List of benefits available to Small Businessmen

[AY 2018-19]

S.N.	Particulars	Section	Benefits/Deductions allowed
A.	**Presumptive Taxation Scheme**		
1.	Computation of income from eligible business on presumptive basis under Section 44AD provided turnover or gross receipts of eligible business does not exceed Rs. 2 crore (Subject to certain conditions).	44AD	Presumptive income of eligible business shall be 8 % of gross receipt or total turnover (if turnover or gross receipts of eligible business does not exceed Rs. 2 crore). **Note:** Presumptive income shall be calculated at rate of 6% in respect of total turnover or gross receipts which is received by an account payee cheque or draft or use of electronic clearing system.
2.	Presumptive income of business of plying, hiring or leasing of goods carriage if taxpayer does not own more than 10 goods carriage (Subject to certain conditions)	44AE	Rs. 7,500 for every month during which the goods carriage is owned by the taxpayer
B.	**Deductions from business profits**		
1.	Rent, rates, taxes, repairs (excluding capital expenditure) and insurance for premises	30	Actual expenditure incurred excluding capital expenditure
2.	Repairs (excluding capital expenditure) and insurance of machinery, plant and furniture	31	Actual expenditure incurred excluding capital expenditure
3.	Depreciation shall be allowed in respect of following assets: i. Tangible Assets (buildings, machinery, plant or furniture);	32(1)(i)	Depreciation shall be allowed, to taxpayers engaged in business of generation or generation and distribution of power, at

	ii. Intangible Assets (know-how, patents, copyrights, trademarks, licenses, franchises, or any other business or commercial rights of similar nature).		prescribed percentage on actual cost of an asset However, if asset is acquired and put to use for less than 180 days during the previous year, the deduction shall be restricted to 50% of depreciation computed above. Note: Taxpayers engaged in the business of generation or generation and distribution of power shall have the option to claim depreciation either on basis of straight line basis method or written down value method on each block of asset.
4.	Depreciation shall be allowed in respect of following assets: i. Tangible Assets (buildings, machinery, plant or furniture); ii. Intangible Assets (know-how, patents, copyrights, trademarks, licenses, franchises, or any other business or commercial rights of similar nature).	32(1)(ii)	Depreciation shall be allowed to all taxpayer (except as referred to above) at prescribed percentage on written down value of each block of asset (as per WDV method). However, if asset is acquired and put to use for less than 180 days during the previous year, the deduction shall be restricted to 50% of depreciation computed above.
5.	Additional depreciation shall be allowed to the following assessees in respect of new plant and machinery [other than ships, aircraft, office appliances, second hand plant or machinery, etc.]: a) manufacture or production of any article or thing; or b) generation, transmission or distribution of power (if taxpayer is not claiming depreciation on basis of straight line	32(1)(iia)	Additional depreciation to be allowed at 20 % of actual cost of new plant and machinery. However, if an asset is acquired and put to use for less than 180 days during the previous year, 50% of additional depreciation shall be allowed in year of

	method)		acquisition and balance 50% would be allowed in the next year.
6.	Additional depreciation shall be allowed on new plant and machinery (other than ships, aircraft, vehicle, office appliances, second hand plant or machinery, etc.) shall be allowed subject to certain conditions. Such additional depreciation to be allowed to all taxpayers which set up an undertaking or enterprise for production or manufacture of any article or thing in any notified backward area in the state of Andhra Pradesh, Bihar, Telangana or West Bengal. **Note:** 1. Manufacturing unit should be set-up on or after April 1, 2015. 2. New plant and machinery should be acquired and installed on or after April 1, 2015 but before April 1, 2020.	Proviso to Section 32(1)(iia)	Additional depreciation to be allowed at 35 % of actual cost of new plant and machinery. However, if an asset is acquired and put to use for less than one 180 days during the previous year, 50% of additional depreciation shall be allowed in year of acquisition and balance 50% in next year.
7.	Investment allowance shall be allowed to a company engaged in business or manufacturing or production of any article or thing (Subject to certain conditions).	32AC	Investment allowance shall be allowed at 15% of actual cost of new asset acquired and installed.
8.	Investment allowance shall be allowed to all taxpayers who acquire new plant and machinery for purpose of setting-up manufacturing unit in notified backward areas in the State of Andhra Pradesh, Bihar, Telangana or West Bengal. **Note:** 1. New asset should be acquired and installed on or after April 1, 2015 but before April 1, 2020. 2. Manufacturing unit should be set-up on or after April 1,	32AD	Investment allowance shall be allowed at 15% of actual cost of investment made in new plant and machinery (other than ships, aircraft, vehicle, office appliances, second hand plant or machinery, etc.)

