

# PGBP Adjustments

## Points to be considered always while solving Questions

1. Never forget Additional depreciation (i.e. always check whether additional depreciation applicable in the Question or Not ?)
2. Assumption / Comment is must to write for each & every adjustment (even if it is a common sense basic assumption)
3. Do not calculate Income Tax unless specifically stated in the Question (i.e. if question says to calculate Total Income than only Total income is required & not Total Tax Liability)
4. Do not Ignore MAT/AMT unless, specifically stated in the Question to ignore MAT/AMT computation.
5. Check purchase date / put to use date of asset twice in the Question for correct calculation of Depreciation & Additional Depreciation

S.No	Particulars	Amt	Adjustment & Reference
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### Items Credited to P & L A/c

1	Sales / Fees / Commission	25,00,000	No Adjustment - normal income as per Sec 28.
2	Sale of Scrap by assessee	5,00,000	No Adjustment - taxable as PGBP (Judiciary)
3	Interest from Firm @ 15%	1,50,000	Less 3% i.e. 30,000 (Interest Amount >12% p.a.)
4	Assessee (being a partner of Firm) Salary received from firm (Allowed to firm 1,20,000)	2,00,000	Less 80,000 (As per Sec 28 Any Interest, Salary, Bonus, commission, etc is taxable as income of partner to the extent deduction is allowed to firm.
5	Sale of 35AD Assets (Deduction allowed 10,00,000)	12,00,000	No Adjustment Sale of 35AD asset is fully taxable under PGBP as per Sec 28.
6	Gifts received in course of Business or Profession	30,000	No Adjustment, Fully Taxable in the course of Business or Profession as per Section 28.
7	Gifts from Relative	3,00,000	Less 3,00,000 (Not Taxable)
8	Gifts from Friend	3,00,000	Less 3,00,000 & Add 3,00,000 under IOS
9	Refund of Expense earlier allowed as deduction	80,000	No Adjustment Income u/s 41(1)
10	Income Tax Refund	85,000	Not Taxable
11	Interest on Income Tax Refund	8,000	Less 8,000 & Add 8,000 under IOS
12	Recovery of Expense earlier not allowed as deduction	80,000	Less 80,000 Not Taxable u/s 41(1)
13	Recovery of Baddebts earlier allowed as deduction	40,000	No Adjustment Taxable Income u/s 41(4)
14	Recovery of Baddebts by successor of business	40,000	Not Taxable (as it does not get covered u/s 41(4))
15	Recovery of Baddebts earlier not allowed as deduction	40,000	Less 40,000 Not Taxable u/s 41(4)
16	Profit on Sale of Scientific Research Asset (Deduction allowed 4,00,000)	5,30,000	Less 1,30,000 & Add 1,30,000 under Cap Gain
17	Profit on Sale of SLM Asset (Depreciation Allowed 2,10,000)	1,15,000	No Adjustment, Taxable u/s 41(2)
18	Profit on Sale of SLM Asset (Depreciation Allowed 2,10,000)	2,80,000	Less 70,000 & Add 70,000 under Cap Gain
19	Closing Stock (overvalued by 10%)	2,20,000	Less 20,000
20	Closing Stock (undervalued by 10%)	3,60,000	Add 40,000
21	Amount received by assessee (engaged in real estate business) from sale of Immovable Assets (SDV 55,00,000)	50,00,000	Add 5,00,000 as per Sec 43CA
22	Pre Incorporation Profit or Income earned by promoters of company	80,000	Less 80,000 as it is taxable in the hands of promoters & not in hand of company

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### Items Credited to P & L A/c

