

Tax Deduction Report

Introduction

Here's a detailed analysis of the financial data, calculating tax deductions by cross-referencing with the provided tax sections.

Preliminary Calculation of Gross Total Income (GTI):

Before applying Chapter VI-A deductions, we first need to calculate the income under various heads.

1. Income from Business & Profession (PGBP):

Total Revenue: INR 60,000,000

Allowable Business Expenses (deductions from PGBP):

Total Salaries and Wages: INR 15,000,000

Rent and Lease Expenses (Section 37): INR 3,000,000

Utility Expenses: INR 1,000,000

Depreciation of Fixed Assets (Section 32): INR 2,000,000

R&D Expenses (Section 35): INR 1,500,000

Health Insurance for Employees: INR 600,000 (Standard business expense)

Travel and Accommodation Costs: INR 400,000 (Standard business expense)

Pension Contributions: INR 900,000 (Assuming paid to approved fund, a standard business expense under Section 36(1)(iv) or (v))

Medical Insurance (from 'Deductions' block, interpreted as company-paid for employees): INR 1,000,000 (Standard business expense)

Tax Deduction Report

Total Business Expenses = 15,000,000 + 3,000,000 + 1,000,000 + 2,000,000 + 1,500,000 + 600,000 + 400,000 + 900,000 + 1,000,000 = INR 25,400,000

Income from Business & Profession = Total Revenue - Total Business Expenses
= 60,000,000 - 25,400,000 = INR 34,600,000

2. Income from Other Sources:

Interest Income: INR 200,000

Dividend Income: INR 100,000

Total Income from Other Sources = INR 300,000

3. Income from Capital Gains:

Capital Gains: INR 500,000

Gross Total Income (GTI) = Income from Business & Profession + Income from Other Sources + Income from Capital Gains
= 34,600,000 + 300,000 + 500,000 = INR 35,400,000

Detailed Analysis of Tax Sections and Deductions:

Section Name: Depreciation on Assets

Relevant Tax Act/Section: Section 32 (Depreciation on Assets)

Tax Deduction Report

Calculation: The financial data provides "Depreciation of Fixed Assets (INR)": 2,000,000". Assuming this amount is allowable as per Income Tax Act depreciation rules.

Deduction Amount: INR 2,000,000

Explanation: This deduction is for the wear and tear of fixed assets used for the purpose of business or profession. This amount has already been factored into the calculation of PGBP income.

Section Name: Scientific Research Expenditure

Relevant Tax Act/Section: Section 35 (Scientific Research Expenditure)

Calculation: The financial data provides "R&D Expenses (INR)": 1,500,000". For in-house scientific research expenditure by companies (other than on land or building), 100% deduction is allowed.

Formula: Actual R&D Expenses 100%

Calculation: $1,500,000 \times 100\% = 1,500,000$

Deduction Amount: INR 1,500,000

Explanation: This deduction encourages companies to invest in scientific research for business growth. This amount has already been factored into the calculation of PGBP income.

Section Name: Interest on Borrowed Capital

Relevant Tax Act/Section: Section 36(1)(iii) (Interest on Borrowed Capital)

Deduction Amount: INR 0

Explanation: The financial data does not explicitly provide any "Interest on Borrowed

Tax Deduction Report

Capital" as an expense. Therefore, no deduction under this section can be claimed from the given data.

Section Name: Rent Expense

Relevant Tax Act/Section: Section 37 (Rent expense)

Calculation: The financial data provides "Rent and Lease Expenses (INR)": 3,000,000". This is allowed as a general business deduction if incurred wholly and exclusively for business purposes.

Formula: Actual Rent and Lease Expenses

Calculation: 3,000,000

Deduction Amount: INR 3,000,000

Explanation: This section allows for the deduction of any expenditure (not being expenditure of the nature described in sections 30 to 36 and not being in the nature of capital expenditure or personal expenses of the assessee) laid out or expended wholly and exclusively for the purposes of the business or profession. This amount has already been factored into the calculation of PGBP income.

Section Name: Deductions on Investments

Relevant Tax Act/Section: Section 80C (Deductions on Investments)

Deduction Amount: INR 0

Explanation: Section 80C deductions (e.g., PPF, LIC, ELSS) are primarily available to individuals and Hindu Undivided Families (HUFs), not to companies. The listed 'Employee Savings Schemes' or 'Infrastructure Investments' by the organization do not qualify for 80C for the company itself.

Tax Deduction Report

Section Name: Medical Insurance Premiums

Relevant Tax Act/Section: Section 80D (Medical Insurance Premiums)

Deduction Amount: INR 0

Explanation: Section 80D deductions are available to individuals and HUFs for medical insurance premiums paid for self, family, or parents. Health insurance paid by a company for its employees is treated as a regular business expense and is already included in the PGBP calculation, not as an 80D deduction for the company.

Section Name: Charitable Donations

Relevant Tax Act/Section: Section 80G (Charitable Donations)

Calculation: The financial data provides "Charitable Donations (INR)": 300,000. Assuming this is a general donation to an institution qualifying for 50% deduction subject to a limit. The limit is 10% of the Adjusted Gross Total Income (AGTI).

