

# Income Under the head Profit & Gains from Business & Profession **Part -4 - Expenses Disallowed**





## What is Disallowance?

Expense which is usually allowed but specifically disallowed that means the income tax department does not allow the benefit of such expenditures and the assesses are required to pay taxes on such expenditures by adding it back to the net profits



**Section 40(a)(ia) : Any sum chargeable payable to a Resident**



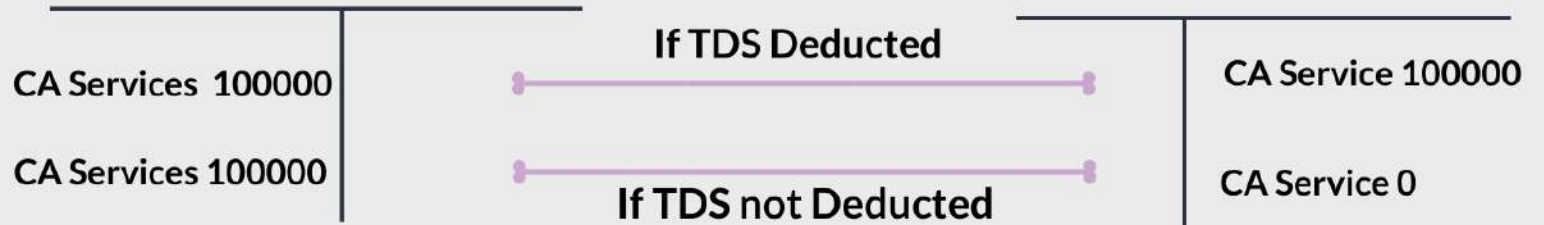
**Deductor**  
Voxcov Pvt Ltd



**Deductee**  
CA Vibhuti

← Service given

→ Payment to be made





**Section 40(a)(ia) : Any sum chargeable payable to a Resident**

<b>Condition</b>	<b>(i) Tax is not deducted before the end of PY. (ii) Tax is deducted but not paid before DD of filing ROI</b>
<b>Consequences</b>	<b>30% disallowance of such sum</b>
<b>Subsequent Deduction</b>	<b>(i) Where tax has been deducted in any subsequent PY OR (ii) has been deducted during PY but paid after DD</b>

**Section 40(a)(i) : Any sum payable (other than Salary) outside India or to a Non Residents**



<b>Condition</b>	<b>(i) Tax is not deducted before the end of PY. (ii) Tax is deducted but not paid before DD of filing ROI</b>
<b>Consequences</b>	<b>100% disallowance of such sum</b>
<b>Subsequent Deduction</b>	<b>(i) Where tax has been deducted in any subsequent PY OR (ii) has been deducted during PY but paid after DD</b>

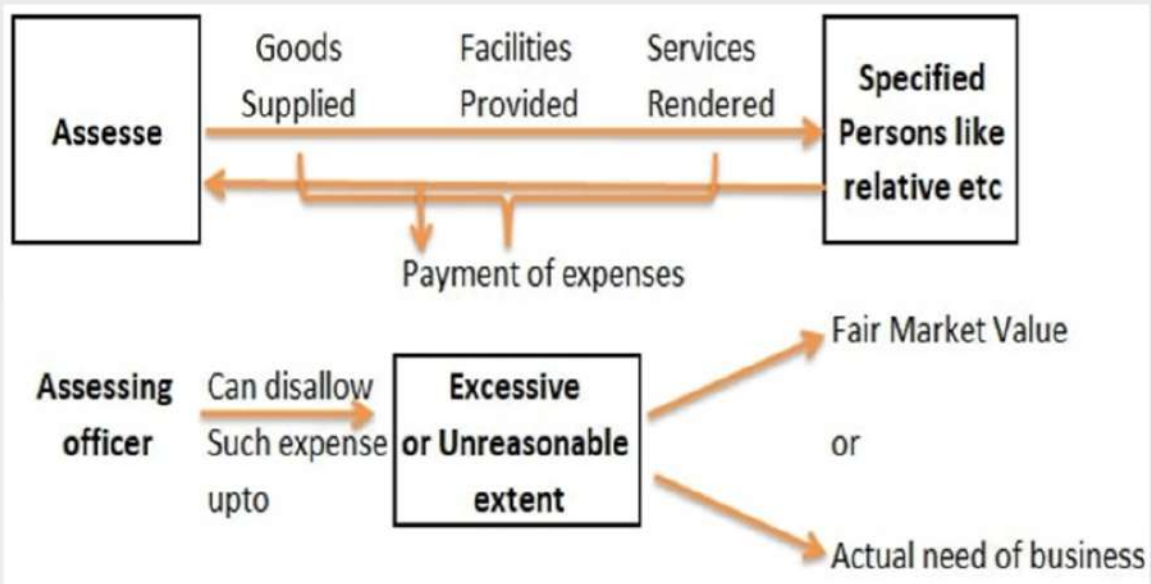
## Section 40(a)(iii) : Salary payable outside India or to a Non resident



