

TAXBOOK⁺

Working steps of solutions

B51 to End

Profits and Gains of Business or Profession

Build Your Confidence (BYC)

B51. COMPREHENSIVE - CA2011(N) – Ramji Ltd., engaged in manufacture of medicines, furnishes the following,....

#	Item	Allowability
1	Municipal tax relating to office building Rs. 51,000 not paid till due date of filing ROI for AY 2022-23	Disallowed u/s 43B since tax paid after due date of filing ROI for PY
2	Patent acquired for Rs. 20 lakh on 1.9.2021 and used from the same month	Depreciation @ 25% u/s 32 since it is put to use \geq 180 days during the PY
3	Capital expenditure on scientific research of Rs. 10 lakh which includes cost of land of Rs. 2 lakh	Rs. 8 lakh deducted u/s 35(1)(iv). No deduction for land.
4	Amount due from customer X outstanding for more than 3 years written off as bad debt in the books – Rs. 5 lakh	Deductible as bad debt u/s 36(1)(vii) since amount taken into account in computing income and now written as irrecoverable in the books of account.
5	Income tax paid Rs. 90,000 by the company in respect of non-monetary perquisites provided to its employees	Disallowed u/s 40(a)(v). It is, however, exempt in the hands of employees u/s 10(10CC).
6	PF contribution of employees of Rs. 5,50,000 remitted in July 2021.	Included in income u/s 2(24)(x). But disallowed u/s 36(1)(va), assuming that fund is EPF and contribution not remitted within 15 days from close of month.
7	Expenditure towards advertisement in souvenir of a political party – Rs. 1,50,000	Disallowed u/s 37(2B)
8	Refund of GST Rs. 75,000 received during the year which was claimed as expenditure in an earlier year.	Taxable u/s 41(1)

B52. COMPREHENSIVE - Madhav is a sole proprietor of Hari Silks. He reports turnover of Rs. 240 lakh for

Computation of business income of Madhav for AY 2022-23

Particulars	Rs.	Rs.
Net profit as per profit and loss account		8,10,000
Add: Expenses debited but not deductible:		
• Bonus paid after due date of filing return: Disallowed u/s 43B	60,000	
• Interest paid without TDS: TDS deductible u/s 194A as turnover for preceding year > 1 cr. 30% disallowed u/s 40(a)(ia) assuming payee is a resident and has not paid tax, if any, on such interest.	3,600	
• Municipal taxes for property: Considered while computing income from IHP	15,000	
• Salary to wife: Excess disallowed u/s 40A(2) @ 10,000 p.m.	1,20,000	
		1,98,600
Less: Incomes credited but not taxable under the head PGBP:		
• Dividend: Taxable under the head IFOS	21,000	
• PPF interest: Exempt u/s 10	27,000	
• Saving bank interest: Taxable under the head IFOS	13,500	
• Rent from property: Taxable under the head IHP	1,65,000	
		(2,26,500)
Less: Subsidy for generator: It is adjusted from actual cost for purpose of depreciation		(18,000)

Less: Depreciation on generator @ 50% of 15% of 72,000 (90,000 purchase price – 18,000 subsidy) as it is put to use < 180 days. Additional depreciation not eligible assuming Madhav is not engaged in manufacture or production.		(5,400)
Income from business		7,58,700

B53. COMPREHENSIVE - Bhushan, engaged in manufacture of chemicals, furnishes his Manufacturing,

