



Ease of taxation for small taxpayers (Presumptive Taxation)



Income Tax Department
Central Board of Direct Taxes

What is Presumptive Taxation?

- A simplified tax system to give relief to small taxpayers.
- No requirement for maintenance and audit of books of account.
- Governing sections 44AD, 44ADA, and 44AE of the Income Tax Act, 1961.
- Under presumptive taxation, the taxpayer can declare income at a prescribed rate.

For Income Tax Act Scan the QR Code...



A Presumptive Taxation Scheme u/s 44AD?

- Presumptive Taxation scheme for small businesses where the taxpayer can declare their income as a percentage of gross receipts.
- Eligible assessee u/s 44AD
 - An individual, Hindu undivided family, or a partnership firm, who is a resident but not a limited liability partnership firm under the Limited Liability Partnership Act, 2008, and
 - Who has not claimed deduction under any of the sections 10A, 10AA, 10B, or 10BA or under any provisions of Chapter VIA under the heading "**C. - Deductions in Respect of Certain Incomes**" in the relevant assessment year;

Note: 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).

- Eligible business u/s 44AD
 - (i) any business except the business of plying, hiring, or leasing goods carriages referred to in section 44AE; and
 - (ii) whose total turnover or gross receipts in the previous year does not exceed an amount of two crore rupees ("three crore rupees" by The Finance Act, 2023 w.e.f. 1-4-2024 provided the amount or aggregate of the amounts received during the previous year, in cash, does not exceed 5 percent of the total turnover or gross receipts of such previous year)

Note: The receipt of amount or aggregate of amounts by a cheque drawn on a bank or by a bank draft, which is not account payee, shall be deemed to be receipt in cash.

» Persons not eligible for Presumptive Taxation u/s 44AD.

- (i) a person carrying on profession as referred to in sub-section (1) of Section 44AA;
- (ii) a person earning income in the nature of commission or brokerage; or
- (iii) a person carrying on any agency business.

» Computation of Income under Section 44AD

- 8% of the turnover or gross receipts of the eligible business will be deemed to be the total (taxable) income.
- In order to promote digital transactions, income shall be computed at the rate of 6% of turnover/gross receipts which are received by account payee check, or account payee bank draft, or use of an electronic clearing system through a bank account during the previous year or before the due date for filing of Return of Income.
- No further deduction under the provisions of sections 30 to 38 shall be allowed.

Note: The written down value of any asset of an eligible business shall be deemed to have been calculated as if the eligible assessee had claimed and had been actually allowed the deduction in respect of the depreciation for each of the relevant assessment years.

» Consequences if a person opts out from the Presumptive Taxation scheme u/s 44 AD.

- If an eligible assessee declares profit for any previous year in accordance with the provisions of Section 44AD, and Declares profit for any of the five assessment years relevant to the previous year succeeding such previous year **NOT** in accordance with the provisions of sub-section (1) of Section 44AD,
- He shall **NOT** be eligible to claim the benefit of the provisions of this section for five assessment years subsequent to the assessment year relevant to the previous year in which the profit has not been declared in accordance with the provisions of sub-section (1) of Section 44AD.



TAX



B**Presumptive Taxation Scheme
u/s 44ADA**

- Presumptive taxation scheme for professionals.
- No requirement for small professionals for maintaining detailed books of accounts.
- Eligible Assessee u/s 44ADA-
- A resident individual or a partnership firm other than a limited liability partnership, and
- engaged in a profession referred to in sub-section (1) of Section 44AA and whose total gross receipts do not exceed fifty lakh rupees in a previous year ("seventy-five lakh rupees" by The Finance Act, 2023 w.e.f. 1-4-2024, provided the amount or aggregate of the amounts received during the previous year, in cash, does not exceed 5 percent of the total gross receipts of such previous year).

Note-

- *The receipt of an amount or aggregate of amounts by a cheque drawn on a bank or by a bank draft, which is not an account payee, shall be deemed to be the receipt in cash.*
- *An assessee who claims that his profits and gains from the profession are lower than the profits and gains specified in sub-section (1) of section 44ADA and whose total income exceeds the maximum amount which is not chargeable to income tax, shall be required to keep and maintain such books of account and other documents as required under sub-section (1) of section 44AA, and get them audited, and furnish a report of such audit as required under section 44AB.*

»» Computation of Income under Section 44ADA

- Income will be computed on a presumptive basis,
 - @50% of the total gross receipts of the profession.
- No further deduction under the provisions of Sections 30 to 38 shall be allowed.

Note: *The written-down value of any asset used for the purposes of profession shall be deemed to have been calculated as if the assessee had claimed and had been actually allowed the deduction in respect of the depreciation for each of the relevant assessment years.*



Presumptive Taxation u/s Scheme 44AE

- Presumptive taxation scheme for assesses engaged in plying, hiring, or leasing goods carriages.
- Eligible Assessee u/s 44AE.
- An assessee engaged in the business of plying, hiring, or leasing goods carriages and owning not more than 10 (ten) goods carriages at any time during the previous year.

➤➤ Computation of Income under Section 44AE

- Income to be computed on an estimated basis as under:
 - For heavy goods vehicles: 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 the taxpayer.
 - For vehicles other than heavy goods vehicles: Rs. 7,500 per month or a part of a month during which the goods carriage is owned by the taxpayer.
(Part of the month would be considered as full month.)
- No further deduction under the provisions of Section 30 to 38 shall be allowed.
- In case where the assessee is a firm, the salary and interest paid to its partners shall be deducted from the income computed under sub-section (1), subject to the conditions and limits specified in clause (b) of Section 40.

Note:

- *The written-down value of any asset used for the purpose of the business shall be deemed to have been calculated as if the assessee had claimed and had been actually allowed the deduction in respect of the depreciation for each of the relevant assessment years.*
- *An assessee who claims that his profits and gains from the profession are lower than the profits and gains specified shall be required to keep and maintain such books of account and other documents as required under sub-section (2) of section 44AA and get them audited, and furnish a report of such audit as required under section 44AB.*

»» Other features of Presumptive Taxation Scheme

- Any person opting for the presumptive taxation scheme is liable to pay the whole amount of advance tax on or before March 15 of the previous year.
- Income tax returns (ITRs) to be filed in the simpler and shorter form ITR-4 (Sugam).

»» Can a higher or lower income be declared under Presumptive Taxation?

- Yes, a person may voluntarily disclose his business income at rates more than those prescribed under Sections 44AD, 44ADA, and 44AE.
- Yes, a person can declare his income at a rate lower than those prescribed under Sections 44AD, 44ADA, and 44AE. However, he is then required to maintain the books of account and to get his accounts audited as prescribed under Section 44AA or 44AB, as the case may be.



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