



Minimum Alternate Tax

CA. Sachin Kumar B P

Minimum Alternate Tax

Section 115JB and relevant
provisions of the Act.



Kosho moolo Dandah

(Revenue is the root of administration)

- Kautilya's Arthashastra

“It was only for the good of his subjects that he collected taxes from them, just as the sun draws moisture from the Earth to give it back a thousand fold”

- Kalidasa in “Raghuvansha” praising King Dilipa

Objective of MAT

Companies make huge money



But due to exemptions and deductions available , pay negligible or nil taxes to IT Dept



To bring them in tax net, MAT is applied

Why MAT ?

Companies Act	
PBDT	150
<u>Depreciation</u>	(50)
• Computer : 20	
• Machinery : <u>30</u>	
Profit	100
Tax	-
Profit available for ESH	100
Dividend @ 20%	20

Income-tax Act	
PBDT	150
<u>Depreciation</u>	
• Computer : 60	
• Machinery : 30	
• Normal : 40	
• Additional : <u>55</u>	(155)
Profit	(5)
Tax	-
Profit After Tax	(5)

Applicability of MAT



Companies Incorporated under Companies Act

Electricity Companies

Insurance Companies

Banking Companies



Companies Incorporated deriving Income under Life Insurance Business

Section 25 Companies [Travel Agents Association of India Vs ACIT]

Shipping income covered under tonnage tax scheme

w.r.e.f. 01.04.2001 by finance act 2016

A foreign company:

- being resident of a DTAA country with NO PE in India
- being resident of a Non-DTAA country and who is not required to seek registration under any law in force in India.

Applicability of MAT

Corporate to prepare P & L account in accordance with Parts II of Revised Schedule III of the Companies Act, 2013.

The Accounting Policies, the Accounting Standards adopted for preparing such accounts and the method and rates adopted for calculating the depreciation, shall be the same as have been adopted for the purpose of preparing such accounts and laid before the company at its AGM.

Insurance Companies (excluding life insurance business
u/s 115B)

Banking Companies

If P&L Account not prepared in accordance with Schedule III



Allowed to follow respective Regulatory Acts

When Liability to MAT u/s 115JB arise?

Particulars			Amt (Rs)
Step - 1	Book Profit U/s 115JB		XXXX
	Compute Tax at 18.5% of Book Profit	[A]	XXX
Step - 2	Total Income as per Income tax provisions		XXXX
	Compute Tax on the above @30% in the case of domestic company or 40% in case of foreign company	[B]	XXX
Step - 3	If [A] > [B], MAT is applicable. Else tax on total income	[C]	XXX
	Add: Surcharge @ (5%/10%) or (2%/5%) of [C] for domestic company or foreign company respectively (If total income exceeds Rs 1 crore)	+	XXX
	Subtotal	[D]	XXX
	Add: Education cess @2% and secondary & higher education cess @1% on [D]	+	XXX
	Total tax, surcharge and cess Payable		XXX

Marginal Relief will be provided

Computation of Book Profit U/s 115JB

- Net Profit as per P&L A/c

XXX

- **Add:** Thirteen Adjustments (If debited to P&L a/c) One Adjst if not cr to P&L a/c

XX

- **Less:** Eleven Adjustments

(XX)

- **Book Profit**

XXX

Starting point for computation of “book profit”



Microsoft Office
Excel Worksheet



Items to be added to Net Profit as per Statement of Profit and Loss:-

- [The amounts transferred to any reserves.](#)
- Provisions for losses of the subsidiary companies.
- Dividends paid or proposed.
- [Provisions for diminution in the value of any asset.](#)
- [Unascertained Liabilities](#)
- [Income Tax paid or Payable](#)
- Expenditure relatable to section 10, 11 or 12. However, 10(38) shall be ignored.
- Depreciation (w.e.f. 01-04-2007).
- Deferred tax and its provisions.

