INCOME UNDER THE HEAD “PROFITS AND GAINS FROM BUSINESS AND PROFESSION” AND IT’S COMPUTATION

1. **NATURE OF INCOME** :- Such Income Includes income from:
   - Business,
   - Vocation and
   - Profession carried on by the assessee of whatsoever nature.
   - It is to be noted that the term “income” included “losses”
   - However Rental income in case of dealer, dividend on shares by a dealer, winning from lotteries, etc. Are however not taxable under this head.

2. **BASIS OF CHARGEABILITY**: - Any Business carried by the assessee at any time during the previous year would attract tax provisions under this in the assessment year. The following are usual types of income under this head:
   - a) Export incentives
   - b) Interest, remuneration, salary taxed with the firm
   - c) Perquisite while rendering service
   - d) Compensation
   - e) Sum received for not carrying out any activity in relation to any business
   - f) Income from keyman insurance policy

3. **GENERAL RULE OF TAXATION DURING PREVIOUS YEAR**: - Business is to be carried on during previous year to tax amount under income under the head “profits and gains from business and profession” otherwise taxed under income under the head “income from other sources”.

   Exceptions:
   - Balancing charge in case of electricity companies,
   - Scientific research expenditure,
   - Recovery against bad debts,
   - Recovery of any amount pertaining to discontinued business.
4. **GENERAL ALLOWANCES UNDER THIS HEAD**: - Losses related to embezzlement by employee allowed under this head, loss of raw mat, work-in-progress, finished goods, by robbery, natural calamities covered under this head.

5. **SOME DISALLOWANCES UNDER THIS HEAD**: - After closing down, loss on capital asset or an item not incidental to business, reserve, provisions, contingencies not allowed as deduction.

6. **METHOD OF ACCOUNTING**: As regularly employed can be “cash” basis or “accrual” basis subject to provisions of section 43B. In these notes word paid means either on cash or actual paid as per method of accounting.

7. **CENVAT CREDIT**: - The amount of cenvat credit is not included in stock valuation, and net amount of tax payable in this respect is debited to profit and loss account which is allowed as a deduction subject to provisions of section 43B.

8. **RENT, RATES, TAXES, INSURANCE FOR BUILDING (Sec. 30)**: - Any rent, rates, taxes, insurance premium paid by the assesse during the previous year in respect of the place for business purpose would be allowed as a deduction. However when we talk of repairs only current repairs are allowed and capital repairs are not allowed as depreciation is allowed on capital repairs.

9. **REPAIRS AND INSURANCE OF PLANT, MACHINERY, FURNITURE (Sec. 31)**: - Any amount spent on repairs, insurance or hire charges, etc. On Plant, machinery, furniture by a business organisation is allowed as a deduction.

10. **DEPRECIATION (Sec. 32)**: - Depreciation can be classified into 3 parts to deal in the subject of income tax.

```
Normal Depreciation  Additional Depreciation

Depreciation on SLM basis in case of electricity companies
```
**NORMAL DEPRECIATION:**

- Normal depreciation is provided on block of assets method on WDV of the block as on every 31 March.
- Block of assets means group of assets having same rate of depreciation and falling under a specific class of assets. These assets are grouped together and depreciation is provided on the block as illustrated in the coming points.
- Assets have been classified into 4 parts for the purpose of depreciation. These are:
  
  ![Diagram showing classification of assets]

  - **LAND AND BUILDING**
  - **PLANT AND MACHINERY**
  - **FURNITURE AND FIXTURES**
  - **INTANGIBLE ASSETS**

- Depreciation is provided at rates specified in income tax act on the Actual cost incurred by the assessee.
- Formula for computation of WDV of the block:
  
  $$\text{WDV at the beginning of year} \quad xxx$$
  
  Add:
  
  $$\text{Actual cost incurred on assets} \quad xxx$$
  
  Acquired during the year
  
  Less:
  
  $$\text{Money Payable during the year} \quad xxx$$
  
  Equals:
  
  $$\text{WDV of the block at the end} \quad xxx$$

  - This is the value on which depreciation would be provided.
  - Here the term “money payable” means actual cash recovered from sale of asset.
  - Depreciation is provided for whole year except when, Asset is Acquired and put to use during the year for less than 180 days during the year, in this case the depreciation is limited to 50% of total depreciation, but if same asset acquired during earlier years but put to use this year and usage
period less than 180 days during current year then depreciation for whole year.

