



Profit and Gain of Business or Profession

CA Rohit Kapoor



Introduction

Presumptive Taxation

Introduction to Tax Audits

Computation of Taxable Income and Tax Liability of Companies/Business

Minimum Alternate Tax and Alternate Minimum Tax

Advance Tax Payments & Its Implications

Cash Loan, Deposit & Advances

Various penalties & consequences



Presumptive Taxation

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Presumptive Taxation

Section
44AD

• P/G → Business

Section
44ADA

• P/G → Profession

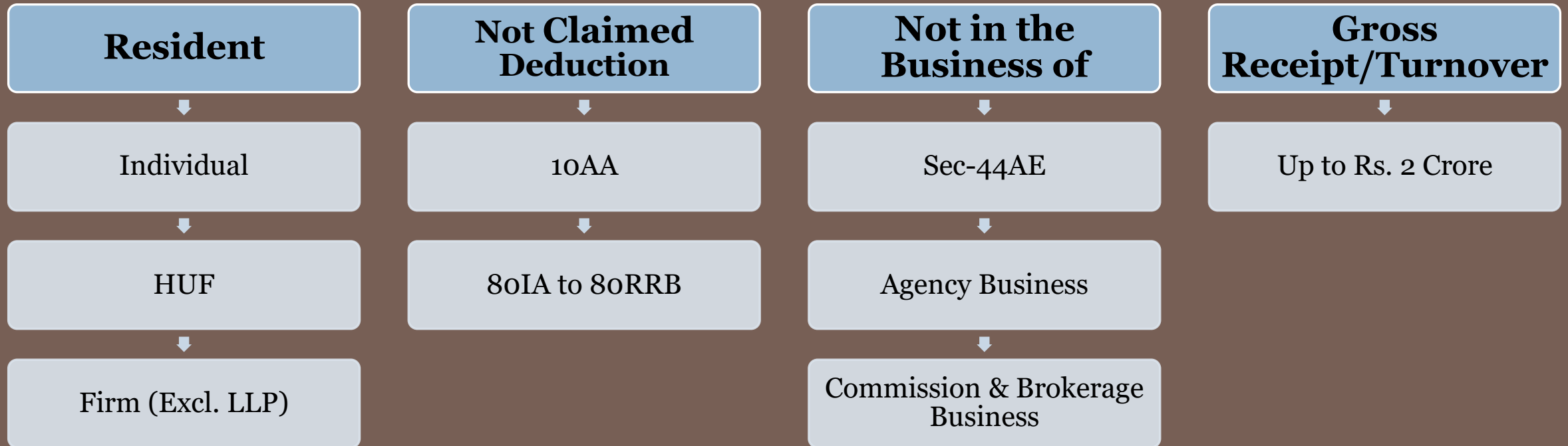
Section 44AE

• P/G → Transporter



Presumptive Taxation

Section 44AD :- P/G → Business





Presumptive Taxation

Section 44AD :- P/G → Business

Rates of Presumptive Income

8% - Generally

6% - GR/T – Realized in Non Cash Mode – by Due date specified u/s 139(1)

Opting In & Out

For 5 Year Lock

BoA & Audit – if Opt Out & Income exceed Slab

Other Deductions

Not Allowed u/s. 30 to 38

Section 40(b) – Deemed to have been allowed



Presumptive Taxation

Section 44AD :- P/G → Business - Case Study

Particulars	AY 2018-19	AY 2019-20	AY 2020-21	AY 2021-22 to AY 2025-26
Gross Receipt / Turnover	1.80 Crore	1.90 Crore	2.00 Crore	Not Eligible for 44AD
Income Offered to Tax	14.40 Lac	15.20 Lac	10.00 Lac	
% of Gross Receipt	8%	8%	5%	
Eligible for 44AD	Yes	Yes	No – Req BoA & Audit	



Presumptive Taxation

Section 44ADA :- P/G → Profession



- Resident
- All
- Profession u/s. 44AA

Eligible Profession

- Interior Decorator
- Technical Consultants
- Engineering
- Accounting
- Legal
- Medical
- Architect
- Film Artist

