UNIVERSITY OF DELHI

INCOME TAX

LAW AND PRACTICE

DSC 5.1

B.Com (Hons.) | B.Com (Prog.) — Third Year, Semester V

UNIT 3 — PART A

PROFITS AND GAINS OF BUSINESS OR PROFESSION

Basis of Charge · Method of Accounting · Closing Stock
Specific Deductions • Depreciation, Block of Assets and WDV
Additional and Unabsorbed Depreciation · Scientific Research
Preliminary Expenditure · The General Deduction
Disallowances · Relatives · Cash Payments · Actual Payment
Presumptive Taxation • Books of Account and Audit
Ten Worked Problems • Eight Unsolved Problems

BUILT ON THE BARE TEXT OF SECTIONS 26 TO 66

Governed by the INCOME-TAX ACT, 2025

(Act No. 30 of 2025, as amended by the Finance Act, 2026)

read with the INCOME-TAX RULES, 2026

TAX YEAR 2026-27

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Compiled by

ADVOCATE DR. S. B. RATHORE

M.Com; M.Phil; LL.B.; Ph.D.
Associate Professor of Commerce (Oct. 1977 – Dec. 2019)
Shyam Lal College (University of Delhi), Delhi-110032
www.taxclasses.in | YouTube: Tax Doctor | Facebook: DrSb Rathore
Mobile / WhatsApp: 9811116835 | E-mail: rathore_incometax@yahoo.co.in

Preface

Forty-one Sections, and What Has Changed

This booklet has been written from the bare Act. Part D of Chapter IV of the Income-tax Act, 2025 — sections 26 to 66 — replaces sections 28 to 44DB of the Income-tax Act, 1961. That is forty-one sections against the six that govern house property, and it is the largest single head in the paper.

The good news is that the substance has moved very little. Almost every rule a student learned under the 1961 Act is still the law; it is in a different place, and often in better order. The table at paragraph 10.1 converts one numbering to the other in fifty rows. Three changes, however, are of substance.

One — three presumptive sections have become one [Section 58]

Sections 44AD, 44ADA and 44AE of the 1961 Act have been folded into a single section with a single Table. Serial number 1 is the old 44AD, serial number 2 the old 44AE, and serial number 3 the old 44ADA. The thresholds and the rates are unchanged — ₹2 crore rising to ₹3 crore where cash receipts do not exceed 5%; 6% on receipts through banking or online mode and 8% on the rest; ₹1,000 per ton per month for a heavy goods vehicle and ₹7,500 a month for any other; ₹50 lakh rising to ₹75 lakh for a specified profession, at 50%.

What has changed is that they are now read together, with one definition of "eligible assessee", one five-year lock-in, and one set of consequences in sections 62 and 63. Chapter 7 takes the Table apart row by row.

Two — scientific research carries no weighted deduction

Section 45 of the 2025 Act contains **no percentage at all**. What is allowed is the expenditure incurred — capital expenditure other than on land, revenue expenditure, and sums paid to approved institutions — and nothing more. Chapter 4 sets out the four situations and Problem 10 works them.

Three — the deductions have been rearranged, not rewritten

Section 30 of the 1961 Act (rent, rates, repairs and insurance of premises) and section 31 (repairs and insurance of machinery) are now one section — section 28. The long section 36(1) has been split: the employee-related clauses into section 29, insurance premium into section 30, bad debts into section 31, and the remaining eleven into section 32. Section 37(1), the general deduction, is now section 34, and its Explanations — offences, corporate social responsibility, political advertising — have been promoted into sub-sections of their own.

Section 40 has become section 35, section 40A section 36, and section 43B section 37. Sections 43(1) and 43(6), which defined actual cost and written down value in a definition section, are now free-standing sections 39 and 41. Nothing of substance was lost in the move.

The one number that matters most

Section 36(4) disallows any expenditure where a payment, or the aggregate of payments made in a day to one person, exceeds ₹10,000 and is not made through a specified banking or online mode. The figure is ₹35,000 where the payment is for plying, hiring or leasing goods carriages. Section 36(5) goes further: where a liability was allowed in an earlier year and is later paid in cash above the same limit, the payment becomes income of the year of payment.

How this Part fits with the rest of Unit 3

Unit 3 of the prescribed syllabus covers two heads — Profits and gains of business or profession, and Capital gains. This Part A deals with the first, in sections 26 to 66. Capital gains, in sections 67 to 91, is dealt with in Part B.

About this booklet, and a request

This booklet has been prepared by Artificial Intelligence — Claude Opus 5.0 (Anthropic) — under the guidance and supervision of Advocate Dr. S. B. Rathore in the first week of August 2026, from the bare text of the Income-tax Act, 2025 and the Income-tax Rules, 2026 as downloaded from incometaxindia.gov.in.

Suggestions on presentation, and reports of any discrepancy, are warmly invited.

Advocate Dr. S. B. Rathore · 9811116835 · rathore_incometax@yahoo.co.in · www.taxclasses.in

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The Prescribed Syllabus

Income Tax Law and Practice — DSC-5.1

Where this booklet sits

Unit III of the prescribed syllabus is "Computation of Income under Different Heads-2 (11 hours)" and covers two heads: Profits and gains of business or profession, and Capital gains. This Part A deals with the first of the two.

Unit	Prescribed content	Where dealt with
Unit 1	Introduction — basic concepts: income, agricultural income, person, assessee, tax year; residential status and scope of total income; incomes exempt from tax	Unit 1 booklet (Introduction)
Unit 2	Computation of Income under Different Heads-1 — income from salaries; income from house property	Unit 2 Part A (Salaries); Unit 2 Part B (House Property)
Unit 3	Computation of Income under Different Heads-2 — profits and gains of business or profession; capital gains	Unit 3 Part A (Business or Profession) — this booklet; Unit 3 Part B (Capital Gains)
Unit 4	Income from other sources; income of other persons included in the assessee's total income; set-off and carry forward of losses	Unit 4 Part A (Other Sources); Unit 4 Part B (Clubbing and Set-off)
Unit 5 (A)	Deductions from gross total income; rebates and reliefs	Unit 5 Part A (Deductions, Rebates and Reliefs)
Unit 5 (B)	Computation of total income and tax liability of individuals; filing of returns of income on-line and TDS	Unit 5 Part B (Total Income and Tax Liability)

What this Part covers, against the topics prescribed

Topic	Where in this booklet
Basic principles; method of accounting	Chapter 1
Specific deductions	Chapter 2
Depreciation allowance; written down value; block of assets; additional depreciation; unabsorbed depreciation	Chapter 3
Scientific research	Chapter 4, paragraph 4.1
Specific disallowances	Chapter 5
Tax on non-monetary perquisites paid by the employer	Chapter 5, paragraph 5.4
Amounts not deductible where paid to relatives	Chapter 5, paragraph 5.6
Expenditure exceeding ₹10,000	Chapter 5, paragraph 5.7
Presumptive tax regimes — concept only	Chapter 7
Maintenance of accounts; audit; specified professions — concept only	Chapter 8
Valuation of closing stock	Chapter 1, paragraph 1.8

Suggested readings

- Ahuja, G., & Gupta, R. Simplified Approach to Income Tax. Delhi: Flair Publications Pvt. Ltd.
- Mittal, N. Concept Building Approach to Income Tax Law and Practice. Delhi: Cengage Learning India Pvt. Ltd.

- Singhania, V. K., & Singhania, M. Students' Guide to Income Tax | University Edition. Delhi: Taxmann Publications Pvt. Ltd.
- The bare Income-tax Act, 2025 and the Income-tax Rules, 2026, both free at incometaxindia.gov.in.

Latest edition of books is to be followed. Suggested readings will be updated by the Department of Commerce and uploaded on the Department's website.

A note on the reading list

Every title on the prescribed list was written for the Income-tax Act, 1961, and an edition printed before April 2026 necessarily carries the section numbers, the rule numbers and the figures that were in force when it went to press. These are standard works and the reasoning in them holds good.

Until their 2026 editions reach you, take the section numbers, the rule numbers and the figures from this booklet, or from the bare Income-tax Act, 2025 and the Income-tax Rules, 2026.

The teachers' meeting of 4 August 2026

At a joint meeting of the Department of Commerce, Delhi School of Economics and the Department of Commerce, Shri Ram College of Commerce, held on 4 August 2026 under the Department-College Interface, guidelines were settled for this paper "in order to have uniformity and consistency in teaching". Those that bear on this booklet are set out below.

Unit 3: Computation of Income from Business or Profession and Capital Gains (11 hours)

The sections. Only sections 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 44 and 45 need to be covered.

Section 33. Depreciation in the case of power units, and depreciation on an amalgamation or business reorganisation, need not be covered.

Section 46. Capital expenditure of a specified business need not be covered.

Sections 58, 62 and 63. To be covered conceptually.

Two points were recorded for the whole paper. First, the Income-tax Act, 2025 applies from 1 April 2026, so the academic session 2026-27 is an exceptional year and the provisions for the tax year 2026-27 are what is to be taught; it was suggested that tax year 2026-27 be taught in 2027-28 as well. Second, ITR-1 will be done in the academic session 2026-27.

Contents

How this booklet is arranged

Chapter 1

Basis of Charge and the Basic Principles

1.1 Where the law is

Part D of Chapter IV of the Income-tax Act, 2025 — sections 26 to 66 — governs this head. Section 27 is the hinge: it says that the income referred to in section 26 shall be computed as per the provisions of sections 28 to 60, except section 58. Everything else hangs off those two sentences.

Sections	What they do
26, 27	Basis of charge, and the machinery provision
28 to 32	The specific deductions — premises and plant; employees; insurance; bad debts; and eleven more
33	Depreciation, including additional and unabsorbed depreciation
34	The general deduction, and what it shuts out
35, 36, 37	The three disallowance sections — amounts not deductible; excessive payments and cash payments; and sums allowed only on actual payment
38	Certain sums deemed to be profits
39, 40, 41	Actual cost, cost of an asset becoming a business asset, and written down value
42, 43	Foreign exchange fluctuation
44 to 54	Preliminary expenditure, scientific research, specified business, agricultural extension, the amortisations of section 52, and the special businesses
55 to 61	Insurance business, financial institutions, construction contracts, presumptive taxation, non-residents
62, 63	Books of account, and tax audit
64 to 66	Co-operative bank reorganisation, and the definitions

1.2 Basis of charge [Section 26]

Section 26(1) and (4)

(1) The incomes referred to in sub-section (2) shall be chargeable to income-tax under the head "Profits and gains of business or profession".

(4) Any income from letting out of a residential house or a part of it by the owner shall not be included in income under sub-section (1) and shall be chargeable only under the head "Income from house property".

Sub-section (4) is new in its terms and settles an argument that used to be run. However organised the letting, and whoever the owner is, the rent of a residential house goes under house property and nowhere else.

1.3 What section 26(2) brings in

The charge is not confined to trading profit. Section 26(2) lists eleven classes of receipt, and several of them are the whole of a question.

Clause	What is charged
(a)	The profits and gains of any business or profession carried on by the assessee at any time during the tax year
(b)	Compensation for termination or modification of a management, an office, an agency in India, or a business contract
(c)	Compensation for the vesting of the management of property or business in the Government
(d)	Income of a trade or professional association from specific services performed for its members
(e)	Profit on the sale of an import licence; cash assistance against exports; duty drawback; duty remission; any other export incentive
(f)	The value of any benefit or perquisite arising from business or the exercise of a profession, whether convertible into money or not, and whether in cash or in kind
(g)	Interest, salary, bonus, commission or remuneration due to a partner from his firm, to the extent allowed to the firm under section 35(e)
(h)	A sum received under a non-compete agreement, or for not sharing know-how, a patent, a copyright, a trade mark, a licence or a franchise
(i)	A sum received under a Keyman insurance policy, including any bonus
(j)	The fair market value of inventory on the date it is converted into, or treated as, a capital asset
(k)	A sum received where a capital asset — other than land, goodwill or a financial instrument — on which the whole cost was allowed under section 46 is demolished, destroyed, discarded or transferred

Clause (f) is the widest words in the head

"The value of any benefit or perquisite arising from business or the exercise of a profession, whether convertible into money or not." A gift from a patient to his doctor, a foreign tour paid for by a supplier, a car given by a manufacturer to a dealer who reaches a target — each is charged under this clause at its value, though not a rupee of cash changed hands. Problem 3 in Chapter 9 turns on it.

1.4 Speculation business [Section 26(3)]

Where speculative transactions carried on by an assessee are of such a nature as to constitute a business, that business is deemed to be distinct and separate from any other business. The consequence is in the set-off provisions: a speculation loss can be set off only against speculation profit. The income remains under this head; it is kept in a separate compartment inside it.