- Proportionate depreciation in certain cases:
  - Sole trade/partnership firm converted into company
  - Private co. converted into LLP
  - Amalgamation or demerger

  Proportionate distribution is done on basis of number of days.

- SALE OF ASSETS OF BLOCK: - This amount is allowed a deduction only when actual cash is recovered as written above in “money payable”. We would like to discuss 3 special cases here:

  CASE 1: - SALE OF BLOCK AND TREATMENT OF ASSETS ON WHICH HALF DEPRECIATION IS ALLOWED:

  In such a case the remaining value would first be assumed to comprise of assets acquired and put to use for less than 180 days and thereafter remaining assets.

  CASE 2: - SALE OF WHOLE BLOCK: -

  When all the assets of block are sold, in such a case no depreciation is allowed and short term capital/gain or loss would be attracted as per provisions of section 50 discussed in capital gains.

  CASE 3: - PART OF BLOCK SOLD BUT MONEY PAYABLE EXCEEDS WDV:

  In such a case no depreciation is allowed and also short term capital gain provision as per section 50 is attracted.

  CAPITAL GAIN COMPUTATION AS PER SECTION 50:
Such capital gain on block of assets is always Short term capital gain, it is computed as follows:-
Sale price less (WDV OF BLOCK AT THE END OF THE YEAR + Expenses of transfer) = Short term capital gain or short term capital loss.

**ADDITIONAL DEPRECIATION:**
- Additional depreciation is only to manufacturing concerns.
- Additional depreciation on certain assets: 20% or 10% (for <180 days).
- Only factory machinery and equipments
- Only on machines and equipments acquired and installed after 31/3/2005
- **ASSETS ON WHICH ADDITIONAL DEPRECIATION IS NOT ALLOWED:**
  - Not second hand machinery
  - Not on ships, aircrafts and road transport vehicles
  - Not allowed on equipments installed in office
  - Any Plant and machinery whole of actual cost of which is allowed as a deduction in one year, means the rate of depreciation is 100%

**DEPRECIATION TO ENTERPRISES IN ELECTRICITY SECTOR:**

In case an enterprise is engaged in electricity business it has option to charge depreciation on SLM basis but such an option is available once only and can’t be changed. In this case we have same treatment except depreciation is available on INDIVISUAL ASSET on SLM basis.

In case such an asset is sold, then

- Excess of WDV over money payable would be allowed as terminal depreciation to be charged to profit and loss account during the year.
- In case Money payable exceeds WDV then the balance to the extent of Original cost would be Taxed as Balancing charge in year of sale, in case, Money payable exceeds cost of asset also then such excess of money payable over cost would be taxed under capital gains may be short term or long term capital gain.

Hence following summary can be formed if money payable exceeds cost:-
Cost Less WDV would be taxed as balancing charge and
Money payable less (cost of asset + Expenses of transfer) 
would be taxed as capital gain.

**RATES OF DEPRECIATION:**

**CLASS OF BUILDINGS:**

- **BLOCK 1:** Residential other than boarding schools and hotels = 5%
- **BLOCK 2:** Non residential buildings = 10%
- **BLOCK 3:** Temporary erections and buildings forming part of Water supply project = 100%

**CLASS OF FURNITURE:** - ONLY 1 BLOCK OF 10%

**CLASS OF INTANGIBLE ASSETS:** - ONLY 1 BLOCK OF 25%

**CLASS OF PLANT AND MACHINARY:**

- **BLOCK 1:** Normal rate of depreciation asset do not belong to 
  Below written blocks = 15%
- **BLOCK 2:** Buses, taxis, etc. Used for running them on hire = 30%
- **BLOCK 3:** Aeroplanes = 40%
- **BLOCK 4:** Computers including computer software = 60%
- **BLOCK 5:** Air, water pollution control equipments = 100%
- **FOR MORE DETAILS REFER BOOK**

**UNABSORBED DEPRECIATION:**

There cannot be loss under business head due to depreciation. 
If such depreciation could not be set off under business head then it 
can be set off from any other head except salary in the same year, 
and if still it could not be set off it can be carried forward indefinitely 
to succeeding years for set off in the similar manner.