Add if not credited to P&L:

[Revaluation reserve relating to revalued asset on the retirement or disposal of asset.](#)

Items to be added to Net Profit as per Statement of Profit and Loss:-

w.e.f. 01.04.2016

- Share in the income of an AOP/BOI on which no income tax payable u/s 86
- Expenditure relatable to:
 - capital gain from transactions in securities; or
 - Interest, royalty or FTSchargeable to tax at a rate lower than the MAT rate
- The amount representing :
 - Notional loss of transfer of capital asset being share or SPV to a business trust in exchange of units – u/s 47
 - Notional loss from any change in carrying value of the said units – u/s 47
 - Loss on transfer of units – u/s 47
- Net gain on transfer of units (Sec 47)

Items to be deducted from Net Profit as per Statement of Profit and Loss:-

- Amount withdrawn from any reserve/provision if amount is Cr to the P&L A/c.
- Income relatable to section 10, 10A, 10B, 11 or 12. However, 10(38) shall be ignored.
- Depreciation (excluding depreciation on account of revaluation of assets).
- Amount withdrawn from revaluation reserve and Cr to the P&L A/c.
- [Loss b/f or Unabsorbed Depreciation, whichever is less as per books of account.](#)
- Profits of sick industrial company.
- Deferred tax, if credited to the P&L A/c.

Items to be deducted from Net Profit as per Statement of Profit and Loss:-

w.e.f. 01.04.2016

- Share in the expenditure of an AOP/BOI on which no income tax payable u/s 86
- Income relatable to:
 - capital gain from transactions in securities; or
 - Interest, royalty or FTSchargeable to tax at a rate lower than the MAT rate
- The amount representing :
 - Notional income of transfer of capital asset being share or SPV to a business trust in exchange of units – u/s 47
 - Notional income from any change in carrying value of the said units – u/s 47
 - Income on transfer of units – u/s 47
- Net loss on transfer of units (Sec 47)

[CBDT vide Circular No.495 dated. 22.09.1987]

While Comparing

b/f Business Loss

Unabsorbed Depreciation

(for adjustment to arrive at book profit)

**Comparison shall be made by taking cumulative figures
[Not Year to Year comparison]**

Case Study - Amount to be reduced from Net profit to arrive at Book Profit

Year Ended	b/f Business Loss	Unabsorbed Depreciation
31/03/11	7,50,000	9,00,000
31/03/12	Nil	5,00,000
31/03/13	2,50,000	1,00,000
Total	10,00,000	15,00,000

Would Surcharge be applicable for tax under MAT?

Normal IT Provisions

Total Income= 70 Lakhs

Tax @ 30% = 21 Lakhs

MAT

Book Profit = 1.3 Crores

MAT @ 18.5 % = 24.05 Lakhs

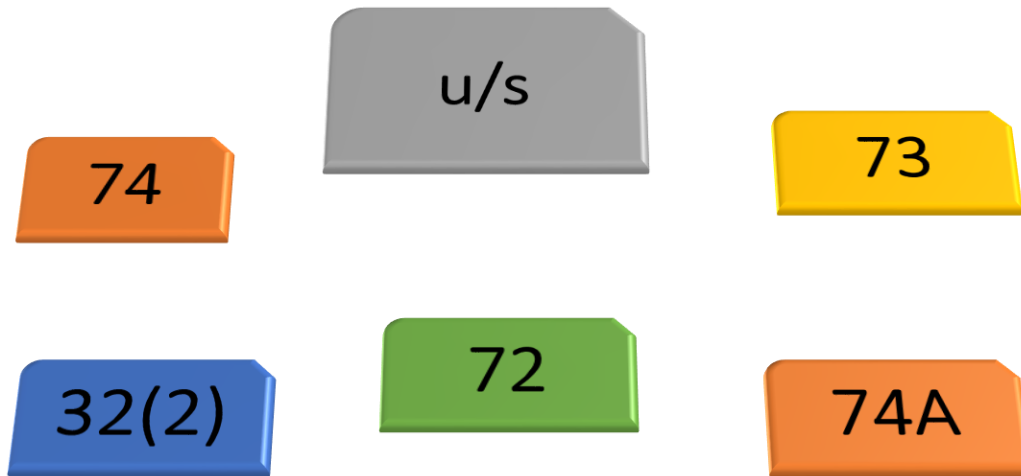
Levy of Surcharge?

Notes to Accounts

Notes to account forms integral part of financial statements and thus net profit for the MAT purposes to be computed only after making the adjustment towards extraordinary items and prior period items.

