



## **TAX ON PRESUMPTIVE BASIS IN CASE OF CERTAIN ELIGIBLE BUSINESSES OR PROFESSIONS**

To give relief to small taxpayers from the tedious job of maintenance of books of account and from getting the accounts audited, the Income-tax Act has framed the presumptive taxation scheme under sections 44AD, section 44ADA and section 44AE. In this part you can gain knowledge about various provisions of the presumptive taxation scheme of section 44AD, section 44ADA and section 44AE.

### **Meaning of presumptive taxation scheme**

As per the Income-tax Act, a person engaged in business or profession is required to maintain regular books of account and further, he has to get his accounts audited. To give relief to small taxpayers from this tedious work, the Income-tax Act has framed the presumptive taxation scheme under sections 44AD, 44ADA and 44AE.

A person adopting the presumptive taxation scheme can declare income at a prescribed rate and, in turn, is relieved from tedious job of maintenance of books of account and also from getting the accounts audited.

### **Meaning of presumptive taxation scheme**

For small taxpayers the Income-tax Act has framed two presumptive taxation schemes as given below:

- 1) The presumptive taxation scheme of section 44AD.
- 2) The presumptive taxation scheme of section 44ADA.
- 3) The presumptive taxation scheme of section 44AE.

### **Presumptive Taxation Scheme of Section 44AD**

#### **For whom the presumptive taxation scheme of section 44AD is designed?**

The presumptive taxation scheme of section 44AD is designed to give relief to small taxpayers engaged in any business (except the business of plying, hiring or leasing of goods carriages referred to in section 44AE).

The presumptive taxation scheme of section 44AD can be adopted by following persons :

- 1) Resident Individual
- 2) Resident Hindu Undivided Family
- 3) Resident Partnership Firm (not Limited Liability Partnership Firm)

In other words, the scheme cannot be adopted by a non-resident and by any person other than an individual, a HUF or a partnership firm (not Limited Liability Partnership Firm).

This scheme cannot be adopted by a person who has made any claim towards deductions under section 10A/10AA/10B/10BA or under sections 80HH to 80RRB in the relevant year.



### **Businesses not covered under the presumptive taxation scheme of section 44AD**

The scheme of section 44AD is designed to give relief to small taxpayers engaged in any business, except the following businesses:

- Business of plying, hiring or leasing of goods carriages referred to in section 44AE.
- A person who is carrying on any agency business.
- A person who is earning income in the nature of commission or brokerage

Apart from above discussed businesses, a person carrying on profession as referred to in section 44AA(1) is not eligible for presumptive taxation scheme.

### **An insurance agent cannot adopt the presumptive taxation scheme of section 44AD**

A person who is earning income in the nature of commission or brokerage cannot adopt the presumptive taxation scheme of section 44AD. Insurance agents earn income by way of commission and, hence, they cannot adopt the presumptive taxation scheme of section 44AD.

### **A person engaged in a profession as prescribed under section 44AA(1) cannot adopt the presumptive taxation scheme of section 44AD**

A person who is engaged in any profession as prescribed under section 44AA(1) cannot adopt the presumptive taxation scheme of section 44AD.

### **A person whose total turnover or gross receipts for the year exceed Rs. 2,00,00,000 cannot adopt the presumptive taxation scheme of section 44AD**

The presumptive taxation scheme of section 44AD can be opted by the eligible persons, if the total turnover or gross receipts from the business do not exceed Rs. 2,00,00,000. In other words, if the total turnover or gross receipt of the business exceeds Rs. 2,00,00,000 then the scheme of section 44AD cannot be adopted.

### **Manner of computation of taxable business income under the normal provisions of the Income-tax Act, i.e., in case of a person not adopting the presumptive taxation scheme of section 44AD**

Generally, as per the Income-tax Act, the taxable business income of every person is computed as follows:

<b>Particulars</b>	<b>Amount</b>
Turnover or gross receipts from the business	XXXXX
Less : Expenses incurred in relation to earning of the income	(XXXXX)
<b>Taxable Business Income</b>	<b>XXXXX</b>

### **Manner of computation of taxable business income under the normal provisions of the Income-tax Act, i.e., in case of a person not adopting the presumptive taxation scheme of section 44AD**



For the purpose of computing taxable business income in the above manner, the taxpayers have to maintain books of account of the business. Income will be computed on the basis of the information revealed in the books of account.

