

Small Business Tax Survival Kit

Proprietor · Pvt Ltd · LL

FY 2025-26 | AY 2026-27

WHICH TAX REGIME APPLIES TO YOUR BUSINESS?

Entity Type	Tax Rate	Presumptive Option	Audit Threshold	ITR Form
Proprietorship	Slab rates (0-30%)	44AD: 6%/8% of TO	TO > 1Cr (cash) / 10Cr (digital)	ITR-3 / ITR-4
Partnership Firm	30% flat + 12% SC	44AD available	Same as above	ITR-5
LLP	30% flat + 12% SC	44AD available	TO > 40L or Cap > 25L	ITR-5
Pvt Ltd Company	25% (TO < 400Cr)	NOT available	Mandatory if TO > limits	ITR-6
OPC	25%	NOT available	Same as Pvt Ltd	ITR-6

PRESUMPTIVE TAXATION — SIMPLEST WAY TO FILE (SEC 44AD / 44ADA)

44AD (Business): Declare 8% of TO as profit (6% if digital receipts). No books required.

44ADA (Professionals): Declare 50% of gross receipts as profit. CA, Doctor, Lawyer, Architect, Engineer etc.

Condition: At least 95% receipts through banking channels for higher threshold

Advance Tax: Pay entire tax by 15th March (single instalment) — no quarterly needed

ITR-4 (Sugam): Simple 1-page P&L. No Balance Sheet, no audit, no books of accounts

WARNING: Once opted out of presumptive, cannot come back for 5 years + audit required

TO < 3Cr
Receipts < 75L
95% digital
15 Mar
ITR-4
5-year lock-in

EXAMPLE: Trader with Rs. 1.5Cr turnover (80% digital) → Declare 6% = Rs. 9L profit → Tax ~ Rs. 47,000 (new regime) → No audit, no books!
Freelance designer with Rs. 40L receipts → Declare 50% = Rs. 20L profit → Tax ~ Rs. 1,17,000 (new regime) → File ITR-4 in 15 minutes!

GST FOR SMALL BUSINESS — REGISTRATION, RETURNS & ITC

Mandatory GST: Turnover > Rs.20L (services) / Rs.40L (goods) OR interstate supply of any amount

Voluntary GST: Register even below threshold if you want ITC on purchases or sell on Amazon/Flipkart

Composition Scheme: TO < Rs.1.5Cr → Pay 1% (traders) / 6% (services) → Quarterly return only

Regular Scheme: Monthly GSTR-1 (sales) + GSTR-3B (summary + payment). QRMP if TO < 5Cr

Input Tax Credit (ITC): Claim GST paid on purchases against GST collected on sales — net payment only

ITC NOT allowed on: Food, personal car, gifts > Rs.50K, club membership, personal expenses

E-Invoice: Mandatory if TO > Rs.5Cr. Generate IRN from IRP portal before issuing invoice

GSTR-9 Annual Return: Due 31 Dec. GSTR-9C reconciliation if TO > 5Cr

Threshold
Optional
GSTR-4 Qtrly
GSTR-1 + 3B
ITC = savings
Blocked ITC
TO > 5Cr
31 Dec

TDS YOU MUST DEDUCT AS A BUSINESS OWNER

Payment Type	Section	Rate (Indv)	Rate (Co.)	Threshold
Salary	192	Slab rates	—	As per slab
Contractor / Sub-contractor	194C	1%	2%	30K single / 1L agg
Professional / Technical fees	194J	10% / 2%	10% / 2%	Rs. 50,000/yr
Rent — Land/Building	194-I	10%	10%	Rs. 50,000/month
Rent — Plant & Machinery	194-I	2%	2%	Rs. 50,000/month
Commission / Brokerage	194H	5%	5%	Rs. 15,000
Partner Remuneration (NEW)	194T	10%	—	Rs. 20,000/yr
Interest (other than bank)	194A	10%	10%	Rs. 10,000

TDS DEPOSIT: 7th of next month via Challan 281 | **TDS RETURN:** 24Q/26Q quarterly | **LATE:** Rs.200/day + 1.5% interest/month