AGTI = Gross Total Income = INR 35,400,000

Limit = 10% of AGTI = 10% of 35,400,000 = INR 3,540,000

Donation Amount = INR 300,000

Since the donation amount (300,000) is less than the limit (3,540,000), the deduction will be 50% of the donation.

Formula: Donation Amount 50%

Calculation: $300,000 \times 50\% = 150,000$

Deduction Amount: INR 150,000

Explanation: This section allows deductions for donations made to certain funds, charitable institutions, etc. The percentage of deduction depends on the nature of the

Tax Deduction Report

donee and the donation.

Section Name: Deductions for Special Economic Zones

Relevant Tax Act/Section: Section 10AA (Deductions for Special Economic Zones)

Deduction Amount: INR 0

Explanation: This deduction is available for profits derived by units located in Special Economic Zones (SEZs). The financial data does not indicate that 'Tech Innovators Pvt Ltd' operates from an SEZ unit.

Section Name: Presumptive Taxation for Small Businesses

Relevant Tax Act/Section: Section 44AD (Presumptive Taxation for Small Businesses)

Deduction Amount: INR 0

Explanation: Section 44AD is applicable to eligible individuals, HUFs, and partnership firms (other than LLP) whose total turnover or gross receipts do not exceed INR 2 Crore. It is not applicable to companies.

Section Name: Employment Generation Deduction

Relevant Tax Act/Section: Section 80JJAA (Employment Generation Deduction)

Deduction Amount: INR 0

Explanation: This section provides a deduction of 30% of the additional employee cost incurred by an employer for three assessment years. The provided financial data does not contain specific information regarding "additional employee cost" (e.g., number of new employees or increase in salary base), which is necessary to calculate

Tax Deduction Report

this deduction.

Section Name: Certain Deductions Allowed on Payment Basis

Relevant Tax Act/Section: Section 43B (Certain Deductions Allowed on Payment Basis)

Deduction Amount: INR 0

Explanation: This section specifies that certain expenses (like taxes, duties, cess, fee, bonus, commission to employees, interest on loans from financial institutions, etc.) are allowed as a deduction only in the year of payment, irrespective of the accounting method followed. It is a timing provision for existing deductions, not a new deduction itself. Assuming all relevant expenses were paid within the due dates.

Section Name: Deductions for Infrastructure Projects

Relevant Tax Act/Section: Section 80IA (Deductions for Infrastructure Projects)

Deduction Amount: INR 0

Explanation: This deduction is available for profits from certain infrastructure development undertakings, power generation, etc. While 'Infrastructure Investments' are mentioned, there's no indication that 'Tech Innovators Pvt Ltd' is engaged in eligible infrastructure development projects qualifying under this section.

Section Name: Deductions for Certain Industrial Undertakings

Relevant Tax Act/Section: Section 80IB (Deductions for Certain Industrial Undertakings)

Deduction Amount: INR 0

Tax Deduction Report

Explanation: This section provides deductions for profits from certain industrial undertakings, cold chain facilities, etc. A software development company generally does not fall under the eligible categories for this section unless it engages in specific manufacturing or infrastructure-related activities.

Section Name: Deductions for Cooperative Societies

Relevant Tax Act/Section: Section 80P (Deductions for Cooperative Societies)

Deduction Amount: INR 0

Explanation: Section 80P is exclusively for Co-operative Societies. 'Tech Innovators Pvt Ltd' is a Private Limited company.

Section Name: Reduced Tax Rate for Domestic Companies

Relevant Tax Act/Section: Section 115BA (Reduced Tax Rate for Domestic Companies)

Deduction Amount: INR 0

Explanation: This section offers an option for domestic companies to pay tax at a reduced rate (e.g., 25% or 22%) if certain conditions are met, by foregoing certain deductions and exemptions. It is a provision for an alternative tax rate, not a deduction from income, and therefore does not reduce the taxable income amount.

Section Name: Affordable Housing Projects

Relevant Tax Act/Section: Section 80IBA (Affordable Housing Projects)

Deduction Amount: INR 0

Explanation: This deduction applies to profits derived by an undertaking from the

Tax Deduction Report

business of developing and building affordable housing projects. 'Tech Innovators Pvt Ltd' is a software development company and is not involved in such projects.

Section Name: Deductions for Certain States

Relevant Tax Act/Section: Section 80IC (Deductions for Certain States)

Deduction Amount: INR 0

Explanation: This deduction is available to undertakings established in specific industrially backward states (e.g., Sikkim, Himachal Pradesh, Uttarakhand, North-Eastern states). The location of 'Tech Innovators Pvt Ltd' is not provided as one of these qualifying states.

Section Name: Interest on Savings Accounts

Relevant Tax Act/Section: Section 80TTA (Interest on Savings Accounts)

Deduction Amount: INR 0

Explanation: This deduction is available to individuals and HUFs for interest income from savings bank accounts, up to a maximum of INR 10,000. It is not applicable to companies.