### **The manner of computation of taxable business income in case of a person adopting the presumptive taxation scheme of section 44AD**

In case of a person adopting the provisions of section 44AD, income is computed on presumptive basis at the rate of 8% of the turnover or gross receipts of the eligible business for the year.

In order to promote digital transactions and to encourage small unorganized business to accept digital payments, section 44AD is amended with effect from the assessment year 2017-18 to provide that income shall be computed at the rate of 6% instead of 8% if turnover/gross receipt is received by an account payee cheque or an account payee bank draft or use of electronic clearing system through a bank account during the previous year or before the due date of filing of return under section 139(1).

Hence, in case of a person adopting the provisions of section 44AD, income will not be computed in normal manner as discussed earlier (i.e., Turnover less Expenses) but will be computed @ 6% or 8%, as the case may be, of the turnover or gross receipt.

However, a person may voluntarily disclose his business income at more than 8% or 6%, as the case may be, of turnover or gross receipt.

### **The presumptive income computed as per the prescribed rate is the final income and no further expenses will be allowed or disallowed**

Under the normal provisions of the Income-tax Act, taxable business income will be computed after allowing deduction in respect of expenses which are deductible as per the Income-tax Act and after disallowing expenses which are not deductible as per the Income-tax Act.

In case of a person who is opting for the presumptive taxation scheme of section 44AD, the provisions of allowance/disallowances as provided for under the Income-tax Act will not apply and income computed at the presumptive rate of 6% or 8% will be the final taxable income of the business covered under the presumptive taxation scheme. In other words, the income computed as per the prescribed rate will be the final taxable income of the business covered under the presumptive taxation scheme and no further expenses will be allowed or disallowed.

While computing income as per the provisions of section 44AD, separate deduction on account of depreciation is not available. However, the written down value of any asset used in such business shall be calculated as if depreciation as per section 32 is claimed and has been actually allowed.

### **No need to maintain books of account as prescribed under section 44AA**

Section 44AA deals with provisions relating to maintenance of books of account by a person engaged in business/profession. Thus, a person engaged in business/profession has to maintain books of account of his business/profession according to the provisions of section 44AA.



In case of a person engaged in a business and opting for the presumptive taxation scheme of section 44AD, the provisions of section 44AA relating to maintenance of books of account will not apply. In other words, if a person adopts the provisions of section 44AD and declares income @ 6% or 8% (as the case may be) of the turnover, then he is not required to maintain the books of account as provided for under section 44AA in respect of business covered under the presumptive taxation scheme of section 44AD.

#### **Payment of advance tax in respect of income from business covered under section 44AD**

Any person opting for the presumptive taxation scheme under section 44AD is liable to pay whole amount of advance tax on or before 15<sup>th</sup> March of the previous year. If he fails to pay the advance tax by 15<sup>th</sup> March of previous year, he shall be liable to pay interest as per section 234C.

**Note:** Any amount paid by way of advance tax on or before 31<sup>st</sup> day of March shall also be treated as advance tax paid during the financial year ending on that day.

#### **Provisions to be applied if a person does not opt for the presumptive taxation scheme of section 44AD and declares income at a lower rate, i.e., at less than 8%**

A person can declare income at lower rate (i.e., at less than 6% or 8%), however, if he does so, and his income exceeds the maximum amount which is not chargeable to tax, then he is required to maintain the books of account as per the provisions of section 44AA and has to get his accounts audited as per section 44AB.