23	Compensation awarded by court on dispute with trade debtor / creditor	5,00,000	No Adjustment - Fully Taxable under PGBP (Judiciary)
24	Compensation received from termination of service (resulting in loss of source of profit) by the assessee	80,000	Not Taxable - It is in the nature of loss of source of income thus, Capital Receipt (Judiciary)
25	Compensation received by assessee due to delay in supply of capital asset by Supplier	1,80,000	Not Taxable - It is in the nature of Capital Receipt (SC)
26	Compensation received by assessee due to delay in supply of raw material by Supplier	1,80,000	No Adjustment as it is Taxable under PGBP
27	Compensation received for loss of office (full)	1,50,000	Less 1,50,000 (Judiciary)
28	Compensation received for loss of office (partial)	90,000	No Adjustment it is taxable under PGBP
29	Insurance Compensation Received for Machinery	2,50,000	Less 2,50,000 to be reduced from block
30	Rental Income received from house property held as Stock in Trade	7,50,000	Less 7,50,000 it is taxable under the head house Property (After giving deduction of Municipal taxes actually paid & then standard deduction of 30%)
31	Rental Income received from House Property by assessee engaged in Renting Business	7,00,000	No Adjustment, taxable as PGBP (SC)
32	Production Linked Subsidy	7,00,000	No Adjustment, taxable as PGBP
33	Subsidy received from Government	2,00,000	Taxable as per Sec 2(24)(xviii)
34	Amount received by assessee which is disallowed u/s 40A(2) in the hands of payer	60,000	Taxable even if it is disallowed to payer
35	Goods sold to relative or specified person (FMV 3,00,000)	2,25,000	No adjustment as 40A(2) is applicable only in case of Expense & not in case of sale
36	Waiver of working capital loan	2,00,000	Taxable u/s 41(1)
37	Liability forgone by Creditor	50,000	Taxable u/s 41(1)
38	Waiver of Term loan for acquiring capital asset	75,000	Less 75,000 from actual cost (Judiciary)
39	Waiver of Interest by PFI	1,75,000	41(1) is not get attracted as deduction for such interest is earlier not allowed to the assessee. However, as per the amendment via F.Act 15 such waiver to be treated as Income u/s 2(24)(xviii).
40	Rental Income from non commercial asset	3,50,000	Less 3,50,000 & taxable under IOS
41	Sum received not to carry on profession	5,00,000	No Adjustment - Taxable as per 28
42	Sum received for Goodwill of Firm	5,00,000	Not Taxable - Less 5,00,000
43	Sum received from Key-man insurance	2,00,000	Fully Taxable as per 28
44	Profit from sale of production generated during Test Run of Machinery	2,15,000	Less- 2,15,000 It is to be reduced from Actual Cost of Machinery (Judiciary)
45	Income from sale of Tree (attached in agriculture land) along with agriculture land.	87,000	Less 87,000 Both Sale of Tree & Agriculture land is exempt as Tree forms part of Agriculture land (Judiciary)
46	Unilateral waiver of unclaimed wages of employee (for which deduction is already claimed) by the assessee in its books of accounts	75,000	No Adjustment it is taxable u/s 41(1)
47	Assessee credited the Deposit (received from customer as an advance) to P&L A/c which is remaining unclaimed for a long period	58,000	41(1) not get attracted but it is still Taxable as Business Income as it is in ordinary course of Business (Judiciary)
48	Refund of sales tax earlier allowed as deduction	3,00,000	No Adjustment it is taxable u/s 41(1)
49	Liability payable by assessee to third party has become time baared (but not w-off by assessee)	-	41(1) will not be attracted - it is attracted only when liability is written off in the Books of A/c.
50	Refund of Excise duty received by assessee on the basis of decision of CESTAT, however matter has been taken in further appeal to HC by Excise Department	57,000	Taxable u/s 41(1) - Polyflex India (P) Ltd (SC)
51	Dividend Received from Foreign company (assessee also incurred expense of 35,000 on earning this income)	2,00,000	Less 2,00,000 & Add 2,00,000 under IOS (to be taxed at 15% and no deduction relating to any expense incurred in earning divided will be allowed)

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### Items Credited to P & L A/c

52	Rent Received from letting out of vacant land	1,00,000	Less 1,00,000 & Add 1,00,000 under IOS (& not HP as it is not house property it is vacant land)
53	Arrears of Rent received in respect of House Property	1,00,000	Less 1,00,000 & to be taxed under HP after giving Std Deduction at 30%
54	Dividend received from Mutual Fund units	40,000	Less 40,000 as it is exempt u/s 10(35)
55	STCG on sale of listed shares (STT Paid)	2,00,000	Less 2,00,000 & Add 2,00,000 under Capital gain to be taxed at 15%
56	Debt of 8 Lakh was claimed as baddebts earlier out of which A.O. allowed only 5 Lakh as Baddebts however subsequently 4 Lakh was recovered in respect of such debt.	-	Assuming that out of 4 Lakh recovered, 3 lakh is the baddebts which was earlier not allowed by A.O. & accordingly it shall not be taxable & Remaining 1lakh which has been earlier allowed to assessee shall become taxable as per Sec 41(4)
57	Profit (STCG) on sale of plot of land to a domestic company (being a 100% subsidiary of assessee company)	5,00,000	Less 5,00,000 as it is not PGBP income, & since the transfer (sale) is to 100% subsidiary company which is also an Indian Company, the same would not constitute transfer as per Sec 47 & thus No Capital Gain tax arise
58	Amount received being additional compensation pursuant to an interim order in respect of compulsory acquisition of land by Government	15,00,000	Less 15,00,000 not taxable under PGBP to be dealt separately under Capital Gain & since the amount received is pursuant to an interim order the same would be taxable in the year of final order & not in the year of Interim order.
59	Assessee received a power tariff concession from the State Government.	5,00,000	No Adjustment - As any assistance or concession received from CG or SG would be treated as income as per Sec 2(24)(xviii)
60	Discount given by the creditor on amount which is remained unpaid due to quality issue.	50,000	No Adjustment - as the same is taxable as per Sec 41(1)
61	Company (being a pvt co) issued 1,00,000 equity shares of Face Value 10 each at premium of Rs 90 each. (FMV = 60 per share)	90,00,000	Less 90,00,000 as to be dealt separately under IOS & Add 40,00,000 under IOS as amount liable for tax [as per Sec 56(2)(viib), (Excess of Issue Price - FMV) X No of Shares = Taxable under IOS (i.e. 100 - 60 X 1,00,000 = 40,00,000)]
62	Assessee (engaged in providing warehousing services) received income from letting out of godowns & provisioning of warehousing services.	7,00,000	No Adjustment - it is taxable as business income & not as income from House Property [as per NDR Warehousing P Ltd (Mad) - 2016]
63	Assessee received interest income earned on share application money (pending allotment) deposited with the bank for a specified period as per statutory requirement of companies act.	80,000	Less 80,000 [As per Henkel Spic India Ltd (SC) - 2016 - Interest earned on Share Application Money pending allotment is taxable in the P.Y. in which allotment of the same is completed]
64	Amount received by assessee (being distributor of lottery tickets) from winning of prize money on unsold tickets.	10,00,000	Less 10,00,000 to be dealt separately & taxable under IOS & not under PGBP (As per Manjoo & Co - 2011)

