

E-circular dated 28<sup>th</sup> August 2017: Sec 80JJAA

**Integrated Association of Micro, Small & Medium Enterprises of India**

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Dear Members,

Your Corporate Income tax returns are round the corner  
(September is the Last month of Filing them)

Have you calculated the Tax benefit u/s.  
80JJAA this year ?

Income Tax Law was amended w.e.f. this year

And

Due to Demonetisation, India "Growth" Story, and other measures, Most of  
the companies have seen manpower count  
rising upwards this FY 16-17

Some Companies are still not aware of this fabulous scheme of the Government of India.

**The Government gives you Big TAX DEDUCTIONS  
For employing more people**

Do you know, that you can Employ More people: And Get 30% Extra Deduction

- If you hire, additional employees, You get the EXTRA Deduction in Income Tax. Section 80JJA
- If you pay Extra Wages : Rs 1 Crores, you get extra Deduction : 30 Lakhs extra for next 3 years.
- Manufacturing of course, Anybody in Business, and covered in Tax Audit



**Example 1 : New Company**

- New company formed in April 2016.
- Employed 20 persons in FY 16-17
- Salary per worker = Rs 12500, for 12 months.
- Salary paid to these new workers : Rs 30 lakh in the whole year ( 20 men x 12500 x 12 months )
- So, he will get 80JJAA deduction as follows
  - for FY 16-17 = 9 lakhs as extra deduction
  - for FY 17-18 = 9 lakhs as extra deduction
  - for FY 18-19 = 9 lakhs as extra deduction

**Example 2 : Existing Company**

- Case of an Old existing company formed in 1995
- Employed 100 persons as on 31.3.2016
- Employed 120 persons as on 31.3.2017
- No of the additional workers = 20
- Salary per worker = Rs 12500, for 12 months.
- Salary paid to these new workers : Rs 30 lakh in the whole year ( 20 men x 12500 x 12 months )
- So, he will get 80JJAA deduction as follows
  - for FY 16-17 = 9 lakhs as extra deduction
  - for FY 17-18 = 9 lakhs as extra deduction
  - for FY 18-19 = 9 lakhs as extra deduction

**Example 3 : Existing Company**

- Same company,
- Employed 100 persons as on 31.3.2016
- Employed 120 persons as on 31.3.2017
- Employed 135 persons as on 31.3.2018
- No of the additional workers = 15 in FY 17-18

- Salary per worker = Rs 12500, for 12 months.
- Salary paid to these new workers : Rs 22.50 lakh in the whole year ( 20 men x 12500 x 12 months )
- So, he will get 80JJAA deduction as follows
  - for FY 16-17 = 9 lakhs
  - for FY 17-18 = 9 lakhs + 6.75 lakhs = Rs 15.75 Lakhs
  - for FY 18-19 = 9 lakhs + 6.75 lakhs = Rs 15.75 Lakhs



### Terms and Conditions required for 80JJAA benefit

#### Law says... Section 80JJAA

- (1) Where the gross total income of an assessee to whom section 44AB applies, includes any profits and gains derived from business, there shall, subject to the conditions specified in sub-section (2),
- be allowed a deduction of an amount equal to thirty per cent. of additional employee cost incurred in the course of such business in the previous year,
- for three assessment years including the assessment year relevant to the previous year in which such employment is provided.

#### Now, No minimum limit

- Earlier law was 100 pax, later it was 50 pax, the amended Language now says
  - **“Total number of employees must increase between this year and last year”**
- So, there is no minimum limit, Even if you rise from just 13 employees to 14, you get this.

#### What about first year of business ?

- Source : Law says
- *Provided further that in the first year of a new business, emoluments paid or payable to employees employed during that previous year shall be deemed to be the additional employee cost;*
- So, Yes, allowed
- All the salary you pay to employees will be considered as “Additional Employee Cost”.

#### Cash Salary/ Wages ? Excluded

- RULE = Salary must be paid by Cheque/ECS/NEFT only
- **Means, Cash salary employees not allowed**
- This brings more people in organized sector
- Very intelligently, this has reduced the chances of anybody thinking of putting “dummy employee” salaries.

**High Cost employees ? Excluded.**

- **EXCLUDED**
- So, if any employee has a salary over Rs 25000 per month, he/she is to be excluded for this calculation.