Computation of income chargeable under the head PGBP of Bhushan for AY 2022-23

Particulars	Rs.	Rs.
Net profit as per Manufacturing, Trading and Profit and Loss account		8,90,000
Add: Expenses debited but not deductible:		
• Salary to daughter: Excess disallowed u/s 40A(2)	40,000	
• Factory rent to brother: Excess disallowed u/s 40A(2) = 1,20,000 – 96,000	24,000	
• Office rent paid without TDS: Since TO for preceding FY > 1 cr, Bhushan is liable to deduct TDS u/s 194-I, assuming payee is a resident. Hence, 30% of 2,10,000 is disallowed u/s 40(a)(ia), assuming payee has not paid the tax, if any, on such rent.	63,000	
• Cash payment to agriculturist for purchase of grains (raw material): Not disallowed u/s 40A(3) as covered by Rule 6DD exception.	-	
• Commission paid to purchase agent without TDS: Since TO for preceding FY > 1 cr, Bhushan is covered under TDS provisions of 194H on commission. However, no TDS is to be deducted u/s 194H since amount ≤ 15,000, being the threshold limit u/s 194H. Hence, no disallowance u/s 40(a)(ia).	-	
• Term loan interest not paid till due date of filing ROI: Disallowed u/s 43B	35,000	
• Demurrages to Indian Railways not paid till due date of filing ROI: Disallowed u/s 43B	30,000	
		1,92,000
Less: Incomes credited but not taxable under PGBP or taxable under other heads:		
• Agricultural income: Exempt u/s 10(1)	1,50,000	
• Dividend: Taxable under the head IFOS	75,000	
		(2,25,000)
Less: Depreciation :		
• For assets held on 1.4.2021 (assuming this is the block value as on 31.3.2022 as well)	45,000	
• Machinery purchased = Normal depreciation of 37,500 being 50% of 15% of 5,00,000 + Additional depreciation of 50,000 being 50% of 20% of 5,00,000. 50% depreciation as machinery is put to use < 180 days.	87,500	
		(1,32,500)
Profits and gains of business or profession		7,24,500

B54. COMPREHENSIVE - Gopinath carries on business of retail trade in electronic items. Following is the Trading.....

Computation of income under the head PGBP for Gopinath for AY 2022-23

Particulars	Rs.	Rs.
Net profit as per Trading and Profit & Loss account		39,80,000
Add: Expenses debited but not deductible:		
Deposit in PPF account: Personal expense; deduction can be claimed u/s 80C from gross total income	1,50,000	
Under valuation of closing stock	15,000	
Salary of 1,50,000 on which TDS deducted during PY but paid after due date to file ROI: 30% disallowed u/s 40(a)(ia) assuming employees are residents	45,000	
Gopinath's contribution to recognized provident fund: Not disallowed u/s 43B as paid on or before due date to file ROI	-	
Group health insurance premium: Not deductible u/s 36(1)(ib) as paid in cash	15,000	
Payment to BCD Pvt. Ltd.: Company is not related party as brother holds < 20% equity shares. No disallowance u/s 40A(2).	-	
Rent of office paid by crossed cheque: Disallowed u/s 40A(3) as sum > 10,000.	20,000	
Depreciation debited (deducted separately)	5,50,000	
Income-tax: Disallowed u/s 40(a)(ii)	50,000	
GST: Disallowed u/s 43B as paid after due date to file ROI	30,000	

STT: Not deductible u/s 36(1)(xv) as shares are not stock-in-trade	20,000	
Municipal taxes for house: Considered while computing IHP for let out property	10,000	
Penalty for contravention of GST law: Not deductible u/s 37(1) as it is not compensatory in nature but penal in nature	20,000	
Penalty for contravention of Income Tax law: Disallowed u/s 40(a)(ii)	10,000	
Interest on business loan taken from bank: Disallowed u/s 43B as paid after due date to file ROI	30,000	
Interest on business loan taken from friend: Allowed as 43B not applicable	-	
Interest on personal loan taken from neighbor: Not allowed as personal expenditure	5,000	
Mediclaime premium for self and spouse: Not allowed as personal expenditure; deduction can be claimed u/s 80D from gross total income	10,000	
Advertisement in pamphlet of political party: Disallowed u/s 37(2B)	5,000	
		9,85,000
Less: Incomes credited but not taxable or taxable under other heads of income:		
Dividend: Taxable under the head IFOS	40,000	
Interest on saving bank account: Taxable under the head IFOS	20,000	
Rent from house property: Taxable under the head IHP	2,40,000	
Under valuation of opening stock	20,000	
		(3,20,000)
Less: Depreciation:		
F&F Block = 10% of 3,00,000	30,000	
P&M Block 15% (machinery) = 15% of 15,00,000 (20,00,000 – 5,00,000)	2,25,000	
P&M Block 40% (computers) = 50% of 40% of 2,50,000 as put to use < 180 days	50,000	
Additional depreciation not allowed as Gopinath not engaged in manufacture or production or article or thing	-	
		(3,05,000)
Profits and gains of business or profession		43,40,000

B55. COMPREHENSIVE - Pankaj, a resident, is engaged in the business of manufacturing food products in Delhi.....