S.No	Particulars	Amt	Adjustment & Reference
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### Items Debited to P & L A/c

1	Loss on Sale of SLM Asset	12,00,000	No Adjustment, it is Terminal Depreciation & fully allowed as Business Deduction
2	Loss on Sale of WDV Asset (On Entire Block)	12,00,000	Add 12,00,000 to be dealt separately & it is allowed as Short Term Capital Loss u/s 50
3	Depreciation Claimed by Manufacturing or Production Concern	5,00,000	Allow Additional Depreciation at 20% over normal depreciation on eligible asset
4	Depreciation Claimed by Assessee engaged in Business of Generation, Transmission or Distribution of Power	5,00,000	Allow Additional Depreciation at 20% over normal depreciation on eligible asset
5	Depreciation Claimed by Manufacturing or Production Concern (In Notified Backward Area)	5,00,000	Allow Additional Depreciation at 35% over normal depreciation on eligible asset
6	Depreciation Claimed by Assessee engaged in Business of Generation, Transmission or Distribution of Power (In Notified Backward Area)	5,00,000	Allow Additional Depreciation at 20% (& not at 35%) over normal depreciation on eligible asset
7	P & M Acquired by Manufacturing concern being a company of Rs 30,00,000	XXXX	1. Normal Depreciation 2. Additional Depreciation (20%) 3. Deduction under 32AC (15%)
8	P & M Acquired by Manufacturing concern being a Firm of Rs 30,00,000	XXXX	1. Normal Depreciation 2. Additional Depreciation (20%)
9	P & M Acquired by Manufacturing concern being a Company on notified Backward Area of Rs 10,00,000	XXXX	1. Normal Depreciation 2. Additional Depreciation (35%) 3. Deduction under 32AD (15%)
10	P & M Acquired by Mfg concern being a firm on notified Backward Area of Rs 10,00,000	XXXX	1. Normal Depreciation 2. Additional Depreciation (35%) 3. Deduction under 32AD (15%)
11	P & M Acquired by Manufacturing concern being a Company on notified Backward Area of Rs 30,00,000	XXXX	1. Normal Depreciation 2. Additional Depreciation (35%) 3. Deduction under 32AC (15%) 4. Deduction under 32AD (15%)
12	P & M Acquired Assessee engaged in Business of Generation, Transmission or Distribution of Power in Notified Backward Area of Rs 30,00,000	XXXX	1. Normal Depreciation 2. Additional Depreciation (20%)
13	Additional Depreciation Claimed by Assessee who is claiming Depreciation as per SLM Method	1,00,000	Add 1,00,000 - Disallowed as additional depreciation is allowable only to those assessee who is claiming depreciation as per WDV Method
14	Depreciation claimed on Goodwill	1,00,000	Allowable as Goodwill is an Intangible Asset (SC)
15	Deduction relating to 32AC is fully claimed (where asset is actually put to use for less than 180 days)	4,00,000	Allowable as for Sec 32AC, there is no condition of asset being put to use for 180 days or more.
16	Depreciation claimed on Land & Building	90,000	Depreciation on Land is not allowable, amount need to be bifurcated & depreciation relating to land should be disallowed.
17	Depreciation claimed on Stand-by assets (that was not taken for use during the P.Y.)	70,000	No Adjustment - It is allowable even though asset is not taken for use during a particular P.Y. (Judiciary)
18	Depreciation on Building acquired by company & possession for the same was taken however registration could not take place	72,000	Depreciation is allowable - (Judiciary)
19	Assessee (having PGBP income & Agriculture income) claimed its entire depreciation as business expenditure (i.e. without being apportioning it into depreciation relating agriculture income & depreciation relating to non-agricultural income)	7,00,000	No Adjustment - whole of depreciation is allowable to Assessee and there is no need to bifurcate depreciation between Agriculture Income & PGBP Income [as per Explanation 7 to Sec 43(6)]
20	Scientific Research Donation to National Laboratory	1,00,000	Less 1,00,000 (200% deduction allowed)
21	Scientific Research Donation to Univesity	1,00,000	Less 75,000 (175% deduction allowed)
22	Scientific Research Donation to Indian Company	1,00,000	Less 25,000 (125% deduction allowed)

