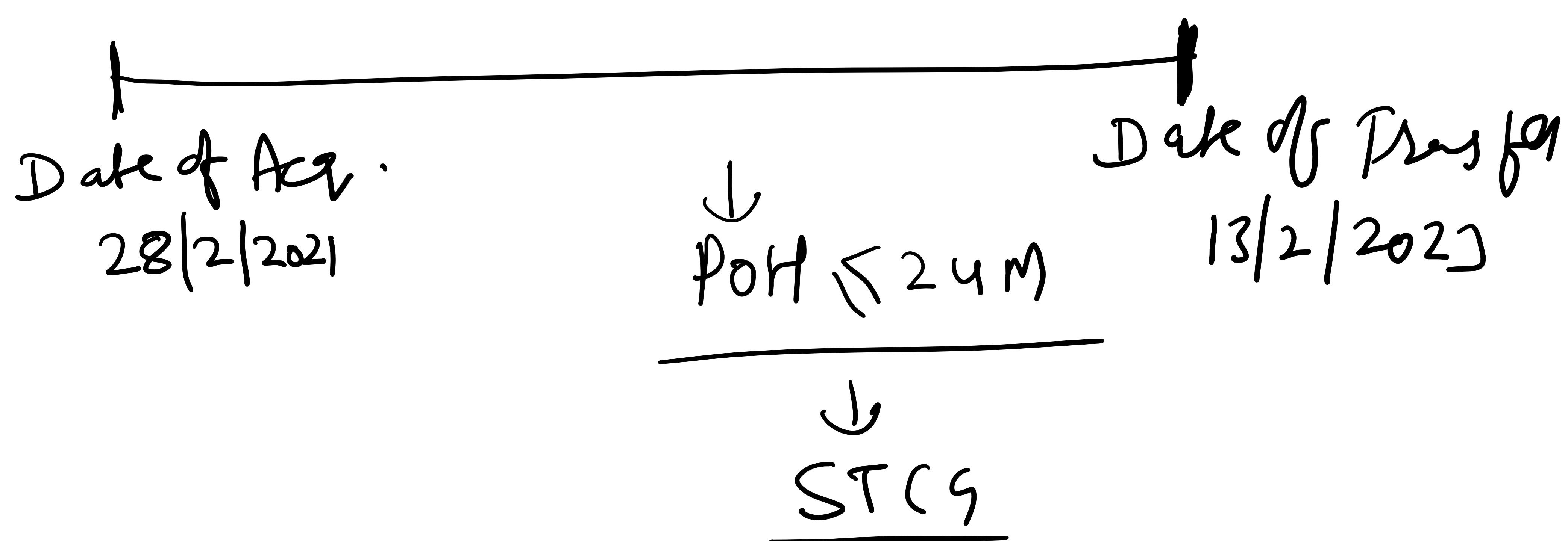
Recovery of ₹ 4,00,000 from Electricity Co.

₹ 4,00,000 ⇒ Deemed PGBP 4/541(1)



Eg. 1

- ① House Acq. on 28/2/2021 for ₹ 10,00,000, SD & Bro. paid ₹ 1,00,00 on purchase.
- ② 1st floor constructed on 10/4/2021 ₹ 2,00,000
- ③ House Transfer on 13/02/2023 for ₹ 45,00,000, on Transfer Bro. paid ₹ 1,00,000.



FVOC

Len: Transfer Exp.