EXPENSES YOU CAN CLAIM AS BUSINESS DEDUCTIONS

- Rent: Office/shop/warehouse rent** — fully deductible (deduct TDS u/s 194-I if > Rs.50K/month)
- Salary & Wages: Employee salaries, freelancer payments (deduct TDS u/s 192/194C/194J)
- Phone & Internet: Business mobile, broadband, Wi-Fi — 100% if in company name; proportionate if mixed
- Travel & Conveyance: Domestic/international travel for business, fuel, taxi, parking
- Office Supplies & Software: Stationery, printer, Zoho/Tally/AWS/Google Workspace subscription
- Professional Fees: CA, lawyer, consultant fees paid for business purposes
- Advertising & Marketing: Google Ads, Meta Ads, SEO, website development, branding, printing
- Insurance: Business insurance, keyman insurance, professional indemnity
- Depreciation: Laptop (40%), furniture (10%), car (15%/30%), AC/printer (15%), software (60%)**
- Car Expenses: Fuel, maintenance, insurance, driver salary — but only business portion
- Interest on Business Loan: Fully deductible. Even credit card interest if for business purchases
- Bad Debts: Write off uncollectable receivables (must have been offered to income earlier)

- Full deduction
- Full deduction
- 100% / Split
- With bills
- Full deduction
- With TDS
- Full deduction
- Full deduction
- WDV method
- Log required
- Full deduction
- Conditions apply

NOT DEDUCTIBLE / DISALLOWED:

- Personal expenses · Income tax paid · Penalty/fine · Cash payments > Rs.10,000 (Sec 40A(3)) · TDS not deducted (30% disallowed u/s 40(a))
- Provision for future expenses · Capital expenditure (must depreciate) · Donations (claim under 80G instead) · GST input not claimed

BOOKS OF ACCOUNTS — WHAT TO MAINTAIN

- Cash Book: Daily record of all cash receipts & payments (even if most transactions are digital)
- Bank Book / Bank Statements: Reconcile monthly with accounting software
- Sales Register / Invoice Register: All invoices issued — GST-wise breakup (CGST/SGST/IGST)
- Purchase Register: All purchases with GST details — must match GSTR-2B for ITC claims
- Expense Ledger: Category-wise expenses with supporting bills/vouchers
- Fixed Asset Register: All assets with purchase date, cost, depreciation rate, WDV
- TDS Register: Section-wise TDS deducted, deposited dates, challan numbers
- Retention Period: Minimum 8 years from end of relevant assessment year**

- Mandatory
- Monthly recon
- For GSTR-1
- For ITC
- Keep 8 years
- Depreciation
- For 26Q filing
- 8 years

10 SMART TAX MOVES FOR SMALL BUSINESS OWNERS

- Use 44AD/44ADA if eligible**
Skip audit, skip books, file ITR-4 in 15 min. Saves Rs.15-30K in CA fees alone
- Time your invoices**
Defer December invoice to January → shifts income to next FY. Legal if delivery also shifts
- Prepay expenses in March**
Annual insurance, software subscriptions, rent advance — deductible this year
- Claim depreciation aggressively**
Buy laptop/phone/equipment before 30 Sep → get full year depreciation (>180 days rule)
- Pay via bank/UPI always**
Cash payments > Rs.10,000 are disallowed u/s 40A(3). Zero-cost UPI = full deduction
- Deduct TDS on everything**
Missed TDS = 30% disallowed under Sec 40(a)(ia). One of the most expensive mistakes
- Separate personal & business**
Use only business bank account for all transactions. Mixed accounts trigger IT scrutiny
- Advance tax quarterly**
If tax > Rs.10,000/year: 15% by Jun 15, 45% Sep 15, 75% Dec 15, 100% Mar 15. Avoid interest
- Employer NPS for yourself**
If you run a Pvt Ltd — make the company contribute to your NPS (14% of Basic, tax-free)
- Get a CA from Day 1**
Costs Rs.15-25K/year. Saves 10x in tax, penalties avoided, and peace of mind

Running a Business? Let Us Handle the Compliance.

GST · TDS · ITR · ROC · Audit · Payroll — all under one roof.
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Disclaimer: General guidance for FY 2025-26. Tax laws subject to change. Not personalized tax advice. Consult CA Vijay R. Singh & Co for your specific situation.