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### Items Debited to P & L A/c

23	Social Research Donation to College	1,00,000	Less 25,000 (125% deduction allowed)
24	Inhouse Research (Capital Expense)	1,00,000	No Adjustment, 100% deduction allowed
25	Assessee incurred capital expenditure on Scientific Research that relates to its subsidiary company	1,00,000	Add 1,00,000 - Not allowable as Sec 35 provides that any capital expenditure on scientific research related to business carried on by assessee shall be allowed as deduction.
26	Depreciation claimed on Scientific Research Asset	50,500	Add 50,500 as deduction for Capital expenditure is already allowed thus no depreciation can be claimed
27	Inhouse Research (Capital Exp) by Company	5,00,000	Less 5,00,000 (200% deduction allowed) except on Land & Building
28	Preliminary Expense (by Indian Co or Resident)	4,00,000	Add 3,20,000 as only 1/5th is allowed [Rs 4,00,000 is allowed subject to max 5% of cost of project (in case of non-corporate) or 5% of cost of project or capital employed in business (in case of indian company)]
29	Preliminary Expense (by NR or Foreign Co)	4,00,000	Add 4,00,000 - Not Allowable as Deduction
30	Amount paid under Voluntary Retirement Scheme (VRS) to employee	6,00,000	Add 5,40,000 as only 1/5th is allowed
31	Amalgamation & Demerger Exp (Indian Co)	4,00,000	Add 3,20,000 as only 1/5th is allowed
32	Legal Expense paid to consultant for framing of scheme of amalgamation (Indian Co)	4,00,000	Add 3,20,000 as only 1/5th is allowed
33	Amalgamation & Demerger Exp (Foreign Co)	4,00,000	Add 4,00,000 - Not Allowable as Deduction
34	Bonus & Commission to Employees	40,000	Allowed & disallowed only if not paid within due date of filing ROI as per Sec 43B
35	Bonus paid to employee through bearer cheque	40,000	Add 40,000 - Disallowed as it is paid by bearer cheque
36	Bonus & Commission to Employees (Paid in Excess of Allowable under Payment of Bonus Act)	4,00,000	Allowed & disallowed only if not paid within due date of filing ROI
37	Assessee remitted the bonus due (payable) to employees to a trust. However such amount is subsequently paid to the employees before the stipulated due date.	4,00,000	No Adjustment - Deduction is allowed, As per Shasun Chemical & Drugs Ltd (SC) - <b>2016</b> (Bonus is allowable as deduction u/s 36(1)(ii), even though it was initially remitted to the trust created for this purpose, provided the payment of bonus was ultimately made to employees before the stipulated due date.)
38	Interest paid to proprietor	16,000	Add 16,000 - as it is disallowed, interest is only allowed as deduction if paid on borrowed Capital
39	Interest paid on Loan (Loan money is advanced by the company to its sister concern)	60,000	Allowable, If money advanced was on account of Commercial Expediency (SC)
40	Interest paid on Share Capital	40,000	Add 40,000 as it is disallowed, interest is only allowed as deduction if paid on borrowed Capital & here it is owner's fund
41	Interest paid to Partner's Capital @ 18%	18,000	Add 6,000 as allowed only upto 12%
42	Interest paid outside india without TDS	30,000	Add 30,000 as it is disallowed
43	Provision for Baddebts	31,000	Add 31,000 as it is disallowed
44	Baddebts expense claimed by assessee (being a succesor co) of debt relating to predecessor co.	55,000	Allowable Expenditure to Successor of business (Judiciary)
45	Income taken in Income tax return but not in books & subsequently becomes irrecoverable (not written off in books as not recorded in the books) Amounting to Rs 25,000	-	Less 25,000 as it is allowed for deduction [it is to be considered as deemed to be written off in the books of Accounts - Proviso to Sec 36(1)(vii)]
46	Baddebts written off by Assessee but unable to establish before A.O that it has become recoverable	28,000	No Adjustment - It is allowable - it is not necessary for assessee to establish that the debt has become irrecoverable (SC)



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### Items Debited to P & L A/c