As there is no provision for any adjustment on account of prior period item or extraordinary item in the explanation 1 to Sec 115JB(2) , No addition to book profit is permitted on account of disallowance.

Amount to be carried forward



NOT affected by application of Section 115JB

Unabsorbed Depreciation = Rs 30 Lakhs
B/f Business Loss = Rs 50 Lakhs

Normal Provision

**Business Income = Rs 60
Lakhs**

**Set Off
= Rs 80 Lakhs**

**Income taxable at 30% =
Nil**

MAT

Book Profit = Rs 20 Lakhs

Set Off = Nil

**Income Taxable under
MAT = Rs 20 Lakhs**


Is Section 115JB applicable ?

If yes, items to be considered for book profit ?

Computation of Total Income for A Ltd

Income from retail Business (Presumptive Business U/s 44AD) [30 lakhs * 8%]	2,40,000
Income from other Business (Non-Presumptive)	3,50,000
Agricultural Income	3,10,000
Total Income	9,00,000

Presumptive Tax vis-à-vis Sec 115JB

- The tax credit equals “Tax paid for any AY U/s 115JB” - “Tax payable by the assessee on his Total Income (general Income-tax provisions)”.
- The tax credit shall be set-off when tax becomes payable on the total income (Under general Income-tax provisions).
- Tax credit shall be carried forward for set off till 10th AY immediately from next AY which tax credit becomes allowable. 
- If amount of tax payable is +/- as a result of an order passed, tax credit allowed shall also be +/- accordingly.
- No interest is payable on the tax credit available under sec 115JAA.
- Amount of surcharge and education cess cannot be included in amount of MAT credit under section 115JAA. - ***Richa Global Exports (P.) Ltd. v. ACIT (2012) 54 SOT 185 (Delhi) (Trib.)***

Credit for Tax paid under MAT U/s 115JAA

After applying provisions of MAT Credit U/s 115JAA, Tax payable would be :-

Assessment Year	Tax on Total Income [A]	MAT U/s 115JB [B]	Tax Liability [C= A or B, whichever is Higher]	MAT Credit [B-A if B>A]	Credit Availed	Balance Credit Available	Tax Payable
2008-09	6,00,000	10,00,000	10,00,000	4,00,000	Nil	4,00,000	10,00,000
2009-10	8,00,000	5,00,000	8,00,000	Nil	3,00,000	1,00,000	5,00,000
2010-11	3,00,000	5,50,000	5,50,000	2,50,000	Nil	3,50,000	5,50,000
2011-12	15,00,000	20,00,000	20,00,000	5,00,000	Nil	8,50,000	20,00,000
2012-13	12,00,000	2,00,000	12,00,000	Nil	8,50,000	Nil	3,50,000

Total Tax payable will be above plus surcharge (if applicable) and education cess.

Normal Provisions



MAT

If Debited to
P&L A/c

Nature	Relevant Section
The expenditure which the assessing officer considers to be excessive or unreasonable	Section 40A(2)
Contribution to staff welfare fund	Section 40A(9)
Donation to political parties	Section 37
Penalty, interest, etc. paid under direct tax laws or for infraction of any other law	Section 37
Speculation losses	Section 73
Provision for sales-tax, excise duty, bonus, interest to banks, etc.	Section 43B
Wealth tax	Section 40(iia)
Expenditure exceeding Rs.20,000 paid in cash	Section 40A(3)

- If a sum is debited to profit and loss account under the provisions of Electricity (Supply) Act, 1948, it will not be added to compute book profit, even if the same is disallowed u/s 37 or under any other provision of the Income Tax Act.

CIT vs. Echjay Forgings (P.) Ltd. [2001] (Bom.)