Computation of income under the head PGBP for Pankaj for AY 2022-23

Particulars	Rs.	Rs.
Net profit as per Trading and Profit & Loss account		1,16,500
Add: Expenses debited but not deductible:		
Commission to employees @ 1% of 1.5 crore: Deductible u/s 36(1)(ii) but disallowed u/s 43B as paid after ROI due date	1,50,000	
Health insurance premium: Cash payment not allowed u/s 36(1)(ib)	15,000	
Keyman insurance premium: Allowed u/s 37(1)	-	
Municipal taxes of PY 2020-21: Allowed in PY 2021-22 in terms of section 43B since paid after ROI due date of PY 2020-21	-	
Municipal taxes of PY 2021-22: Disallowed u/s 43B as paid after ROI due date	15,000	
Depreciation: Computed separately	4,23,500	
Patent and know-how: Depreciation computed separately	4,50,000	
Interest on bank loan: Deductible u/s 36(1)(iii) for period after machinery first put to use but disallowed u/s 43B as paid after ROI due date	20,000	
Cash payment to transporter: Not disallowed u/s 40A(3) as ≤ 35,000	-	
Salary, material and equipment for scientific research related to business: Allowed in full u/s 35(1)(i) for revenue expenditure and u/s 35(1)(iv) for capital expenditure	-	
Donation to IIT for scientific research: Not allowed u/s 35(2AA) since program approved after payment	25,000	
Provision for payment to approved gratuity fund: Allowable u/s 40A(7) but disallowed u/s 43B to the extent paid after due date of ROI	1,40,000	
Provision for bad and doubtful debts: Not allowed u/s 36(1)(vii)	1,10,000	
		13,48,500
Add: Incomes taxable but not credited:		
Non compete fee: Taxable u/s 28(va)		3,00,000
Less: Expenses not debited but deductible:		
Wages not recorded for 4 months @ 5,000 p.m.		(20,000)

Less: Incomes credited but not taxable or taxable under other heads of income:		
Share of profit from firm: Exempt u/s 10(2A)	6,00,000	
Remuneration from firm: Not taxable to the extent disallowed for firm	80,000	
Winning from lottery: Taxable under the head IFOS	1,00,000	
Sale of machinery: Capital receipt; considered while computing depreciation	2,00,000	
Income-tax refund: Not taxable	60,000	
Insurance compensation for loss of raw material: Taxable u/s 41(1) assuming loss was deducted in PY 2020-21	-	
		(10,40,000)
Less: Depreciation:		
Land: Depreciation not allowed	-	
Machinery: WDV for depreciation = 10,00,000 WDV on 1.4.2021 – 2,00,000 sale of machinery = 8,00,000. Depreciation = 15% of 8,00,000. Assumed that machinery is entitled to 15% rate of depreciation and machinery sold forms part of this block. Interest on SBI loan is not added to actual cost since machinery already first put to use in PY 2020-21.	1,20,000	
Computers: WDV for depreciation = 4,50,000 WDV on 1.4.2021 + 30,000 purchased (20,000 cash payment not part of actual cost as > 10,000) – 10,000 sold = 4,70,000. Depreciation = 50% of 40% of 30,000 (as put to use < 180 days) + 40% of remaining 4,40,000	1,82,000	
Patent and know-how = 50% of 25% of 2,50,000 (as put to use < 180 days) + 25% of 2,00,000	81,250	
Additional depreciation: Not allowed on computers as installed in office; not allowed on patent and know-how	-	
		(3,83,250)
Profits and gains of business or profession		3,21,750

B56. COMPREHENSIVE - CA2012(N) - Following is the profit and loss account of Mr. Q for the year ended 31.3.2022.....

Computation of income under the head PGBP of Mr. Q for the AY 2022-23

Particulars	Rs.	Rs.
Net profit as per profit and loss account		93,950
Add: Expenses not allowable		
Expenses on laying a toilet roof – Capital expenditure – Not allowed u/s 37(1), depreciation allowed but it is ignored as per the question.	1,00,000	
Interest payable on which tax not deducted at source – Disallowed u/s 40(a)(ia) @ 30% assuming payment is made to a resident	15,000	
Penalty for contravention of GST Act – Not allowed u/s 37(1), since it is penal and not compensatory	24,000	1,39,000
Less: Incomes not forming part of PGBP		
Interest on company deposits – Taxable under the head IFOS ¹	6,400	
Income-tax refund (not income)	8,100	(14,500)
Profits and gains of business and profession		2,18,450

B57. COMPREHENSIVE - MASTER QUESTION – Sunil, a resident, is a manufacturer of electronic equipments

Computation of income under the head PGBP of Sunil for the AY 2022-23

Particulars	Rs.	Rs.
Net profit as per profit and loss account		10,00,000
Add: Income taxable under the head PGBP but not credited:		
Benefit of free car: Taxable u/s 28(iv) as benefit or perquisite arising from business	60,000	
Non-compete fee receipt from Z Pvt. Ltd.: Taxable u/s 28(va)	5,00,000	
Sum received under Keyman insurance policy: Taxable u/s 28(vi)	10,00,000	
Amount payable to Sure Ltd., deducted in PY 2019-20 but waived off in PY 2021-22: Taxable u/s	20,000	

¹ This may also be treated as business income on the assumption that interest is earned out of temporary surplus funds meant for business though not immediately required.