	2015. 3. Deduction shall be allowed under Section 32AD in addition to deduction under Section 32AC if assessee fulfils the specified conditions.		
9.	Insurance premium covering risk of damage or destruction of stocks/stores	36(1)(i)	Actual expenditure incurred
10.	Insurance premium covering life of cattle owned by a member of co-operative society engaged in supplying milk to federal milk co-operative society	36(1)(ia)	Actual expenditure incurred
11.	Medical insurance premium paid by any mode other than cash, to insure employee's health under (a) scheme framed by GIC of India and approved by Central Government; or (b) scheme framed by any other insurer and approved by IRDA	36(1)(ib)	Actual expenditure incurred
12.	Bonus or commission paid to employees which would not have been payable as profit or dividend if it had not been paid as bonus or commission	36(1)(ii)	Actual expenditure incurred
13.	Interest paid in respect of capital borrowed for the purposes of the business or profession.	36(1)(iii)	Actual amount of interest incurred. **Note:** If sum is borrowed for acquiring a capital asset, interest thereon pertaining to the period before asset is first put to use shall not be allowed as deduction.
14.	Employer's contributions to recognized provident fund and approved superannuation fund [subject to certain limits and conditions]	36(1)(iv)	Actual expenditure incurred

15.	Any sum paid by assessee-employer by way of contribution towards a pension scheme, as referred to in section 80CCD, on account of an employee to the extent it does not exceed 10 per cent of the employee's salary in the previous year.	36(1)(iva)	Actual expenditure incurred subject to the limit of 10 per cent of the employee's salary* *Salary = Basic Pay + Dearness Allowance (to the extent it forms part of retirement benefits)+ turnover based commission
16.	Contributions to approved gratuity fund (Subject to certain limits and conditions)	36(1)(v)	Actual expenditure incurred
17.	Employer's contribution to wards approved gratuity fund created exclusively for the benefit of employees under an irrevocable trust shall be allowed as deduction (subject to certain conditions)	36(1)(va)	Actual expenditure incurred not exceeding the 8.33% of salary of each employee
18.	Allowance in respect of animals which have died or become permanently useless (Subject to certain conditions)	36(1)(vi)	Actual cost of acquisition of such animals *less* realization on sale of carcasses of animals
19.	Bad debts which have been written off as irrecoverable in books of accounts. (Subject to certain conditions) **Note:** W.e.f. assessment year 2016-17, bad-debts shall be allowed as deduction even if they are not written-off from books of accounts. Such deduction shall be allowed if amount of debt or part thereof has been taken into account in computing income on the basis of Income Computation and Disclosure Standards notified under section 145(2) without recording the same in the accounts.	36(1)(vii)	Actual bad debts which have been written off from books of accounts
20.	Securities Transaction Tax paid	36(1)(xv)	Actual expenditure incurred if corresponding income is included as income under the head profits and gains of business

			or profession
21.	Amount equal to commodities transaction tax paid by an assessee in respect of taxable commodities transactions entered into in the course of his business during the previous year is allowed as deduction	36(1)(xvi)	Actual expenditure incurred if corresponding income is included as income under the head profits and gains of business or profession
22.	Amount of expenditure incurred by a co-operative society (engaged in business of manufacture of sugar) for purchase of sugarcane.	36(1)(xvii)	Deduction would be allowed the extent of lower of following: a) Actual purchase price of sugarcane, or b) Price of sugarcane fixed or approved by the Government
23.	Any other expenditure [not being personal or capital expenditure and expenditure mentioned in sections 30to 36] laid out wholly and exclusively for purposes of business or profession	37(1)	Actual expenditure incurred
24.	Interest, salary, bonus, commission or remuneration paid to partners (subject to certain conditions and limits)	40(b)	a) Interest, in accordance with terms of partnership deed but not exceeding simple interest at 12 per annum b) Remuneration to working partners: ■ If book profit is negative: Rs. 1,50,000 ■ If book profit is positive: (i) Rs. 1,50,000 or 90% of book profit, whichever is more, on first Rs. 3 lakhs of book profit (ii) 60% of balance book profit
C.	**Maintenance of books of accounts and audit thereof**		

