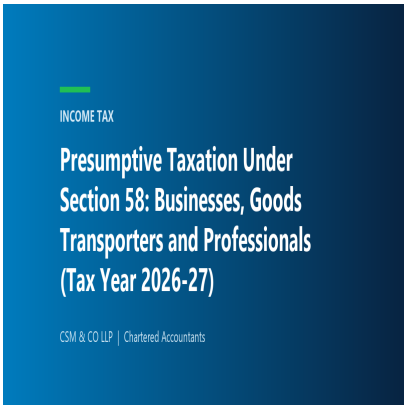

Presumptive Taxation Under Section 58: Businesses, Goods Transporters and Professionals (Tax Year 2026-27)

Description

Last updated: 22 July 2026 · Written and reviewed by CA Meet Dhrangadhariya, CSM & Co LLP

Quick summary

- Section 58 of the Income-tax Act, 2025 combines the old sections 44AD, 44AE and 44ADA: a resident individual, HUF or firm (other than an LLP) can declare income at a fixed percentage of receipts instead of keeping full accounts.
- For a business, income is 6% of receipts received in banking or online mode and 8% of the rest, if turnover is up to ?2 crore (?3 crore if cash receipts are at most 5%); for a specified profession, 50% of gross receipts up to ?50 lakh (?75 lakh if cash is at most 5%).
- For goods carriages (up to ten vehicles), income is ?1,000 a ton a month for heavy vehicles and ?7,500 a month for others.
- Declaring a lower profit than the presumptive figure means books and a tax audit if total income is above the exemption limit; opting out and in again locks you out for five years.

Small businesses and professionals can pay tax without keeping detailed accounts, by declaring a fixed share of their receipts as profit. In the 1961 Act these were three sections: 44AD (small business), 44AE (goods carriages) and 44ADA (professionals). The Income-tax Act, 2025 puts them in **one section, section 58**. The rules are the same in substance, except that the Finance Act, 2026 dropped one condition (that no deduction under section 144 is claimed).

The three presumptive cases (section 58(2))

Case	Who	Limit on receipts	Income taken as

1. Any business other than goods carriage business	Eligible assessee	Up to **?2 crore**; or up to **?3 crore** if cash receipts are **5% or less** oftotal turnover	The higher of: (i) **6%** of turnover received by specified banking or online mode during the tax year or before the due date for the return **plus 8%** of the remaining turnover; or (ii) the profit actually earned
2. Plying, hiring or leasing goods carriages	A person who owns **not more than ten** goods carriages at any time in the year	No turnover limit	The higher of: (i) for a **heavy** goods vehicle, **?1,000 per ton** of gross vehicle weight or unladen weight per month or part of month, and for any other goods carriage **?7,500** a month; or (ii) profit actually earned
3. Specified profession (section 62(4))	Specified assessee	Up to **?50 lakh**; or up to **?75 lakh** if cash receipts are **5% or less** of gross receipts	The higher of **50% of gross receipts** or the profit actually earned

A **heavy goods vehicle** is one with a gross vehicle weight above 12,000 kg. A person in possession of a goods carriage on hire purchase or instalments is treated as its owner (section 58(11)).

Who is eligible (section 58(11))

- **Eligible assessee** (case 1): a resident **individual, HUF or firm other than an LLP** who has not claimed a deduction under Chapter VIII-C for the year, does not carry on a **specified profession**, does not earn **commission or brokerage**, and does not carry on an **agency business**.
- **Specified assessee** (case 3): a resident individual or a firm other than an LLP.
- A **company, an LLP and a non-resident** cannot use cases 1 and 3. Case 2 is open to any assessee who owns not more than ten goods carriages.

Specified professions (section 62(4)): legal, medical, engineering, architectural, accountancy, technical consultancy, interior decoration, information technology, company secretary, and any other profession notified by the Board.

Banking or online mode

Digital receipts are those by an account payee cheque or bank draft, by electronic clearing through a bank account, or by another prescribed electronic mode (section 66(32)). **A cheque or draft that is not account payee is treated as cash** (section 58(9)). Receipts up to the due date for the return count as digital if made by that date.

Other rules

- **No further deductions (section 58(4)):** no loss, allowance or deduction is allowed against the presumptive income. All business expenses, including depreciation, interest and salaries, are deemed covered.
- **Firms (section 58(5)):** for goods carriages, a firm deducts the salary and interest paid to its partners,

within the limits of section 35(e).

- **Written down value (section 58(6)):** the written down value of an asset used in the business is computed as if depreciation had been claimed and allowed each year, which matters if you leave the scheme or sell the asset.
- **Books and audit not needed (section 58(10)):** sections 62 and 63 do not apply to the goods carriage business.