Once the income is found to be covered by principle of mutuality, the same cannot be brought to tax even under the MAT – ***Delhi Gymkhana club (35 SOT 335) Delhi.***

MAT is not applicable to Foreign company not having PE in India –

Timken 193 Taxmann 20 (AAR)

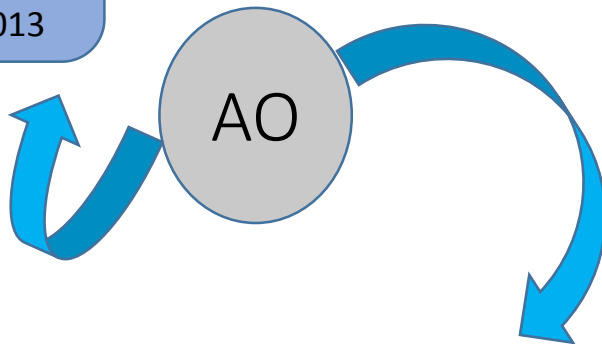
Once the requirements of Schedule III are complied with, the AO cannot recompute the profit in the P&L Account.

Malayala Manorama Co. Ltd. v. CIT (2008) 300 ITR 251.

Apollo tyres (SC) 255 ITR 273

Landmark Rulings

If P&L not as per Schedule III of the Companies Act, 2013



Variation in Adoption of

Accounting Standards

Accounting Policies

Rate of Depreciation

P&L Account presented in AGM

Variation in

Accounting Standards

Accounting Policies

Depreciation

P&L Account separately prepared for the purpose of MAT

Apollo tyres (SC) 255 ITR 273

Power of AO to re-write P&L A/C and Proviso 1 to Section 115JB(2):-

P&L Account
presented in AGM

Or

Revised Books of
Accounts
[Revised after AGM]

DCIT(Asst.) Vs Arvind Mills Ltd.

Power of AO to re-write P&L A/C

Who ?

- Chartered Accountant

In ?

- Form 29B

What ?

- Certifying that Book Profit has been computed in accordance with Section 115JB

When?

- When return is filed u/s 139(1) or in response to Notice u/s 142(1)

Report

Sl.No	Section	Assessment Year(s)	MAT Rate %
1	115JA	1997-98 to 2000-01	30% of Book Profit
2	115JB	2001-02 to 2006-07	7.5% of Book Profit
3	115JB	2007-08 to 2009-10	10% of Book Profit
4	115JB	2010-11	15% of Book Profit
5	115JB	2011-12	18% of Book Profit
6	115JB	2012-13 to 2017-18	18.5% of Book Profit

Previous Years' MAT Rates

Case Study

Section 115JB and Section
115JAA of the Income Tax
Act.



- A company filed ITR declaring book profits U/s 115JB . The company failed to pay various advance tax installments.
- The AO levied interest U/s 234C.
- Is the AO justified in doing so ?

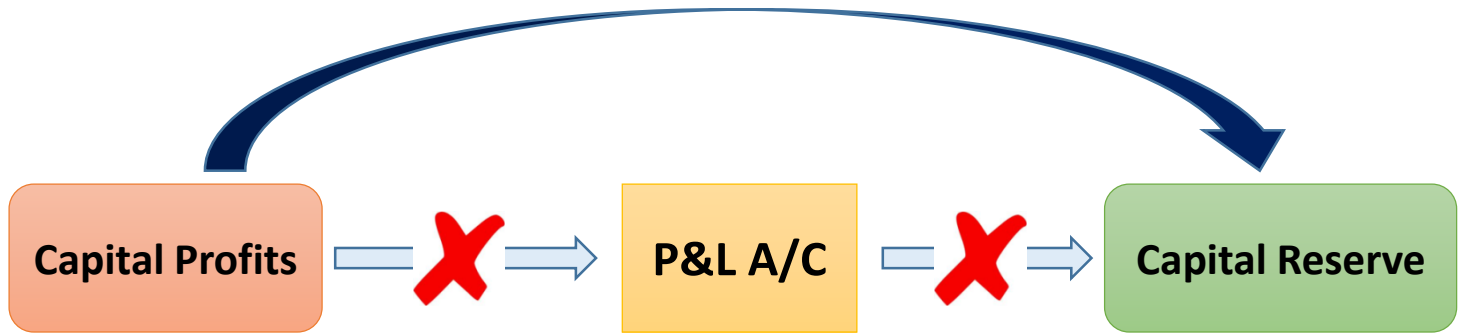
- A company b/f Mat Credit U/s 115JAA and set it off in the relevant previous year.
- The department wants to charge interest U/s 234 B on the complete shortfall of tax payable.
- But, the company claims it has to pay interest on ' Shortfall – MAT credit availed. Is the contention of the company correct ?

