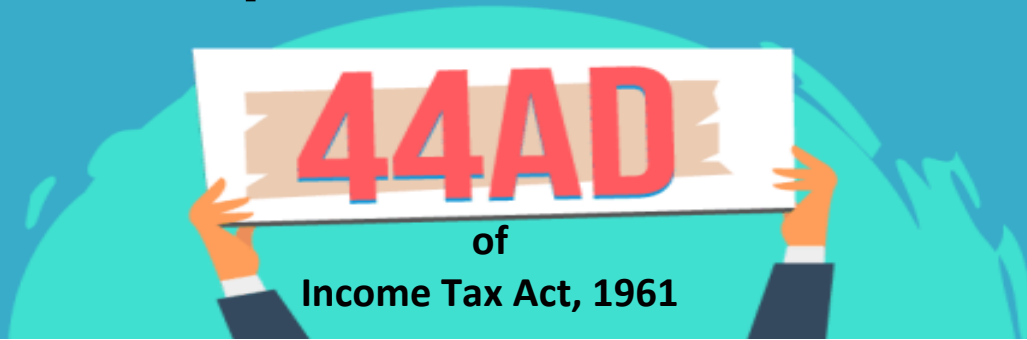


Presumptive Taxation Scheme



➤ What is Presumptive Taxation Scheme ?

As per the Section 44AA of Income Tax Act, 1961, a person engaged in business or profession is required to maintain regular books of accounts under certain circumstances. To give **relief to small Taxpayers** from this monotonous work, the Income-tax Act has framed the presumptive taxation scheme for different class of assesseees. In this Article we will try to understand one of the provision of presumptive taxation scheme, Section 44AD of Income Tax Act, 1961.

➤ Applicability of Section 44AD

- Section 44AD specifically mention the word **Business**, therefore it can't be applied in case of professionals.(Section 44ADA is for Professionals).
- The provision applies in case of **Individuals, Partnership & HUF** provided they are Resident India. It does not apply in case of LLP (Limited Liability Partnership).
- Section 44AD applies to all businesses **except the business of plying, hiring or leasing the goods** as these have already been covered under Section 44AE.