1.5 Business and profession distinguished

The Act charges both under one head and computes both by the same sections, so the distinction rarely changes the arithmetic. It matters in four places, and those are worth knowing.

Where it matters	The difference
Books of account [s. 62]	A person carrying on a specified profession must keep books whatever his income. A person carrying on business need only do so above the thresholds
Tax audit [s. 63]	₹1 crore of turnover for a business, rising to ₹10 crore where cash receipts and cash payments are each within 5%; ₹50 lakh of gross receipts for a profession

Where it matters	The difference
Presumptive taxation [s. 58]	Serial number 1 is for business at 6% and 8%; serial number 3 is for a specified profession at 50%, and the thresholds differ
Definition [s. 62(4)]	"Specified profession" means legal, medical, engineering, architectural, accountancy, technical consultancy, interior decoration, information technology or company secretary, or any other profession notified by the Board

1.6 Six principles that decide most questions

- **The business must be carried on during the tax year** — but section 26(2)(a) says "at any time during the tax year", so a business carried on for part of the year is enough, and income of a discontinued business may still be charged under section 38.
- **Only the real profit is taxed.** Notional profit from dealing with oneself is not income. A trader who takes goods from his own shop for his household makes no profit; the cost is added back, not the selling price.
- **Legality is irrelevant to the charge, and relevant to the deduction.** Income from an unlawful business is taxable. But section 34(2)(a) forbids a deduction for expenditure incurred for a purpose which is an offence or is prohibited by law.
- **Capital and revenue must be kept apart.** Section 34(1) allows only expenditure not in the nature of capital expenditure. Capital expenditure earns depreciation or an amortisation, or nothing at all.
- **Losses incidental to the business are deductible** even though no section names them — embezzlement by an employee, loss of stock by fire, loss of cash in transit. They are not "expenditure", so they fall outside section 34; they are deducted in arriving at the profit itself.
- **The expenditure must be of the year and of the business.** Not of an earlier year, unless a section says so; not of another business of the same assessee where that business is separate; and not personal.

1.7 Method of accounting [Section 276]

> **Section 276(1) and (2)**
>
> *(1) Income chargeable under the head "Profits and gains of business or profession" or "Income from other sources" shall, subject to the provisions of sub-section (2), be computed as per either cash or mercantile system of accounting regularly employed by the assessee.*
>
> *(2) The Central Government may notify income computation and disclosure standards to be followed by any class of assessees or in respect of any class of income.*

- Only two systems are recognised — cash and mercantile. A hybrid of the two is not permitted.
- The system must be regularly employed. A change is allowed if it is bona fide and is thereafter followed consistently.
- The choice is the assessee's, but it is displaced wherever the Act provides otherwise — section 37, for example, requires certain sums to be deducted only when actually paid, whatever the system of accounting.
- Where the Assessing Officer is not satisfied about the correctness or completeness of the accounts, or the method has not been regularly followed, or the notified standards have not been applied, he may make a best judgment assessment under section 271 [s. 276(3)].

1.8 Valuation of closing stock

The rule, and the three situations

The Act does not prescribe a method. The rule is one of commercial accounting, applied by the courts and now reinforced by the income computation and disclosure standards notified under section 276(2): inventory is valued at **cost, or net realisable value, whichever is the lower**. Opening stock is valued on the same basis as the closing stock of the preceding year.

- **On a change of method,** the new method must be bona fide and must then be followed regularly. The change cannot be made for a single year to move profit between years.
- **On dissolution of a firm,** closing stock is valued at market price, not at cost, because the business has come to an end and the stock is being realised.
- **On conversion of stock-in-trade into a capital asset,** section 26(2)(j) charges the fair market value on the date of conversion as business income, and that value becomes the cost for the capital gains computation.

The arithmetic is simple and is worth stating once. Overvaluing the closing stock overstates the profit of this year and understates it next year; undervaluing it does the reverse. Where a question gives both cost and market value, take the lower and adjust the profit by the difference. Problem 7 in Chapter 9 does exactly that.

1.9 From net profit to taxable income

Almost every long question in this head gives a Profit and Loss Account and a list of adjustments. The answer never re-writes the account. It starts from the net profit shown and works in four movements.

The shape of the answer

Particulars	₹	₹
Net profit as per the Profit and Loss Account		**xxx**
ADD: expenses debited to the account but not allowable — personal, capital, disallowed by sections 34 to 37, or provisions	xxx	
ADD: expenses allowable but not debited, if any (rare — usually deducted instead)	xxx	xxx
ADD: business incomes taxable but not credited to the account		xxx
		xxx
LESS: expenses allowable but not debited — most often depreciation under section 33, where a different figure was debited	xxx	
LESS: incomes credited to the account but not taxable, or taxable under another head	xxx	(xxx)
PROFITS AND GAINS OF BUSINESS OR PROFESSION		**xxx**

Where depreciation has been debited in the books, add back the book figure in the first movement and deduct the figure computed under section 33 in the third. Never net the two off — the working must show both.

Chapter 2

The Specific Deductions [Sections 28 to 32]

2.1 Rent, rates, taxes, repairs and insurance [Section 28]

Section 28 gathers into one section what sections 30 and 31 of the 1961 Act did separately. It allows, in respect of premises, machinery, plant or furniture used for the business or profession:

Clause	What is allowed
28(1)(a)	Insurance premium against the risk of damage or destruction
28(1)(b)	Land revenue, local rates or municipal taxes paid
28(1)(c)	Rent paid, where the premises are occupied as a tenant
28(1)(d)	Current repairs to the premises, not being capital expenditure, where occupied otherwise than as a tenant
28(1)(e)	Cost of repairs, not being capital expenditure, where occupied as a tenant and the assessee has undertaken to bear them
28(1)(f)	Current repairs to machinery, plant or furniture, not being capital expenditure

Two distinctions inside section 28

- **"Current repairs" against "cost of repairs".** An owner-occupier gets only *current* repairs [clause (d)]; a tenant who has undertaken to bear them gets the *cost of* repairs, which is wider [clause (e)]. The difference is deliberate.
- **Capital expenditure is excluded throughout.** Replacing a roof is capital; mending it is a repair. A capital repair goes into the block of assets and earns depreciation.
- **Section 28(2)** restricts the deduction to a fair proportionate part where the premises, plant or furniture is only partly used for the business — as determined by the Assessing Officer having regard to the usage.

2.2 Payments to and for employees [Section 29]

Section 29 collects the employee-related clauses of the old section 36(1). Broadly it allows the employer's contribution to a recognised provident fund, an approved superannuation fund, an approved gratuity fund and a pension scheme, and payments for the welfare of employees, each subject to its own conditions. Two points recur in questions.

- **Employer's contributions are allowed only on actual payment.** Section 37(2)(b) puts a contribution to a provident, superannuation, gratuity or welfare fund on the actual payment basis, with the extension to the due date of the return in section 37(3).
- **An employee's own contribution recovered from him is different.** It is the employee's money, received by the employer and held in trust. Section 37(6) expressly takes such a sum outside section 37, so the extension to the return due date is not available for it; it must be credited to the employee's account by the due date under the fund's own law.

2.3 Insurance premium [Section 30]

- Premium against the risk of damage or destruction of stocks or stores used for the business or profession [s. 30(a)]. Note that section 28(a) covers premises, plant and furniture; section 30(a) covers stock.

- Premium paid by a federal milk co-operative society on the life of cattle owned by a member of a primary society supplying milk to it [s. 30(b)].
- Premium paid by an employer on the health of its employees under an approved scheme — and it must be paid through a mode other than cash [s. 30(c)]. A cash payment of a mediclaim premium for staff earns nothing.

2.4 Bad debts, and the provision for bad debts [Section 31]

The two sub-sections do different things

Section 31(1) — the provision. A deduction for a *provision* for bad and doubtful debts is available only to the assessees named in the Table: scheduled and non-scheduled banks and co-operative banks (8.5% of total income plus 10% of average rural advances), and foreign banks, public financial institutions, State Financial and State Industrial Investment Corporations and non-banking financial companies (5% of total income). **An ordinary trader gets nothing under this sub-section.**

Section 31(2) — the debt actually written off. Any amount of bad debt, or part of it, written off as irrecoverable in the accounts of the tax year is allowed, provided it was taken into account in computing income of that year or an earlier year, or represents money lent in the ordinary course of a banking or money-lending business.

The distinction, stated once

A provision is an estimate; a write-off is a decision. The trader who debits "provision for bad debts ₹35,000" gets no deduction; the trader who debits "bad debts written off ₹28,000" gets ₹28,000. Both figures appear in Problem 1 of Chapter 9, and they are treated differently.

Recovery afterwards. Where a bad debt allowed under section 31(2) is later recovered, section 38(1)(d) charges the recovery as business income of the year of recovery — and section 38(2) makes it taxable whether or not the business is still being carried on.

2.5 The eleven further deductions [Section 32]

Clause	Deduction
(a)	Bonus or commission paid to an employee for services rendered — but only where the sum would not have been payable to him as profits or dividend had it not been paid as bonus or commission
(b)	Interest on capital borrowed for the business or profession. Interest for the period from the borrowing to the date the asset was first put to use is excluded — it is capitalised, whether or not the books capitalise it
(c)	Contribution by a public financial institution to a notified credit guarantee fund trust for small industries
(d)	Pro rata discount on a zero coupon bond
(e)	Amount carried to a special reserve by a specified financial entity, up to 20% of the profits of the eligible business, and subject to the twice-paid-up-capital ceiling
(f)	Revenue expenditure of a statutory corporation for its authorised objects, where notified
(g)	Sugarcane purchased by a co-operative sugar mill at or below the Government-approved price
(h)	Marked to market loss or other expected loss, computed as per the notified income computation and disclosure standards
(i)	Family planning expenditure incurred by a company — revenue expenditure in full; capital expenditure in five equal annual instalments
(j)	The difference between the actual cost of animals used for the business otherwise than as stock-in-trade and the amount realised from the carcasses, where they have died or become permanently useless

Clause	Deduction
(k)	Securities transaction tax and commodities transaction tax, where the transactions were in the course of the business and the income is charged under this head

Section 32(b) — interest before the asset is put to use

The proviso to section 36(1)(iii) of the 1961 Act is now the body of section 32(b)(i), and it is stricter in its wording: interest on capital borrowed to acquire an asset, for the period from the date of borrowing to the date the asset was first put to use, is excluded from the deduction **“whether capitalised in the books of account or not”**. So the treatment in the books does not decide the treatment in the computation. That interest is added to the actual cost under section 39 and earns depreciation instead.

Chapter 3

Depreciation [Section 33 with Sections 39 to 41]

3.1 The scheme, in six lines

How depreciation is computed, every time

- Put every asset into its block — assets of the same class carrying the same rate.
- Take the written down value of the block at the beginning of the year.
- Add the actual cost of assets acquired during the year.
- Deduct the moneys payable, including scrap value, for assets sold, discarded, demolished or destroyed.
- Apply the prescribed rate — but half the rate on assets acquired and put to use for less than 180 days in the year.
- Add additional depreciation where section 33(8) applies. What is left is the closing written down value, and it is the opening figure of the next year.

3.2 The conditions [Section 33(1)]

Depreciation is allowed on buildings, machinery, plant and furniture, being tangible assets, and on know-how, patents, copyrights, trademarks, licences, franchises and other business or commercial rights of a similar nature acquired on or after 1 April 1998, being intangible assets —

but not goodwill of a business or profession. The exclusion of goodwill is express in section 33(1)(b) and it reverses forty years of practice; goodwill acquired for a price earns no depreciation at all.

- **The asset must be owned, wholly or partly, by the assessee.** Section 33(6) adds one extension: capital expenditure by a tenant on construction, renovation, extension or improvement of a building he does not own is treated as a building owned by him.
- **It must be used wholly and exclusively for the business or profession.** Where it is only partly so used, section 33(3)(b) restricts the deduction to a fair proportionate part.
- **Depreciation is allowed whether or not it is claimed.** Section 33(7) says the section applies "whether or not the assessee has claimed deduction for depreciation in computing his total income". It is not optional, and the written down value falls whether it was claimed or not.

3.3 Block of assets

A block of assets is a group of assets of the same class in respect of which the same rate of depreciation is prescribed. Depreciation is computed on the block, never on the individual asset. Four consequences follow, and they are the whole point of the system.

- Individual assets lose their identity once they enter a block. There is no separate profit or loss on the sale of a single asset inside a block; the sale proceeds simply reduce the block.
- A block cannot go below nil. Where the moneys payable exceed the opening written down value plus additions, the excess is a short-term capital gain under section 74 and the block closes at nil. Section 41(1)(c) says so by capping the deduction "C" at (A − D) + B.
- Where every asset in a block is sold but a balance remains, the balance is a short-term capital loss.
- Additions are not depreciated from the date of purchase. The whole year's rate is given, subject only to the 180-day rule.