• Others - Notified

Gross Receipt / Turnover

Up to Rs.
50Lac

PGBP Income

50%



Presumptive Taxation

Important Points

Advance Tax

- 100%
- 15 March

Deductions Chapter VI-A

- Allowed
- All

CY & BF Loss

- Allowed
- Set off

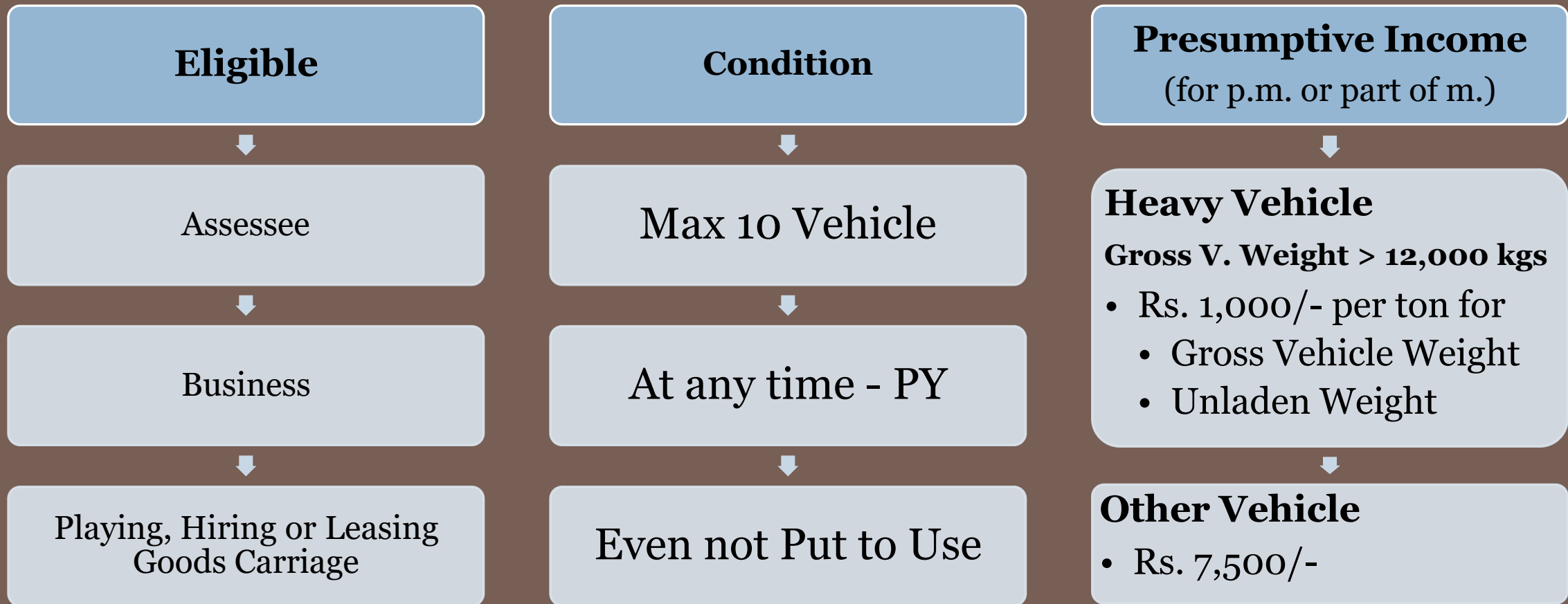
Audit

- If PGBP Less than Rate



Presumptive Taxation

Section 44AE :- Transporter





Presumptive Taxation

Section 44AE :- Transporter - Case Study

Case	No of Vehicle	Gross Weight (In Kgs)	Rate of Income Per Truck	Monthly Presumptive Income
I	1	7,500	7,500	7,500
II	4	12,000	7,500	30,000
III	4	7,500	7,500	30,000
IV	8	20,000	Rs. 1,000 Per Ton (i.e.1000 Kg)	1,60,000
V	10	8,000	7,500	75,000
VI	10	25,000	Rs. 1,000 Per Ton (i.e.1000 Kg)	2,50,000
VII	12	7,500	Not Eligible for Section 44AE	N/A
VIII	15	22,000	Not Eligible for Section 44AE	N/A



