INCOME FROM BUSINESS / PROFESSION

(Teaching Plan)

- Incomes chargeable to tax :(i) Profits and gains of business / profession
  - (ii) Compensation for loss of office in specified cases (e.g. loss of agency business)
  - (iii) Income of trade or professional associations from "specific" services*
  - (iv) Values of benefits or perquisites
  - (v) Export incentives available to exporters
  - (vi) Interest, salary, bonus, commission or remuneration to partner
  - (vii) Amount received for not carrying out any activity in relation to any business or not to share any know-how, patent, copyright, trademark etc.
  - (viii) Amount received under "Keyman insurance policy"
  - (ix) ~~any~~ Amount received in (*)

(*) cash or kind on account of any capital asset (except land, goodwill or financial instrument) being demolished, destroyed, discarded or transferred if the whole of the expenditure on such capital asset has been allowed as deduction U/s 35 AD.

  - (x) Profits and gains of managing agency
  - (xi) Profits from speculative business
  - (xii) Profits of illegal business

- Computation of profits & gains of business or profession

- General deductions under the Act
- Specific deductions under the Act:

(1) Rent, rates, taxes, repairs and insurance for building

(2) Repairs and insurance of machinery, plant and furniture

(3) Depreciation

(3A) Investment allowance (Refer to the book.)

(4) Tea, coffee or rubber development account

(5) Expenditure on scientific research

(6) ~~Expenditure on acquisition of patents rights or copyrights~~

(7A) Amortisation of telecom licence fees

(8A) Expenditure on eligible projects or schemes

(9) Expenditure on know-how

(8) Payment to associations and institutions for carrying out rural development programmes

(9) Weighted deduction (of 150%) of expenditure incurred on agricultural extension project

(10) Weighted deduction (of 150%) of expenditure incurred by a company-assessee on any notified skill development project

(11) Payment to associations or institutions for carrying out programmes of conservation of natural resources

(14) Amortisation of preliminary expenses

(12A) Amortisation of expenditure under VRS

(13) Interest on borrowed capital

(14A) Discount on zero-coupon bonds

(15) Bad debts

(16) Entertainment expenditure

(17) Advertisement expenditure

(18) Travelling expenditure

(19) Expenditure on holiday homes

(20) Insurance premium (paid in respect of stock-in-trade)

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(21) Premium for insurance on the health of employees

(22) Bonus or commission to employees

(23) Employer's contribution to recognised provident fund and approved superannuation fund

(23A) Employer's contribution to notified pension scheme (NPS)

(24) Employer's contribution to unrecognised provident fund

(25) Employer's contribution to approved gratuity fund

(26) Employee's contribution to staff welfare scheme

(27) Loss of animals

(28) Family planning expenditure incurred by a company.

(29) Banking cash transaction tax and securities transaction tax (deductible)

(30) Commodities transaction tax (deductible)

(31) Expenses deductible from commission earned by agents of LIC, UTI, post office/Govt. securities, and notified mutual funds

...nses not deductible :

(1) Amounts not deductible under section 40(a)(i), 40(a)(ia), 40(a)(ib), 40(a)(iii) & 40(a)([illegible])

(2) Amounts not deductible in respect of payment to relatives and other specified persons (to the extent these are considered as excessive or unreasonable)

(3) Expenditure on maintenance of guest house

(4) Amount not deductible in respect of expenditure exceeding Rs 10,000.

(5) Amount not deductible in respect of provision for gratuity

(6) Amount not deductible in respect of contribution to non-statutory fund, trust, company, association, society etc.

(7) Disallowance of unpaid liability [illegible]

INCOME FROM BUSINESS / PROFESSION

E' X (age: 34 years) furnishes the following information relevant for the A.Y. ~~2021-22~~ 2021-22 2020-21:

P & L A/c for the year ending March 31, ~~2020~~ 2021

	Rs		Rs
Household expenses	11,200	Gross profit	5,69,000
Bad debts	600	Commission	5,000
Provision for bad debts	4,800	Sundry receipts	8,000
Fire insurance	1,000	Interest on investment	11,000
Salary to:		Bad debt recovered (earlier allowed as deduction)	2000
- Staff	2,08,000	Int. Interest on securities (gross)	6,000
- X	3,000		
- Cont. to URP fund	32,000		
Interest on			
- Overdraft taken for payment of sales tax	6,000		
- Capital of X	13,000		
- Loan given by X's brother	1,000		
Depreciation on building & furniture	13,600		
Advertisement:			
- Revenue expenditure	3,800		
- Capital expenditure on a sign board	1,000		
General expenses	4,700		
Net profit	297,300		
	601,000		601,000

P.T.O.

Other information:

1. General expenses include medical expenses of X Rs 1,700.
2. Income of Rs 3,000 accrued during the P.Y. ending March 31, 2020 ~~31, 2019~~ is not recorded in the P & L A/c.
3. X contributes Rs 4,000 annually towards P.P.F.
4. Depreciation on building, & furniture and sign board comes to Rs 3,000 according to tax provisions.

Determine the taxable income & tax liability of X for the A.Y. 2020-21. ~~2019-20~~

(Rs 373,600 ; ~~306710~~ ~~97,014~~ 29,348) ~~Rs 32,000~~ NIL) ~~Rs 19,940~~)

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