11. **License to operate telecommunication services:**

Deduction in equal instalments over Remaining useful life of licence 
on paid basis.
If licence is sold, WDV of licence is reduced by the amount of money recovered and remaining WDV is allowed as deduction in equal instalments over remaining life of asset. If sold for price exceeding WDV, no deduction is allowed in remaining years instead capital gain is charged as per capital gain provisions.

12. Expenditure on eligible project: contribution for social and economic welfare to:-
   - Public sector Company,
   - Local authority,
   - Approved Institution or
   - Direct expenditure incurred by a company assessee

   Would be allowed as a deduction which would be equal to actual payment or expenditure incurred during the year.

Withdrawal of exemption: - If project is not carried out in accordance with provisions of national committee or report not furnished to national committee.

13. Expenditure on scientific research under section 35: -

   In house research

   - Approved Institution for scientific research – 175% deduction
   - Approved Institute for social and statistical research- 125% deduction
   - To company whose main object is scientific research – 125% deduction
   - National Laboratory/ IIT- 175% deduction

   REVENUE EXPENDITURE ALLOWED FOR PAST YEARS ALLOWED FOR LAST 3 YEARS BEFORE OPENING OF BUSINESS BUT ONLY FOR SALARY AND MATERIALS.

   CAPITAL EXPENDITURE ALLOWED BUT CAN”T LEAD TO LOSS AND CARRIED FORWARD LIKE DEPRECIATION
   - No deduction for land
   - For past years, deduction for last 3 years prior to opening of business
**IMPORTANT NOTE**: Under Sec.35 (2AB) weighted deduction is allowed to company assessee for in house research @ of 200% deduction

- on all revenue and capital expenditure except
- land (nil deduction) and
- for building (100% deduction)
- Prescribed form has to be furnished.

**SALE OF SCIENTIFIC RESEARCH ASSET (Section 41(3))**:

**SALE AFTER BEING USED IN BUSINESS**:

Then such an asset would be added to block of assets at nil value and sale would be affected in normal manner like in block of assets system.

**SALE BEFORE BEING USED IN BUSINESS**:

Then amount recovered till cost of asset would be treated as business income and if any excess is still there, capital gain provisions will apply in following manner:

- **SALE CONSIDERATION** xxx
- Less: - expenses of transfer xxx
- Less: - Original/indexed cost of acquisition xxx
- Equals: - STCG/LTCG

14. **Expenditure on specified business under section 35AD**:

- 100% deduction on capital expenditure excluding expenditure on land, goodwill and financial instrument is eligible for deduction under section 35AD.
- Expenditure incurred prior to opening business is also allowed in year of commencement of business if amount capitalised in books of accounts.
- **Specified Business are**:-
  - Setting and operating a cold chain facility
✓ Setting and operating a warehouse facility for agriculture produce
✓ Laying down Cross country pipeline
✓ Building and operating a hotel of 2 star or above
✓ Building and operating a hospital of 100 beds or more
✓ Developing and building a housing project.

15. **Amortization of certain preliminary expenses to Indian company and Indian resident:**

   a) **Quantum of deduction**

   - **Company assessee:** 5% of cost of project or 5% of cost of capital whichever is more beneficial to the assessee.
   - **Others:** 5% of cost of project

   b) **Before commencement of business:** - For setting up any Business

   - **After setting up of business:** - Extension or setting up of new undertaking.

   c) List of specified expenditure including documents like feasibility report, project report, market survey, engineering services, legal charges, Drafting and printing of MOA and AOA, registration fees, issue of shares and debentures, underwriting commission, expenditure on prospectus have to be submitted.