₹ 45,00,000
(₹ 1,00,000)

₹ 44,00,000

NSC

Len: COA [10,00,000 + 1,00,000] (₹ 11,00,000)

Len: COI

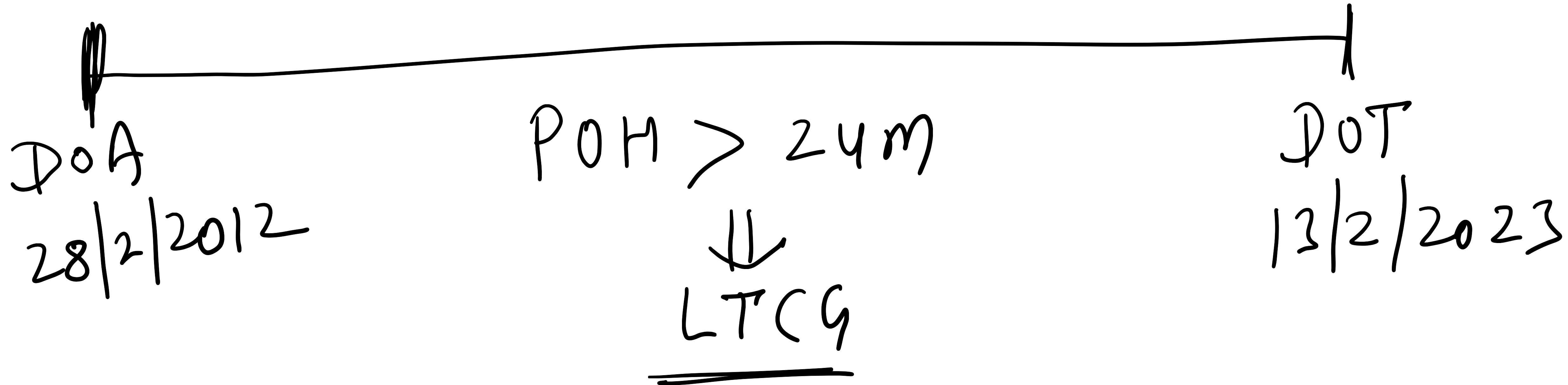
(₹ 2,00,000)

STCG

₹ 31,00,000

Eg.

Suppose House was Acq. on 28/2/2012, & He Acq. 3 Houses in India for ₹ 8,00,000 each, within 2 years from 13/2/23.



FVOC

Len: Transfer Exp.

₹ 45,00,000
(₹ 1,00,000)

NSC

₹ 44,00,000

Len: ICOA = ₹ 11,00,000 × $\frac{331}{184}$

(₹ 19,78,804)

Len: ICOI = ₹ 2,00,000 × $\frac{331}{317}$

(₹ 2,08,832)

LTCG

₹ 22,12,364

Len: Ex. 4/s 54 (For 2 House only)

(₹ 16,00,000)