41(1)		
		15,80,000
Add: Expenses debited but disallowed:		
Rent of factory building: Allowed u/s 30	-	
Loss of stock by fire: Allowed u/s 29 in view of general principles	-	
Provision for contingent liability: Not allowed u/s 37(1) as expenditure not incurred	50,000	
Provision for gratuity (assuming it is not for payment to approved gratuity fund or for payment of gratuity payable during PY): Disallowed u/s 40A(7)	15,000	
Depreciation (considered separately)	2,00,000	
Transfer to reserve – Not allowed u/s 37(1)	1,00,000	
Insurance premium:		
• Office building – Allowed u/s 30	-	
• Machinery and motor car – Allowed u/s 31	-	
• Keyman insurance – Allowed u/s 37(1)	-	
• Stock of goods – Allowed u/s 36(1)(i)	-	
• Health insurance premium for employees – Not allowed u/s 36(1)(ib) since paid in cash	15,000	
Repairs:		
• Structural addition to building: Entitled to depreciation (considered separately) since Sunil deemed to be the owner of structure as per Expln 1 to S. 32(1).	1,00,000	
• Current repairs of furniture and fixtures: Not disallowed u/s 40A(3) since payment made to a person in a day in cash of Rs. 7,500 does not exceed limit of Rs. 10,000.	-	
Employee cost:		
• Employee's contribution not credited to RPF by due date: Not allowed u/s 36(1)(va)	10,000	
• Employer's contribution to RPF paid beyond due date of filing ROI: Disallowed u/s 43B	5,000	
• Employer's contribution to NPS in excess of 10% of salary: Not allowed u/s 36(1)(iva) = 5% / 15% × 24,000. Assuming salary does not include anything other than basic salary, DA (if forming part of salary for computing retirement benefits) and commission based on fixed percentage of turnover.	8,000	
• Bonus: Disallowed u/s 43B since not paid till due date of filing ROI	1,00,000	
• Salary paid without TDS: 30% of 3 lakh disallowed u/s 40(a)(ia) since TDS not deducted in PY 2021-22 (assuming payees are residents). Disallowance will be reversed in PY 2022-23, i.e., PY in which tax is paid.	90,000	
Taxes:		
• Municipal taxes for factory: Not disallowed u/s 43B since paid by the ROI due date	-	
• Local taxes for office: Disallowed u/s 43B since paid after ROI due date	5,000	
• Securities Transaction Tax: Not allowed u/s 36(1)(xv) since income from shares not taxable under PGBP as shares not held as stock-in-trade	5,000	
• Income tax: Tax as well as interest, disallowed u/s 40(a)(ii)	80,000	
• GST: Disallowed u/s 43B to the extent paid after ROI due date	10,000	
• GST penalty: Not allowed u/s 37(1) to the extent not compensatory	20,000	
• Tax on non-monetary perquisites: Disallowed u/s 40(a)(v)	10,000	
• Professional tax paid: Allowed u/s 37(1)	-	
Scientific research expenditure:		
• Payment to JBL college for scientific research: Not allowed u/s 35(1)(ii) since not notified	30,000	
• Payment to National Laboratory: Allowed u/s 35(2AA) even if program withdrawn later	-	
• In-house expenditure on equipment and salary: Allowed u/s 35(1) even if not certified. Certification is required only for pre-commencement revenue expenditure.	-	
• Pre-commencement expenditure on scientific research: Expenditure incurred is eligible for deduction u/s 35, but in PY 2019-20 (year of commencement of business), not in the current PY. No impact since this is not debited to P&L	-	
Interest:		
• Interest on loan from HDFC bank to purchase machinery: Interest of 8,000 till 31.10.2021 is added to actual cost (see Note 1) and interest thereafter of 20,000 is deductible u/s 36(1)(iii) (assuming it is paid by the due date to file ROI in terms of section 43B).	8,000	
• Interest on loan from SBI: Payment on 15.11.2021 disallowed u/s 43B as made after due date of ROI	11,000	
• Interest on loan taken from friend: Not disallowed u/s 40A(2) (as friend is not relative) or u/s 40A(3) (as it does not exceed 10,000) or u/s 43B (as it is not covered by 43B)	-	