3.4 Actual cost [Section 39]

The actual cost is the cost to the assessee, reduced by any portion met directly or indirectly by any other person or authority — a subsidy, a grant, a reimbursement. To it are added all expenses to bring the asset into existence and put it in working condition: freight, insurance in transit, installation, erection, trial run expenses, and the interest excluded by section 32(b)(i) for the period before the asset was first put to use.

Two figures that are commonly missed

- Any duty or tax on which credit is claimed under the goods and services tax law is not part of the actual cost. The cost is the price net of input tax credit.
- Where an asset is acquired otherwise than by purchase — by gift, inheritance, or from a holding or subsidiary company — section 39 provides substituted costs so that depreciation cannot be stepped up by moving the asset around.

3.5 Written down value [Section 41(1)(c)]

The formula, in the words of the Act

[(A – D) + B – C] – E

- A = the written down value of the block in the immediately preceding tax year
- B = actual cost of any asset falling within the block acquired during the tax year
- C = moneys payable together with scrap value for any asset in the block sold, transferred, demolished, destroyed or discarded during the year — and C shall not exceed (A – D) + B
- D = depreciation actually allowed on the block in the preceding year
- E = the slump sale adjustment

In practice A – D is simply the closing written down value of last year, which is why the formula is usually written as: opening written down value, plus additions, less moneys payable — and the rate applied to that.

3.6 The rates [Rule 25 with Appendix I]

Block	Rate
Buildings used mainly for residential purposes, except hotels and boarding houses	5%
Buildings other than the above, and not being temporary erections	10%
Purely temporary erections, such as wooden structures	40%
Furniture and fittings, including electrical fittings	10%
Machinery and plant, general	15%
Motor cars, other than those used in a business of running them on hire	15%
Motor buses, lorries and taxis used in a business of running them on hire	30%
Aeroplanes and aeroengines	40%
Computers, including computer software	40%
Books owned by a professional, being annual publications	40%
Pollution control equipment, air and water	40%
Intangible assets — know-how, patents, copyrights, trademarks, licences, franchises, other commercial rights (not goodwill)	25%

The Appendix is long and a question will always give the rate it wants. What matters is the structure — that the rate attaches to the block, that a motor car used in the business gets 15% while the same car in a hire business gets 30%, and that computers and pollution-control equipment sit at 40%.

3.7 The 180-day rule [Section 33(4)]

> **Section 33(4)**
> *The deduction shall be restricted to 50% of the prescribed rate if the asset is (a) acquired by the assessee during the tax year; and (b) put to use for the purposes of business or profession for less than one hundred and eighty days in that tax year.*

- Both conditions must be satisfied. An asset acquired in an earlier year but put to use for only two months this year gets the full rate — it was not acquired during the year.
- The 180 days are counted from the date the asset is put to use, not from the date of purchase, to the end of the tax year. An asset put to use on 3 October 2026 has 180 days to 31 March 2027; one put to use on 4 October has 179, and takes half the rate.
- The halving applies to that asset alone, not to the whole block. In the computation the block is split into two lines — the full-rate part and the half-rate part — and the two are added.
- There is no carry forward of the other half. Unlike additional depreciation, the ordinary half that is lost is lost; but the written down value is correspondingly higher, so it comes back over the life of the asset.

Illustration 3.3 — the 180-day rule

Written down value of the plant and machinery block on 1 April 2026		25,00,000
Add: machine purchased and put to use on 1 December 2026		5,00,000
Written down value of the block		30,00,000
Depreciation at 15% on ₹25,00,000	3,75,000	
Depreciation at 7.5% on ₹5,00,000 — put to use for 121 days	37,500	(4,12,500)
CLOSING WRITTEN DOWN VALUE		**25,87,500**

3.8 Additional depreciation [Section 33(8) and (9)]

> **Who gets it, and on what**
> Available only to an assessee engaged in the **manufacture or production of any article or thing**. A trader does not get it. A professional does not get it.
>
> It is given on **new machinery or plant only** — not on a building, not on furniture, not on an intangible asset. And four classes are excluded by section 33(8)(d):
> - second-hand machinery, used within or outside India by any other person before its installation by the assessee;
> - machinery installed in office premises or in residential accommodation, including a guest house;
> - office appliances and road transport vehicles;
> - any asset the whole cost of which is allowed as a deduction in one year.

Situation	Rate	Authority
New plant acquired and put to use for 180 days or more	20% of the actual cost, in that year	s. 33(9)(a)
New plant acquired and put to use for less than 180 days	10% in that year, and the remaining 10% in the immediately succeeding tax year	s. 33(9)(b)

The half that is carried forward

This is the one place in the depreciation sections where a lost half comes back. Ordinary depreciation halved under section 33(4) is gone for good; additional depreciation halved under section 33(9)(b) is expressly allowed in the next year. Problem 8 in Chapter 9 carries ₹1,00,000 forward on this footing.

3.9 Unabsorbed depreciation [Section 33(11)]

Section 33(11)

- Where the profits and gains before allowing depreciation are less than the depreciation allowable, the deduction is allowed only to the extent of the available profits; and where the result is a loss, no depreciation is allowed at all.
- The amount not so allowed is added to the depreciation allowable for the succeeding tax year and is deemed to be eligible for deduction in that year — and so on for succeeding years.

- There is no time limit. Unabsorbed depreciation may be carried forward indefinitely, unlike a business loss, which section 112 limits to eight years.
- In the year to which it is carried, it is treated as the depreciation of that year. It therefore takes its place after the current year's depreciation and can be set off against income under any head, subject to sections 112(3) and 113(4).
- Continuity of business is not required, and the return need not have been filed in time — again unlike a business loss.
- The written down value falls by the depreciation ALLOWED, not by the depreciation allowABLE. Where depreciation is unabsorbed, the block does not come down by it.

3.10 Assets partly used, and assets used by two persons

Section 33(3)(b) restricts the deduction to a fair proportionate part where a building, machinery, plant or furniture is partly, or not wholly and exclusively, used for the business — the proportion being determined by the Assessing Officer having regard to the usage. A car used 60% for the business and 40% privately earns 60% of the depreciation. Problem 3 in Chapter 9 applies the same proportion to the running expenses.

Chapter 4

Scientific Research and Preliminary Expenditure

4.1 Scientific research [section 45] · 4.2 Preliminary expenditure [section 44]

4.1 Scientific research [Section 45]

Scientific research means activities for the extension of knowledge in the fields of natural or applied science, including agriculture, animal husbandry and fisheries. Section 45 allows the expenditure in four situations.

Sub-section	What is allowed
45(1)(a)	In-house research related to the business — capital expenditure (but not on land) and revenue expenditure, in full, in the year incurred
45(1)(b)	Salary of employees engaged in the research, and materials used in it, incurred within the three years immediately before the business commenced, to the extent certified by the prescribed authority — deemed to be incurred in the year the business commences
45(1)(c)	Capital expenditure incurred within the three years before commencement — likewise deemed to be incurred in the year of commencement
45(3)	Sums paid to an approved research association, university, college, other institution, national laboratory, Indian Institute of Technology or approved company, for scientific research or an approved programme

Three things to be clear about

- **There is no weighted deduction.** Section 45 contains no percentage. What is allowed is the expenditure itself.
- **Land is excluded** from the capital expenditure, whether acquired as such or as part of any property [s. 45(1)(a)(i)]. A building used for research is allowed; the land under it is not.
- **No depreciation on the same asset.** Where the whole capital cost has been allowed under section 45, section 33 gives nothing. The asset does not enter a block. Section 45(7) does, however, apply the unabsorbed-depreciation machinery of section 33(11) to a capital deduction that cannot be absorbed.

4.2 Preliminary expenditure [Section 44]

One-fifth for five years

An Indian company, or a resident person other than a company, which incurs the specified expenditure before the commencement of its business, or after commencement in connection with the extension of its undertaking or the setting up of a new unit, is allowed **one-fifth of it in each of five successive tax years**, beginning with the year the business commences or the year the extension is completed or the new unit commences operation.

The expenditure covered is that on the preparation of a feasibility report, a project report, a market survey or an engineering service; legal charges for drafting agreements; and, for a company, the legal charges of drafting the memorandum and articles, the printing and registration fee, and the prospectus and underwriting expenses of a public issue.

Illustration 4.2 — preliminary expenditure

A company incurred ₹10,00,000 on a project report and on drafting its memorandum and articles. The business commenced in the Tax Year 2026-27.		
Deduction for Tax Year 2026-27 — one-fifth of ₹10,00,000		**2,00,000**

Chapter 5

The General Deduction and the Disallowances

5.1 The general deduction [Section 34(1)]

Section 34(1)

Any expenditure (not being an expenditure of the nature specified in sections 28 to 33, 44 to 49, 51 and 52 and not being in the nature of capital expenditure or personal expenses of the assessee), laid out or expended wholly and exclusively for the purposes of the business or profession shall be allowed in computing the income chargeable under the head "Profits and gains of business or profession".

This is the residuary deduction — the old section 37(1). It catches everything that is a proper business expense and is not dealt with elsewhere: office expenses, advertisement, travelling, telephone, postage, staff welfare, professional fees, licence renewals. Five conditions must all be satisfied.

	Condition	What it excludes
1	It must be expenditure — an actual outgoing or a liability incurred	A mere provision or reserve; a notional or estimated charge
2	It must not be of a kind dealt with by sections 28 to 33, 44 to 49, 51 and 52	Anything with its own section, which is then governed by that section and its conditions
3	It must not be capital expenditure	Acquiring an asset or an enduring advantage
4	It must not be personal expenses of the assessee	Household expenses; the proprietor's own life insurance; his children's school fees; the private use of a business car
5	It must be laid out wholly and exclusively for the purposes of the business or profession	Expenditure with a mixed purpose, to the extent of the non-business part

5.2 What section 34 expressly shuts out [Section 34(2) and (3)]

Three categories, and they are absolute

- **Offences and things prohibited by law** [s. 34(2)(a)]. Section 34(3) spells out what this includes: any purpose which is an offence under, or prohibited by, any law in force in or outside India; providing a benefit or perquisite whose acceptance would violate any law, rule, regulation or guideline governing the recipient's conduct; compounding an offence; and settling proceedings for a contravention of a notified law.
- **Corporate social responsibility** expenditure referred to in section 135 of the Companies Act, 2013 [s. 34(2)(b)]. A company must spend it, and gets no deduction for it under this head — though a contribution to a fund eligible under Chapter VIII may still qualify there.
- **Advertisement in a souvenir, brochure, tract or pamphlet published by a political party** [s. 34(2)(c)].

The benefit-or-perquisite limb in section 34(3)(b) is the one that has grown. It disallows, for example, the free samples, hospitality and foreign travel that a pharmaceutical company gives a medical practitioner, because the practitioner's acceptance of them violates the regulations governing his conduct.

Penalty against compensation
A payment for the infraction of a law is not deductible. A payment that is compensatory — a higher price for a delayed delivery, damages for breach of a commercial contract, interest for the late payment of a tax which is itself deductible — is a normal incident of trade and is allowed. The label used in the accounts does not decide it; the character of the payment does.

5.3 Amounts not deductible [Section 35]

Section 35 opens with the words "Irrespective of any other provision of Chapter IV-D", so it overrides everything in this Part. It replaces section 40 of the 1961 Act.

Clause	What is not deductible
35(a)	Tax paid on income; tax paid by an employer on a non-monetary perquisite referred to in Schedule III (Table: Sl. No. 10); and foreign tax for which relief is available under section 159 or 160 — including any surcharge or cess on such tax
35(b)(i)	30% of any sum payable to a resident on which tax was deductible at source and was not deducted, or was deducted and not paid by the due date under section 263(1). Allowed in the year the tax is eventually paid
35(b)(ii)	The WHOLE of any interest, royalty, fees for technical services or other chargeable sum payable outside India, or in India to a non-resident or a foreign company, on which tax was not deducted or not paid
35(b)(iii)	Any payment to a provident or other employee fund unless effective arrangements are made to deduct tax from payments out of the fund chargeable as salary
35(c)	Any payment chargeable as salary, payable outside India or to a non-resident, on which tax was not deducted or not paid
35(d)	Royalty, licence fee, service fee or privilege fee levied exclusively on, or appropriated from, a State Government undertaking by the State Government
35(e)	A firm's payments to its partners, beyond the limits in paragraph 5.5
35(f)	Interest, salary, bonus, commission or remuneration paid by an association of persons or body of individuals to its members

The 30% against the 100%
This is the single most heavily tested distinction in section 35. A payment to a RESIDENT on which tax was not deducted loses 30% of the deduction. A payment of interest, royalty or technical fees OUTSIDE INDIA, or to a non-resident, on which tax was not deducted, loses the whole of it. Problem 5 in Chapter 9 puts both in the same computation.