#### **Consequences if a person opts out from the presumptive taxation scheme of section 44AD**

If a person opts for presumptive taxation scheme then he is also required to follow the same scheme for next 5 years. If he failed to do so, then presumptive taxation scheme will not be available for him for next 5 years. [For example, an assessee claims to be taxed on presumptive basis under Section 44AD for AY 2017-18. For AY 2018-19 and 2019-20 and he offers income on basis of presumptive taxation scheme. However, for AY 2020-21, he did not opt for presumptive taxation Scheme. In this case, he will not be eligible to claim benefit of presumptive taxation scheme for next five AYs, i.e. from AY 2021-22 to 2025-26.]

Further, he is required to keep and maintain books of account and he is also liable for tax audit as per section 44AB from the AY in which he opts out from the presumptive taxation scheme. [If his total income exceeds maximum amount not chargeable to tax]

### **Presumptive Taxation Scheme of Section 44ADA**

#### **For whom the presumptive taxation scheme of section 44ADA is designed?**

The presumptive taxation scheme of section 44ADA is designed to give relief to small taxpayers engaged in specified profession.



## **Eligible persons who can take advantage of the presumptive taxation scheme of section 44ADA**

A person resident in India engaged in following professions can take advantage of presumptive taxation scheme of section 44ADA:-

- 1) Legal
- 2) Medical
- 3) Engineering or architectural
- 4) Accountancy
- 5) Technical consultancy
- 6) Interior decoration
- 7) Any other profession as notified by CBDT

## **Manner of computation of taxable income in case of a person adopting the presumptive taxation scheme of section 44ADA**

In case of a person adopting the provisions of section 44ADA, income will be computed on presumptive basis, i.e. @ 50% of the total gross receipts of the profession. However such person can declare income higher than 50%.

In other words, in case of a person adopting the provisions of section 44ADA, income will not be computed in normal manner but will be computed @50% of the gross receipts.

## **The presumptive income computed @ 50% is the final income and no further expenses will be allowed**

A person who adopts the presumptive taxation scheme is deemed to have claimed all deduction of expenses. Any further claim of deduction is not allowed after declaring profit @ 50%.

While computing income as per the provisions of section 44ADA, separate deduction on account of depreciation is not available. However, the written down value of any asset used in such business shall be calculated as if depreciation as per section 32 is claimed and has been actually allowed.

## **Payment of advance tax in respect of income from professions covered under section 44ADA**

Any person opting for the presumptive taxation scheme under section 44ADA is liable to pay whole amount of advance tax on or before 15<sup>th</sup> March of the previous year. If he fails to pay the advance tax by 15<sup>th</sup> March of previous year, he shall be liable to pay interest as per section 234C.





## **Maintenance of books of account if a person opts for presumptive taxation scheme of section 44ADA**

In case of a person engaged in a specified profession as referred in section 44AA(1) and opts for presumptive taxation scheme of section 44ADA, the provision of section 44AA relating to maintenance of books of account will not apply. In other words, if a person opt for the provisions of section 44ADA and declares income @50% of the gross receipts, then he is not required to maintain the books of account in respect of specified profession.

## **Provisions to be applied if a person does not opt for the presumptive taxation scheme of section 44ADA and declares his income from profession at lower rate (i.e. less than 50%)**

A person can declare income at lower rate (i.e. less than 50%), however, if he does so, and his income exceeds the maximum amount which is not chargeable to tax, then he is required to maintain the books of account as per the provisions of section 44AA and has to get his accounts audited as per section 44AB.

## **Presumptive Taxation Scheme of Section 44AE**

### **Applicability of the presumptive taxation scheme of section 44AE**

The scheme of section 44AE is designed to give relief to small taxpayers engaged in the business of plying, hiring or leasing of goods carriages.

### **Eligible taxpayer and eligible business for the purpose of the presumptive taxation scheme of section 44AE**

The provisions of section 44AE are applicable to every person (i.e., an individual, HUF, firm, company, etc.).

The presumptive taxation scheme of section 44AE can be adopted by a person who is engaged in the business of plying, hiring or leasing of goods carriages and who does not own more than 10 goods vehicles at any time during the year.

### **A person who owns more than 10 goods vehicles cannot adopt the presumptive taxation scheme of section 44AE**

The presumptive taxation scheme of section 44AE can be adopted by a person who is engaged in the business of plying, hiring or leasing of goods carriages and who does not own more than 10 goods vehicles at any time during the year.