Introduction to Tax Audit

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Tax Audit - Introduction

Section 44AB :- Applicability

Section 44AD

Opt Out – and Income > Stab

Income Declared < 8% / 6% – and Income > Stab

Section 44ADA or 44AE

Claim Profit

Lower then Rate Prescribed

Business

GR / T > 1 Crore

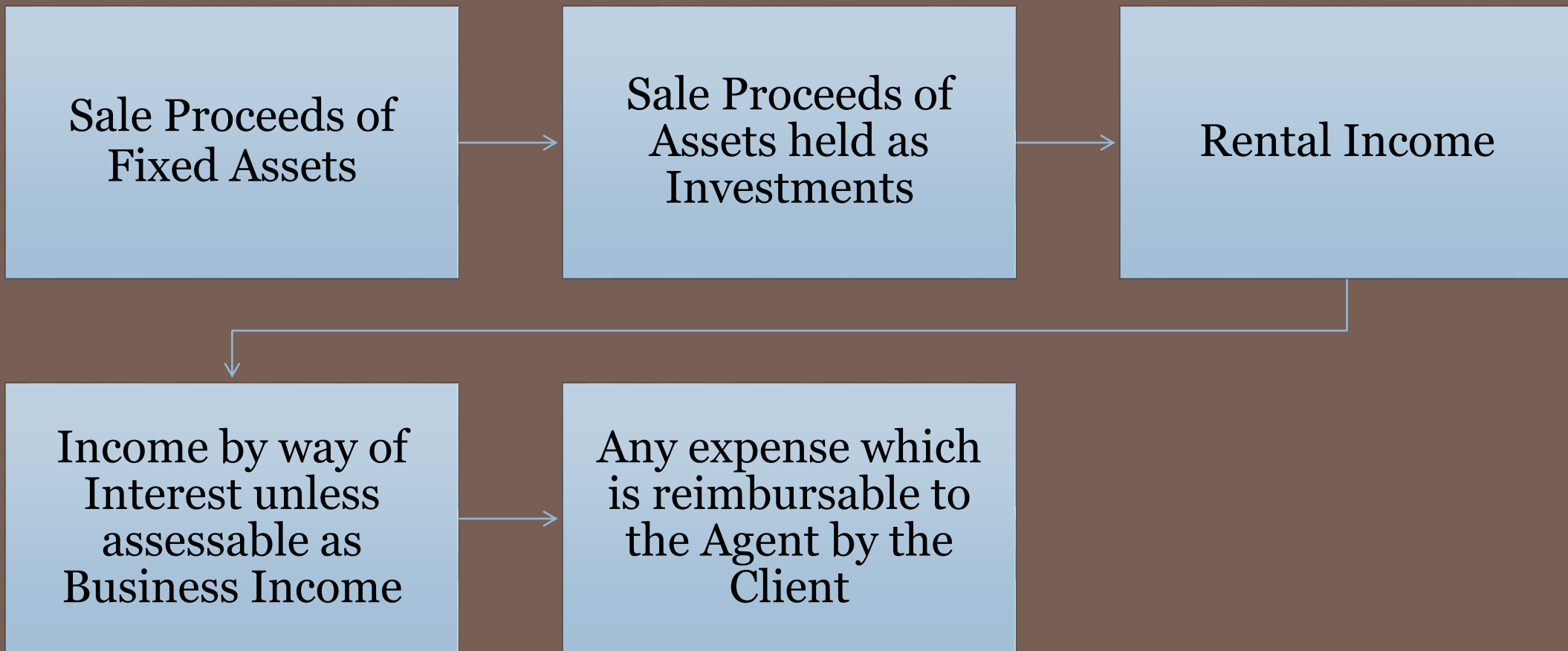
Profession

GR / T > 50 Lac



Tax Audit - Introduction

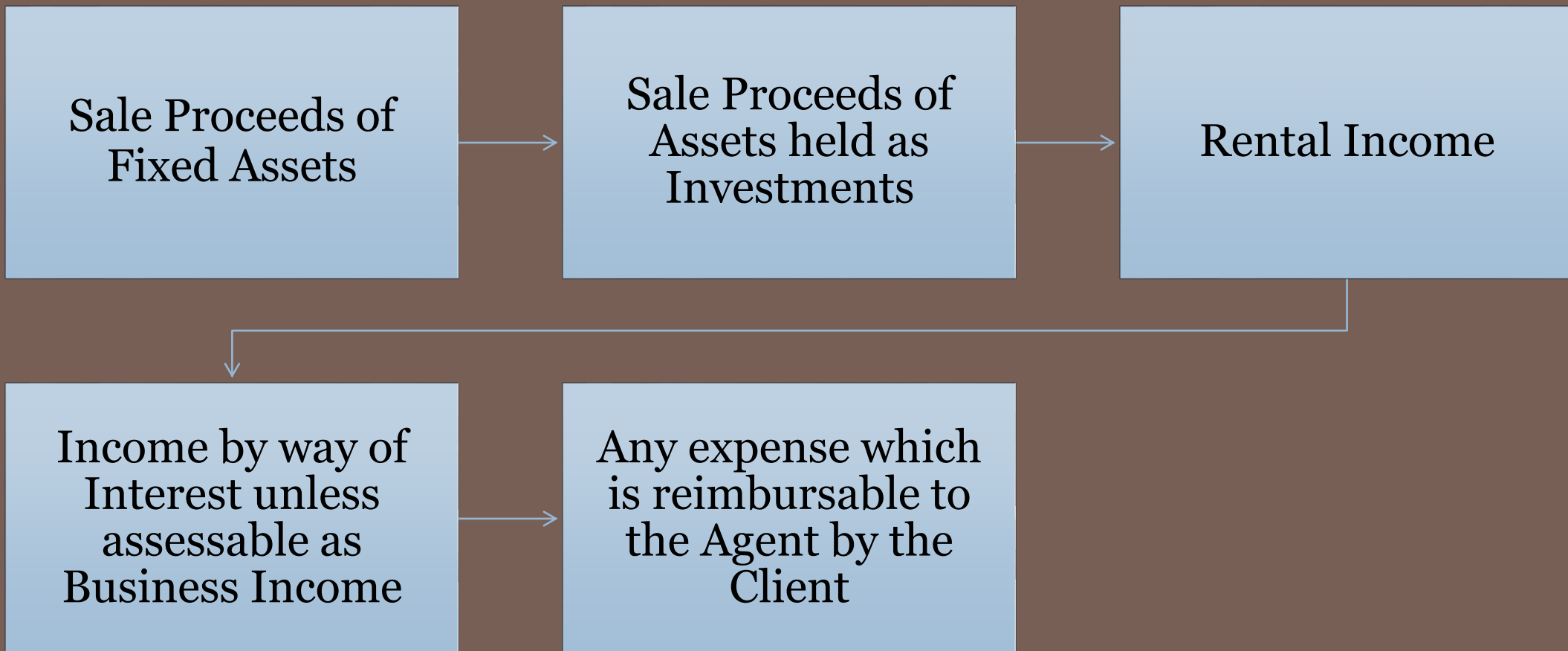
Computation of Turnover - Exclusions





Tax Audit - Introduction

Computation of Turnover - Exclusions





Tax Audit - Introduction

Rule 6G :- Applicable Forms

As per Rule 6G, tax audit report is to be furnished in **Form 3CA & Form 3CB** and the particulars required to be furnished along with these tax reports should be in **Form 3CD**.

Form 3CA & Form 3CD

These Forms are used in case where the Accounts of the business or profession of a person have already been audited under any other Law.

Form 3CB & Form 3CD

These Forms are used in case where the Accounts of the business or profession have not been audited earlier.



Tax Audit - Introduction

Section 271B :- Penalty for Non Compliance of Section 44AB

**Amount
of
Penalty**

Lower of

- 0.5% of GR / T
- Rs. 1.5 Lac



Tax Audit - Introduction

Section 273B :- Waiver of Penalty U/s. 271B

Resignation of the Tax Auditor and Consequent Delay

Death or physical inability of the partner in charge of the Accounts

Reasonable Cause

Loss of Accounts because of Fire/Theft etc. beyond the control of the Assessee

Natural Calamities



Computation of Taxable Income and Tax Liability of Companies/Business

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Computation of Business Income