1.	Compulsory maintenance of prescribed books of account – Specified Profession (Subject to certain conditions and circumstances)	44AA	Persons carrying on specified profession
2.	Compulsory maintenance of books of account – Other business or profession (Subject to certain conditions and circumstances)	44AA	1) If the total sales, turnover or gross receipts exceeds Rs 10,00,000 in any one of the three years immediately preceding the previous year; or 2) If the income from business or profession exceeds Rs 1,20,000 in any one of the three years immediately preceding the previous year. **Note: Individuals or HUFs shall be required to maintain books of account only when either their gross turnover/gross receipts exceed Rs 2,50,0000 or their income from business or profession exceed Rs 2,50,000.**
3.	Compulsory Audit of books of accounts (Subject to certain conditions and circumstances)	44AB	1) If total sales, turnover or gross receipts exceeds Rs. 1 Crore in any previous year, in case of business; or **Note:** Provided that this section is not applicable to the person, who opts for presumptive taxation Scheme under Section 44AD and his total sales or turnover does not exceed Rs 2 crores. 2) If gross receipts exceeds Rs. 50 Lakhs in any previous year, in case of profession.

D.	Exemptions and Deductions		
1.	Amount received by individual member from HUF. [Subject to the provisions of Section 64(2)]	10(2)	Entire amount is exempt from tax
2.	Share of profit received by partners from a partnership firm.	10(2A)	Entire amount is exempt from tax
3.	Any sum of money or immovable property or movable property received on or after April 1, 2017 without consideration or for inadequate consideration from a relative or member of HUF (subject to certain conditions and circumstances).	56(2)(x)	The whole amount received from specified relatives or in specified circumstances shall not be included in taxable income.
4.	Rent paid for furnished/unfurnished residential accommodation (Subject to certain conditions)	80GG	Least of the following shall be exempt from tax: a) Rent paid in excess of 10% of total income*; b) 25% of the Total Income; or c) Rs. 5,000 per month. Total Income = Gross total income minus long term capital gains, short term capital gains under section 111A, deductions under sections 80C to 80U (other than 80GG) and income under section 115A
5.	Deduction in respect of employment of new employees.	80JJAA	Deduction shall be allowed at 30% of additional employee cost paid for first three Assessment years. **Note:** "Additional employee cost" means total emoluments paid or payable to additional

			employees employed during the previous year. Provided that in case of existing business, the additional employee cost shall be nil if – (a) There is no increase in the number of employees from the total number of employees employed as on the last day of the preceding year ; (b) Emoluments are paid otherwise than by an account payee cheque or account payee bank draft or by use of electronic clearing system through bank account. (Subject to other conditions)
6.	Deduction in respect of eligible start-up (subject to certain conditions) **Note:** 1. Eligible start-up means a company or a limited liability partnership, incorporated on or after 1/4/2016 but before 1/4/2019, whose total turnover doesn't exceed Rs. 25 and holds a certificate from Inter-Ministerial Board of Certification. 2. The deduction is available for any 3 consecutive assessment years out of 7 years beginning from the year in which the eligible start-up is incorporated.	80- IAC	Deduction of 100% of the profit and gains derived by an eligible start-up from a business involving innovation, development, deployment or commercialization of new products, process or services driven by technology or intellectual property rights.
E.	**Tax Deducted at Source and Advance Tax**		