<b>Condition</b>	<b>On which tax has been neither deducted before the end of PY nor paid before DD of filing ROI.</b>
<b>Consequences</b>	<b>100% disallowance of such sum</b>
<b>Subsequent Deduction</b>	<b>If deduction or payment delayed even by one day then such sum shall never be allowed.</b>



## Section 40A(2):- Payment made to relatives etc.





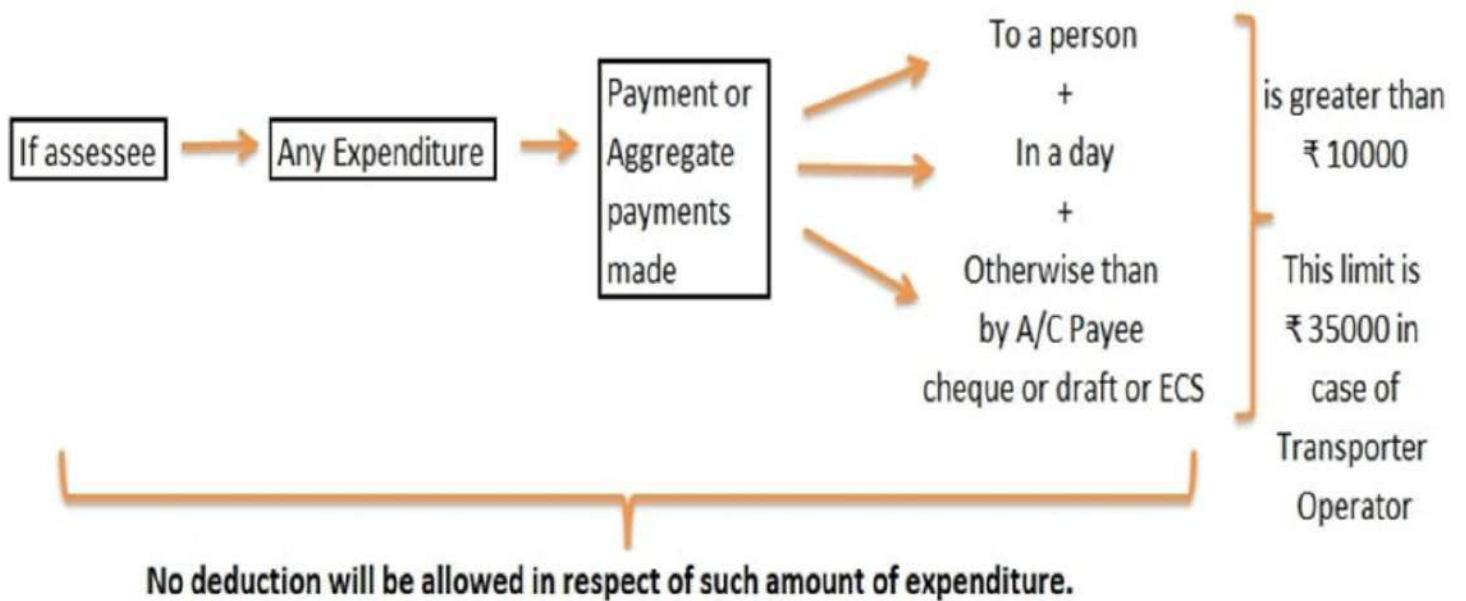
## Meaning of Relatives

<b>Individual</b>	<b>Spouse ,Brother, Sister, Linear Ascendant, Linear Disascendant</b>
<b>Firm</b>	<b>Partners &amp; their Relatives</b>
<b>HUF</b>	<b>Members &amp; their Relatives</b>
<b>Company</b>	<b>Directors &amp; their relatives</b>
<b>Any other Person</b>	<b>Person who hold substantial interest (20% or more)</b>





## Section 40A(3):- Payment in Cash





## Section 40A(3):- Payment in Cash

### Example 1



Person A

----->  
Payment made of ₹ 8000 in cash



Person B

**Expense Allowed**

## Section 40A(3):- Payment in Cash



### Example 2



Person A



Payment made of ₹ 80000 by  
cross cheque



Person B

**Expense Disallowed**



## Section 40A(3):- Payment in Cash

### Example 3



Person A

Payment made of ₹ 10000 on 20.07.2021



Person B

Payment made of ₹ 10000 on 20.07.2021



Person C

**Expense Allowed**



## Section 40A(3):- Payment in Cash

### Example 3



Person A

Payment made of ₹ 10000 on 20.07.2021



Person B

Payment made of ₹ 10000 on 21.07.2021



Person B

**Expense Allowed**



**RULE 6DD:** In the following cases, no part of the payment shall be disallowed:

1. To **Government** or **banks** and **financial institutions**.

- **Municipal Taxes, GST, Income Tax etc.**

2. Payment required to be made on a day on which the banks were closed.

- **26th Jan, 15th Aug, 2nd Oct.**

3. At a place (**like village**) where on the date of such payment banking facility is not available.

