

INCENTIVE IN FORM OF DEDUCTION OF 30% OF THE EMOLUMENTS PAID TO ADDITIONAL EMPLOYEES -SECTION 80JJA OF INCOME TAX ACT

1. The Incentive has been made available to following:-
 - A. all assesses having income under the head profits and gains from business.
 - B. This deduction is available also in respect of a business which is formed as a result of re-establishment, reconstruction or revival by the assessee of the business in the circumstances and within the period specified in section 33B;
 - C. Applicability of tax audit under section 44AB and
 - D. certification of deduction from Chartered Accountant is kept mandatory for the assessee to be eligible for deduction with a intention to avoid bogus claims for deduction
 - E. The taxpayer must file income tax return along with report of a Chartered Accountant in Form 10DA.
2. The detailed calculation of allowable deduction is as under:-
 - A. Incentive in form of deduction of 30% of the emoluments paid to additional employees
 - B. Available for 3 assessment years including the AY relevant to previous year in which such employment is provided.
 - C. This deduction is over and above actual salary paid to such employees.
 - D. illustration:
 - a) Additional employees 100
 - b) Average annual emoluments of every employee Rs. 2 lacs
 - c) Total additional emoluments Annual 200 Lacs
 - d) deduction @ 30% of total emoluments paid to these new employees Rs 60 lacs per year
 - E. Deduction of 30% is allowed for the benefit for a new employee who is employed for less than the minimum period during the first year but continues to remain employed for the minimum period in subsequent year.
3. "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 paid or payable by the employer to any pension fund or provident fund or any other fund for the benefit of the employee under any law for the time being in force; and
 - b. any lump-sum payment paid or payable to an employee at the time of termination of his service or superannuation or voluntary retirement, such as gratuity, severance pay, leave encashment, voluntary retrenchment benefits, commutation of pension and the like.
4. No deduction is available for Following employees
 - a. an employee whose total emoluments are more than twenty-five thousand rupees per month; or
 - b. an employee for whom the entire contribution is paid by the Government under the Employees' Pension Scheme notified in accordance with the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (19 of 1952); or
 - c. an employee employed for a period of less than two hundred and forty days during the previous year; (The minimum employment period during the year has been reduced down from 300 days to 240 days (150 days in case of the taxpayers engaged in manufacturing of apparel- footwear and leather industry) or
 - d. an employee who does not participate in the recognised provident fund;
 - e. The cash payments of salaries are not covered in this incentive scheme.
 - f. Deduction is not available if the business is formed by splitting-up or reconstruction of existing business or if the business is acquired by way of transfer or as a result of business re-organisation. Thus, the entities formed by way of demerger, merger or slump purchase of existing businesses would not qualify for the said deduction since it does not create any new employment. The deduction is available in respect of a business which is formed as a result of re-establishment, reconstruction or revival by the assessee of the business in the circumstances and within the period specified in section 33B;

5. Rule 19AB Form of report for claiming deduction under section 80JJAA.

Report of an accountant which is required to be furnished by the assessee along with the return of income under clause (c) of sub-section (2) of section 80JJAA shall be in 'Form No. 10DA.'

FORM NO. 10DA [See rule 19AB] Report under section 80JJAA of the Income-tax Act, 1961		
1	I/ We* have examined the accounts and records of _____ (Name and address of the assessee with permanent account number) engaged in the business of _____ during the year ended on 31st day of March _____.	
2	I/We* certify that the deduction to be claimed by the assessee under sub-section (1) of section 80JJAA of Income-tax Act, 1961, in respect of the assessment year _____ is Rs. _____ determined on the basis of additional employee cost incurred in the case of said business by the assessee in the previous year. The said amount has been worked out on the basis of details given in annexure to this form.	
Place: _____ Date: _____		
(Signature and Stamp/Seal of the Accountant) Name of the Signatory _____ Full Address _____ Membership No _____		
Notes: 1. *Delete whichever is not applicable. 2. This report is to be given by a chartered accountant within the meaning of the Chartered Accountants Act, 1949 who holds a valid certificate of practice under section 6(1) of that Act and is not a person referred to in clause (a) or clause (b) of the Explanation below sub-section (2) of section 288. 3. Where any of the matter stated in this report is answered in the negative or with a qualification, the report shall state the reasons therefore.		
ANNEXURE (See paragraph 2 of Form No. 10DA)		
1	Name of the assessee	
2	Address of the assessee	
3	Permanent Account Number of the assessee	
4	Assessment Year	
5	Additional employee cost incurred	
	(I)	In case of an existing business:
	a	Number of employee as on the last day of the preceding year
	b	Number of employee as on the last date of the previous year.
	c	Increase in the number of employee from the total number of employee employed as on the last day of the preceding year (a)-(b).
	d	Number of additional employee* employed during the year.
	e	Number of additional employee entitled for deduction i.e. not exceeding the number of increase in number of employee as computed in (c).
	f	Emoluments** paid or payable to additional employee entitled for deduction as computed in (e) #.
	(II)	In case of a new business, emoluments paid or payable to additional employees employed during the first year of business.
6	30% of the amount computed in 5(I)(f) or 5(II).	
7	Remarks.	
Notes:		
1.*	'additional employee' means an employee who has been employed during the previous year and whose employment has the effect of increasing the total number of employees employed by the employer as on the last day of the preceding year, but does not include, -	
	(a)	an employee whose total emoluments are more than twenty-five thousand rupees per month; or
	(b)	an employee for whom the entire contribution is paid by the Government under the Employees' Pension Scheme notified in accordance with the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (19 of 1952); or
	(c)	an employee employed for a period of less than two hundred and forty days (one hundred and fifty days in case of an assessee engaged in the business of manufacturing of apparel) during the previous year; or
	(d)	an employee who does not participate in the recognized provident fund;
2.**	'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 paid or payable by the employer to any pension fund or provident fund or any other fund for the benefit of the employee under any law for the time being in force; and
	(b)	any lump-sum payment paid or payable to an employee at the time of termination of his service or superannuation or voluntary retirement, such as gratuity, severance pay, leave encashment, voluntary retrenchment benefits, commutation of pension and the like'
3. #	the amount shall be nil if the emoluments are paid otherwise than by an account payee cheque or account payee bank draft or by way of a electronic clearing system through a bank account.'	