In both cases the disallowance is a deferral, not a forfeiture. When the tax is eventually deducted and paid, the sum is allowed in computing the income of the year in which it is paid.

5.4 Tax on a non-monetary perquisite paid by the employer

Where an employer chooses to bear the tax on a non-monetary perquisite provided to an employee, the employee is exempt on it — Schedule III, Table, serial number 10, dealt with in Unit 2 Part A. Section 35(a)(ii) completes the arrangement from the employer's side:

the tax so borne is not deductible in computing the employer's business income. The employer buys the employee's exemption out of taxed profits. The two provisions must be read together, and a question that gives the employer's Profit and Loss Account with such a payment debited to it is testing whether both halves are known.

5.5 A firm's payments to its partners [Section 35(e)]

Interest — the 12% ceiling

Interest to any partner is disallowed to the extent it exceeds 12% simple interest per annum, and is disallowed altogether if it is not authorised by the partnership deed, or relates to a period before the date of the deed.

Remuneration — the two-slab ceiling [s. 35(e)(iii)]

- Remuneration to a partner who is not a working partner is disallowed in full.
- Remuneration to a working partner must be authorised by, and be in accordance with, the deed, and must not relate to a period before the date of the deed.
- The aggregate remuneration to all working partners is then capped at — on the first ₹6,00,000 of book profit, or in case of a loss, ₹3,00,000 or 90% of the book profit, whichever is higher; and on the balance of the book profit, 60%.

"Book profit" means the net profit shown in the Profit and Loss Account for the year, computed as per this Part, as increased by the aggregate remuneration to all the partners if it has been deducted in arriving at the net profit [s. 35(e)(v)(A)]. So the order of work is: start from the net profit, make every other adjustment, add back the remuneration, and only then apply the slabs. Problem 4 in Chapter 9 does it in that order.

5.6 Payments to relatives and other specified persons [Section 36(2)]

Section 36(2)

If the assessee incurs any expenditure for which payment has been or is to be made to any "specified person", which in the opinion of the Assessing Officer is excessive or unreasonable having regard to the fair market value of the goods, services or facilities, or the legitimate needs of the business or profession, or the benefit derived, so much of the expenditure as is considered excessive or unreasonable shall not be allowed as a deduction.

Where the assessee is	The specified person is
An individual	Any relative of the assessee
A company	Any director of the company, or his relative
A firm	A partner of the firm, or his relative
An association of persons	A member of the association, or his relative
A Hindu undivided family	A member of the family, or his relative

The Table is not the whole of it. Section 36(3)(a)(ii) to (iv) extends "specified person" to any person having a substantial interest in the business of the assessee, and their directors, partners, members and relatives; and to any person in whose business the assessee, or his relatives, has a substantial interest. Substantial interest means beneficial ownership of shares carrying at least 20% of the voting power, or an entitlement to at least 20% of the profits [s. 36(3)(b)].

Only the excess is disallowed

Section 36(2) is not a prohibition on employing one's relatives. A salary of ₹4,80,000 paid to a brother who does work reasonably worth ₹2,40,000 gives a disallowance of ₹2,40,000, not of ₹4,80,000. The burden of showing that the payment is excessive lies on the Assessing Officer, and the comparison is with what the same work would have cost from an outsider.

5.7 Cash payments above ₹10,000 [Section 36(4) to (8)]

> **Section 36(4), (5) and (6)**
>
> *(4) Where in respect of any expenditure incurred by the assessee, any payment or aggregate of payments made in a day to a person exceeds ₹10,000 and is not made through specified banking or online mode, then the expenditure by way of such payments shall not be allowed as a deduction.*
>
> *(5) Where a deduction was allowed in a preceding year for a liability and payment is made in a subsequent year in cash above the same limit, such payment shall be deemed to be income under this head in that subsequent year.*
>
> *(6) The figures "₹10,000" shall be read as "₹35,000" in case the payment is made for plying, hiring or leasing of goods carriages.*

- **The whole payment is disallowed, not the excess.** A cash payment of ₹45,000 loses ₹45,000, not ₹35,000. This is the difference between section 36(4) and section 36(2), and it is worth fixing in the mind.
- **The test is per person per day, aggregated.** Three cash payments of ₹4,000 each to the same supplier on the same day come to ₹12,000 and are disallowed. The same three payments on three different days are not.
- **Section 36(5) is the reverse charge.** A liability allowed last year on the mercantile basis and paid this year in cash above the limit becomes income of this year. The Act closes the door on both sides.
- **Exceptions are prescribed, not statutory.** Section 36(7) allows the Rules to except cases having regard to the availability of banking facilities, business expediency and other factors — payment in a village without a bank, payment to a cultivator for produce, payment on a bank holiday, terminal benefits up to the prescribed limit.
- **Section 36(9)** separately disallows any marked to market loss or other expected loss except as allowed by section 32(1)(h).

5.8 Deductions allowed on actual payment only [Section 37]

Section 37 replaces section 43B. It overrides the method of accounting: the sums it lists are allowed only in the tax year in which they are actually paid, whatever system the assessee follows and whatever year the liability was incurred.

Clause	The sum
37(2)(a)	Any tax, duty, cess, surcharge or fee levied under any law
37(2)(b)	Employer's contribution to a provident fund, superannuation fund, gratuity fund or any employee welfare fund
37(2)(c)	Amount payable by the employer in lieu of leave at the credit of an employee
37(2)(d)	Bonus or commission to an employee, referred to in section 32(a)
37(2)(e)	Interest on loans, advances or borrowings from a specified financial entity, as per the terms of the agreement
37(2)(f)	Amount payable to the Indian Railways for the use of railway assets
37(2)(g)	Amount payable to a micro or small enterprise beyond the time limit in section 15 of the Micro, Small and Medium Enterprises Development Act, 2006

The extension, and the one clause it does not reach

Section 37(3) gives the familiar relief: where the sum is paid after the end of the tax year in which the liability was incurred but **on or before the due date of filing the return under section 263(1)** for that year, the deduction is allowed in that year. So a tax or a provident fund contribution outstanding on 31 March 2027 but paid by 31 July 2027 is still deductible in the Tax Year 2026-27.

But the extension expressly excludes clause (g) — the amount payable to a micro or small enterprise. That must be paid within the time allowed by section 15 of the 2006 Act itself; paying it before the return due date is not enough.

Two further points. Section 37(4) provides that converting unpaid interest into a fresh loan or debenture is not payment. Section 37(6) takes an employee's own contribution recovered by the employer outside this section altogether.

Chapter 6

Deemed Profits [Section 38]

Recoveries and remissions · Balancing charge · Bad debts recovered · Why the business need not still exist

Section 38 replaces section 41 of the 1961 Act. It charges as business income a number of receipts which are not profit at all in the ordinary sense — they are the coming back of something for which a deduction was given in an earlier year. The principle is simple: what was once allowed as a loss must be taxed when it is recouped.

6.1 What is charged

	The receipt	What is charged
1	Remission or cessation of a trading liability, or recovery of a loss or expenditure for which a deduction was allowed in an earlier year	The amount obtained, or the value of the benefit, in the year of receipt or remission
2	Sale or transfer of an asset representing capital expenditure on scientific research, without having been used for any other purpose	So much of the proceeds as does not exceed the deduction allowed
3	Recovery of a bad debt for which a deduction was allowed under section 31(2) [s. 38(1)(d)]	So much of the amount recovered as EXCEEDS the difference between the debt and the amount allowed. Where the whole debt was allowed, that difference is nil and the whole recovery is charged
4	Amount withdrawn from a special reserve created under section 32(e)	The amount withdrawn

6.2 The two points that carry the section

- **The business need not still be in existence.** Section 38(2) charges the sum whether or not the business or profession in respect of which the allowance was made is being carried on in the year of receipt. A trader who closed his shop in 2024 and recovers a bad debt in 2027 is charged under this head in 2027.
- **A remission must be real.** A liability that is merely barred by limitation is not remitted; the creditor's right to sue has gone but the debt survives. What is charged is a remission or cessation — a waiver by the creditor, a settlement at less than the full amount, a writing back in the accounts.

> **The mirror of the deduction sections**
> Every limb of section 38 answers a limb of an earlier section. Clause (d) answers section 31(2); the scientific research limb answers section 45; the balancing charge answers section 33(2). Where a question gives a receipt and asks whether it is taxable, the useful question is: was a deduction ever allowed for this? If it was, section 38 will usually charge it.

Chapter 7

Presumptive Taxation [Section 58]

7.1 Three sections become one

Sections 44AD, 44ADA and 44AE of the 1961 Act are now the three serial numbers of a single Table in section 58(2). Section 58(1) gives the Table its force: the provisions of sections 26 to 54, to the extent contrary to this section, do not apply to the computation of the profits of a specified business or profession.

Sl.	Business or profession	Who may use it	Turnover ceiling	Deemed profit
1	Any business other than serial number 2	An eligible assessee — an individual, Hindu undivided family, or firm other than a limited liability partnership, resident in India	₹2 crore; or ₹3 crore where cash receipts do not exceed 5% of turnover	6% of receipts through banking or online mode, plus 8% of the rest; or the profit actually earned, whichever is higher
2	Plying, hiring or leasing goods carriages	An assessee owning not more than ten goods carriages at any time during the year	No turnover ceiling	₹1,000 per ton of gross vehicle weight per month for a heavy goods vehicle; ₹7,500 per month for any other; or the actual profit, whichever is higher
3	A specified profession as defined in section 62(4)	A specified assessee — an individual or firm other than a limited liability partnership, resident in India	₹50 lakh; or ₹75 lakh where cash receipts do not exceed 5% of gross receipts	50% of gross receipts, or the actual profit, whichever is higher

7.2 Serial number 1 — business

The two-rate structure

The rate is not a flat 8%. Section 58(2), column E, splits the turnover:

- 6% of so much of the turnover as is received by specified banking or online mode during the tax year, or before the due date under section 263(1);
- 8% of the balance.

Section 58(9) closes an obvious gap: a receipt by a cheque or bank draft which is **not account payee** is deemed to be a receipt in cash, both for the 5% test and for the two-rate split.

Who is NOT an eligible assessee [Section 58(11)(a)]

- A company; a limited liability partnership; a non-resident.
- One who has claimed a deduction under section 144, or under Chapter VIII-C, for the year.
- One carrying on a specified profession as defined in section 62(4) — he goes to serial number 3 instead.
- One earning income in the nature of commission or brokerage.
- One carrying on any agency business.

7.3 Serial number 2 — goods carriages

- The condition is ownership of not more than ten goods carriages at any time during the year. Owning an eleventh for a single day takes the assessee out of the serial number for the whole year.

- A heavy goods vehicle is one whose gross vehicle weight exceeds 12,000 kilograms [s. 58(11)(e)]. For it the rate is ₹1,000 per ton of gross vehicle weight or unladen weight, for every month or part of a month of ownership.
- For any other goods carriage the rate is ₹7,500 for every month or part of a month of ownership. Note that it is ownership, not use — a vehicle owned but idle still attracts the deemed profit.
- Part of a month counts as a month. A vehicle bought on 28 August is owned for eight months to 31 March.
- A vehicle held on hire purchase or instalments is deemed to be owned by the assessee [s. 58(11)(f)].
- Where the assessee is a firm, section 58(5) permits salary and interest paid to partners to be deducted from the deemed income, within the limits of section 35(e). This concession applies to serial number 2 ONLY — not to serial numbers 1 or 3.

7.4 Serial number 3 — a specified profession

The professions are those listed in section 62(4): legal, medical, engineering, architectural, accountancy, technical consultancy, interior decoration, information technology and company secretary, and any other profession notified by the Board. Gross receipts must not exceed ₹50 lakh, rising to ₹75 lakh where cash receipts do not exceed 5%. The deemed profit is 50% of gross receipts, or the actual profit if higher.

7.5 The five-year lock-in [Section 58(7) and (8)]

Applies to serial number 1 only

Where an eligible assessee declares profit under serial number 1 for a tax year, and then in any of the five succeeding years declares profit otherwise than under that serial number, he is **not eligible to claim the benefit of section 58 for five tax years** after the year in which he opted out.

And section 58(8) adds the sting: for those years, if his total income exceeds the maximum amount not chargeable to tax, he must keep books under section 62 and get them audited under section 63 — however small his turnover.

