

M Com Sem III
Sub: Corporate Direct Tax
Paper: MCOM(CC-13)
Unit: II

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Topic: Income from Business & Profession
Lesson II dt. 20/8/21 (Contd)

Sub-chapter: Deductions Expressly Allowed.

(5) Deduction relates to Site Restoration Fund (Sec. 33ABA).

This section was introduced in 1999 and it is effected from 1999-2000 A.Y. If an assessee earns income from the survey, production of natural gas and petroleum in India before the end of previous year deposits the sum in Site Restoration Fund A/c (to be opened in SBG) and makes use of the fund prescribe trade purposes, then assessee is entitled to get a deduction @ 20% on profit or the amount deposited in the fund A/c whichever is less.

Classification:

If on the recommendation of Central Govt. of India, the company is extracting or making production of natural gas and petroleum, the assessee will get maximum deduction from the following: —

(a) Amount deposited in special account of SBG or Site Restoration Fund. Deposit must be made prior to expiration of the previous year.

(b) 20% of profits of above business.

(6) Expenditure on Scientific Research (Sec. 35):
Scientific Research means activities relating to

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increase of knowledge of applied science. The following are the provisions in Income Tax-Act regarding deduction of these expenditure. —

- (a) If assessee himself busy in house research activities (Sec. 35(1)(i)).
 - (i) All Revenue Expenses of Previous year related to trade.
 - (ii) Revenue Expenses in three years prior to previous year.
 - (iii) Capital Expenses incurred in previous year (Sec-35(1)).
 - (iv) Capital Expenses incurred in three years just prior to previous year.
 - (v) Capital Expenditure in connection with land.
 - (vi) Unabsorbed Capital expenditure.
 - (vii) Use of Assets in other work which is to be used in Scientific Research.
 - (viii) Depreciation on Capital Expenses.
 - (ix) Sale of Assets related to Scientific Research.
- (7) Expenses incurred in Acquiring Patent rights and Copyright [Sec. 35(A)].

The rules for their deductions are as under —

- (a) Acquisition of Patent or Copyrights after 31.3.1998.
The expenses incurred on 01.4.1998 or afterwards for getting patent rights or copyrights, will not be qualified for deduction. From AY. 1999-2000, depreciation @ 25% will be allowed on these asset.
- (b) Patent Rights Acquired before 01.4.1998.

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The following are the provisions for deduction:-

(i) $\frac{1}{14}$ th of the total expenses is allowed every year i.e. in 14 equal instalments.

(ii) If the assessee has acquired patent rights first and payments are made afterwards, then so much years will be deducted out of 14 years which are prior to get such rights. The deduction in the left period will be allowed equally.

(iii) If these rights are acquired 14 years prior its payments, the deduction of entire amount will be given from the year of payment.

8. Expenses on Acquiring Technical know-how (Sec. 35 AB): They are capital expenditure and the rules of their deduction are as follows:

(a) Technical knowledge acquired on or after 01-4-78.

(b) Technical knowledge acquired before 01-4-1978.

The expenses are allowed in 14 equal instalments.

9. Expenditure for obtaining Right to Use Spectrum for Telecommunication Services (Sec. 35 ABA)

Effect from Finance Act, 2018 i.e. w.e.f. AY 2017-18.

Subsections (2) to (8) of Section 35 ABB shall apply for the word 'Licence', the word 'Spectrum' if may be substituted. Any expense incurred to obtain licence for operating telecommunication business by the company, it will be allowed for each relevant previous years, a deduction equal to the appropriate fraction of the amount of expenses.

Note: Next points deductions will be discussed in next class.