• Interest on outstanding trade payables: Allowed u/s 37(1). S. 43B does not apply.	-	
Bad debt:		
• Trade recoverable written off: Deductible u/s 36(1)(vii) as bad debt assuming debt taken into account in computing income	-	
• Loan written off: Not deductible u/s 36(1)(vii) since debt not taken in computing income	10,000	
• Provision for bad debts: Not deductible u/s 36(1)(vii)	5,000	
Legal expenses:		
• To lawyer to defend civil suit against brother: Not allowed u/s 37(1) since not incurred for business of Sunil	40,000	
• To CA for appeal filing: Allowed u/s 37(1)	-	
Sundry expenses:		
• Damages for breach of contract due to supply of defective products: Allowed u/s 37(1)	-	
• Office celebration expenses: Allowed u/s 37(1)	-	
• Bribe paid: Not allowed u/s 37(1) since it is an offence/prohibited by law	5,000	
• Office expenses pertaining to PY 2020-21: Not allowed u/s 37(1) since does not pertain to current PY	15,000	
Advertisement expenses in brochure published by political party: Disallowed u/s 37(2B)	15,000	
Transport expenses paid to Swift Ltd.: Not disallowed u/s 40A(3) since limit for plying, hiring or leasing goods carriage is Rs. 35,000 u/s 40A(3)	-	
Fees for technical services paid to JKL Pvt. Ltd.: Disallowed u/s 40A(2) in excess of market rate (1,50,000 – 1,00,000) as Manav (relative) holds substantial interest ($\geq 20\%$ equity shares) in the company. No disallowance u/s 40(a)(ia) for non-deduction of TDS since TDS not deductible u/s 194J as Sunil's turnover for FY 2020-21 ≤ 1 crore (refer para 216).	50,000	
		10,12,000
Less: Expenses allowed but not debited		
Depreciation u/s 32 (Note 1)	3,65,344	
Amortization of preliminary expenses u/s 35D (Note 2)	25,000	
Amortization of VRS expenses u/s 35DDA (Note 3)	3,00,000	
		(6,90,344)
Less: Income credited but not taxable or taxable under other heads of income		
Compensation for termination of business contract: Taxable u/s 28(ii)	-	
Profit on sale of import license: Taxable u/s 28(iii)	-	
Dividend from companies: Taxable under the head IFOS	20,000	
Payments from Sunil & Sushil, partnership firm:		
• Salary and interest: Exempt to the extent disallowed in the hands of the firm (Note 4)	29,000	
• Share of profit: Exempt u/s 10(2A)	50,000	
Sundry receipts:		
• Amount recovered for bad debts deducted earlier: Taxable u/s 41(4) even if business does not exist = Excess of recovery of 20,000 over difference of Nil (i.e., Amount of debt 50,000 – deduction u/s 36(1)(vii) 50,000) = 20,000. Already credited to P&L.	-	
• Interest on Bank FD: Taxable under the head IFOS	20,000	
• Medical insurance claim: Not income	50,000	
• Refund of excise duty allowed as deduction earlier: Taxable u/s 41(1)	-	
• Receipt from sale debtors after discontinuance of business: Not taxable again u/s 176 assuming that the sum would have been included in the income in the relevant PY when it accrued since Sunil follows mercantile system of accounting	50,000	
		(2,19,000)
Profits and gains of business or profession		26,82,656

Is Sunil required to keep and maintain books of account as prescribed by Rule 6F for PY 2021-22?

No, since Rule 6F makes prescription for a specified profession and not for a business. However, since turnover of business of Sunil has exceeded Rs. 25 lakh in one or more of the 3 preceding PYs, he is required to maintain such books and documents as may enable the AO to compute his total income, as per provisions of section 44AA.

Is Sunil required to get audit of his accounts done u/s 44AB for AY 2022-23?

No, since turnover for PY 2021-22 does not exceed Rs. 1 crore.