16. **Deduction for amalgamation/demerger and VRS**

   - **Indian Company assessee**
   - **All assesses**

   Quantum: -1/5 of expenditure in each successive year but it is to be noted that VRS is allowed only when amount is actually paid which is not a case in amalgamation/demerger.
17. **Deduction for rural Development**: - Any contribution to National fund for Rural Development or National urban Poverty Eradication Fund would be allowed as a deduction in year of contribution.

18. **Amortisation on expenditure on prospecting minerals, etc.**: -
- Allowed for certain minerals specified in schedule seven
- Allowed only to Indian companies and residents
- Expenditure should be incurred during year of commercial production and four years immediately preceding year of commercial production.
- It does not include expenditure of capital nature in respect of building, plant, furniture, etc. In respect of which depreciation is admissible.
- It does not include expenditure which is directly or indirectly met by another person.
- Expenditure on acquisition of site for prospecting such minerals is not eligible.

19. **OTHER DEDUCTIONS (section 36)**
- Insurance premium on stocks
- **Bonus or commission to employees**: deduction subject to section 43B
- Insurance on health of employees by any mode other than cash
- Interest on borrowed capital, if for use of business
- Discount on issue of zero coupon bonds to be allowed as deduction on pro-rata basis.
- **Employer’s contribution to recognized provident fund or approved superannuation fund subject to section 43B**
- **Employer’s contribution to approved gratuity fund subject to section 43B**
- Sums received from employees towards certain welfare schemes are required to be deposited till due date of the respective act
otherwise considered as income of the employer and would never be allowed as a deduction.

- Insurance premium on cattle

Bad debts subject to conditions:
- Income from sale recognized
- Income from interest recognized by banking company
- Any amount advanced by banking company

If any amount has been subsequently recovered in respect of above then it shall be taxable under business head even if business is discontinued.

Provision for bad and doubtful debts: NO deduction in general but deduction available to
- Scheduled or non-scheduled cooperative banks
- Foreign banks or State Finance Corporation

Quantum of deduction:
- In case of scheduled bank (other than foreign bank) and non scheduled bank then deduction is 7.5% of total income computed before allowing deduction under this section and u/s 80C to 80U and 10% of total amount of advances made by rural branches.
- In case of public financial institution or state financial institution deduction allowed is 5% of total income computed before allowing deduction under this section and u/s 80C to 80U.
- In case of a foreign bank it is 5% of total income computed before allowing deduction under this section and u/s 80C to 80U.

- **Amount credited to special reserve maintained by special entity:**
  Here specified entity means financial institutions engaged in long term finance as referred in section 36(1)(viii).

  **Quantum of deduction:** minimum of following
  - Amount transferred
  - 20% of profit derived from business before allowing deduction under this section
  - 200% of (paid up capital on the last day of year + reserves on the last day of year – balance of special reserve on first day of year)

  However if any amount is withdrawn from reserve, it would become taxable on withdrawal whether business is existing or not.

- **Expenditure on promoting family planning:**
  - Deduction to Company Assessee
  - Capital expenditure in 5 instalments
  - Revenue expenditure fully allowed.
  - But such deduction cannot lead to loss and whole of expenditure whether revenue or capital would be allowed to be carried forward to next succeeding years for set off like unabsorbed depreciation

- **STT paid:** Deduction if income earned included in PGBP

- **Allowance in respect of dead or permanently useless animals at the time of death:**

  Deduction under section 36:
  - Capital expenditure on purchase
  - ( - ) Amount from sale of carcass or dead body
GENERAL DEDUCTIONS UNDER SECTION 37(1)

BASIC CONDITIONS FOR DEDUCTION:

- Not of personal nature
- Not of capital nature
- Incurred during PY
- **Wholly or exclusively for business or profession:**
  - Remuneration to Employees
  - Payment of penalty/ damages of compensatory nature. Penalties paid to custom, sales tax authorities, excise authorities, Income tax authorities not allowed.
  - Legal expenses provided not on criminal prosecution and not for acquiring title of capital asset (added in value of asset)
  - Expenditure on raising loans like Brokerage, underwriting etc.
  - Advertisement expenditure: Deduction allowed if incurred for business or profession. However advertisement expenditure for political parties not allowed as deduction.
  - Expenses allowed under specific instruction of CBDT:
    - Diwali and Mahurat expenses
    - Payment to ROC of revenue nature
    - Annual listing fee
    - Professional tax
    - Expenses on telephone connection
  - Expenses disallowed under section 37(1):
    - Fees to ROC for change in MOA or AOA and enhancement of capital
    - Expenses to obtain possession of vacant land
    - Penalty for violation of law
    - Shifting of registered office
    - Income tax, surcharge
  - Proportionate deduction on building, plant, furniture not exclusively used for business.

