



Income Under the head Profit & Gains from Business & Profession Part -1





Topics Covered

- Meaning of Income
- Expenses Allowed
- Expense Disallowed
- Presumptive Taxation
- Partnership
- Corporate Taxation



Relevant Sections of PGBP

Income	100000	Section 28
Less: <u>Expenses</u>	<u>70000</u>	Section 29 - 43B
<u>Profit</u>	<u>30000</u>	

Income	100000
Less: <u>Expenses</u>	<u>120000</u>
<u>Loss</u>	<u>20000</u>

Section 28: What to be included in Income ?



1.	<u>Profit</u>	<u>Gains</u>	<u>Business</u>	<u>Profession</u>
	Income	Gain is	Any trade,	Vacation or Job
Less:	<u>Expenses</u>	from	Commerce	requiring some
	<u>Profit</u>	sudden	Manufacture,	thought, skill
		Incidental	Adventure	or special
	Income	Event		knowledge
Less:	<u>Expenses</u>			
	<u>Loss</u>			

Section 28: What to be included in Income ?



2. Any **Compensation** or **other payment** due to or received in connection with **termination or modification** of any terms & conditions of contract relating to agency or his business.
3. Income derived by a **trade, professional** or similar association from specific services.
4. Sum received under a **key man insurance** policy including bonus on such policy.



Section 28: What to be included in Income ?

5. Export Incentives which include:



Profit on Sale
of Import
Entitlement
License



Cash
Compensatory
Support



Duty
Drawback
of customs
& central
excise duties

Section 28: What to be included in Income ?



6. Value of any Benefit or Perquisite.

7. Any interest, salary, bonus, commission or remuneration of a partner from his firm (Only up to 40(b) limit).

8. Any sum received under an agreement for non compete fees.

(a) For not carrying out any activity in relation to any business or profession

(b) Not to share any know-how, patent, copyright, TM



Section 28: What to be included in Income ?

9. FMV of Stock in Trade (Inventory) on its conversion into Capital Asset → FMV of Inventory on the date of its conversion into capital asset would be taxable as business income.

10. Sum received/receivable on the demolition, destruction or transfer of any Capital Asset whole cost of which was allowed as deduction u/s 35AD.



Meaning of Expenses Allowed

Generally expenses are deducted from income to compute income.

In Taxation, deduction is given which is a reduction of income that is able to be taxed. Deduction is a result of expenses only.

The expenses of which deduction is not available are expenses disallowed.

Section 30: Rent, Rates, Taxes, Repairs and Insurance for Building



Where the premises are occupied by the assessee as a –




Nature of Expense	Tenant	Owner
Rent Paid	Allowed	-
Revenue Repairs	Allowed	Allowed
Capital Repairs	Deemed building (Claim depreciation)	Capitalised (Claim depreciation)
Municipal Taxes/Local Tax	Allowed	Allowed
Insurance Premium	Allowed	Allowed



Section 31: Repairs and Insurance of machinery, plant and furniture

Where the machinery, plant and furniture used by assessee were -



Nature of Expense	On Hire	Owned
Insurance Premium	Allowed	Allowed
Revenue Repairs	Allowed	Allowed
Capital Repairs	Deemed building (Claim depreciation)	Capitalised (Claim depreciation)
Rent/Hire charges	Not allowed but can be claimed u/s 37	