7.6 What presumptive taxation costs, and what it saves

	Under section 58	Authority
Every deduction under sections 26 to 54	Deemed to have been allowed. Nothing further is deductible	s. 58(1) and (4)
Depreciation	Deemed to have been claimed and allowed. The written down value is computed as if it had been	s. 58(6)
Books of account and audit	Not required, so long as the deemed profit is declared	s. 58(3), 63(2)
Declaring a lower profit	Permitted, but then books must be kept under section 62 and audited under section 63, if total income exceeds the exemption limit	s. 58(3)
Losses and allowances of other provisions	Not allowed against the presumptive income	s. 58(4)
Partners' salary and interest	Deductible for serial number 2 only	s. 58(5)

The consequence students most often miss

Section 58(6) is the trap. Depreciation is **deemed to have been claimed and actually allowed** for every year the assessee was on the presumptive basis. So when he returns to normal computation, the written down value he brings forward is the depreciated figure, not the figure he last actually claimed. The depreciation of the presumptive years is gone — it was inside the 6% or 8%.

Chapter 8

Books of Account and Audit [Sections 62 and 63]

8.1 Who must keep books [Section 62(1)]

Section 62(1)

- (a) Any person carrying on a specified profession; or
- (b) any person carrying on business, or any profession not being a specified profession, and satisfying the conditions in sub-section (2),

shall keep and maintain such books of account and other documents as will enable the Assessing Officer to compute his total income under this Act.

The difference between clause (a) and clause (b) is the whole of the section. A specified professional must keep books whatever his income or receipts — there is no threshold for him. Everybody else keeps books only if he crosses one.

8.2 The thresholds [Section 62(2)]

Assessee	Income from the business or profession	Total sales, turnover or gross receipts
An individual or a Hindu undivided family	Exceeds ₹2,50,000 in any one of the three years immediately preceding the tax year	Exceeds ₹25,00,000 in any one of those three years
Any other person	Exceeds ₹1,20,000 in any one of the three preceding years	Exceeds ₹10,00,000 in any one of those three years
A newly set-up business or profession	Is likely to exceed the same figure during the tax year itself	Is likely to exceed the same figure during the tax year itself

One further case is added by section 62(2)(c): where an assessee referred to in section 58(2), or in section 61(2), Table, Serial numbers 4 and 5, claims his income to be LOWER than the deemed profit, he must keep books whatever his turnover. On the reading of that parenthetical, see the note at paragraph 8.4.

Either test, not both

The conditions in section 62(2)(a) are joined by “or”. Crossing the income figure is enough; so is crossing the turnover figure. And the test looks back three years — a business whose income fell this year still keeps books if it crossed the threshold in any of the three preceding years.

8.3 Specified profession [Section 62(4)]

Legal, medical, engineering, architectural, accountancy, technical consultancy, interior decoration, information technology or company secretary — and any other profession notified by the Board. The list is used three times over: in section 62(1)(a) for books, in section 58(2) serial number 3 for presumptive taxation, and in section 63(1) for the audit threshold.

The books to be kept, their particulars, the form and place of keeping them and the period of retention are prescribed by the Board under section 62(3).

8.4 Tax audit [Section 63]

	Who must get the accounts audited	Threshold
1(a)	A person carrying on business	Total sales, turnover or gross receipts exceed ₹1 crore in any tax year, subject to clause (b)
1(b)	The same person, where BOTH the cash receipts and the cash payments are within 5%	₹1 crore is read as ₹10 crore
1(c)	A person carrying on a profession	Gross receipts in the profession exceed ₹50 lakh in any tax year
2	A person carrying on a business or profession referred to in section 58(2), or in section 61(2), Table, Serial numbers 4 and 5, who claims profits LOWER than the deemed profits [see the note below]	No turnover threshold

Two things to read carefully in serial number 2

- **The words "(Table: Sl. Nos. 4 and 5)" qualify section 61(2) only.** They cannot qualify section 58(2), whose Table has three serial numbers and no fourth or fifth. Serial numbers 4 and 5 of the section 61(2) Table are the turnkey power project of a foreign company and the mineral oil services of a non-resident — the two presumptive regimes under that section in which a lower profit may be claimed. The same parenthetical appears in section 62(2)(c) and is to be read the same way.
- **"No threshold" means no TURNOVER threshold.** Section 63(1), Table, Serial number 2 states none. But for an assessee within section 58, section 58(3) imposes the obligation only where his total income also exceeds the maximum amount not chargeable to tax. Both conditions must be satisfied before the audit is required.

8.5 The ₹10 crore relaxation, read carefully

Both tests must be satisfied

- The aggregate of all amounts received, including for sales, turnover or gross receipts, in cash during the year must not exceed 5% of that aggregate; AND
- the aggregate of all payments made, including expenditure, in cash during the year must not exceed 5% of that aggregate.

Fail either and the threshold reverts to ₹1 crore. And section 63(5)(b) provides, as section 58(9) does, that a receipt or payment by a cheque or bank draft which is not account payee is deemed to be in cash.

8.6 The dates, and two exemptions

- **The "specified date"** is one month before the due date for furnishing the return under section 263(1) [s. 63(5)(a)]. The accounts must be audited before that date and the report furnished by it.

- **Where the accounts are already audited under another law** — a company under the Companies Act, a co-operative society under its own Act — it is sufficient compliance if that audit is completed by the specified date and the report is furnished along with the accountant's report in the prescribed form [s. 63(4)].
- **Section 63(2) exempts** a person who declares profits in accordance with section 58(2) or 61(2). Declare the deemed profit and no audit is required under this section, whatever the turnover.
- **Section 58(10) excludes the goods carriage business** from sections 62 and 63 altogether, and requires its gross receipts or income to be left out in computing the monetary limits under those sections.

Chapter 9

The Computation, and Ten Practical Problems

9.1 The format

Paragraph 1.9 set out the four movements. They are repeated here in the form in which the statement is written out, and every solution in this chapter follows it.

Computation of profits and gains of business or profession

Particulars	₹	₹
Net profit as per the Profit and Loss Account		**xxx**
Add: expenses debited but not allowable	xxx	
Add: business receipts not credited	xxx	xxx
		xxx
Less: expenses allowable but not debited — chiefly depreciation under section 33	xxx	
Less: receipts credited but not chargeable under this head	xxx	(xxx)
PROFITS AND GAINS OF BUSINESS OR PROFESSION		**xxx**

9.2 Problem 1 — a trader, and the ordinary disallowances

The question

Shri Ramesh Chandra, aged 44, carries on a wholesale cloth business at Kanpur. His Profit and Loss Account for the year ending 31 March 2027 is set out below. Compute his profits and gains of business or profession for the Tax Year 2026-27.

Particulars	₹	Particulars	₹
Opening stock	4,20,000	Sales	66,40,000
Purchases	38,60,000	Closing stock	5,10,000
Wages and salaries	6,40,000	Interest on government securities	60,000
Rent, rates and taxes	2,10,000	Rent from house property	1,20,000
Household expenses	1,80,000	Bad debts recovered (allowed as a	
Advertisement in a political party's souvenir	40,000	deduction in an earlier year)	30,000
Donation to a charitable trust	50,000		
Depreciation	1,60,000		
Income-tax paid	1,20,000		
Provision for bad debts	35,000		
Bad debts written off	28,000		
Interest on proprietor's capital	90,000		
Fire insurance premium	24,000		
General expenses	3,15,000		
Net profit	11,88,000		
TOTAL	**73,60,000**		**73,60,000**

Depreciation allowable under section 33 is ₹1,95,000.

Solution

Particulars	₹	₹
Net profit as per the Profit and Loss Account		**11,88,000**
Add: inadmissible expenses debited —		
Household expenses — personal [s. 34(1)]	1,80,000	
Advertisement in a political party's souvenir [s. 34(2)(c)]	40,000	
Donation to a charitable trust — not for the business [s. 34(1)]	50,000	
Depreciation debited in the books [Note 1]	1,60,000	
Income-tax paid [s. 35(a)(i)]	1,20,000	
Provision for bad debts [Note 2]	35,000	
Interest on the proprietor's own capital [Note 3]	90,000	6,75,000
		18,63,000

Less: incomes credited but chargeable under other heads —		
Interest on government securities — other sources	60,000	
Rent from house property — house property	1,20,000	(1,80,000)
		16,83,000
Less: depreciation allowable under section 33		(1,95,000)
PROFITS AND GAINS OF BUSINESS OR PROFESSION		**14,88,000**

Working notes

Note 1 — depreciation. The ₹1,60,000 debited in the books is added back and the ₹1,95,000 computed under section 33 is deducted. The two are never netted off; the statement must show both.

Note 2 — the provision, and the write-off. The provision for bad debts of ₹35,000 is disallowed: section 31(1) gives a deduction for a provision only to the banks and financial institutions named in its Table, and Shri Ramesh is not one of them. The ₹28,000 of bad debts actually written off IS allowable under section 31(2), and since it has already been debited to the account no adjustment is needed. The ₹30,000 recovered is rightly credited — section 38(1)(d) charges it.

Note 3 — interest on the proprietor's capital [s. 32(b)]. Section 32(b) allows interest on capital **borrowed** for the business. A proprietor's own capital is not borrowed — he cannot lend to himself, and there is neither debtor nor creditor. The entry is an appropriation of profit, not an expense. Contrast a firm, which is a separate assessee and may pay interest to its partners within the 12% ceiling of section 35(e)(iv) — Problem 4.

Note 4 — what has been left alone. Wages and salaries and general expenses are allowable under section 34(1). Rent, rates and taxes are allowable under section 28(1)(b) and (c). The fire insurance premium is allowable under section 28(1)(a) if it covers the premises, plant or furniture, and under section 30(a) if it covers the stock — either way it is allowed, and no adjustment is needed. Nothing has to be done to any of these four.

9.3 Problem 2 — relatives, cash payments and actual payment

The question

Smt. Sunita Agarwal carries on a trading business. Her net profit for the year ending 31 March 2027, as shown by her Profit and Loss Account, is ₹8,40,000, after debiting the following. Compute her profits and gains of business for the Tax Year 2026-27.

- Salary of ₹4,80,000 paid to her brother, who is employed as a manager. The Assessing Officer is satisfied that the fair value of the work done is ₹2,40,000.
- ₹45,000 paid in cash on a single day to one supplier for the purchase of goods.
- ₹30,000 paid in cash to a transporter for the hire of a goods carriage.
- Goods and services tax of ₹1,20,000 for the year, of which ₹80,000 was paid on 10 June 2027 and ₹40,000 is still unpaid.
- Employer's contribution to the recognised provident fund of ₹60,000, paid on 15 September 2027. The due date for furnishing her return under section 263(1) is 31 July 2027.

Solution

Particulars	₹	₹
Net profit as per the Profit and Loss Account		**8,40,000**
Add: salary to her brother, to the extent excessive — ₹4,80,000 less ₹2,40,000 [Note 1]	2,40,000	
Add: cash payment for goods, exceeding ₹10,000 in a day [Note 2]	45,000	
Add: goods and services tax unpaid [Note 3]	40,000	
Add: provident fund contribution paid after the return due date [Note 4]	60,000	3,85,000
PROFITS AND GAINS OF BUSINESS		**12,25,000**

Working notes

Note 1 — the brother. Section 36(2) disallows so much of the expenditure as is excessive or unreasonable having regard to the fair market value of the services. Only the excess of ₹2,40,000 is disallowed; the section is not a bar on employing a relative.

Note 2 — the two cash payments. The ₹45,000 for goods is wholly disallowed by section 36(4) — the whole payment, not the excess over ₹10,000. The ₹30,000 to the transporter is **allowed**: section 36(6) reads ₹10,000 as ₹35,000 where the payment is for plying, hiring or leasing goods carriages, and ₹30,000 is within it.

Note 3 — the tax. Section 37(2)(a) puts a tax, duty, cess or fee on the actual payment basis. The ₹80,000 paid on 10 June 2027 is allowed for this year, because section 37(3) extends the time to the return due date of 31 July 2027. The ₹40,000 still unpaid is disallowed, and will be allowed in the year it is paid.

Note 4 — the provident fund. Section 37(2)(b) puts the employer's contribution on the same footing, and 15 September 2027 is after the return due date. The whole ₹60,000 is disallowed this year and allowed in the Tax Year 2027-28.

9.4 Problem 3 — a profession, and an asset partly used

The question

Dr. Anand Kumar is a medical practitioner at Delhi. His Income and Expenditure Account for the year ending 31 March 2027 is set out below. Depreciation allowable under section 33 on his equipment and car is ₹3,20,000, after restricting the car to its business use. Forty per cent of the use of the car is personal. Compute his professional income for the Tax Year 2026-27.