47	Baddebts written off after discontinuation of business	30,000	Add 30,000 - Not allowed as deduction
48	Family Planning Exp by Individual/HUF	60,000	Add 60,000 - as it is allowed only to Company
49	Capital Exp on Family Planning by Company	60,000	Add 48,000 - as only 1/5th is allowed
50	Penalties paid on violation of Contract	10,000	No Adjustment allowed as deduction
51	Penalties paid on violation of law	10,000	Add 10,000 Not Allowable as Deduction (Sec 37)
52	Interest on late payment of Taxes	20,000	No Adjustment allowed as deduction
53	Interest on late payment of Income Taxes	20,000	Add 20,000 Not Allowable Expenditure
54	Litigation Expenses in relation to Income Tax cases	27,000	Allowable Expenditure (Judiciary)
55	Audit Fees paid	70,000	Allowable Expenditure
56	Depreciation & Management Expense of Temple situated inside factory	80,000	Allowable Expenditure (Judiciary)
57	Discount on Zero Coupon Bond	1,80,000	Add 1,80,000 & Less Proportionately as it is Allowed but over the period of its life.
58	Depreciation claimed on Asset (having Book Value = 5,00,000 including revaluation of 3,00,000)	1,20,000	Add 72,000 as Depreciation on Revaluation Portion is not allowable therefore proportionately amount shall be disallowed.
59	Depreciation claimed by Lessee in case of Leased Asset	18,000	Add 18,000 as depreciation in case of Leased Asset is allowable to lessor & not lessee (CBDT)
60	Depreciation claimed by Assessee on full value of asset (which is partially owned (say 50%) by the assessee)	70,000	Add 35,000 As per ICDS V (Depreciation on partially owned assets is allowed to the extent it is owned by the assessee.
61	Contribution / Advertisement / Donation to Political party	28,000	Add 28,000 Disallowed u/s 37(2B) - However deduction u/s 80GGB/GGC is allowable
62	Salary to NR without TDS	2,00,000	Add 2,00,000 disallowed
63	Salary to R without TDS	80,000	Add 24,000 (30%)
64	Provision for Gratuity	34,000	Add 34,000 - disallowed
65	Provision for Gratuity of Retired Employee	34,000	No Adjustment - it is allowable
66	Provision for Gratuity to Retired Employee (not paid before due date of filing ROI)	34,000	No Adjustment, allowed as deduction as it is not covered by 43B
67	Gratuity paid voluntary to its employee on account of its death while on business trip	34,000	No Adjustment, allowed as deduction (Judiciary)
68	Provision for Gratuity based on actuarial valuation	3,40,000	Add 3,40,000 Not allowable as deduction
69	Contribution to Gratuity Fund	50,000	No Adjustment, but disallowed if not paid within due date of filing of ROI
70	Capital Repairs to Building (by Owner)	3,00,000	Add 3,00,000 - As Not Allowed as per Sec 30 & Add to the WDV Block of Building & Claim Depreciation thereon
71	Capital Repairs to P & M (by Owner)	3,00,000	Add 3,00,000 - As Not Allowed as per Sec 31 & Add to the WDV Block of Building & Claim Depreciation thereon
72	Capital Repairs to Building (by Tenant)	3,00,000	Add 3,00,000 - Not Allowed as per Sec 30 & Add to the WDV Block of Building & Claim Depreciation thereon (Deemed Building as per Explanation 1 to Sec 32(1).
73	Capital Repairs to P & M (by Tenant)	3,00,000	Add 3,00,000 - Not Allowed as per Sec 31. Also, Assessee is not eligible for claiming depreciation on the same (It is a Dead Loss)
74	Opening Stock (undervalued by 20%)	3,20,000	Less 80,000
75	Opening Stock (overvalued by 20%)	4,80,000	Add 80,000
76	Insurance premium for Stock	90,000	No Adjustment - Allowable
77	Insurance premium for Life of Partner	90,000	Add 90,000 (Judiciary)
78	Insurance premium for Life Insurance	90,000	Add 90,000 - As It is a Personal Expenditure
79	Insurance premium for Keyman	90,000	No Adjustment - Allowable Expense (Sec 37)

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### Items Debited to P & L A/c