EXPENSES NOT DEDUCTIBLE

- **Section 40A (2):** - AO may disallow payment made to relative if in his opinion it is excess of the market value.
Section 40A (3): -
- Any payment exceeding Rs. 20000 or Rs.35000 (in case of payment to a transporter engaged in plying, hiring, transporting etc.) in a day by a assessee will be allowed as a deduction only when payment is made by a account payee cheque.
- EXCEPTIONS: - This section is not applicable when
  - Payment is made to bank or financial institution, Govt. Under required law
  - Payment on a Banking Holiday
  - Payment to employees not exceeding Rs.50,000
  - Payment in a village not served by a bank
  - Book Adjustment
  - Payment for purchase of agriculture produce, Poultry farm produce, Dairy items, cottage industry(working without aid of power)

Salary and interest on capital to partners (Section 40(b)): 
Interest, salary: Deduction as per provisions in partnership deed.
Interest on capital: - Rate specified in partnership deed or 12% whichever is lower.
Salary: - Allowed only to working partners.
It should be lower of amount specified in partnership deed or following amount:

<table>
<thead>
<tr>
<th>ON FIRST 300000 OF BOOK PROFITS</th>
<th>90% of book profits or 150000 whichever is more</th>
</tr>
</thead>
<tbody>
<tr>
<td>ON BALANCE OF BOOK PROFITS</td>
<td>60% of book profits</td>
</tr>
</tbody>
</table>

Computation of book profits: - profits as per books less interest on capital up to 12%
Payment of any sum by AOP/ BOI to its members shall be disallowed.

- Disallowance of provision for gratuity (Section 40A (7)): -
  - No deduction on account of provision for gratuity
  - However, Contribution to approved gratuity fund and actual payment of gratuity allowed.
It is to be noted that when contribution to approved gratuity fund is allowed no deduction will be allowed to the extent of fund on actual payment of such gratuity.

**DEDUCTION UNDER SECTION 43B:**

Section 43 B mentions some cases where deduction will be allowed only when amount is actually paid by the assessee before due date of filing return.

In all these cases deduction of the expense is allowed on “paid” basis. However when expenditure is disallowed in one year, it will be allowed as a deduction in the previous year in which such expenses are actually paid.

<table>
<thead>
<tr>
<th>Any sum payable by way of tax, cess, duty or fee under any law and by whatever name called.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Any sum payable by employer by way of contribution to provident fund or superannuation fund or any other employee benefit fund.</td>
</tr>
<tr>
<td>Any sum payable as bonus, commission to employees for services rendered.</td>
</tr>
<tr>
<td>Any sum payable as interest on loan borrowed from public financial institution or state financial institution.</td>
</tr>
<tr>
<td>Any sum payable as interest on loan taken from scheduled bank including co-operative societies.</td>
</tr>
<tr>
<td>Any sum payable by employer in lieu of leave salary to employee.</td>
</tr>
</tbody>
</table>

**EXPENSES NOT DEDUCTIBLE UNDER SECTION 40(a)**

- **INTEREST, ROYalty, ETC. (EXCEPT SALARY) TO NON-RESIDENTS OR OUTSIDE INDIA:**
  - FOR MONTHS OTHER THAN MARCH: Deduct and pay till 31/3
  - FOR MARCH: Deduct till 31/3 and pay by 30/4
  - Otherwise allowed as a deduction in previous year when paid

- **SALARY TO NON-RESIDENTS OR PAYABLE OUT OF INDIA**
  - FOR MONTHS OTHER THAN MARCH: Deduct till due date that is by end of month and pay in next 7 days of succeeding month.
  - FOR MARCH: deduct by 31/3 and pay by 30/4
  - Otherwise never allowed as a deduction