Taxable LTCG

6,12,364

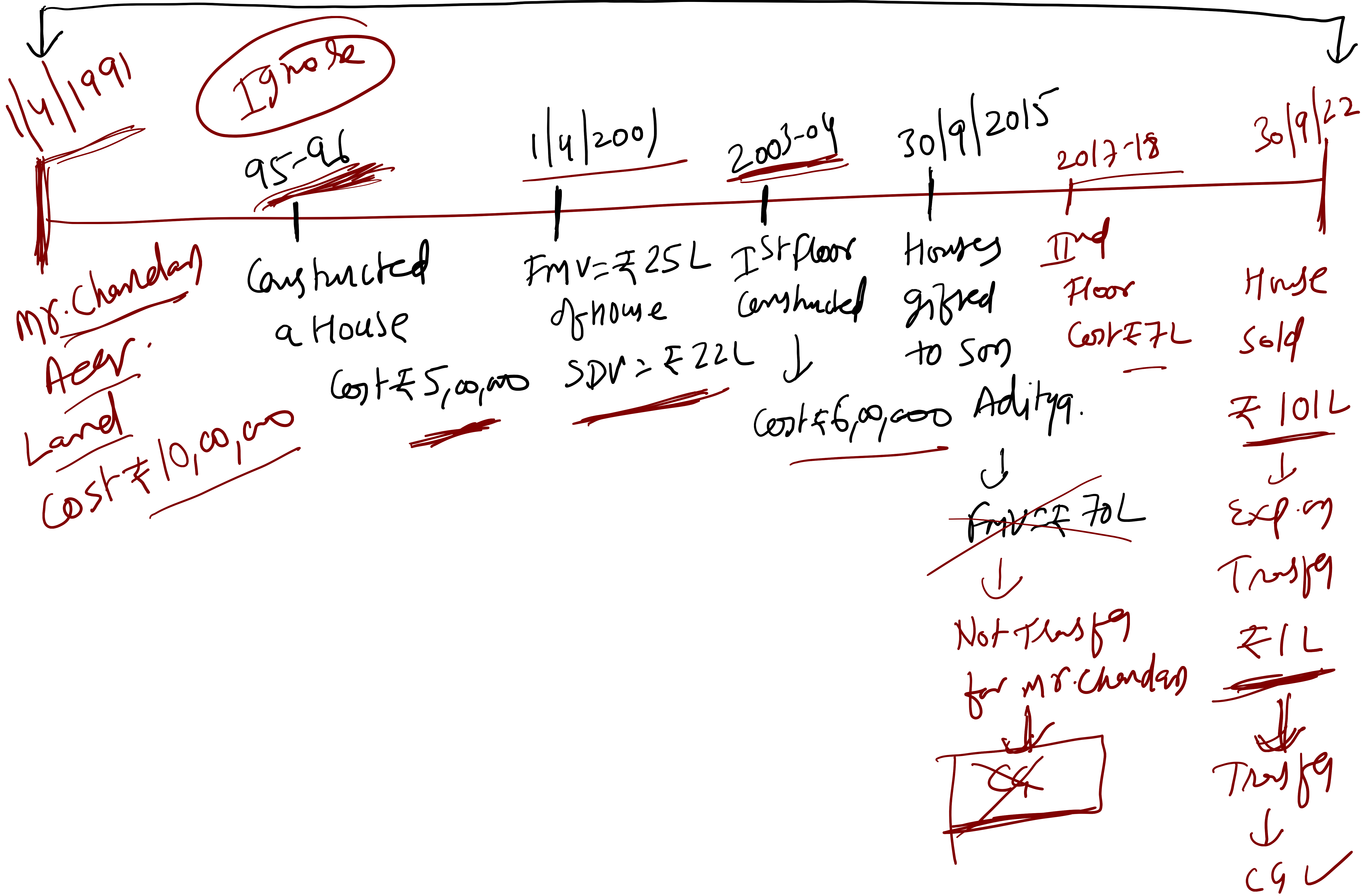
Tax 4/s 112 @ 20% on 6,12,364

1,22,473

Note:- as LTCG is upto ₹ 2 cr, Therefore Ex. 4/s 54 shall be available for 2 House.

★

$$POH > 24m = \underline{LTCA}$$



Computation of LTCG for Mr. Aditya for A.Y. 2023-24

FVOC

Len: Transfer Exp.

Len: ICA [Note-1] $22,00,000 \times \frac{33}{100}$

Len: ICI (i) 2003-04 = $6,00,000 \times \frac{33}{100}$

(ii) 2017-18 = $7,00,000 \times \frac{33}{272}$

LTCG

NSC

₹1,01,00,000
(1,00,000)

1,00,00,000
(72,82,000)
(18,22,018)

(8,51,838)

44,144

Co A
↓

Previous owner

POH
↓

Previous owner + Assessee

CIY & of Acqr

↓
When p. owner
Before owner.

note-1

COA

(as Asset Acq. by Prems owner before
1/4/2001)

(i) Actual cost of Prems ₹ 10,00,000

(ii) (a) FMV on 1/4/2001 ₹ 25,00,000 = ₹ 22,00,000
↓
(b) SDV on 1/4/2001 ₹ 22,00,000

COA = ₹ 22,00,000

Tax. LTC 4/5 112 @ 20% of ₹ 44,144

Basic Tax = 8828