

Name: Sagar Chakraborty

Sub: TAX-1

Chapter: 4

Semester: IV (UMESCHANDRA COLLEGE)

PROFIT FROM BUSINESS

A Standard Format For Computing of Business Income:

Net profit as per profit and loss accounts

Add: Expenses debited to the profit and loss account but not allowable under the income tax Act.

- (i) Any personal expenses (e.g., household expenses)
- (ii) Income tax, wealth tax
- (iii) All provisions and reserves (except provisions for bad and financial institutions u/s 36 (i) (vii)).
- (iv) Salary, bonus, commissions and interest on capital paid to the proprietors of business
- (iv) Depreciations.[treated separately]
- (v) Penalty/fines for infringement of any law.
- (vi) Salaries paid outside India without deduction of tax at source.
- (vii) Contributions to unrecognized provident fund.
- (ix) Capital expenditure.
- (x) Capital losses.

Less: Expenses allowed under the Income tax Act, but

Not debited to profit or loss account:

- (i) Depreciation as per Income-tax Act:
- (ii) Capital expenditure on scientific researches
- (iii) Any other expenditure incurred in accordance with the provisions of the Act.

Less : Incomes credited to the profit and loss of account, but not taxable under the Act:

- (i) Refund of income tax
- (ii) Agricultural income
- (iii) Recovery against bad debts disallowed earlier.
- (iv) Receipts which are capital in nature.
- (v) Personal gifts from relatives.
- (vi) Post office savings bank interest.
- (vii) Maturity proceeds of life insurance policy.

Less: Incomes credited to the profit and loss account, but chargeable under the heads:

- (i) Bank interest.
- (ii) Interest on securities, debentures, etc.
- (iii) Dividend from companies (Indian or otherwise).
- (iv) Winning from lotteries, crossword puzzles, horse races, etc.
- (v) Capital gains

Taxable income from business

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