1.	Lower rate of TDS under Section 194C in case of payments to a contractor or sub-contractor (Subject to certain conditions) Tax is required to be deducted only if sum paid exceeds Rs. 30,000 or aggregate of sum paid during the financial year exceeds 75,000 (Rs. 100,000 from 01.06.2016).	194C	Deduction of tax at source at 1% if recipient is an Individual or HUF
2.	No TDS from sum paid or payable to contractor who is in the business of plying, hiring or leasing goods carriage and owns ten or less goods carriages at any time during the previous year	194C	No TDS if such contractor owns ten or less goods carriages and furnishes a dedication to that effect after alongwith PAN
3.	No TDS from interest paid on debentures issued by a company in which public are substantially interested. Provided interest is paid by account payee cheque to an individual and HUF.	193	No TDS if interest during the financial year does not exceed Rs. 5,000
4.	No obligation to deduct tax at source under Section 194A, 194C, 194H, 194-I and 194J if an Individual or HUF carries on a business or profession and total sales, turnover or gross receipts from such business or profession does not exceed the monetary limit specified under Section 44AB during the financial year immediately preceding the financial year in which sum is to be credited or paid.	-	Not liable to deduct tax at source
5.	No deduction of tax shall be made under Sections 194 and 194EE, if resident individual furnishes to the payer a written declaration in prescribed form that tax on his estimated total income of the previous year will be *nil*.	197A(1)	No tax shall be deducted from specified payments if the sum paid does not exceed the maximum amount which is not chargeable to tax
6.	No deduction of tax shall be made under Sections 192A, 193, 194, 194A, 194DA, 194EE, 194-I and 194K if resident senior citizen furnishes to the payer a written declaration in prescribed form that tax on his estimated total income of the previous year will be *nil*.	197A(1C)	No tax shall be deducted from specified payments

CA Pankaj Dalal
9821016278/9322893101
pankaj@madhuvridhi.com

www.madhuvridhi.com
Mumbai -Pune-Delhi

CA Vridhi Dalal
9867216278/9769717389
vridhi@madhuvridhi.com

7.	Exemption from payment of advance tax by a resident senior citizen or resident super senior citizen not having any income from business or profession (who is at least 60 Years of age at any time during the previous year)	207(2)	Not liable to pay advance tax
8.	No need to pay advance tax in installments by assessee who has opted for presumptive taxation scheme under Section 44AD or 44ADA	44AD/44ADA	Whole amount of advance tax can be paid in one installment on or before 15th March of the financial year
9.	Liability for payment of advance tax	208	Taxpayer is liable to advance tax only if his advance tax liability is Rs. 10,000 or more
F.	**Basic exemption limits**		
1.	Maximum amount of income which is not chargeable to Income-tax	Rs. 2,50,000	Individual/HUF taxpayer
2.	Maximum amount of income which is not chargeable to Income-tax in the hands of a resident senior citizen (who is at least 60 Years of age at any time during the previous year but less than 80 Years of age on the last day of the previous year)	Rs. 3,00,000	Resident Senior Citizen
3.	Maximum amount of income which is not chargeable to Income-tax in the hands of a resident super senior citizen (who is at least 80 Years of age at any time during the previous year)	Rs. 5,00,000	Resident Super Senior Citizen
4.	Rebate to resident individual whose total income does not exceed Rs. 3,50,000 [Section 87A]	Tax payable subject to maximum of	Resident Individual

		rebate Rs. 2,500	
5.	HUF is assessed to tax as a separate entity	HUF is treated as a person distinct from Individual members or Karta.	HUF
G.	**Concessional tax rate for domestic company**		
1.	Concessional rate of tax for domestic company if – (i) Such company has been set-up and registered on or after March 1, 2016; and (ii) It is engaged in business of manufacturing or production of any article or thing (Subject to certain other conditions)	115BA	Income shall, at the option of such company, be computed at concessional tax rate of 25%.

H. Exemption from e-filing of return of income

W.e.f. assessment year 2015-16, e-filing of return is mandatory for an individual or HUF in the following circumstances:

a) If total income of taxpayer exceeds Rs. 5,00,000;

b) If taxpayer is claiming income-tax refund in the return;

c) If accounts are required to be audited under Section 44AB, 92E, 10A, 10AA, etc.;

d) If return is being furnished in ITR 3

However, a super senior citizen can file return of income in electronic mode or in physical form even if his total income exceeds Rs. 5,00,000 or if he is claiming income-tax refund provided return is being furnished in ITR- 1 or ITR- 4 (SUGAM).

[As amended by Finance Act, 2017]

CA Pankaj Dalal
9821016278/9322893101
pankaj@madhuvridhi.com

www.madhuvridhi.com
Mumbai -Pune-Delhi

CA Vridhi Dalal
9867216278/9769717389
vridhi@madhuvridhi.com