Particulars	Amount
Net Profit/ Loss as per Profit & Loss Account	XX.XX
<u>Additions:</u>	
• Income which are not credited to profit and loss account but covered under PGBP	XX.XX
• Inadmissible Expenditures	XX.XX
<u>Less:-</u>	
• Admissible Expenditure which are not debited to profit and loss account but allowable as deduction	XX.XX
• Income which are credited to profit and loss account but are exempt under section 10 or taxable under any other head of income	XX.XX
Net Business Income	XX.XX



Tax Rates

Particulars	Income Tax	If NTI > 1 Cr.	If NTI > 10Cr
Firm / LLP	30 %	12%	12%
Domestic Company			
GR / T of PY 2017-18 up to Rs. 400 Crore	25%	7%	12%
Others	30%	7%	12%
Foreign Company	40%	2%	5%
Individual		As per Slab	

Note:- Health & Education Cess @ 4%, applicable in all cases on Income Tax + Surcharge



Minimum Alternative Tax

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MAT :- Basic

Section 115JB



- Provision of MAT is Applicable to **All Companies** (Including Foreign / Govt. / Non Govt.)
- Companies have to Pay tax @ Higher of;
 - As per Normal Provision
 - 15% of Book Profit
- If Unit of Assessee is Located in International Financial Service Center (IFSC) and Derive Income Only is Foreign Exchange, Then MAT Applicable @9% instead of 15%
- Section 115JB, shall not apply to those who availed provision of Section 115BAA

MAT Computation

Particulars	Amount
15% of Book Profit	XX.XX
+) Surcharge If BP > 1 Cr. → @7%-DC / @2%-FC If BP > 10 Cr. → @12% -DC / @5%-FC	XX.XX
+) HEC @ 4%	XX.XX
MAT	XX.XX



Calculation of Books Profit

Particulars	Amount
Profit (as per P&L Account)	XX.XX
Addition :- If Debited to P & L Account	XX.XX
Deletion :- If Credited to P & L Account	XX.XX
Book Profit	XX.XX



Calculation of Books Profit

Additions to Profit

- Income Tax paid or payable (Tax, Interest, DDT, Surcharge, Cess)
- Transfer made to any reserve
- Dividend proposed or paid
- Provision for loss of subsidiary companies
- Depreciation including depreciation on account of revaluation of assets
- Amount/provision of deferred tax
- Provision for unascertained liabilities e.g. provision for bad debts
- Amount of expense relating to exempt income under sections 10,11,12 (except sec 10AA and 10(38)) This means income under section 10AA & long term capital gain exempt under section 10(38) are subject to MAT. Provision made for diminution in the value of any asset



Calculation of Books Profit

Deletions to Profit

- Amount withdrawn from any reserves or provisions
- The amount of income to which any of the provisions of section 10, 11 & 12 except 10AA & 10(38) applies.
- Amount withdrawn from revaluation reserve and credited to profit & loss account to the extent of depreciation on account of revaluation of asset.
- Amount of loss brought forward or unabsorbed depreciation, whichever is less as per the books of account. However, the loss shall not include the depreciation. (if loss brought forward or unabsorbed depreciation is nil then nothing shall be deducted.)
- Amount of Deferred Tax, if any such amount is credited in the profit & loss account
- Amount of depreciation debited to the Profit and Loss Account (excluding the depreciation on revaluation of Assets)



From the Judiciary

Apollo Tyres Ltd. (SC)

AO cannot Exclude
the Arrears of
Depreciation, while
computing Book
Profit.

Malayala Manorma Co. Ltd. (SC)

AO would not have
any jurisdiction u/s.
115JB to rework net
Profit. Hence, Net
Profit, should be
considered as per
Financials



MAT Credit

Section 115JAA

Meaning

MAT
–
Normal
Tax

Set off

Normal
Tax >
MAT

Carry
Forward

Up to
15 AY

Limit on
Set Off

Normal
Tax
–
MAT



MAT Credit

Case Study

INR In Lac

PY	MAT	Normal Tax	Tax Payable	MAT Adjust-ment	Actual Payment	MAT Credit
2014-15	100	70	100	--	100	30
2015-16	90	50	90	--	90	30+40=70
2016-17	40	65	65	25	40	70-25=45
2017-18	50	55	55	5	50	45-5=40
2018-19	30	90	90	40	50	--
2019-20	130	80	130	--	130	50



