

TAXBOOK⁺

Working steps of solutions

Incomes not part of Total Income

Build Your Confidence (BYC)

DEDUCTION U/S 10AA

B9. CA2016(M) – Mr. Suresh has set up an undertaking in SEZ (Unit A) and another undertaking in DTA (Unit B.....)

Particulars of SEZ unit	
PY 2021-22 is which year from the year Unit A begins manufacturing?	6 th year
Deduction available?	50% of profits derived from export of unit in SEZ
Profits of the business of Unit in SEZ × (Export Turnover of Unit in SEZ ÷ Total Turnover of Unit in SEZ)	60 lakh × (150 lakh ÷ 180 lakh) = Rs. 50 lakh.
Deduction	Deduction @ 50% = 25 lakh

Deduction is not available in respect of Unit B in DTA.

B10. Softpack Ltd. has furnished the following particulars for year ended 31.3.2022.....

Deduction is 100% of profits derived from export of unit located in SEZ during the first 5 years, beginning with the year in which the unit begins operations. AY 2022-23 falls within this period.

Particulars	Result
PY 2021-22 is which year from the year Unit A commenced operations?	4 th year
Deduction available?	100% of profits derived from export of unit in SEZ
Deduction = Profits of the business of Unit in SEZ × (Export Turnover of Unit in SEZ ÷ Total Turnover of Unit in SEZ)	50 × (100 ÷ 150) = Rs. 33.33 lakh.

No deduction u/s 10AA is allowable in respect of profits of business of Unit B located in DTA.

B11. CA2018(N) – Mrs. Vibha Gupta, a resident individual, is running a SEZ unit as well as a unit in

Particulars of SEZ unit	Situation 1	Situation 2
PY 2021-22 is which year from the year SEZ unit commenced operations?	9 th year	3 rd year
Deduction available?	50% of profits derived from export of unit in SEZ	100% of profits derived from export of unit in SEZ
Profits of the business of Unit in SEZ × (Export Turnover of Unit in SEZ ÷ Total Turnover of Unit in SEZ)	220 lakh × (1,000 lakh ÷ 1,100 lakh) = Rs. 200 lakh.	
Deduction	Deduction @ 50% = 100 lakh	Deduction @ 100% = 200 lakh

No deduction u/s 10AA is allowable in respect of unit located in DTA.

Mistake by students – Did not mention that unit in DTA is not eligible for deduction u/s 10AA.

B12. CA2015(M) – MASTER QUESTION - Rudra Ltd. has one unit in SEZ and other unit in DTA. The

Particulars	Situation 1	Situation 2
PY 2021-22 is which year from the year SEZ unit begins manufacturing?	7 th year	3 rd year
Deduction available?	50% of profits derived from export of unit in SEZ	100% of profits derived from export of unit in SEZ
Total sales of SEZ unit	6 crore – 2 crore = 4 crore	
Export sales	4.6 crore – 1.6 crore = 3 crore	

Net profit	80 lakh – 20 lakh = 60 lakh
Profits of the business of Unit in SEZ × (Export Turnover of Unit in SEZ ÷ Total Turnover of Unit in SEZ)	60 lakh × (300 lakh ÷ 400 lakh) = Rs. 45 lakh.
Deduction	Deduction @ 50% = 22.5 lakh Deduction @ 100% = 45 lakh

No deduction u/s 10AA is allowable in respect of unit located in DTA.

B13. CA2013(N), 2011(M) – Pranay is running two industrial undertakings, Unit A in SEZ and Unit B in a DTA.

Computation	Working	Rs.
Total profit	13,00,000 + 4,00,000	17,00,000
Less: B/fd business loss set off u/s 72 (para 191)		(7,00,000)
Total income before giving effect to section 10AA		10,00,000
Less: Deduction u/s 10AA:		
• Export turnover of Unit A	1,20,00,000	
• Total turnover of Unit A	10,00,000 + 1,20,00,000 = 1,30,00,000	
• Profit derived from Unit A	13,00,000	
• Profits derived from export	13 lakh × (1.2 crore ÷ 1.3 crore) = 12 lakh.	
• Deduction u/s 10AA @100% (assuming AY 2021-22 is within first 5 years from the year in which operations began)	Deduction cannot exceed total income computed before allowed deduction	(10,00,000)
Total income		Nil