



## **PRESUMPTIVE TAXATION - Section 44ADA**

### **SPECIAL PROVISION FOR COMPUTING PROFITS AND GAINS OF PROFESSION**

**Applicability** - Section 44ADA shall apply if all the following conditions are satisfied:

- The assessee is resident in India and he is engaged in a specified profession (i.e. legal, medical, engineering, architectural, accountancy, technical consultancy, interior decoration, authorized representatives, film artists, company secretary, information technology or any other profession as may be notified by CBDT); and
- The total gross receipts from such specified profession does not exceed Rs 50 lakhs.

#### **Amount Deemed as PGBP Income**

- PGBP income shall be deemed to be 50% of gross receipts or any other higher sum as may be declared by the assessee. It would be deemed that all expenses allowable u/s 30 to 38 have already been allowed. Where a person declares his business income in accordance with the provisions of this section, requirements relating to maintenance of books of accounts and audit of books of accounts shall not apply.
- Option to Show Lower Income: If income from specified profession is declared to be less than 50% of the gross receipts and the total income of the assessee for the relevant year exceeds the exemption limit (2.5L/3L/5L), the assessee would be required to maintain proper books of accounts as per Section 44AA and get them audited as per Section 44AB. Further, the assessee can change the option on year-to-year basis

#### **Deductibility of Other Expenditure**

- Any other expense u/s 30 to 38 is NOT ALLOWED to be deducted. Further, a partnership firm is NOT ALLOWED to claim deduction of remuneration to partners as given u/s 40(b).
- Moreover, current year depreciation as well as brought forward unabsorbed depreciation are NOT ALLOWED to be deducted. (Section 32)
- Brought forward business losses are ALLOWED to be set-off against presumptive income. (Section 72)
- Deductions u/s 80C-80U are ALLOWED to be deducted.

#### **Liability to Pay Advance Tax**

- Where an assessee has opted for the scheme of presumptive taxation given u/s 44ADA and the advance tax liability is Rs 10,000 or more, such assessee is required to pay the entire advance tax in one instalment on or before the 15<sup>th</sup> March of the relevant previous year.
- Interest u/s 234C shall be calculated only for the last instalment. (Rate: 1% per month; Time period: 1 month; Amount: Advance tax liability (-) tax actually paid till 15<sup>th</sup> March)
- Interest u/s 234B & 234A shall be calculated in the normal manner.