CIT Vs Rolta India Ltd. (2011)
330 ITR 470[SC].

CIT Vs Tulsyan NEC Ltd. (2011) 330
ITR 226 [SC]

Case Study

DCIT Vs Bombay Diamond Co.



Can AO alter P&L A/c to include Capital Profit & compute Book Profit ?

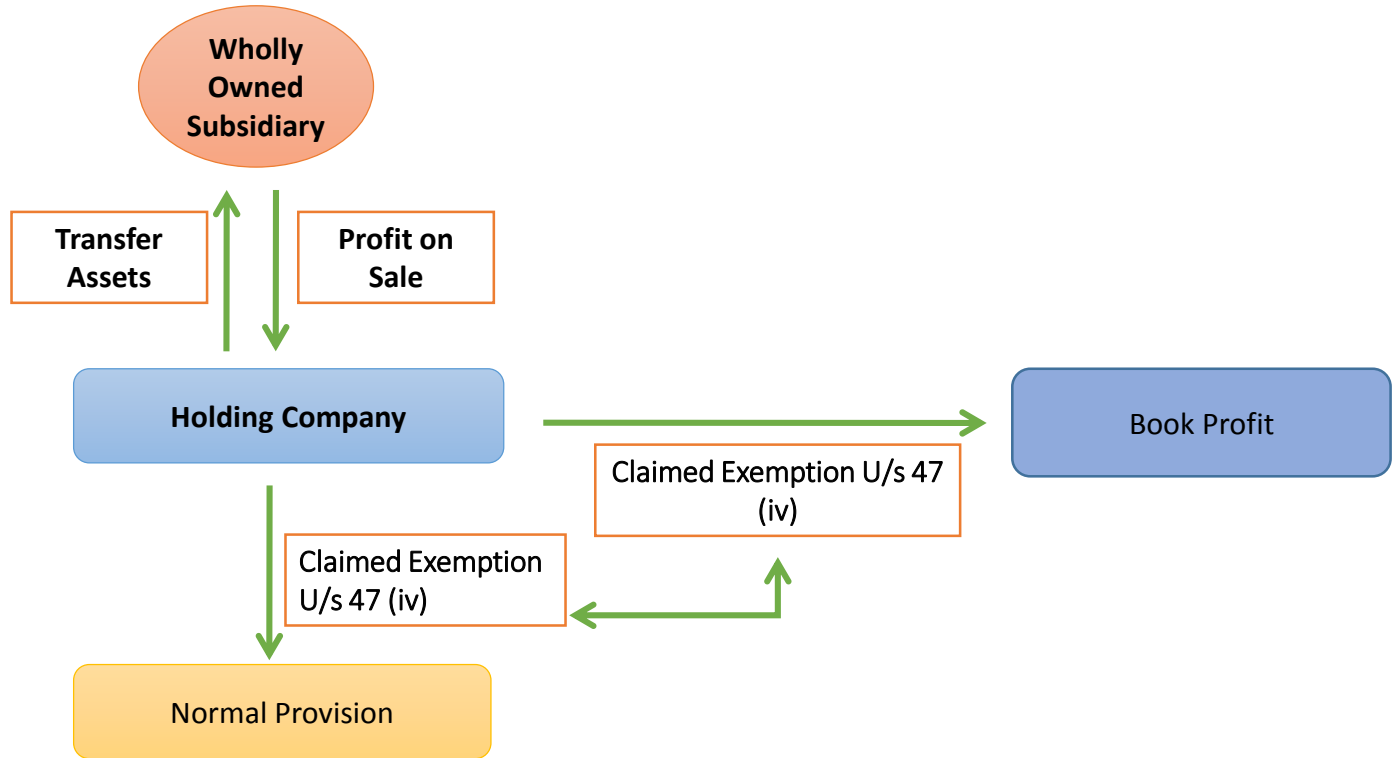
Particulars	As declared by Assessee	As assessed by AO
Loss under normal Provisions	43.47	36.95
Book profits u/s 115JB	3.86	4.01
Tax Paid on	3.86	4.01

There was a reduction in the loss under the normal provisions owing to various additions and disallowances, the AO levied penalty u/s 271(1)(c)

“even if there was a concealment u/s 271(1)(c) with respect to the normal assessment, the same was not relevant because the assessee’s income was assessed u/s 115JB”

MAT and Penalty

Can AO disallow exemption while computing Book Profit ?