- **INTEREST, ROYalty, ETC. (EXCEPT SALARY) TO RESIDENTS:**
  - Deduct Till 31/3 and pay till due date of filing return i.e. by 31/7 or 30/9
  - Otherwise allowed as a deduction in previous year when paid
• IT IS TO BE NOTED THAT TAX IN NATURE OF WEALTH TAX PAID INSIDE OR OUTSIDE INDIA IS NEVER ALLOWED AS A DEDUCTION.
• ANY TAX PAID ON NON-MONETARY PERQUISITES OF EMPLOYEE IS NEVER ALLOWED AS A DEDUCTION; HOWEVER EMPLOYEE CAN TAKE BENEFIT OF THE SAME WHILE PAYING HIS TAX LIABILITY.

➢ Maintenance of books of accounts by persons carrying on business or profession (Section 44A and rule 6F): -

<table>
<thead>
<tr>
<th>Assessee other than notified professions</th>
<th>Assessee With notified professions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REQUIREMENT TO MAINTAIN BOOKS OF ACCOUNTS</strong></td>
<td><strong>REQUIREMENT TO MAINTAIN BOOKS OF ACCOUNTS</strong></td>
</tr>
<tr>
<td>INCOME EXCEEDS 120000 OR GROSS RECEIPTS EXCEEDS 10 LAKHS IN ANY OF 3 PRECEDING PREVIOUS YEARS OR LIKELY TO EXCEED LIMIT IN CASE OF NEWLY SET UP BUSINESS OR PROFESSION</td>
<td>GROSS RECEIPTS EXCEEDS 150000 IN ALL 3 PRECEDING PREVIOUS YEARS OR LIKELY TO EXCEED LIMIT IN CASE OF NEWLY SET UP BUSINESS</td>
</tr>
<tr>
<td>MAINTAIN SUCH BOOKS AS ARE NECESSARY FOR A.O. TO COMPUTE HIS INCOME</td>
<td>MAINTAIN SUCH BOOKS AS ARE NECESSARY FOR A.O. TO COMPUTE HIS INCOME</td>
</tr>
<tr>
<td>IF REQUIREMENT CONDITIONS DO NOT EXISTS</td>
<td>IF REQUIREMENT CONDITIONS NOT FULFILLED</td>
</tr>
<tr>
<td>NOT REQUIRED TO MAINTAIN ANY BOOKS</td>
<td>MAINTAIN SUCH BOOKS AS ARE NECESSARY FOR A.O. TO COMPUTE HIS INCOME</td>
</tr>
</tbody>
</table>

**SPECIFIED BOOKS**: - Cash Book, Journal (if accounts on accrual basis), Ledger, carbon copy of Receipts exceeding Rs. 25 and Original Copy of Expenditure exceeding Rs. 50

Notified Profession means expenditure of legal, medical, engineering, architecture, CA, CS, Interior decoration, Information technology, Film Artists, etc.

IN CASE OF MEDICINE PROFESSION, ASSESSEE IS ALSO REQUIRED TO MAINTAIN: -
- Daily Cash Register
- Medicine inventory register
- **IF THE ASSESSEE FALLING UNDER SECTION 44AD, 44AE, 44BB, 44BBB OR ANY OTHER SECTION OF PRESUMPTIVE INCOME, DECLARES HIS INCOME LOWER THAN SPECIFIED IN THESE SECTIONS, HE IS REQUIRED TO MAINTAIN SUCH BOOKS AS MAY ENABLE A.O. TO COMPUTE HIS INCOME.**

### COMPULSARY AUDIT OF ACCOUNTS UNDER SECTION 44AB

**FILING OF REPORT OF AUDIT:** - An audit report duly verified by a CA on or before 30/9 of the relevant year has to be submitted.

**IF ACCOUNTS ARE AUDITED UNDER ANY OTHER LAW:** - No separate audit is required, However a report under this section in prescribed form has to be submitted along with Report under that law.