Special Provision for Domestic Company

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Introduction to Section 115BAA

- Domestic Company
- From AY 2020-21 and onward
- Tax Rate @ 22% + Surcharge@10% +HEC@4% = 25.168%
- At Option of Company
- Once Exercised, cannot be withdrawn
- Exercised by filing due date of ROI u/s. 139(1)
- Not Eligible, if deduction Claimed under
 - Section 10AA
 - Section 80IA to 80RRB (Except Section 80JJAA)
 - Section 32(1)(iia) i.e. Additional Depreciation
 - Section 32AD i.e. Investment Allowance
 - Section 35AB i.e. Tea / Coffee / Rubber
 - Section 35(1)(ii) / 35(1)(iii) / 35(2AA) / 35(2AB) i.e. 100%/150% Deductions
 - Section 35CCC
 - Section 35CCD



Alternative Minimum Tax

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AMT - Applicability

Section 115JC

Applicable

All Assessee
(Excl Company)

Exceptions

If **Adjusted Total Income (ATI)** is up to Rs. 20 Lac, in case of

- Individual
- HUF
- AOP
- BOI
- AJP

Apply Only

If Assessee Availed the Deduction U/s.

- 10AA
- 35AD
- 80IA to 80RRB
(Except 80P)



Calculation of Adjusted Total Income

Total Income (as per Normal Provision)

Addition

Deduction U/s.

- 10AA
- 35AD
- 80IA to 80RRB (Except 80P)

Deletion

Depreciation, as per Section 32 by assuming no deduction availed u/s. 35AD

**Adjusted
Total Income**



Advance Tax & Its Implication

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Advance Tax

Advance tax schedule

If your estimated tax liability for the year exceeds ₹10,000, advance tax has to be paid in four instalments as mentioned below

Instalment of advance tax



Note: Senior citizens, not having income from business or profession are exempted from paying advance tax. Those who have opted for presumptive taxation scheme are required to pay the entire advance tax on or before 15 March

TAX TIME
RAK
Updates

Implications

Section 234A

Section 234B

Section 234C



Cash Loan, Deposit & Advances

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Mode of Taking/Accepting Loans/Deposit/Advances

**Section
269SS**



Any Person

Take / Accept

- Loan /Deposit
- Advance i.r.t. Immovable Property



Exception

From / By

- Govt
- Bank, Co-Op. Bank, Post Office
- Govt Company
- Person- Agri” Inc” Only
- Corp. Established – CG/SG/PA
- Other- Notified



Only

By

- Account Payee Cheque
- Demand Draft
- Online Transfer
- ECS



If Amount

Exceed

- Rs. 20,000/-



Mode of Undertaking Transactions



**Section
269ST**



Any Person

Should Not

- Receive
- Rs. 2 Lac or More



Except

By

- Account Payee Cheque
- Demand Draft
- Online Transfer
- ECS



For

Following Transactions

- In Aggregate from a Person in a Day
- For Single Transaction
- For One Event or Occasion from a Person



Repayment of Loan / Deposit / Advance



**Section
269T**

Any

Person

Repay

- Loan / Deposit (Incl Interest)
- Advance i.r.t. Immovable Property

Only

By

- Account Payee Cheque
- Demand Draft
- Online Transfer
- ECS

Exception

From / By

- Govt
- Bank, Co-Op. Bank, Post Office
- Govt Company
- Corp. Established – CG/SG/PA

If Amount

Exceed

- Rs. 20,000/-



Acceptance of Payment through prescribed Electronic Mode

**Section
269SU**

- Section 269SU is applicable to a person when the total sales, turnover or gross receipts from business exceeds Rs 50 crore during the immediately preceding previous year. The section is applicable from 1 November 2019. In such a case, the section is applicable if the sales, turnover or gross receipts exceed Rs 50 crore for the financial year ended 31 March 2019.



Penalties

Section 269SS

100%

Loan/Deposit/Advance – Taken /Accepted

Section 271D

Section 269ST

100%

Receipt

Section 271DA

Section 269T

100%

Loan/Deposit/Advance – Repayment

Section 271E

Section 269SU

Rs. 5,000/-

For Every day of Failure

Section 271DB



THANKYOU

ConsulatEase

&

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