The important criterion of the scheme is the restriction on owning of not more than 10 goods vehicles at any time during the year. Thus, if a person owns more than 10 goods vehicles at any time during the year, then he cannot take advantage of this scheme.

The manner of computation of taxable business income in case of a person adopting the presumptive taxation scheme of section 44AE



## Income Tax Department

Department of Revenue, Ministry of Finance, Government of India

In case of a person who is willing to opt for the presumptive taxation scheme of section 44AE, income will be computed on an estimated basis.

For Heavy Goods Vehicle, income will be computed at the rate of Rs. 1,000 per ton of gross vehicle weight for every month or part of a month during which the heavy goods vehicle is owned by taxpayer. In case of vehicles other than heavy goods vehicle, income will be computed at the rate of 7,500 for every month or part of a month during which the goods carriage is owned by taxpayer. Part of the month would be considered as full month.

**Note 1** : If the actual income is higher than the presumptive rate, i.e., higher than Rs. 1,000/Rs. 7,500, then such higher income can be declared.

**Note 2** : “Heavy Goods Vehicle” means any goods carriage having gross vehicle weight exceeding 12,000 kilograms.

### Illustration

Mr. Khush is engaged in the business of plying, hiring or leasing of goods carriage. Throughout the year 2018-19 he owned 9 goods vehicles (other than heavy goods vehicles). What will be the taxable income from the business of plying, hiring or leasing of goods carriages if he adopts the provisions of section 44AE?

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As per the provisions of section 44AE, for Heavy Goods Vehicle, income will be computed at the rate of Rs. 1,000 per ton of gross vehicle weight for every month or part of a month during which the heavy goods vehicle is owned by taxpayer. In case of vehicles other than heavy goods vehicle, income will be computed at the rate of 7,500 for every month or part of a month during which the goods carriage is owned by taxpayer.

In the present case, Mr. Khush owned 9 goods vehicles (other than heavy goods vehicles) throughout the year and, hence, income will be computed as follows:

<i>Particulars</i>	<i>Amount (Rs.)</i>
Income per month per goods vehicle	7,500
(×) No. of goods vehicles	<u>9</u>
Monthly income as per the provisions of section 44AE from 9 goods vehicles	67,500
(×) No. of months in the year during which the vehicles were owned	<u>12</u>
<i>Total income from business of plying, hiring or leasing goods carriages as per the provisions of section 44AE</i>	8,10,000



Income Tax Department

Department of Revenue, Ministry of Finance, Government of India

[As amended by Finance Act, 2018]



### Illustration

Mr. Sunil engaged in the business of plying, hiring or leasing goods carriages. He owned 5 heavy goods vehicle having gross weight of 13,000 kilograms and 4 other goods vehicle during the previous year 2018-19. What will be his taxable income as per the provisions of section 44AE?

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As per the provisions of section 44AE, for Heavy Goods Vehicle, income will be computed at the rate of Rs. 1,000 per ton of gross vehicle weight for every month or part of a month during which the heavy goods vehicle is owned by taxpayer. In case of vehicles other than heavy goods vehicle, income will be computed at the rate of 7,500 for every month or part of a month during which the goods carriage is owned by taxpayer.

In the present case, Mr. Sunil owned total 9 goods vehicles in which 5 are heavy goods vehicles having gross weight of 13,000 Kilograms. Hence, income will be computed as follows:

<i>Particulars</i>	<i>Rs.</i>
Income per month per heavy goods vehicle ( 13,000 kilograms i.e., 13 ton)	1,000 x 13
(x) No. of heavy goods vehicle	5
Monthly income in case of heavy goods vehicle as per the provisions of section 44AE	65,000
(x) No. of months in a year	12
Total income as per the provisions of section 44AE from heavy goods vehicle (A)	7,80,000
Income per month per goods vehicle (other than heavy vehicle)	7,500
(x) No. of vehicles other than heavy goods vehicle	4
Monthly income as in case of vehicles other than heavy goods vehicle as per the provisions of section 44AE	30,000
(* ) No. of months in a year	12
Total income as per the provisions of section 44AE from vehicles other than heavy goods vehicle(B)	3,60,000
Total income from business of plying, hiring or leasing goods carriages as per the provisions of section 44AE (A+B)	11,40,000

