



**JAGATPUR P.G. COLLEGE, VARANASI**  
**(Affiliated TO M G K V P VARANASI)**



**SUBJECT : COMMERCE**

**CLASS : B.Com**

**YEAR : III - YEAR**

**NAME OF THE PAPER : Income tax Law & Accounts**

**NAME OF TOPIC : Computation of Total Income of firm and  
Tax deducted at source**

**Key Words : Calculation of Book Profit and various Income which are  
deducted (T.D.S.) and Provision Regarding delay of I.T. Return.**

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From the point of view of Assessment, A firm or Partnership firm has been treated a separate unit. From the point of view of law, there is no difference between partnership firm and partners :

According to Indian Partnership Act 1932 and Income tax Act the meaning of Partnership, Partner, firm is the same.

### **Computation of firms total Income**

First of all the Assessment of a firm, its total income or net taxable income shall be computed from the point of view of partnership firm, a firm is treated a separate unit. Hence its income shall be computed under various Heads of Income (Excluding Income from Salary). After this Gross total income of the firm shall be computed. The Taxable Income under various heads be gross total Income of the firm. After this, if the firm is entitled to avail the deduction u/s 80 C to 8 U, these deduction shall be allowed from Gross total Income, The remaining income shall be treated as taxable income of the firm.

Following point will be considered regarding the computation of firms total income:

Computation of Book Profit of the firm

Computation of Deductible Remuneration of firm's working or active partner.

Computation of firm's income under head profit and gains of business and profession.

### **Meaning of Book Profit**

The Book profit of the firm is the profit before deducting remuneration to partners. Book profit is profit shown by profit & loss account which has been calculated under provisions under section 28 to 44 of Income tax Act.

### **Computation of Book Profit**

The Book Profit is only a Base for computing total income of a partnership firm. Following steps in computing book profit shall be taken.

1. Finding out profit and loss
2. Necessary Adjustments in Profit & loss Account.
3. Remuneration of Partners to be added in profits.

## Proforma of Computation of Book Profit of the firm

Particulars	Amounts	Total Amount
Net Profit as per Profit & loss account		-
Add- (i) Disallowed exp. which have already deducted in profit & loss account.	-	
(ii) Remuneration to Partners (Bonus commission, Salary) If deducted in the P/l A/c	-	
(iii) Interest on Capital (Exceeding 12%)	-	-
Less – (i) Expenses Allowed which were disallowed in (i) Above	-	
(ii) income shown in credit side of firm's p/l A/c but taxable in various Head of Income.	-	
	-	
<b>Book Profit</b>		-

## Proforma of Computation of Firm's total Income

Particulars	Amounts	Total Amount
Book Profit of the Firm		-
Add- Head wise taxable Income	-	
	-	
Deduct- Remuneration to working partner's (least of the following two Amounts)  (i) Actual Amount of Remuneration  (ii) Remuneration under statutory limit u/s 40 (b)	-	-
Gross Total Income		-
Deduct – Deduction u/s 80 C to 80 U		-
Firm's taxable Income	-	-

## **Tax Deducted at Source (T.D.S.)**

Generally the tax is deducted from the Income of the Assesse at that place where such income is accrued or received. It is called deduction of tax at sources (T.D.S.). The Responsible Person should deposit this deducted amount of tax in Government Treasury on or before prescribed date. This tax deducted at Source shall be treated on behalf of the Assesse.

### **Payments subject to deduction of tax at Source.**

In income tax law various provisions have been discussed regarding deduction of tax at source. Some of these provisions are given below :

1. Salary	_____	Sec. 192
2. Payment of Accumulated Balance due to an employee	_____	Sec- 192 A
3. Interest on Securities	_____	Sec- 193
4. Dividend	_____	Sec. 194
5. Interest other than Interest on Securities	_____	Sc 194 A
6. Prizes on Lottery and Crosswords	_____	Sec. 194-B
7. Winning From Horses Race	_____	194 – BB
8. Insurance Commission	_____	Sec 194-D
9. Payment in Respect of life Insurance Policy	_____	194- DA
10.Paymentout of National Saving Plan	_____	194 EE

11. Payment from Mutual Fund \_\_\_\_\_

12. Payment of Commission on the sale of

lottery tickets \_\_\_\_\_ 194 – G

13. Income of Commission and Brokerage etc.

### **Related questions :**

1. What is Book profit? How it is calculated?
2. Give Name of Any 10 income which are (T.D.S.) Deducted?
3. .What do you mean by a firm?
4. Explain the Rules of Remuneration of Partner.

### **References :**

1. H.C. Mehrotra – Income Tax law & Accounts.
2. R.K. Jain- Income Tax Law &Accounts



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**THANK YOU**