Case Study

Original

Particulars	Amount
Book Profit	10,00,000
MAT @ 18.5%	1,85,000
Total Income under Normal Provisions	3,00,000
Tax @ 30%	90,000
Tax Payable u/s 115JB is Rs. 1,85,000	

Revised

Particulars	Amount
Book Profit	10,00,000
MAT @ 18.5%	1,85,000
Total Income under Normal Provisions	4,00,000
Tax @ 30%	1,20,000
Tax Payable u/s 115JB is Rs. 1,85,000	

Search Conducted

Voluntary Disclosure = Rs. 1,00,000

Effect of income computed under sec 115JB on the computation of the Undisclosed Income?

Penalty leviable by virtue of sub-section (5) of Sec. 115JB

Case Study

115JB not applicable to Foreign Companies without presence in India

Non Presumptive Income

234 ITR 828(AAR)

Calculate Profits separately for
MAT

Presumptive Income / Flat rate

Tinken India Ltd. In regards AAR
836 of 2009

Book Profit irrelevant;
Presumptive Income would
prevail.

Applicability of MAT to Foreign Companies

Co. A incorporated in USA
having PE in India

Derives FTS in India

Computation of Tax under IT Act

Particulars	Regular Provisions	MAT
Total Income/ Book Profit	1,000	2,500
Rate of Tax	30%	18.5%
Tax Amount	300	462.5
Tax Payable u/s 115JB is Rs. 462.5		

Indo- US DTAA
FTS taxed at
15% in source
country

At what rate is tax to be levied?

Case Study

Particulars	Regular Provisions	MAT
Gross Tax	2,000	2,500
DTA Credit	-	700
Net Tax Payable	2,000	1,800

Tax to be paid under Normal Provisions or MAT?

Particulars	Regular Provisions	MAT
Gross Tax	2,000	2,500
DTA Credit	-	700
Net Tax Payable	2,000	1,800

Amount of MAT Credit available?

Case Study

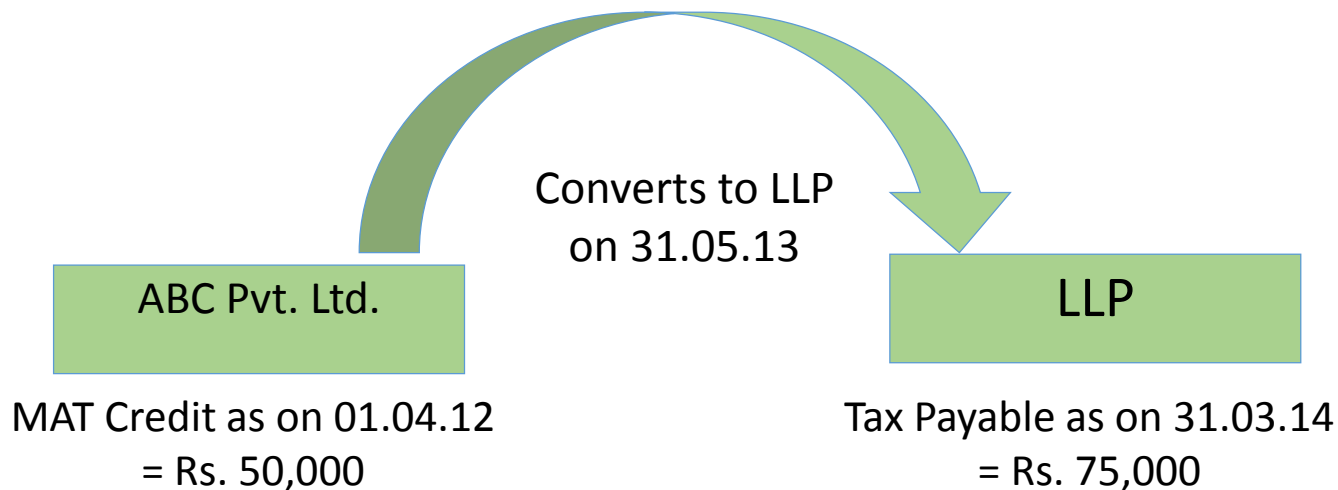
Can AO make changes to the Valuation of Closing Stock?