Particulars	₹	Particulars	₹
Staff salary	6,80,000	Consultation fees	28,00,000
Clinic rent	3,60,000	Visiting fees	9,00,000
Medicines consumed	8,40,000	Sale of medicines	12,00,000
Depreciation on equipment and car	2,40,000	Gift from a grateful patient	25,000
Car expenses	1,80,000	Dividend on shares	40,000
Municipal taxes of the clinic	45,000		
Subscription to medical journals	30,000		
Income-tax paid	2,00,000		
Life insurance premium	60,000		
Donation to the Prime Minister's			
National Relief Fund	50,000		
Surplus	22,80,000		
TOTAL	**49,65,000**		**49,65,000**

Solution

Particulars	₹	₹
Surplus as per the Income and Expenditure Account		**22,80,000**
Add: depreciation debited in the books	2,40,000	
Add: car expenses — 40% of ₹1,80,000, personal [Note 1]	72,000	
Add: income-tax paid [s. 35(a)(i)]	2,00,000	
Add: life insurance premium — personal [s. 34(1)]	60,000	
Add: donation to the Prime Minister's National Relief Fund [Note 2]	50,000	6,22,000
		29,02,000
Less: dividend on shares — chargeable under other sources		(40,000)
Less: depreciation allowable under section 33		(3,20,000)
PROFESSIONAL INCOME		**25,42,000**

Working notes

Note 1 — the car. Section 33(3)(b) restricts depreciation to a fair proportionate part where an asset is only partly used for the profession, and section 34(1) requires expenditure to be laid out wholly and exclusively for it. The same 60:40 proportion is applied to both. The ₹3,20,000 of depreciation given in the question is already so restricted; the running expenses must be restricted here.

Note 2 — the donation. Not laid out for the purposes of the profession, so it is added back here. It may be deductible under Chapter VIII when total income is computed, which is a different question and a different Unit.

Note 3 — the gift from the patient. It has been credited, and rightly. Section 26(2)(f) charges "the value of any benefit or perquisite arising from business or the exercise of a profession, whether convertible into money or not". A gift made to a doctor because he is her doctor arises from the exercise of his profession. A gift from his own brother on his birthday would not.

9.5 Problem 4 — a firm, and its payments to partners

The question

M/s Gupta & Sons is a firm of two partners, A and B, both of whom are working partners. Its net profit for the year ending 31 March 2027, as per the Profit and Loss Account, is ₹14,00,000, after debiting —

- remuneration to the two working partners of ₹9,00,000, authorised by and in accordance with the partnership deed; and
- interest on the partners' capital of ₹20,00,000 at 18% per annum, that is ₹3,60,000, likewise authorised by the deed.

Compute the firm's business income for the Tax Year 2026-27.

Step 1 — the interest

Interest debited — ₹20,00,000 at 18%		3,60,000
Allowable — ₹20,00,000 at 12%, the ceiling in section 35(e)(iv)		(2,40,000)
EXCESS INTEREST, DISALLOWED		**1,20,000**

Step 2 — the book profit [s. 35(e)(v)(A)]

Net profit as per the Profit and Loss Account		14,00,000
Add: excess interest disallowed at Step 1		1,20,000
Add: remuneration to the working partners, debited to the account		9,00,000
BOOK PROFIT		**24,20,000**

Step 3 — the ceiling on remuneration [s. 35(e)(iii)]

On the first ₹6,00,000 of book profit — 90%, or ₹3,00,000, whichever is higher		5,40,000
On the balance of ₹18,20,000 — at 60%		10,92,000
MAXIMUM ALLOWABLE REMUNERATION		16,32,000
Remuneration actually paid and debited		9,00,000
ALLOWABLE — the lower of the two		**9,00,000**

Step 4 — the answer

Net profit as per the Profit and Loss Account		14,00,000
Add: excess interest above 12%		1,20,000
Add: remuneration disallowed — nil, the whole being within the ceiling		Nil
BUSINESS INCOME OF THE FIRM		**15,20,000**

Note the order. The book profit is arrived at AFTER every other adjustment and AFTER adding back the remuneration, and only then are the slabs applied. Applying them to the net profit of ₹14,00,000 would give ₹10,20,000 and a wrong answer. The ₹9,00,000 allowed to the firm is chargeable in the partners' own hands under section 26(2)(g).

9.6 Problem 5 — a company: tax deduction defaults and prohibited expenditure

The question

XYZ Ltd., an Indian company, shows a net profit of ₹48,00,000 for the year ending 31 March 2027, after debiting the following. Compute its business income for the Tax Year 2026-27.

- Commission of ₹6,00,000 paid to a resident agent, on which no tax was deducted at source.
- Interest of ₹4,00,000 paid to a non-resident, on which no tax was deducted at source.
- Rent of ₹3,00,000 paid to a resident, on which tax was deducted but paid to the Government after the due date under section 263(1).
- Corporate social responsibility expenditure of ₹5,00,000 incurred under section 135 of the Companies Act, 2013.
- Penalty of ₹2,00,000 for a violation of the pollution control law.
- ₹50,000 paid to compound an offence under a State enactment.

Solution

Particulars	₹	₹
Net profit as per the Profit and Loss Account		**48,00,000**
Add: commission to a resident — 30% of ₹6,00,000 [s. 35(b)(i)]	1,80,000	
Add: interest to a non-resident — the whole of it [s. 35(b)(ii)]	4,00,000	
Add: rent — 30% of ₹3,00,000, the tax having been paid late [s. 35(b)(i)]	90,000	
Add: corporate social responsibility expenditure [s. 34(2)(b)]	5,00,000	
Add: penalty for a violation of law [s. 34(2)(a) with s. 34(3)(a)]	2,00,000	
Add: sum paid to compound an offence [s. 34(3)(c)]	50,000	14,20,000
BUSINESS INCOME		**62,20,000**

Every one of the three tax-deduction disallowances is a deferral, not a forfeiture: when the tax is deducted and paid, the sum is allowed in computing the income of the year of payment. The other three are permanent.

Thirty per cent, or the whole?

Section 35(b)(i) disallows **30%** of a sum payable to a **resident**. Section 35(b)(ii) disallows **the whole** of interest, royalty, fees for technical services or any other chargeable sum payable outside India, or in India to a non-resident or a foreign company. The commission and the rent in this problem take 30%; the interest to the non-resident takes 100%.

9.7 Problem 6 — total income and tax under both regimes

The question

Shri Mahesh Gupta, aged 48, carries on a manufacturing business. His net profit for the year ending 31 March 2027 is ₹16,50,000, after debiting or crediting the following. Compute his total income and tax payable for the Tax Year 2026-27 under the optional regime and under the default regime of section 202.

- Debited: income-tax paid ₹1,20,000; depreciation ₹2,50,000; donation to a charitable trust ₹90,000; a cash payment of ₹60,000 made on one day to a supplier of raw material; provision for bad debts ₹45,000.
- Credited: interest on a bank fixed deposit ₹80,000; rent of ₹1,50,000 from a shop he owns and has let out. No municipal taxes were paid on the shop and there is no loan on it.
- Depreciation allowable under section 33 is ₹3,40,000.
- He paid ₹1,50,000 into his public provident fund and ₹25,000 as medical insurance premium for his family.

Step 1 — business income

Net profit as per the Profit and Loss Account		**16,50,000**
Add: income-tax paid [s. 35(a)(i)]	1,20,000	
Add: depreciation debited in the books	2,50,000	
Add: donation to a charitable trust [s. 34(1)]	90,000	
Add: cash payment exceeding ₹10,000 in a day [s. 36(4)]	60,000	
Add: provision for bad debts [s. 31(1)]	45,000	5,65,000
		22,15,000
Less: interest on the bank deposit — other sources	80,000	
Less: rent of the shop — house property	1,50,000	(2,30,000)
Less: depreciation allowable under section 33		(3,40,000)
PROFITS AND GAINS OF BUSINESS		**16,45,000**

Step 2 — total income and tax

Particulars	**Optional**	**Default**
Profits and gains of business	16,45,000	16,45,000
Income from house property — ₹1,50,000 less 30% [s. 22(1)(a)]	1,05,000	1,05,000
Income from other sources — bank interest	80,000	80,000
GROSS TOTAL INCOME	18,30,000	18,30,000
Less: deduction under section 123 — public provident fund	(1,50,000)	Not allowed
Less: deduction under section 126 — medical insurance	(25,000)	Not allowed
TOTAL INCOME	**16,55,000**	**18,30,000**
Income-tax on total income [Note]	3,09,000	1,66,000
Add: health and education cess at 4%	12,360	6,640
TAX PAYABLE, rounded off under section 516	**3,21,360**	**1,72,640**

Optional regime, on ₹16,55,000 — nil up to ₹2,50,000; ₹2,50,000 at 5% = ₹12,500; ₹5,00,000 at 20% = ₹1,00,000; ₹6,55,000 at 30% = ₹1,96,500. Total ₹3,09,000. Default regime, on ₹18,30,000 — nil up to ₹4,00,000; ₹4,00,000 at 5% = ₹20,000; ₹4,00,000 at 10% = ₹40,000; ₹4,00,000 at 15% = ₹60,000; ₹2,30,000 at 20% = ₹46,000. Total ₹1,66,000.

The default regime is cheaper by ₹1,48,720

It costs him ₹1,75,000 of deductions under sections 123 and 126, and gives him back a slab structure under which nothing is taxed below ₹4,00,000 and 30% does not begin until ₹24,00,000. On these figures the slabs win comfortably. The comparison must be made every year and on the year's own figures; there is no rule of thumb.

9.8 Problem 7 — the valuation of closing stock

The question

A trader's Profit and Loss Account for the year ending 31 March 2027 shows a net profit of ₹12,40,000. His closing stock has been brought into the account at its cost of ₹8,50,000. Its net realisable value on 31 March 2027 was ₹7,90,000. There are no other adjustments. Compute his business income, and state the effect on the following year.

Solution

Net profit as per the Profit and Loss Account		**12,40,000**
Closing stock, as valued in the books — at cost	8,50,000	
Closing stock, correctly valued — cost or net realisable value, whichever is lower	7,90,000	
Less: overvaluation of closing stock		(60,000)
BUSINESS INCOME		**11,80,000**

The effect on the following year is the mirror image. The opening stock of the Tax Year 2027-28 must be taken at ₹7,90,000, not ₹8,50,000, and the profit of that year will be ₹60,000 higher than the books show. Over the two years the tax is the same; it is the timing that moves.

Three situations, three answers

- The going concern — cost or net realisable value, whichever is lower, applied consistently.
- Dissolution of a firm — market price, because the business has ended and the stock is being realised.
- Conversion of stock-in-trade into a capital asset — fair market value on the date of conversion, charged as business income under section 26(2)(j), and that value becomes the cost of acquisition for capital gains.

9.9 Problem 8 — block of assets and additional depreciation

The question

M/s Bharat Engineering is engaged in the manufacture of machine tools. The written down values of its blocks of assets on 1 April 2026 were: building (10%) ₹40,00,000; plant and machinery (15%) ₹60,00,000; furniture (10%) ₹5,00,000; motor cars (15%) ₹12,00,000.

- A new office block costing ₹15,00,000 was completed and put to use on 1 October 2026.
- A new machine A costing ₹20,00,000 was acquired and put to use on 15 May 2026.
- A new machine B costing ₹10,00,000 was acquired and put to use on 1 December 2026.
- An old machine was sold during the year for ₹8,00,000.

Both new machines are unused plant, are not installed in office premises, and are neither office appliances nor road transport vehicles. Compute the depreciation allowable for the Tax Year 2026-27.

Step 1 — the four blocks

Particulars	Building	Plant
Written down value on 1 April 2026	40,00,000	60,00,000
Add: additions used for 180 days or more	15,00,000	20,00,000
Add: additions used for less than 180 days	—	10,00,000
Less: moneys payable on the asset sold	—	(8,00,000)
WRITTEN DOWN VALUE OF THE BLOCK	55,00,000	82,00,000
Depreciation at the full rate [Note 1]	5,50,000	10,80,000
Depreciation at half the rate [Note 2]	—	75,000
DEPRECIATION FOR THE YEAR	**5,50,000**	**11,55,000**
CLOSING WRITTEN DOWN VALUE	**49,50,000**	**70,45,000**

Particulars	Furniture	Motor cars
Written down value on 1 April 2026	5,00,000	12,00,000
Depreciation at 10% and 15%	**50,000**	**1,80,000**
CLOSING WRITTEN DOWN VALUE	**4,50,000**	**10,20,000**

Step 2 — additional depreciation [s. 33(8) and (9)]

Machine A — ₹20,00,000, put to use for 180 days or more, at 20%		4,00,000
Machine B — ₹10,00,000, put to use for less than 180 days, at 10%		1,00,000
ADDITIONAL DEPRECIATION FOR THE YEAR		5,00,000
The remaining 10% on machine B, allowable in the Tax Year 2027-28 [s. 33(9)(b)]		1,00,000

Answer

Normal depreciation — ₹5,50,000 + ₹11,55,000 + ₹50,000 + ₹1,80,000		19,35,000
Additional depreciation		5,00,000
TOTAL DEPRECIATION ALLOWABLE FOR TAX YEAR 2026-27		**24,35,000**

Working notes

Note 1 — the full-rate base. For the plant block, 15% is applied to ₹60,00,000 + ₹20,00,000 − ₹8,00,000 = ₹72,00,000, giving ₹10,80,000. The sale proceeds are deducted from the full-rate part of the block, not from the half-rate addition.