80	Insurance premium for Building by Tenant	90,000	No Adjustment - Allowable Expense (Sec 30)
81	Insurance premium for P&M or Furniture by Tenant	90,000	No Adjustment - Allowable Expense (Sec 31)
82	Health Insurance Premium paid in Cash	3,000	Add 3,000 Disallowed as paid in cash (even if it is below 20,000)
83	Agriculture Extension Project (35CCC)	26,00,000	Less 13,00,000 (150% deduction is allowed where assessee incurs amount exceeding 25 Lakh)
84	Skill Development Project (35CCD) by Firm	1,00,000	Add 1,00,000 (Deduction is allowed only to Co)
85	Skill Development Project (35CCD) by Co	1,00,000	Less 50,000 (150% deduction is allowed)
86	STT or CTT paid (on Securities held as SIT)	55,000	No Adjustment Allowable as an Expenditure
87	STT or CTT paid (on Securities held as Investment)	55,000	Add 55,000 Not Allowable to be added back
88	Cash payment to LIC of India	30,000	No Adjustment, allowed as deduction (Rule 6DD)
89	Provision for warranty	3,00,000	Add 3,00,000 - Not Allowable
90	Provision for warranty - on reliable estimate	5,00,000	No Adjustment - Allowable as Expenditure (SC)
91	Municipal taxes paid (by tenant)	55,000	No Adjustment, allowed as deduction (Sec 30)
92	Expenditure Incurred on replacement of machinery	30,000	Add 30,000 as it is in the nature of Capital Expense (SC)
93	Expenditure Incurred on replacement of machinery parts	30,000	No Adjustment, allowed as deduction
94	Expenditure on Test Run of Machinery	35,000	Add 35,000 not allowable as expense (to be added to the Actual Cost of Machinery & depreciation is allowable thereon) - As per ICDS - V
95	Expenditure on CSR	1,35,000	Add 1,35,000 Not Allowable as Deduction (Sec 37)
96	Loss arising on Confiscation of goods by Custom Authority	1,05,000	Allowable as Deduction (Judiciary)
97	Expenditure incurred due to failure to deduct TDS	15,000	Add 15,000 Not allowable as an Expenditure (SC)
98	Demurrage charges paid to Custom	75,000	Allowable as an Expenditure
99	Expenditure incurred on development of website	45,000	Allowable as an Expenditure
100	Loss on embezzlement	1,45,000	Allowable as an Expenditure (in the year in which loss is discovered)
101	Compounding Fees paid	57,000	Add 57,000 Not Allowable as Deduction
102	Expenditure Incurred on Closure of Unit (One of the units)	2,50,000	Allowable as Revenue Expenditure
103	Expenditure Incurred on Closure of Business	2,50,000	Add 2,50,000 Not Allowable as Expenditure
104	Amount given to Employee become irrecoverable	50,000	Allowable as Business Loss
105	Refundable Deposit given to Landlord become irrecoverable	50,000	Add 50,000 Not Allowable as Expenditure
106	Provision for loss of Subsidiary Company	25,000	Add 25,000 Not Allowable as Expenditure
107	Dividend Paid	1,25,000	Add 1,25,000 Not Allowable as Expenditure
108	Dividend Distribution Tax Paid	5,000	Add 5,000 Not Allowable as Expenditure
109	Interest paid on delay payment of Installment due to government under a contract	75,000	Allowable as Expenditure
110	Amount paid by Assessee covered under Presumptive Taxation (say 44AD) in Cash	70,000	Allowable as 44AD overrides Sec 28 to 43C, therefore 40A(3) also gets overrides.
111	Assessee paid 55 Lakh (50 lakh for Face Value & 5 lakh for Interest Accrued) on purchase of securities & claimed interest paid as an expense	5,00,000	The Entire price paid for securities would be in the nature of Capital outlay & no deduction of interest can be allowed to assessee (SC)
112	A Liability towards expenditure as per agreement was provided in the Books of A/c. But it is subject to dispute for payment, before judiciary.	70,000	Allowable as deduction if assessee follows mercantile system of accounting (Judiciary)
113	Loss due to non-realisation of advance given to wholly owned subsidiary	1,70,000	Add 1,70,000 - to be disallowed as it is not in the ordinary course of business.

S.No	Particulars	Amt	Adjustment & Reference
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### Items Debited to P & L A/c