Notes:

1. Computation of depreciation

Computation	Building (Block @ 10%)	P&M (Block @ 15%)	P&M (Block @ 40%)	Furniture (Block @ 10%)	License (Block @ 25%)
WDV as on 1.4.2021	20,00,000	3,00,000	-	2,00,000	-
Add: Actual cost of assets acquired during PY					
• Second hand motor car (put to use < 180 days): 2,00,000 - 20,000 ITC allowed assuming GST is included in cost.		1,80,000			
• New machine (put to use < 180 days). 2,92,000 + 8,000 interest on loan from HDFC bank to purchase machine for period till it is first put to use		3,00,000			
• Furniture (put to use ≥ 180 days): 30,000 - 15,000 paid in cash (as > 10,000) + 10,000 freight & installation paid in cash (not disallowed as ≤ 10,000).				25,000	
• License (put to use ≥ 180 days)					1,00,000
• Structure to building added (put to use ≥ 180 days): Sunil is deemed owner and entitled to depreciation	1,00,000				
• Computer gifted (put to use ≥ 180 days) (refer (d) below)			30,000		
• Machine purchased from USA – Adjustment u/s 43A (refer (e) below)		(3,375)			
Less: Moneys payable for assets sold during PY		(75,000)		(10,000)	
WDV (as on 31.3.2022) for depreciation	21,00,000	7,01,625	30,000	2,15,000	1,00,000
Less: Normal depreciation					
• Building @ 10% of 21,00,000	(2,10,000)				
• 15% P&M: [50% of 15% of 4,80,000] + [15% of remaining 2,21,625]		(69,244)			
• 40% P&M: 80% of 40% of 30,000. 20% disallowed for personal use.			(9,600)		
• 10% F&F: 10% of 2,15,000				(21,500)	
• 25% intangibles: 25% of 1,00,000					(25,000)
Less: Additional depreciation @ 50% of 20% of actual cost of new machinery of Rs. 3,00,000 (refer (f) below)		(30,000)			
Total depreciation = Rs. 3,65,344					

- Since rate of depreciation for plant and machinery is not specified in the question, 15% general rate of depreciation is assumed for plant and machinery (except computer which is entitled to 40% rate).
- Machine purchased on 1.3.2021: 50% depreciation limit for put to use < 180 days is only applicable in year of acquisition. Hence, full depreciation allowed for PY 2021-22.
- Plot of land: Depreciation not allowed.
- Computer gifted: Actual cost is actual cost to previous owner less depreciation allowable as if asset was the only asset in the block = 50,000 less 40% depreciation for PY 2020-21 = 30,000. Market value is not relevant.
- There is foreign exchange rate gain on payment of 75% of purchase price of machinery on 20.4.2021, that was purchased from USA, i.e., $(75 - 72) \times 1,125 \text{ USD} = \text{Rs. } 3,375$. The machine was added to the block for PY 2020-21 and it is, thus, a part of the block for PY 2021-22. This gain will be reduced from actual cost u/s 43A.
- Addition depreciation is not allowed on building structure, motor car, computer, furniture and license. Also, not allowed on machine purchased on 1.3.2021 (on the basis of 50% remaining from PY 2020-21) since it was installed in office.

2. Amortization of preliminary expenses u/s 35D

- Cost of project = Actual cost of fixed assets (L&B, leaseholds, P&M, F&F and railway sidings) as per books on last day of First PY, i.e., as on 31.3.2020 = Rs. 25 lakh

- Specified expenditure = Rs. 1,00,000 (market survey by approved concern) + Nil (engineering services by unapproved concern not eligible) + 50,000 (project report preparation by self) = Rs. 1.5 lakh
- Eligible expenditure cannot exceed 5% of cost of project = Rs. 1,25,000
- Amortization in 5 equal instalments from PY 2019-20 to PY 2023-24 = Rs. 25,000

3. Amortization of VRS expenses u/s 35DDA

- Payment of Rs. 10 lakh on 1.9.2019: Rs. 2 lakh deductible from PY 2019-20 to 2023-24
- Payment of Rs. 5 lakh on 1.9.2020: Rs. 1 lakh deductible from PY 2020-21 to 2024-25
- Deduction for PY 2021-22 = Rs. 3 lakh

4. Payments from Sunil & Sushil, partnership firm

Payment	Deductible for firm	Not deductible for firm
Salary	First 3 lakh of book profit: Higher of 1,50,000 or 90% of book profit = 2,70,000 Balance 2 lakh of book profit: 60% of 2,00,000 = 1,20,000 Total deductible: 3,90,000	4,40,000 – 3,90,000 = 50,000 50% attributed to Sunil, i.e., 25,000
Interest	@ 12%, i.e, $12/15 \times 20,000 = 16,000$	20,000 – 16,000 = 4,000