Note 2 — the half rate. Machine B was put to use on 1 December 2026, that is 121 days before the year end — fewer than 180. Section 33(4) restricts the deduction to half the prescribed rate, so 7.5% of ₹10,00,000 = ₹75,000. The office block, put to use on 1 October 2026, was used for 182 days and takes the full 10%.

Note 3 — additional depreciation on the office block. None. Section 33(8)(b) gives it on new machinery or plant only. A building never qualifies, and neither does furniture or a motor car.

9.10 Problem 9 — unabsorbed depreciation, and deemed profits

The question

For the Tax Year 2026-27 a manufacturer's profit, before charging depreciation, is ₹4,20,000. Depreciation allowable under section 33 is ₹7,50,000. During the same year —

- he recovered ₹85,000 of a debt which had been written off and allowed as a bad debt in the Tax Year 2023-24; and
- a trading liability of ₹2,60,000, for which a deduction had been allowed in computing his business income for the Tax Year 2023-24, was remitted in writing by the creditor during the Tax Year 2026-27.

State the treatment of each, and the amount carried forward.

Solution

Particulars	₹	₹
Profit before depreciation		4,20,000
Add: bad debt recovered [s. 38(1)(d)] [Note 1]		85,000
Add: trading liability remitted [s. 38(1)(a)] [Note 2]		2,60,000
		7,65,000
Less: depreciation allowable under section 33		(7,50,000)
PROFITS AND GAINS OF BUSINESS		**15,000**

Because the profit before depreciation, after the two additions, exceeds the depreciation allowable, the whole ₹7,50,000 is absorbed and nothing is carried forward. Had the two additions not been made, only ₹4,20,000 of the depreciation could have been allowed and ₹3,30,000 would have been carried forward under section 33(11).

Working notes

Note 1 — the bad debt. Section 38(1) charges the recovery of a loss or expenditure for which a deduction was allowed in an earlier year, and section 38(2) makes it chargeable whether or not the business is still carried on.

Note 2 — the remission. Section 38(1)(a) charges the remission or cessation of a trading liability for which a deduction was allowed in an earlier year, and charges it in the year of the remission. Section 38(2) makes it chargeable whether or not the business is still carried on in that year. The whole ₹2,60,000 is therefore business income of the Tax Year 2026-27.

Unabsorbed depreciation, in four lines

- Where the profits before depreciation are less than the depreciation allowable, only so much as there are profits is allowed; where there is a loss, none is allowed [s. 33(11)(a)].
- The balance is added to the depreciation allowable for the next year and is deemed to be the depreciation of that year [s. 33(11)(b)].
- There is no time limit, no requirement that the business continue, and no requirement that the return be filed in time.
- The written down value falls by the depreciation ALLOWED, not by the depreciation allowABLE.

9.11 Problem 10 — scientific research

The question

A company engaged in manufacture incurred the following during the Tax Year 2026-27 on scientific research related to its business. Compute the deduction under section 45.

- Revenue expenditure on in-house research — salaries, materials and consumables — ₹18,00,000.
- Capital expenditure on in-house research ₹42,00,000, of which ₹15,00,000 was the cost of land on which the laboratory stands.
- A sum of ₹8,00,000 paid to an approved research association for scientific research.
- In the three years before the business commenced it had incurred ₹3,50,000 on the salaries of research staff and ₹2,60,000 on materials, both certified by the prescribed authority. The business commenced during the Tax Year 2026-27.

Solution

Particulars	₹	₹
Revenue expenditure on in-house research [s. 45(1)(a)(ii)]		18,00,000
Capital expenditure on in-house research — ₹42,00,000 less land of ₹15,00,000 [Note 1]		27,00,000
Sum paid to an approved research association [s. 45(3)]		8,00,000
DEDUCTION UNDER SECTION 45		**53,00,000**
Pre-commencement salaries and materials, certified — ₹3,50,000 + ₹2,60,000, deemed to be incurred in the year of commencement [s. 45(1)(b)]		**6,10,000**

Working notes

Note 1 — the land. Section 45(1)(a)(i) excludes expenditure on the acquisition of land, whether acquired as such or as part of any property, and section 45(9)(d) adds that land includes any interest in land. The laboratory building is allowed; the land under it is not, and it earns no depreciation either, land never having been a depreciable asset.

Note 2 — no depreciation on the research assets. Where the whole capital cost has been allowed under section 45, section 33 gives nothing on the same asset. It does not enter a block. But section 45(7) applies the unabsorbed-depreciation machinery of section 33(11), so a capital deduction that cannot be absorbed this year is carried forward without limit of time.

Note 3 — there is no weighted deduction. Section 45 contains no percentage anywhere in it. What is allowed is the expenditure itself, and the figures above are taken at 100%.

9.12 The ten problems at a glance

	What it is about	The provisions it turns on	Answer
1	A trader's Profit and Loss Account	s. 31(1) against s. 31(2); s. 34(1) personal expenses; s. 34(2)(c); s. 35(a)(i); the depreciation swap	₹14,88,000
2	Relatives, cash payments, actual payment	s. 36(2), 36(4), 36(6), 37(2) and 37(3)	₹12,25,000
3	A profession, and an asset partly used	s. 26(2)(f); s. 33(3)(b); s. 34(1)	₹25,42,000
4	A firm's payments to its partners	s. 35(e)(iii) and (iv); the meaning of book profit	₹15,20,000; remuneration allowed in full
5	A company's tax deduction defaults	s. 35(b)(i) against s. 35(b)(ii); s. 34(2) and (3)	₹62,20,000
6	Total income and tax under both regimes	The whole of Chapter 5, with sections 202, 123 and 126	Tax ₹3,21,360 optional, ₹1,72,640 default
7	Valuation of closing stock	Cost or net realisable value; the effect on the following year	₹11,80,000
8	Block of assets and additional depreciation	s. 33(3), (4), (8) and (9); s. 41(1)(c)	₹24,35,000
9	Unabsorbed depreciation and deemed profits	s. 33(11); s. 38(1) and (2)	₹15,000; nothing carried forward
10	Scientific research	s. 45(1) and (3); the exclusion of land; no weighted deduction	₹53,00,000, and ₹6,10,000

Chapter 10

Revision, Ready Reckoner and Question Bank

10.1 Old section to new section · 10.2 The head on two pages
10.3 Forty-eight objective questions with answers · 10.4 Theory questions
10.5 Eight unsolved problems with answers

10.1 Old section to new section

Fifty rows. Where the substance has changed as well as the number, the change is stated in the third column.

Income-tax Act, 1961	Income-tax Act, 2025	Substance
Section 28 — basis of charge	Section 26	Sub-section (4) is new: rent of a residential house goes only under house property
Section 29 — computation	Section 27	Unchanged
Section 30 — rent, rates, repairs, insurance of premises	Section 28	Merged with the old section 31
Section 31 — repairs and insurance of machinery, plant, furniture	Section 28(1)(f)	Merged into section 28
Section 32 — depreciation	Section 33	Goodwill expressly excluded
Section 32(1)(iia) — additional depreciation	Section 33(8) and (9)	Unchanged — 20%, or 10% and 10%
Section 32(2) — unabsorbed depreciation	Section 33(11)	Unchanged
Section 35 — scientific research	Section 45	The weighted deductions have gone; no percentage remains
Section 35D — preliminary expenses	Section 44	One-fifth for five years
Section 36(1)(ii) — bonus or commission	Section 32(a)	Unchanged
Section 36(1)(iii) — interest on borrowed capital	Section 32(b)	The proviso is now the body of the clause, and applies whether or not the interest is capitalised in the books
Section 36(1)(iv) to (vii) — employee funds	Section 29	Regrouped
Section 36(1)(vii) — bad debts written off	Section 31(2)	Unchanged
Section 36(1)(viia) — provision for bad debts	Section 31(1)	Unchanged — banks and financial institutions only
Section 36(1)(ib) — health insurance of employees	Section 30(c)	Must not be paid in cash
Section 37(1) — the general deduction	Section 34(1)	Unchanged
Explanations 1 to 3 to section 37(1) — offences, corporate social responsibility, political advertising	Section 34(2) and (3)	Promoted from Explanations into sub-sections
Section 40(a)(i) — payment outside India without deduction of tax	Section 35(b)(ii)	Unchanged — the whole is disallowed
Section 40(a)(ia) — payment to a resident without deduction of tax	Section 35(b)(i)	Unchanged — 30% is disallowed
Section 40(a)(ii) — income-tax	Section 35(a)(i)	Unchanged

Income-tax Act, 1961	Income-tax Act, 2025	Substance
Section 40(a)(v) — tax on a non-monetary perquisite borne by the employer	Section 35(a)(ii)	Unchanged
Section 40(b) — a firm's payments to its partners	Section 35(e)	Unchanged — 12% interest; 90% or ₹3,00,000, then 60%
Section 40(ba) — an association's payments to its members	Section 35(f)	Unchanged
Section 40A(2) — excessive payments to relatives	Section 36(2) and (3)	Unchanged; the Table sets out the specified persons
Section 40A(3) and (3A) — cash payments	Section 36(4) and (5)	₹10,000, and ₹35,000 for goods carriages
Section 40A(13) — marked to market loss	Section 36(9)	Unchanged
Section 41 — deemed profits	Section 38	Unchanged
Section 43(1) — actual cost	Section 39	Now a section of its own, not a definition
Section 43(6) — written down value	Section 41	Now a section of its own; the formula is set out as [(A – D) + B – C] – E
Section 43A — foreign exchange fluctuation	Section 42	Unchanged
Section 43AA — gain or loss on foreign currency	Section 43	Unchanged
Section 43B — deductions on actual payment	Section 37	Clause (h), the micro and small enterprise, is now clause (g), and is still outside the extension to the return due date
Section 43CA — transfer of land or building held as stock	Section 53	Unchanged
Section 43CB — construction contracts	Section 57	Unchanged
Section 44AA — books of account	Section 62	Thresholds unchanged: ₹1,20,000 / ₹10,00,000, and ₹2,50,000 / ₹25,00,000 for an individual or Hindu undivided family
Section 44AB — tax audit	Section 63	₹1 crore, ₹10 crore and ₹50 lakh unchanged
Section 44AD — presumptive, business	Section 58(2), Table, Sl. No. 1	6% and 8%; ₹2 crore rising to ₹3 crore
Section 44ADA — presumptive, a specified profession	Section 58(2), Table, Sl. No. 3	50%; ₹50 lakh rising to ₹75 lakh
Section 44AE — presumptive, goods carriages	Section 58(2), Table, Sl. No. 2	₹1,000 per ton and ₹7,500 per month; ten vehicles
Section 44B to 44BBD — non-residents	Sections 59 and 61	Regrouped
Section 44C — head office expenditure of a non-resident	Section 60	Unchanged
Section 44DB — co-operative bank reorganisation	Sections 64 and 65	Unchanged
Section 145 — method of accounting	Section 276	Unchanged

10.2 The head on two pages

The computation

Step	Authority
Start from the net profit as per the Profit and Loss Account	
Add back every expense debited that is personal, capital, or disallowed	ss. 34 to 37
Add back the depreciation debited in the books	s. 33
Add any business receipt not credited to the account	s. 26(2), 38
Deduct the depreciation computed under the Act	s. 33 with ss. 39 to 41
Deduct any allowable expense not debited	ss. 28 to 32, 44 to 52
Deduct any income credited that belongs to another head	
PROFITS AND GAINS OF BUSINESS OR PROFESSION	