114	Change in accounting policy the assessee to adopt AS issued by ICAI - results in decrease of profit by 58,000	-	Not to be added back - As change is made for bonafide reason in line with pronouncement of ICAI.
115	Legal charges paid in connection with alteration of AoA & for issue of bonus shares.	50,000	Allowable Expenditure (Judiciary)
116	Expenditure incurred in relation to issue of Debenture of the company	50,000	Allowable Expenditure (Judiciary)
117	Expenditure incurred in relation to issue of Right Share	50,000	Add 50,000 Not Allowable as Business Expenditure (Judiciary)
118	Payment made for purchase of materials paid in Cash on 15th August	2,00,000	No Adjustment - it is allowable even paid in cash as it has been paid on public holiday
119	Land development charges paid to government corporation.	55,000	Add 55,000 Not Allowable as deduction it is in the nature of Capital Expense (Judiciary)
120	Amount paid to lawyer in case of Criminal proceeding filed against director of company (in its official capacity), subsequently director was acquitted (made free) of the charges at the end.	30,000	Allowable as Business Expenditure
121	Payment made to ROC for increase in Authorised share capital	15,000	Add 15,000 Not Allowable as deduction it is in the nature of Capital Expense (Judiciary)
122	Interest paid to NR without deduction of TDS	58,000	Add 58,000 as disallowed u/s 40(a)
123	Loss on account of Depreciation of Investment held by the company (not as SIT)	80,000	Add 80,000 Not Allowable as it is in the nature of Capital Loss
124	Loss incurrd in transaction of purchase & sale of shares of various companies	82,000	Add 82,000 as it is a speculation loss it will be c/f u/s 73 (upto 4 year) to be set-off only against speculation income.
125	Income tax paid on non-monetary perquisite paid provided to the employees	22,000	Add 22,000 as it is disallowed u/s 40(a)(v) [It is exempt in the hands of receipient employee as per sec 10(10CC)]
126	Loss of stock due to fire	2,00,000	No Adjustment - Allowable business expense
127	Expenditure on development of design to used in manufacturing the goods	2,20,000	No Adjustment - Allowable business expense
128	Amount paid to obtain expert opinion for setting up a factory	1,20,000	Add 1,20,000 as it is in the nature of capital expenditure
129	Expenditure on making garden & lawns in factory compound	1,75,000	No Adjustment - Allowable business expense
130	Amount contributed to Employee welfare trust	75,000	Add 75,000 - As deduction is allowed only in case of contribution to Approved Fund
131	Expenditure incurred in respect of distributing gifts to various dealers under sales incentive scheme.	5,75,000	No Adjustment - Allowable business expense
132	Assessee made payment to Stockist & distributor unde a sales promotion scheme without deducting TDS u/s 194H.	5,45,000	No Adjustment - it is an allowable business expense even if No TDS has been deducted (as payment is not in the nature of commission as per Intervet India P Ltd - 2014)
133	Amount paid on account of stamp duty & registration fees for issue of bonus shares	22,000	No Adjustment - Allowable business expense
134	Travelling expense on foreign tour by director for negotiating collaboration with foreign company for initiation of new line of business	1,02,000	Add 1,02,000 - as it is in the nature of capital expenditure
135	Assessee (being tenant) incurred repair expense on building (where assessee was under no obligation to incur such expense as per agreement)	25,000	Not to be allowed u/s 30 as repairs are not to be borne by tenant as per agreement. However, such Repair expenditure is allowable u/s 37 being expenditure in relation to business
136	Amount paid towards penalty for non-fulfillment of delivery of goods on time as per contract of sale	55,000	No Adjustment - Allowable business expense



S.No	Particulars	Amt	Adjustment & Reference
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### Items Debited to P & L A/c

137	Amount paid to an Electoral Trust	1,00,000	Add 1,00,000 Disallowed as not an business expenditure - However deduction u/s 80GGB/GGC is allowable if paid in mode other than Cash.
138	Loss incurred in the business of Financing & Investment in shares on account of sale of futures & options in the form of derivatives	1,20,000	No Adjustment - Allowable business expense as 43(5) which defines speculative transaction provides that eligible transaction in respect of trading of Derivatives carried out in Rec. stock exchange shall not be deemed as speculative transaction & thus same should be treated as normal business loss.
139	Assessee (being a branch of Foreign company) claim its head office expense while calculating its total income.	5,00,000	Allowable Business Expense but only upto maximum 5% of Total Income (before giving effect of B/f depreciation, B/f loss & Deduction under Chapter VI-A). Thus any expense above this limit shall be disallowed.
140	Loss due to destruction of machinery caused by a fire. Insurance company did not admit the claim of the company	50,000	Add 50,000 as it is Not deductible expense
141	Expenditure incurred towards feasibility study conducted for examining proposals for technological advancement relating to existing business, however project has been closed without creating any new assets	5,00,000	No Adjustment - Allowable business expense (Judiciary)
142	Amount incurred in purchase & donation of school bus to a school where employee's children were studying & same is debited as Workmen & Staff welfare account	90,000	No Adjustment - Allowable business expense (Judiciary)
143	Expenditure incurred on travelling to Singapore of the wife of MD on the invitation of Trade & Commerce Chamber	1,90,000	No Adjustment - Allowable business expense on the grounds of commercial expediency & business consideration (Judiciary)
144	Interest payable to Sales Tax Department but not paid upto filing of RoI	40,000	No Adjustment - Allowable business expense as interest payable is not part of Sales tax & thus Sec 43B shall not get attracted.
145	Amount paid to a Fisherman in cash	77,000	No Adjustment - Allowable business expense bcoz 40A(3) is not attracted as this expense is covered by exception of 40A(3) i.e. under rule 6DD
146	Amount contributed to Employee's Pension Scheme notified by CG u/s 80CCD at 12% of Salary + DA	1,20,000	Add 20,000 - as deduction upto 10% of Salary + DA is allowed
147	Assessee paid a bill of supplier of raw material, however the bill was omitted to be recorded by the assessee in the books upto March. Bill was paid in April & necessary entry was made (Bill Amount = 30,000)	-	Less 30,000 as it is earlier not recorded in books but it should be allowable while computing the Total business income (on the assumption that assessee is following mercantile system of accounting)
148	Employee's Contribution of EPF for the month of March was remitted on May	2,00,000	Add 2,00,000 to be disallowed in view of Gujarat State Road Transport Corporation (Guj). Employees contribution to PF deposited after due date mentioned under PF Act is not allowable
149	Employer's Contribution of EPF for the month of March was remitted on May	2,00,000	No Adjustment - it is allowable as the same has been deposited on or before the due date of filing of RoI u/s 139 (1) (as per Sec 43B)