**The presumptive income computed at the rate of Rs. 1,000 per ton or Rs. 7,500 per goods vehicle per month is the final income and no further expenses will be allowed or disallowed**

Under the normal provisions of the Income-tax Act, taxable business income will be computed after allowing deduction in respect of expenses which are deductible as per the Income-tax Act and after disallowing expenses which are not deductible as per the Income-tax Act.





In case of a person who is opting for the presumptive taxation scheme of section 44AE, the provisions of allowance/disallowances as provided for under the Income-tax Act, will not apply and income computed at the presumptive rate of Rs. 1,000/Rs. 7,500 will be the final income. In other words, the income computed at the rate of Rs. 1,000/Rs. 7,500 per goods vehicle per month will be the final taxable income of the business and no further expenses will be allowed or disallowed.

However, in case of a taxpayer, being a partnership firm, opting for the presumptive taxation scheme, from the income computed at the presumptive rate of Rs. 7,500 per goods vehicle per month, further deduction can be claimed on account of remuneration and interest paid to partners (computed as per the Income-tax Act).

While computing income as per the provisions of section 44AE, separate deduction on account of depreciation is not available, however, the written down value of any asset used in such business shall be calculated as if depreciation as per section 32 is claimed and has been actually allowed.

#### **No need to maintain books of account as prescribed under section 44AA**

Section 44AA of the Income-tax Act, 1961 has provisions relating to maintenance of books of account by a person engaged in business/profession. Thus, a person engaged in business/profession has to maintain books of account of his business/profession according to the provisions of section 44AA.

#### **No need to maintain books of account as prescribed under section 44AA**

In case of a person opting for the presumptive taxation scheme of section 44AE, the provisions of section 44AA relating to maintenance of books of account will not apply. In other words, if a person adopts the provisions of section 44AE and declares his income at the rate of Rs. 7,500 per goods vehicle per month, then he is not required to maintain the books of account as provided for under section 44AA in respect of business covered under the presumptive taxation scheme of section 44AE.

#### **Applicability of the provisions relating to payment of advance tax**

There is no concession as regards payment of advance tax in case of a person who adopts the presumptive taxation scheme of section 44AE and, hence, he will be liable to pay advance tax even if he adopts the presumptive taxation scheme of section 44AE.

#### **Provisions to be applied if a person does not opt for the presumptive taxation scheme of section 44AE and declares income at a lower rate, i.e., at less than Rs. 1,000 per ton or Rs. 7,500 per goods vehicle per month**

A person can declare his income at lower rate (i.e., at less than Rs. 1,000 per ton or Rs. 7,500 per goods vehicle per month). However, if he does so, then he is required to maintain the books of account as per the provisions of section 44AA and has to get his accounts audited under section 44AB.



## MCQ ON TAX ON PRESUMPTIVE BASIS IN CASE OF CERTAIN ELIGIBLE BUSINESSES

**Q1.** The presumptive taxation scheme of section 44AD is designed to give relief to small taxpayers engaged in any business including the business of plying, hiring or leasing of goods carriages.

- (a) True (b) False

**Correct answer : (b)**

**Justification of correct answer :**

The presumptive taxation scheme of section 44AD is designed to give relief to small taxpayers engaged in any business except the business of plying, hiring or leasing of goods carriages referred to in section 44AE.

Thus, the statement given in the question is false and hence, option (b) is the correct option.

**Q2.** The presumptive taxation scheme of section 44AD cannot be adopted by \_\_\_\_\_.

- (a) Resident Individual (b) Resident HUF  
(c) Resident Partnership Firm (d) Limited Liability Partnership Firm

**Correct answer : (d)**

**Justification of correct answer :**

The presumptive taxation scheme of section 44AD can be adopted by following persons:

- 1) Resident Individual
- 2) Resident Hindu Undivided Family
- 3) Resident Partnership Firm (not Limited Liability Partnership Firm)

Thus, option (d) is the correct option.