**IF AUDIT UNDER ANY OTHER SECTION OF THIS LAW:** - A separate audit under this section is required.

**CONSEQUENCES OF NON-COMPLIANCE:** - The return of income of the assessee would be deemed to be a defective return.

- **PRESumptive income UNDER SECTION 44AD**
  *(Business other than that of goods carriage):* -
  This scheme is applicable to residents Individuals, HUF, Firm other than LLP.
  - Scheme is applicable for business having maximum turnover of Rs.60 lakhs.
  - A sum equal to 8% of turnover would be deemed to be profits from such business under business head
  - Assessee can declare income higher than this specified limit
• However for sum lower than this income, accounts have to be maintained and get audited.
• All deductions under section 30 to 38 along with unabsorbed depreciation would be deemed to have been allowed.
• However salary and interest to partners to the limit specified in section 40(b) have to be allowed.

➢ **PRESumptive income UNDER SECTION 44AE (Business of goods carriage):** -

• The scheme specified in section 44 AD is not applicable to business engaged in plying, hiring or leasing goods carriage.
• There is a separate scheme for such businesses under section 44AE.
• Scheme is applicable to only those assesses who do not own more than 10 goods carriage at any time during the previous year.
• Profits and gains from such business would be deemed to be as under:-
  ✓ For heavy goods vehicle: - Rs. 5000 For every month or part of month for which such vehicle is owned by assessee
  ✓ For other vehicles: - Rs. 4500 For every month or part of month for which such vehicle is owned by assessee
• Assessee can declare income higher than this specified limit
• However for sum lower than this income, accounts have to be maintained and get audited.
• All deductions under section 30 to 38 along with unabsorbed depreciation would be deemed to have been allowed.
• However salary and interest to partners to the limit specified in section 40(b) have to be allowed.

➢ **PRESumptive income UNDER SECTION 44B (Non-resident’s shipping business):** -

• In this presume income to be 7.5% of the Fare and freight:-
  ✓ Whether paid or payable in India or outside India for transportation of goods, passenger, livestock, mail, etc. from any place in India AND
  ✓ Amount received or deemed to be received in India for transportation of goods, passenger, livestock, mail, etc. from any place outside India.
PRESUMPTIVE INCOME UNDER SECTION 44BBA
(Non-resident's Business of operating aircraft): -

- In this presume income to be 5% of the Fare and freight:
  - Whether paid or payable in India or outside India for transportation of goods, passenger, livestock, mail, etc. from any place in India
  - Amount received or deemed to be received in India for transportation of goods, passenger, livestock, mail, etc. from any place outside India.

PRESUMPTIVE INCOME UNDER SECTION 44 BB
(Profits and gains in connection with the business of exploration, etc.)

- A non-resident engaged in business of providing services, facilities, assets, used in prospection, exploration, extraction of minerals, etc. Can presume his income at flat rate of 10% of:
  - Amount paid whether inside or outside India for prospection, exploration, extraction of minerals, etc. In India.
  - Amount received or deemed to receive in India for prospection, exploration, extraction of minerals, etc. At any place outside India.
- Assessee can declare his income to be lower than that specified in this section but he has to:
  - Maintain books of accounts as necessary for A.O. to compute his income.
  - Get his Accounts audited under section 44AB
  However in this case, A.O. shall proceed to make scrutiny assessment only as per section 143(3).

PRESUMPTIVE INCOME UNDER SECTION 44BBB
(PROFITS AND GAINS OF FOREIGN COMPANIES ENGAGED IN BUSINESS OF CIVIL CONSTRUCTION, ETC. IN TURNKEY POWER PROJECTS):

- Applicable only in case of a foreign company
- Working in civil construction in turnkey power projects approved by CG
- A sum equal to 10% of the amount paid or payable (whether in or out of India) to the said assessee or any person on his behalf in connection with such project shall be deemed to be profits and gains from such business under the business head.
- Assessee can declare his income to be lower than that specified in this section but he has to:
✓ Maintain books of accounts as necessary for A.O. to compute his income.
✓ Get his Accounts audited under section 44AB

However in this case, A.O. shall proceed to make scrutiny assessment only as per section 143(3).