S.No	Particulars	Amt	Adjustment & Reference
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### Items Debited to P & L A/c

150	Assessee had charged an provision (based on fair estimation on wage & probable revision) of sum estimated as payable to workers based on agreement to be entered with the workers union towards periodical wage revision once in 3 years	25,00,000	No Adjustment - it is allowable in view of BHEL Ltd (2013) which provides that there has been wage revision every 3 years & since the provision is based on fair estimation of wages & probable revision the same can be allowed as an expenditure.
151	Donation paid to Swachh Bharat Kosh	1,00,000	Add 1,00,000 - as it is not allowed as per Sec 37. However, deduction can be claimed under Chapter VI-A as per Sec 80G
152	Assessee had made a provision (in earlier P.Y.) for an outstanding bill of 1,00,000 for purchase of raw material. Out of such outstanding amount part payment has been made in current F.Y. in Cash	50,000	Add 50,000 as the provisions for outstanding bill for purchase has been allowed as deduction in earlier P.Y., cash payment in excess of 20,000 against such bill would be deemed as income of Current P.Y. as per Sec 40A(3A)
153	Assessee paid transfer expense (such as Brokerage) on sale of Depreciable assets & adjusted the same against block of assets (Amount = 30,000)	-	Less 30,000 (As per Sec 43(6) any transfer expense cannot be claimed under Block of Assets. However such expense can be claimed as Sec 37)
154	Assessee claimed amount payable to Railway for use of railway assets on mercantile basis (where as actual payment is not made till due date of RoI)	75,000	Add 75,000 - Disallowed as per provisions of 43B (amended via F.Act 2016)
155	Payment made to NR (say Google) for Online advertisement and other facilities without deducting Equalisation Levy (Equalisation Levy need to be deducted at the rate of 6%)	10,00,000	Add 10,00,000 - Disallowed as per Sec 40(a)(ib) - As Amended via F.Act 2016
156	Payment made to NR (say Google) for Online advertisement and other facilities after deducting Equalisation Levy but payment has not been made to Government.	10,00,000	Add 10,00,000 - Disallowed as per Sec 40(a)(ib) - As Amended via F.Act 2016
157	Payment made to NR (say Google) for Online advertisement and other facilities after deducting Equalisation Levy but payment has not been made upto March. However later on payment has been made before due date of Filing RoI u/s 139(1)	10,00,000	No Adjustment - Deduction is allowed (& Sec 40(a)(ib) is not get attracted here.
158	Assessee (being hotel company) made payment of Tips received from its customer to its employee without deducting TDS on the same u/s 192.	4,00,000	No Adjustment - It is an allowable deduction even if no TDS has been deducted (as per ITC Ltd (SC) - 2016)
159	Assessee (being engaged in earing rental income) paid compensation to its tenant for vacating premises in order to earn higher rent by re-letting out the same.	12,00,000	No Adjustment -It is an allowable deduction (as per Shyam Burlap Co Ltd - 2016 Compensation to tenant for vacating premises be allowed as revenue expenditure, where main object of assessee as per MoA is letting out of property)
160	Assessee incurred expenditure in relation to construction of transmission lines for power supply to State Electricity Board.	9,00,000	No Adjustment -It is an allowable expenditure (as per Dharmpur Sugar Mill (P) Ltd - 2015)
161	Assessee paid amount to its Joint Venture for use of customer database & transfer of trained personnel.	11,00,000	No Adjustment - It is an allowable expenditure (as per IBM Global Service India (P) Ltd)
162	Remuneration paid to partner as per partnership deed which is within the statutory limit of Sec 40(b)(v). However it is excessive paid as per Sec 40A(2) [Excess Paid = 1,25,000]	12,50,000	No Adjustment - Full amount is allowable as deduction (As per Great City Manufacturing - 2013, Remuneration to partner not to be considered as unreasonable & excessive u/s 40A(2) where the same is within statutory limit u/s 40(b)(v).]
163	Assessee incurred expenditure on created of Glow Sign Board	1,50,000	No Adjustment - it is an revenue expenditure fully allowable (As per Orient Ceramics & Industries Ltd - 2013)
164	Payment made to doctors as a referral payment	1,50,000	Add 1,50,000 Not allowable as per Sec 37