**EXCLUDED**

- Recently, the Govt has offered as a part of “Start-up” India, to pay 100% of the employers share of PF, for the first 3 years for a new worker.
- If so, then that employee is excluded for this 80JJAA

**Temporary employees ? Excluded.**

- So, if any employee has worked for less than 240 days, he/she is to be excluded for this calculation. For Garments sector, this is only 150 days required in a year
- So, If an assessee merely employs the workmen in April 2016, and then removes them in June 2016, then this tax incentive will not be given.

# definition

**Definition of “Salary”**

- (iii) “emoluments” means any sum paid or payable to an employee *in lieu* of his employment by whatever name called, but does not include—
  - (a) any contribution to ESI / EPF
  - (b) voluntary retirement, gratuity, severance pay, leave encashment, voluntary retrenchment benefits, commutation of pension and the like.

**What will happen to the old years ?**

- The old years will be assessed as per law for the old years.

**Important changes since last year ?**

- Minimum employee condition, reduced from 100 to 50 and now “any number”
- Allowed, for all sectors , not merely, manufacturers
- Condition of Company removed - All assessee allowed, even proprietorships, HUF
- Condition of duration reduced from 300 days to 240 days
- Condition removed, which wanted a 10% minimum increase required

**Effective from ?**

- This is effective from AY 17-18
- So, for Financial year beginning on 1-4-2016 you can start seeing addition in manpower in your companies
- Is going to give you additional benefit

### Thank you Finance Minister

- This was a suggestion, submitted by our I-am-SME-of-India” with the Ministry of Finance in FY 15-16.
- And you have so, kindly , totally rehashed the law, and accepted our request.
- We thank you.

**Our Association’s Request on this topic to the PMO was : PMOPG/E/2015/0111892**

The screenshot shows a web browser window with the URL [pmportal.gov.in/pmocitizen/Grievancepmo.aspx](http://pmportal.gov.in/pmocitizen/Grievancepmo.aspx). The page features the Indian national flag, the State Emblem of India, and a portrait of Narendra Modi, Prime Minister of India. The text on the page reads: "Your Grievance is Registered Successfully!!" and "Click Here To Continue". Below this, it states "Your Registration Number is : PMOPG/E/2015/0111892". A note at the bottom says: "Note: Kindly note your Grievance Registration Number for further references. An e-mail has been sent to the e-mail id [skg@finsys.in](mailto:skg@finsys.in), as provided by you".

**We at I-am-SME-of-India,  
Thank the Government of India,  
Such scheme might not be available anywhere else in the World, but only in our INDIA.**

### **The Golden Idea**

**When buying a new machine gives you additional depreciation,  
Similarly, Now **Hiring more people**, **gives you Tax SAVINGS**  
And not once, but for next 3 years**

### **Do's and Don'ts for you**

#### **Do's :**

Understand the benefits Government is giving to you  
Discuss with your Friendly Chartered Accountant, he will be the best person to guide you  
Ask the HR Department to work in the chart as per excel file attached

Get it audited  
And file your deduction claim accordingly

**Dont's :**

Don't leave this benefit

Always Seek guidance of your CA team / relevant consultants in case of doubt.

**For queries, suggestions and feedback , you can e-mail us**

Sangeet Kumar Gupta, FCA, DISA, ACMA, PGDMM, B.Com(Hons), Honorary Consultant, Integrated Association of Micro Small and Medium Enterprises of India and Faridabad Small Industries Association, 93126-08426, Camp Off : TB-06, 3<sup>rd</sup> Floor, Crown Plaza, Sector-15A, Faridabad, Haryana 121007 skgupta[at]mlga.in

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<b>Details of Supplier</b> SUPP WITHIN UNREG FARIDABAD - State :HARYANA Code :06 GSTIN :N/A PAN No.UNREG1234A				<b>RCM INVOICE</b> 57 Serial No. 000002 Date of Issue 23/07/2017 Against Doc No. 12121212 Doc Dt. 23/07/2017					
SNo	HSN / SAC Code	Description of Goods or Service	Taxable Amount	CGST		SGST / UTGST		IGST	
				% Rate	Amt.	% Rate	Amt.	% Rate	Amt.
1	8714	MACHINE PARTS	5000.00	14.00	700.00	14.00	700.00		
2	72251900	CUTTING OIL FOR MACHINE	2000.00	9.00	180.00	9.00	180.00		
Total Value (In Words) Eight Thousand Seven Hundred Sixty And Paise Zero Only				Taxable Amount				7000.00	
				CGST				880.00	
				SGST				880.00	
				IGST					
				Total Invoice Value (In Figures)				8760.00	

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