➤ Option in or out of Section 44AD for Business

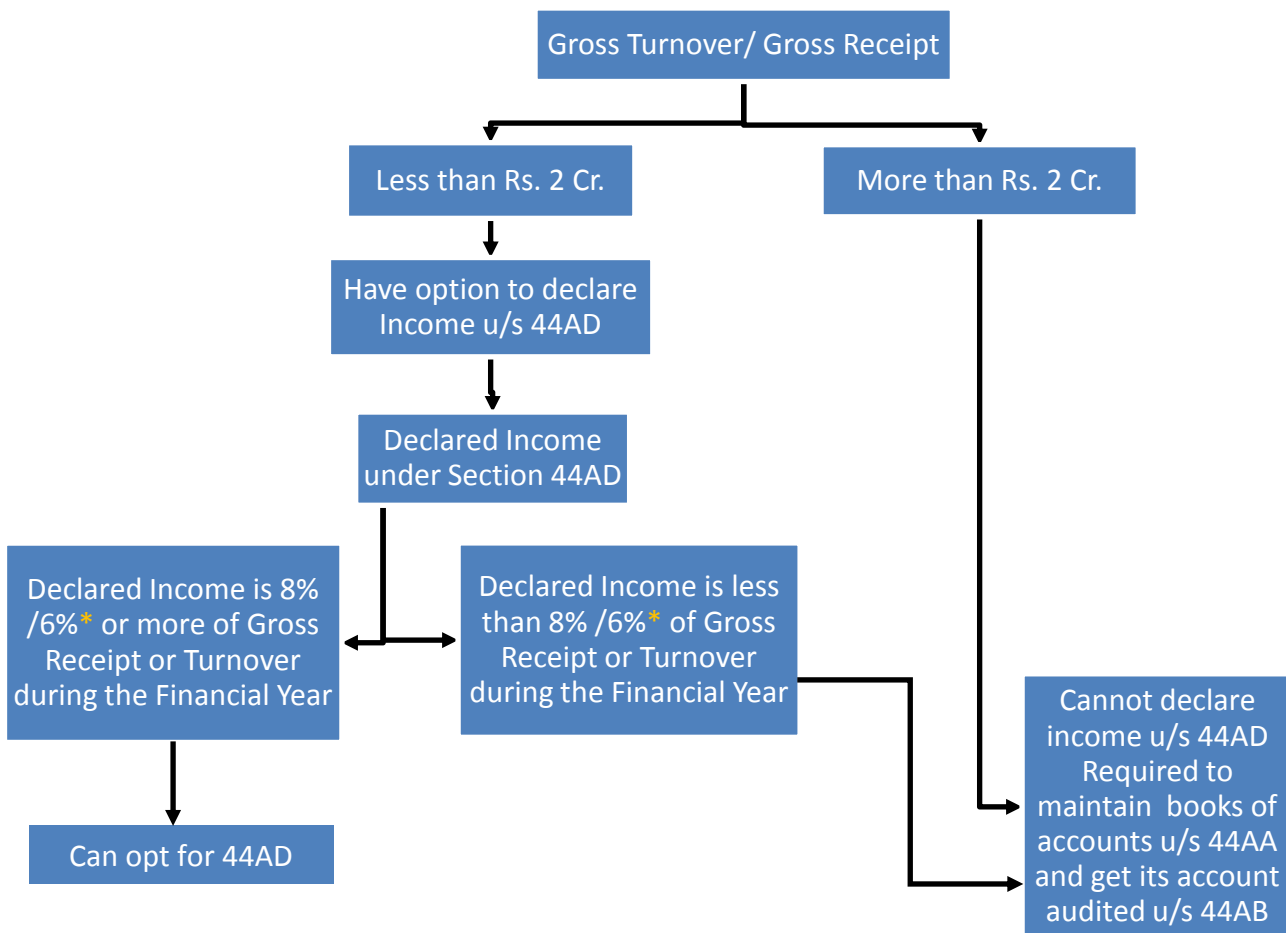
Any person who is eligible to avail the benefit of Section 44AD can at any time opt for the scheme of presumptive taxation,

And a person can also opt out of this scheme any time. However as per latest update, If a person opt out of presumptive taxation scheme, then he **can't avail the benefit** of presumptive taxation scheme **for the next 5years**

For Example

Particulars	Assessment years
Opt for Presumptive Taxation Scheme	For AY 2018-2019, AY 2019-20, AY 2020-21
Does not opt for Presumptive Taxation Scheme	For AY 2021-2000
Can't opt for Presumptive Taxation Scheme	For AY 2022-2023 to AY 2026-2027

➤ **Turnover and Income Criteria (Income presumed to be 8%/6% of Turnover)**



* To encourage business to receive payments digitally, the Government has decided to give one of the incentives that if a business receives payment digitally he can claim his income to be 6% of Gross receipt or Turnover received digitally through Cheque/ Demand Draft/ Debit Cards/ Credit Cards/NEFT/RTGS or any other cashless mode ([Amendment vide Finance Act 2017](#))

➤ **Important points to be kept in mind**

1. If assessee is applying Section 44AD, he **won't be allowed to claim any expenses or depreciation** under section 30 to 38 of Income Tax Act, 1961.
2. Business claiming benefit of Section 44AD would **also be required to comply with provision of Advance Tax**. However to keep compliance at minimum - the business would be required to pay 100% of the tax applicable by 15th March of Financial Year.
3. **Sugam ITR-4s Presumptive Business Income**
Government have also given benefit to assesses who opt for Presumptive Taxation Scheme in form of filling Income Tax Return directly through the Income Tax website in simplified manner.
4. An assessee declaring his income as per presumptive taxation under section 44AD can also **claim tax benefit under Chapter VI-A**.