The figures to remember	Where
₹10,000 — cash payment in a day to one person	s. 36(4)
₹35,000 — the same, for plying, hiring or leasing goods carriages	s. 36(6)
12% — the ceiling on interest to a partner	s. 35(e)(iv)
90% of the first ₹6,00,000 of book profit, or ₹3,00,000 if higher; then 60%	s. 35(e)(iii)
30% — disallowance for a tax deduction default, resident payee	s. 35(b)(i)
100% — the same, payment outside India or to a non-resident	s. 35(b)(ii)
20% — substantial interest	s. 36(3)(b)
180 days — half the rate of depreciation	s. 33(4)
20%, or 10% and 10% — additional depreciation	s. 33(9)
Five equal instalments — preliminary expenses, amalgamation, voluntary retirement	ss. 44, 52
6% and 8% — presumptive, business	s. 58(2), Sl. No. 1
₹2 crore, rising to ₹3 crore where cash is within 5%	s. 58(2), Sl. No. 1
₹1,000 per ton per month; ₹7,500 per month; ten vehicles	s. 58(2), Sl. No. 2
50%; ₹50 lakh rising to ₹75 lakh — presumptive, a profession	s. 58(2), Sl. No. 3
₹1,20,000 and ₹10,00,000; ₹2,50,000 and ₹25,00,000 for an individual — books	s. 62(2)
₹1 crore, ₹10 crore, ₹50 lakh — audit	s. 63(1)

10.3 Forty-eight objective questions, with answers

	Question	Answer
1	Which sections govern this head?	Sections 26 to 66, in Part D of Chapter IV.
2	What does section 27 do?	It provides that the income referred to in section 26 is computed as per sections 28 to 60, except section 58.
3	Rent of a residential house let by its owner — under which head?	House property only. Section 26(4) says so expressly.
4	Under which clause is a gift from a patient to his doctor charged?	Section 26(2)(f) — the value of a benefit or perquisite arising from the exercise of a profession.
5	Is income from an unlawful business taxable?	Yes. But expenditure for a purpose that is an offence or is prohibited by law is disallowed by section 34(2)(a).
6	Name the two systems of accounting recognised by section 276.	Cash and mercantile. A hybrid of the two is not permitted.
7	How is closing stock valued?	At cost or net realisable value, whichever is lower — and on dissolution of a firm, at market price.
8	Stock-in-trade converted into a capital asset — what is charged?	The fair market value on the date of conversion, as business income under section 26(2)(j).
9	Which section allows current repairs to premises?	Section 28(1)(d) where occupied otherwise than as a tenant; section 28(1)(e) gives a tenant the cost of repairs he has undertaken to bear.
10	Who may deduct a PROVISION for bad debts?	Only the banks and financial institutions named in the Table to section 31(1).
11	Who may deduct a bad debt actually written off?	Any assessee, under section 31(2), if the debt was taken into account in computing income of that or an earlier year.
12	Is goodwill a depreciable asset?	No. Section 33(1)(b) expressly excludes goodwill of a business or profession.
13	What is a block of assets?	A group of assets of the same class for which the same rate of depreciation is prescribed. Depreciation is computed on the block, not the asset.
14	Give the written down value formula.	[(A − D) + B − C] − E, where A is the opening written down value, B the additions, C the moneys payable on assets sold, D the depreciation of the preceding year and E the slump sale adjustment [s. 41(1)(c)].
15	Can a block go below nil?	No. C cannot exceed (A − D) + B. Any excess is a short-term capital gain.
16	When is depreciation restricted to half the rate?	Where the asset is acquired during the year AND put to use for less than 180 days in that year [s. 33(4)].
17	Is depreciation optional?	No. Section 33(7) applies the section whether or not the assessee has claimed it.
18	Who may claim additional depreciation?	An assessee engaged in the manufacture or production of an article or thing, or in the generation, transmission or distribution of power [s. 33(8)(a)].
19	On what may additional depreciation be claimed?	New machinery or plant only — not a building, furniture, an office appliance, a road transport vehicle, or second-hand plant.
20	New plant put to use for less than 180 days — the additional depreciation?	10% this year, and the remaining 10% in the immediately succeeding year [s. 33(9)(b)].
21	Is unabsorbed depreciation subject to a time limit?	No. It is carried forward indefinitely, unlike a business loss.
22	Does the written down value fall by the depreciation allowed or allowable?	By the depreciation ALLOWED. Unabsorbed depreciation does not reduce the block.

	Question	Answer
23	What is excluded from capital expenditure on scientific research?	Land, whether acquired as such or as part of any property [s. 45(1)(a)(i)].
24	Is there a weighted deduction under section 45?	No. The section contains no percentage at all.
25	Over how many years is voluntary retirement compensation allowed?	Five, in equal instalments, beginning with the year of payment [s. 52(1), Table, Sl. No. 2].
26	State the five conditions of section 34(1).	Expenditure; not covered by another section; not capital; not personal; laid out wholly and exclusively for the business or profession.
27	Is corporate social responsibility expenditure deductible?	No, under this head [s. 34(2)(b)] — though a contribution to an eligible fund may qualify under Chapter VIII.
28	A penalty against compensatory damages — which is deductible?	Compensatory damages are; a penalty for infraction of law is not.
29	Payment to a resident without deduction of tax at source — how much is disallowed?	30% [s. 35(b)(i)].
30	Interest paid to a non-resident without deduction of tax — how much?	The whole of it [s. 35(b)(ii)].
31	Is the disallowance permanent?	No. The sum is allowed in the year the tax is eventually deducted and paid.
32	Tax on a non-monetary perquisite borne by the employer — the two consequences?	The employee is exempt under Schedule III, Table, Sl. No. 10; the employer cannot deduct it [s. 35(a)(ii)].
33	The ceiling on interest to a partner.	12% simple interest per annum, and it must be authorised by the deed [s. 35(e)(iv)].
34	The ceiling on remuneration to working partners.	On the first ₹6,00,000 of book profit, 90% or ₹3,00,000 whichever is higher; on the balance, 60% [s. 35(e)(iii)].
35	What is book profit for that purpose?	The net profit computed as per this Part, as increased by the remuneration to all partners if it has been deducted [s. 35(e)(v)(A)].
36	Who is a specified person under section 36(2)?	For an individual, any relative; for a company, a director or his relative; for a firm, a partner or his relative; and so on, plus persons having a substantial interest.
37	How much is disallowed under section 36(2)?	Only so much of the expenditure as is excessive or unreasonable.
38	How much is disallowed under section 36(4)?	The whole payment, not the excess over ₹10,000.
39	The limit for a payment for plying, hiring or leasing goods carriages.	₹35,000 [s. 36(6)].
40	What does section 36(5) do?	Where a liability allowed in an earlier year is later paid in cash above the limit, the payment becomes income of the year of payment.
41	Name three sums allowed only on actual payment.	Tax, duty, cess or fee; employer's contribution to a provident, superannuation, gratuity or welfare fund; leave encashment; interest to a specified financial entity; railway dues; and dues to a micro or small enterprise [s. 37(2)].
42	Which of those does the extension to the return due date NOT cover?	Clause (g) — the amount payable to a micro or small enterprise [s. 37(3)].
43	What are the two rates under section 58(2), Table, Serial number 1?	6% of receipts through banking or online mode, and 8% of the rest.
44	The rate for a heavy goods vehicle.	₹1,000 per ton of gross vehicle weight for every month or part of a month of ownership. A heavy goods vehicle exceeds 12,000 kilograms.

	Question	Answer
45	What happens to depreciation during presumptive years?	It is deemed to have been claimed and actually allowed, so the written down value comes down [s. 58(6)].
46	The five-year lock-in — which serial number does it apply to?	Serial number 1 only [s. 58(7)].
47	Who must keep books whatever his income?	A person carrying on a specified profession [s. 62(1)(a)].
48	The tax audit thresholds.	₹1 crore of turnover for a business, read as ₹10 crore where cash receipts and cash payments are each within 5%; ₹50 lakh of gross receipts for a profession.

10.4 Theory questions

1. Explain the basis of charge under section 26. What are the eleven classes of receipt brought in by sub-section (2)?
2. Distinguish between a business and a profession. In what four situations does the distinction change the answer?
3. Explain the method of accounting under section 276. What may the Assessing Officer do where the accounts are incorrect or the method is not regularly followed?
4. How is closing stock valued? Explain the position on the dissolution of a firm and on the conversion of stock-in-trade into a capital asset.
5. Set out the deductions allowed by section 28, and explain the difference between "current repairs" and "cost of repairs".
6. Distinguish between section 31(1) and section 31(2). Who may claim under each?
7. Explain the block of assets system. What are its four consequences?
8. How is the written down value of a block computed? Explain each element of the formula in section 41(1)(c).
9. Explain the 180-day rule in section 33(4), and contrast it with the treatment of additional depreciation under section 33(9)(b).
10. Who may claim additional depreciation, on what assets, and at what rate? What is excluded?
11. Write a note on unabsorbed depreciation. How does it differ from a carried forward business loss?
12. Explain the deduction for scientific research under section 45. What is excluded, and what is the position on depreciation?
13. State the five conditions of section 34(1), and the three categories expressly shut out by section 34(2) and (3).
14. Distinguish the disallowance under section 35(b)(i) from that under section 35(b)(ii). Is either permanent?
15. Explain the limits on a firm's payments to its partners under section 35(e). What is "book profit", and how is it arrived at?
16. Explain section 36(2). Who is a specified person, and how much is disallowed?
17. Explain section 36(4) to (8). Why is the whole payment disallowed rather than the excess?
18. Explain section 37. Which sums are covered, what is the extension in sub-section (3), and which clause does the extension not reach?
19. Write a note on deemed profits under section 38.
20. Explain presumptive taxation under section 58, taking the three serial numbers in turn. What does an assessee give up by using it?
21. State the requirements of sections 62 and 63 as to books of account and audit. How do they apply to a person within section 58?

10.5 Eight unsolved problems, with answers

Answers, but no working. Where a figure differs, the corresponding worked problem in Chapter 9 covers the same ground.

Problem 1. A trader's net profit is ₹9,60,000 after debiting income-tax ₹80,000, personal drawings ₹1,40,000, depreciation ₹1,10,000, and a donation ₹25,000. Depreciation under section 33 is ₹1,45,000. Compute his business income.

> **Answer.** ₹11,70,000. Add back ₹3,55,000 and deduct ₹1,45,000.

Problem 2. A firm pays interest of ₹4,50,000 on partners' capital of ₹25,00,000 at 18%, authorised by the deed. How much is disallowed?

> **Answer.** ₹1,50,000. Only 12%, that is ₹3,00,000, is allowable [s. 35(e)(iv)].

Problem 3. Book profit of a firm is ₹18,00,000. What is the maximum remuneration allowable to its working partners?

> **Answer.** ₹5,40,000 on the first ₹6,00,000 at 90%, plus ₹7,20,000 on the balance of ₹12,00,000 at 60% — ₹12,60,000 in all.

Problem 4. The written down value of a plant block on 1 April 2026 is ₹30,00,000. A machine costing ₹8,00,000 was put to use on 20 June 2026 and another costing ₹6,00,000 on 5 January 2027. An old machine was sold for ₹4,00,000. Rate 15%. Compute the depreciation.

> **Answer.** 15% on ₹34,00,000 = ₹5,10,000, plus 7.5% on ₹6,00,000 = ₹45,000. Total ₹5,55,000. Closing written down value ₹34,45,000.

Problem 5. The same manufacturer claims additional depreciation on both machines. Compute it, and state what is carried forward.

> **Answer.** 20% on ₹8,00,000 = ₹1,60,000, plus 10% on ₹6,00,000 = ₹60,000. Total ₹2,20,000. A further ₹60,000 is allowable in the Tax Year 2027-28.

Problem 6. Profit before depreciation is ₹2,80,000 and depreciation allowable is ₹6,40,000. State the position.

> **Answer.** ₹2,80,000 of depreciation is allowed; ₹3,60,000 is unabsorbed and is carried forward without limit of time under section 33(11).

Problem 7. A trader paid ₹32,000 in cash on one day to a supplier of goods, and ₹34,000 in cash to a transporter for the hire of a lorry. What is disallowed?

> **Answer.** ₹32,000. The ₹34,000 is within the ₹35,000 limit of section 36(6).

Problem 8. A company debited ₹8,00,000 of royalty payable to a foreign company, on which no tax was deducted at source, and ₹5,00,000 of commission to a resident, likewise without deduction. What is disallowed?

> **Answer.** ₹8,00,000 in full [s. 35(b)(ii)] and ₹1,50,000, being 30% of ₹5,00,000 [s. 35(b)(i)] — ₹9,50,000 in all.

10.6 Where to go next

This Part A has dealt with Profits and gains of business or profession, in sections 26 to 66. Capital gains, in sections 67 to 91, is the second half of Unit 3 and is dealt with in Part B.

Corrections, suggestions and questions are welcome, and are acted on. The material is free, and is meant to stay free.

Advocate Dr. S. B. Rathore · 9811116835 · rathore_incometax@yahoo.co.in · www.taxclasses.in