Declaring a lower profit

An assessee can claim that the profits actually earned are **lower** than the presumptive figures. If he does so and his **total income exceeds the basic exemption limit**, he must **keep books of account** under section 62 and **get them audited** under section 63 (section 58(3)). See our post on books of account and tax audit.

The five year lock-out (section 58(7) and (8))

If an eligible assessee declares presumptive profit for a year under case 1 and in any of the next **five** years declares profit **lower** than that, without following the section, he cannot use the section for **five tax years** after the year in which he did so. In those years, if his total income exceeds the exemption limit, he must keep books and get an audit.

Examples

1. Trader. Turnover ?1,50,00,000, of which ?1,20,00,000 was received by bank transfer and ?30,00,000 in cash.

- Digital receipts at 6% = ?7,20,000
- Other receipts at 8% = ?2,40,000
- **Presumptive income = ?9,60,000**, unless actual profit is higher.
- Turnover is within ?2 crore, so the scheme applies. If cash were more than 5% of turnover and turnover above ?2 crore, it would not.

2. Professional. A chartered accountant has gross receipts of ?40,00,000. Presumptive income is **50% = ?20,00,000**. Where gross receipts are ?60,00,000 with cash up to 5%, the scheme still applies (limit ?75 lakh); with cash above 5% it does not (limit ?50 lakh).

3. Transporter. Owns 2 heavy vehicles of 16 tons gross weight and 1 light goods vehicle, all for the whole year.

- Heavy: 1,000 × 16 × 12 = ?1,92,000 each, for two: ?3,84,000
- Light: 7,500 × 12 = ?90,000
- **Presumptive income = ?4,74,000**, unless actual profit is higher.

Return form

A resident individual, HUF or a firm other than an LLP with presumptive income can file **SUGAM (ITR-4)** if they also meet the other conditions of Rule 164(6): no foreign assets or income, no directorship, no unlisted shares, total income up to ?50 lakh, no more than two house properties, and no brought forward loss or loss to carry forward (see our post on which ITR form to file). The due date is **31 August** if the accounts are not audited, and **31 October** if they are audited.

Choosing: presumptive or full accounts

Point	Presumptive	Full accounts
Books	Not required (unless you declare a lower profit)	Required (section 62 conditions)
Audit	Not required	Required if turnover is above the limits
Expenses	Not claimed	Claimed in full
Loss	Not available	Can be carried forward
Best when	Real margins are below the presumptive percentage	Real margins are lower, or you want to claim losses

If your real profit is below the presumptive percentage and you have high expenses or losses, full accounts may reduce tax, but remember the books and audit costs.

Frequently asked questions

Who can opt for presumptive taxation?

A resident individual, HUF or firm other than an LLP (the “eligible assessee”), who has not claimed any deduction under Chapter VIII-C for the year, does not carry on a specified profession, and does not earn commission or brokerage or carry on any agency business. A “specified assessee” (resident individual or firm other than an LLP) can use the scheme for specified professions (section 58(11)).

What is the limit for business turnover?

?2 crore, or ?3 crore if cash receipts do not exceed 5% of total turnover. Receipts by a cheque or draft that is not account payee are treated as cash (section 58(9)).

How is business income worked out?

6% of the turnover received in specified banking or online mode during the year or before the return due date, plus 8% of the remaining turnover, or the profit actually earned if higher (section 58(2), Table serial 1).

How much do professionals declare?

50% of gross receipts, or the actual profit if higher, if gross receipts are up to ?50 lakh (?75 lakh if cash

receipts are at most 5%). The scheme covers legal, medical, engineering, architectural, accountancy, technical consultancy, interior decoration, information technology and company secretary professions, and others notified (section 62(4)).

Can I claim a lower profit?

Yes, but you must then keep books of account and get them audited if your total income exceeds the basic exemption limit (section 58(3)).

What if I leave the scheme?

If you declare presumptive profit for a year and then, in any of the next five years, declare a lower profit without following the scheme, you cannot use the scheme for the five years after that year, and you must keep books and get an audit if income exceeds the exemption limit (section 58(7) and (8)).

Official sources

- Income Tax Department: Income-tax Act, 2025 (sections 58, 62, 63, 66(32))
- Income Tax Department: Income-tax Rules, 2026 (Rule 164(5) and (6))

Related reading

- What is Income Tax? Meaning, Rules, Tax Slabs, Types and Tax Guide for Tax Year 2026-27
- Decoding the Direct Tax Landscape: Budget 2025 Insights
- Required Documents for ITR compliances – FY 2024-25

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Author
meetsoni