**Q3.** A person who is carrying on any agency business and a person who is earning income in the nature of commission or brokerage cannot adopt the provisions of section 44AD.

- (a) True (b) False

**Correct answer : (a)**

**Justification of correct answer :**

The scheme of section 44AD is designed to give relief to small taxpayers engaged in any business, except the following businesses:

- Business of plying, hiring or leasing of goods carriages referred to in section 44AE.
- A person who is carrying on any agency business.





- A person who is earning income in the nature of commission or brokerage

Thus, the statement given in the question is true and hence, option (a) is the correct option.

**Q4.** In case of a person adopting the provisions of section 44AD, income will be computed on presumptive basis, i.e., @ \_\_\_\_\_ of the turnover or gross receipts of the eligible business for the year if turnover/gross receipt is received by an account payee cheque or an account payee bank draft or use of electronic clearing system through a bank account during the previous year or before the due date of filing of return under section 139(1).

- (a) 2% (b) 6%  
(c) 8% (d) 10%

**Correct Answer: (b)**

**Justification of correct answer:**

In case of a person adopting the provisions of section 44AD, income is computed on presumptive basis at the rate of 8% of the turnover or gross receipts of the eligible business for the year.

However, in order to promote digital transactions and to encourage small unorganized business to accept digital payments, section 44AD is amended with effect from the assessment year 2017-18 to provide that income shall be computed at the rate of 6% instead of 8% if turnover/gross receipt is received by an account payee cheque or an account payee bank draft or use of electronic clearing system through a bank account during the previous year or before the due date of filing of return under section 139(1).

Thus, option (b) is the correct option.

**Q5.** While computing income as per the provisions of section 44AD, separate deduction on account of depreciation is available.

- (a) True (b) False

**Correct answer : (b)**

**Justification of correct answer :**

While computing income as per the provisions of section 44AD, separate deduction on account of depreciation is not available. However, the written down value of any asset used in such business shall be calculated as if depreciation as per section 32 is claimed and has been actually allowed.

Thus, the statement given in the question is false and hence, option (b) is the correct option.

**Q6.** A person opting for the presumptive taxation scheme of section 44AD will \_\_\_\_\_ to pay advance tax in respect of income from business covered under section 44AD.

- (a) Be liable (b) Not be liable

**Correct answer : (a)**



**Justification of correct answer :**

Any person opting for the presumptive taxation scheme under section 44AD is liable to pay whole amount of advance tax on or before 15<sup>th</sup> March of the previous year. If he fails to pay the advance tax by 15<sup>th</sup> March of previous year, he shall be liable to pay interest as per section 234C.

**Note:** Any amount paid by way of advance tax on or before 31<sup>st</sup> day of March shall also be treated as advance tax paid during the financial year ending on that day.

**Q7.** The presumptive taxation scheme of section 44ADA is designed to give relief to small taxpayers engaged in any profession.

- (a) True (b) False

**Correct answer: (b)**

**Justification of correct answer:**

The presumptive taxation scheme of section 44ADA is designed to give relief to small taxpayers engaged in specified profession (i.e., legal, medical, engineering or architectural, accountancy, technical consultancy, interior decoration or any other profession as notified by CBDT).

Thus, the statement given in the question is false and hence, option (b) is the correct option.

**Q8.** The presumptive taxation scheme of section 44ADA can be adopted by \_\_\_\_\_.

- (a) Resident Individual (b) Resident HUF  
(c) Resident Partnership Firm (d) Resident person

**Correct answer: (d)**

**Justification of correct answer:**

The presumptive taxation scheme of section 44ADA can be adopted by any person resident in India

Thus, option (d) is the correct option.

**Q9.** In case of a person adopting the provisions of section 44ADA, income will be computed on presumptive basis, i.e., @ \_\_\_\_\_ of gross receipts of the specified profession for the year.