Section Name: Deductions for Disabled Individuals

Relevant Tax Act/Section: Section 80U (Deductions for Disabled Individuals)

Deduction Amount: INR 0

Explanation: This deduction is available to individuals who are residents and certified as having a disability. It is not applicable to companies.

Tax Deduction Report

Section Name: Rent Deduction for Self-employed Individuals

Relevant Tax Act/Section: Section 80GG (Rent Deduction for Self-employed Individuals)

Deduction Amount: INR 0

Explanation: This deduction is available to individuals who pay rent but do not receive House Rent Allowance (HRA) as part of their salary. It is not applicable to companies (company's rent expense is covered under Section 37).

Section Name: Royalty Income Deduction

Relevant Tax Act/Section: Section 80RRB (Royalty Income Deduction)

Deduction Amount: INR 0

Explanation: This deduction is available to resident individuals who are authors, inventors, etc., for royalty income earned from patents, copyrights, etc. It is not applicable to companies.

Section Name: Interest on Home Loan

Relevant Tax Act/Section: Section 24(b) (Interest on Home Loan)

Deduction Amount: INR 0

Explanation: This deduction is available to individuals for interest paid on a home loan for a self-occupied or rented property. It is not applicable to companies.

Section Name: Interest on Education Loans

Relevant Tax Act/Section: Section 80E (Interest on Education Loans)

Deduction Amount: INR 0

Tax Deduction Report

Explanation: This deduction is available to individuals for interest paid on education loans taken for self, spouse, or children. It is not applicable to companies.

Section Name: Rajiv Gandhi Equity Savings Scheme

Relevant Tax Act/Section: Section 80CCG (Rajiv Gandhi Equity Savings Scheme)

Deduction Amount: INR 0

Explanation: This deduction was available to resident individuals for investments in listed equity shares or equity-oriented funds. The scheme has been discontinued and is not applicable to companies.

Section Name: Medical Expenses for Disabled Individuals

Relevant Tax Act/Section: Section 80DDB (Medical Expenses for Disabled Individuals)

Deduction Amount: INR 0

Explanation: This deduction is available to individuals for medical treatment expenses incurred for specified diseases for self or dependents. It is not applicable to companies.

Section Name: Scientific Research Donations

Relevant Tax Act/Section: Section 80GGA (Scientific Research Donations)

Deduction Amount: INR 0

Explanation: This section allows 100% deduction for donations made to approved scientific research associations, universities, etc. While 'Charitable Donations' are mentioned, there's no specific detail indicating these donations were exclusively for

Tax Deduction Report

scientific research to an approved body qualifying under 80GGA. Without this specific detail, it falls under the more general Section 80G. R&D Expenses are already covered under Section 35 as in-house expenditure.

Section Name: Deduction for Profits from New Manufacturing Units

Relevant Tax Act/Section: Section 80JJA (Deduction for Profits from New Manufacturing Units)

Deduction Amount: INR 0

Explanation: This section provides a deduction for profits derived from the business of collecting and processing biodegradable waste for generating power, manure, etc. 'Tech Innovators Pvt Ltd' is a software development company, which does not fall under this category.

Summary of Applicable Deductions and Taxable Income:

1. Deductions reducing PGBP (Profit and Gains from Business or Profession): These deductions are already considered in the PGBP calculation.

Section 32 (Depreciation): INR 2,000,000

Section 35 (Scientific Research Expenditure): INR 1,500,000

Section 37 (Rent Expense): INR 3,000,000

Other Business Expenses (Salaries, Utilities, Employee Health Insurance, Travel, Pension, Medical Insurance): INR 15,000,000 + 1,000,000 + 600,000 + 400,000 +

Tax Deduction Report

$900,000 + 1,000,000 = \text{INR } 18,900,000$

Total PGBP Deductions = $2,000,000 + 1,500,000 + 3,000,000 + 18,900,000 = \text{INR } 25,400,000$

(This is already subtracted from Total Revenue to arrive at PGBP Income)

2. Chapter VI-A Deductions (from Gross Total Income):

Section 80G (Charitable Donations): INR 150,000

Grand Total Taxable Income Calculation:

Gross Total Income (GTI): INR 35,400,000

Less: Total Chapter VI-A Deductions: INR 150,000 (Section 80G)

Total Taxable Income = $35,400,000 - 150,000 = \text{INR } 35,250,000$

Deductions Table

Section Name	Tax Act/Section Number	Calculation	Deduction Amount
Depreciation Assets	Section 32	100 Percent	INR 2M
Scientific Research	Section 35	100 Percent	INR 1.5M
Rent Expense	Section 37	100 Percent	INR 3M
Charitable Donations	Section 80G	50 Percent	INR 150K

Tax Deduction Report

Gross Income	N/A	N/A	INR 35.4M
Taxable Income	N/A	N/A	INR 35.25M
Total Tax	N/A	N/A	N/A