RULE 6DD: In the following cases, no part of the payment shall be disallowed:



4. Against **retirement benefit (like, gratuity)** and aggregate of such benefits does not exceed ₹ 50,000/-
5. To his employee on a temporarily posted place / ship for at least 15 days, where he has not bank account.

**RULE 6DD:** In the following cases, no part of the payment shall be disallowed:



**6. Payment for purchase of following goods**

- Agricultural Products
- Forest Products
- Fish Products
- Poultry Products
- Dairy Products
- Animal Products
- Products made without aid of power (Handloom/Handicraft)





## Section 43B: Certain deduction to be only on actual payment

If any sum payable by way of-



1. Any tax, duty, cess, fee paid to government.
2. Any bonus or commission to employees.
3. Any interest on loan or borrowing or advance from any public financial institution or state financial corporation or state industrial investment corporation or schedule bank or co-operative bank.
4. Leave Salary.



## Section 43B: Certain deduction to be only on actual payment



Payment made till Date of filing of Return of Income



Deduction made in Current Financial Year



Payment made after Date of filing of Return of Income



Deduction made in Next Financial Year



## Section 43B: Certain deduction to be only on actual payment



# Allowability of Tax Payment



## Allowability of Tax Payment

Direct

Indirect

<b>Tax Paid</b>	Not Allowed	Allowed
<b>Interest on loan for tax Repayment</b>	Not Allowed	Allowed
<b>Interest on late payment of Tax</b>	Not Allowed	Allowed
<b>Refund of income</b>	Not Income	Income
<b>Penalty/Fine</b>	Not Allowed	Not Allowed
<b>Legal Fee/ Return filing Fees etc</b>	Allowed	Allowed
<b>Interest of Refund</b>	Other Sources	Other Sources