- (a) 2% (b) 5%  
(c) 50% (d) 10%



**Correct answer : (c)**

In case of a person adopting the provisions of section 44ADA, income will be computed on presumptive basis, i.e. @ 50% of the total gross receipts of the profession. However such person can declare income higher than 50%.

In other words, in case of a person adopting the provisions of section 44ADA, income will not be computed in normal manner but will be computed @50% of the gross receipts.

Thus, option (c) is the correct option.

**Q10.** While computing income as per the provisions of section 44ADA, separate deduction on account of depreciation is available.

- (a) True (b) False

**Correct answer : (b)**

**Justification of correct answer :**

A person who adopts the presumptive taxation scheme is deemed to have claimed all deduction of expenses. Any further claim of deduction is not allowed after declaring profit @ 50%.

While computing income as per the provisions of section 44ADA, separate deduction on account of depreciation is not available. However, the written down value of any asset used in such business shall be calculated as if depreciation as per section 32 is claimed and has been actually allowed.

Thus, the statement given in the question is false and hence, option (b) is the correct option.

**Q11.** A person opting for the presumptive taxation scheme of section 44ADA will \_\_\_\_\_ to pay advance tax in respect of income from business covered under section 44ADA.

- (a) Be liable (b) Not be liable

**Correct answer : (a)**

**Justification of correct answer :**

Any person opting for the presumptive taxation scheme under section 44ADA is liable to pay whole amount of advance tax on or before 15<sup>th</sup> March of the previous year. If he fails to pay the advance tax by 15<sup>th</sup> March of previous year, he shall be liable to pay interest as per section 234C.

Thus, option (a) is the correct option.



**Q12.** The scheme of section 44AE is designed to give relief to small taxpayers engaged in the business of\_\_\_\_\_.

- (a) Plying, hiring or leasing of goods carriages      (b) Provision store  
(c) Medical store      (d) Departmental store

**Correct answer : (a)**

**Justification of correct answer :**

The scheme of section 44AE is designed to give relief to small taxpayers engaged in the business of plying, hiring or leasing of goods carriages.

Thus, option (a) is the correct option.

**Q13.** The presumptive taxation scheme of section 44AE can be adopted by a person who is engaged in the business of plying, hiring or leasing of goods carriages and who does not own more than \_\_\_\_\_ goods vehicles at any time during the year.

- (a) 50      (b) 30  
(c) 10      (d) 5

**Correct answer : (c)**

**Justification of correct answer :**

The presumptive taxation scheme of section 44AE can be adopted by a person who is engaged in the business of plying, hiring or leasing of goods carriages and who does not own more than 10 goods vehicles at any time during the year.

Thus, option (c) is the correct option.

**Q14.** In case of a person who is willing to opt for the presumptive taxation scheme of section 44AE, income will be computed @ Rs. 5,000 per month during which the goods vehicle is owned by him during the year and part of the month would be ignored.

- (a) True      (b) False

**Correct answer : (b)**

**Justification of correct answer :**

In case of a person who is willing to opt for the presumptive taxation scheme of section 44AE, for Heavy Goods Vehicle, income will be computed at the rate of Rs. 1,000 per ton of gross vehicle weight for every month or part of a month during which the heavy goods vehicle is owned by taxpayer. In case of vehicles other than heavy goods vehicle, income will be computed at the rate of 7,500 for every month or part of a month during which the goods carriage is owned by taxpayer. Part of the month would be considered as full month.

Thus, the statement given in the question is false and hence, option (b) is the correct option.





**Q15.** A partnership firm adopting the provisions of section 44AE can claim further deduction on account of remuneration and interest paid to partners (computed as per the Income-tax Act) from the income computed at the presumptive rate.

(a) True

(b) False

**Correct answer : (a)**

**Justification of correct answer :**

In case of a taxpayer, being a partnership firm, opting for the presumptive taxation scheme, can claim further deduction on account of remuneration and interest paid to partners (computed as per the Income-tax Act) from the income computed at the presumptive rate.

Thus, the statement given in the question is true and hence, option (a) is the correct option.

INCOME TAX DEPARTMENT