Profit and Loss A/c. of A Ltd. for the year ended 31.03.14

Particulars	Rs.	Particulars	Rs.
Opening Stock	500	Sales	7,500
Purchases	10,000	Other Income	1,500
Labour	1,000	Closing Stock	4,000
Other Expenses	500		
Net Profit	1,000		

Valued as
per
provisions of
AS 2

Case Study



Can LLP claim MAT Credit of Rs. 50,000 as on 31.03.2014?

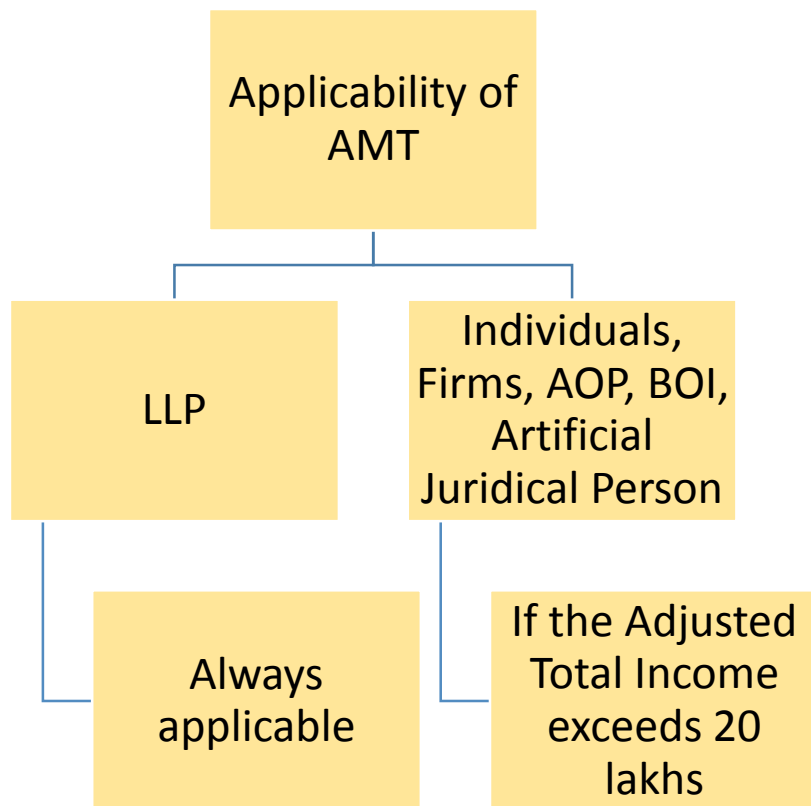
Case Study

Alternate Minimum Tax

Chapter XII BA of the
Income Tax Act, 1961



Applicability of AMT



- A person who has claimed deduction under
 - Chapter VI A under the heading '*C – Deduction in respect of certain incomes*'
 - Sec 10 AA
 - Sec 35 AD(w.e.f.1-4-2015)

1

- If the asset is not utilized for the specified purpose
- The asset is demolished, destroyed, discarded or transferred

2

- Consideration is received in cash or in kind
- Sec 28(vii) - treated as income

3

- Treatment under 115JC?

Assessee is not carrying the specified business activity u/s 35AD.

Provisions of Chapter XII – B of the Act is not made applicable.

Issue

In case of Individual, HUF AOP, BOI and AJP, AMT is applicable if TI > Rs.20 lakhs

If B is greater than D, pay tax as per AMT.

Particulars	Amt(Rs)
Total Income (A)	XXXX
Tax on A (B)	XXX
Add: Deductions under Chapter VI-A other than 80P	XXX
Add: Deductions u/s 10AA	XXX
Add: Deduction u/s 35AD net off depreciation u/s 32	
Adjusted Total Income (C)	XXXX
Tax on C (D)	XXX

Steps for calculating AMT

Particulars	MAT	AMT
Applies to	Companies	Other than Companies claiming income based deductions.
Computation	Book Profit adjusted with specified adjustment	Total income is increased by specified deductions
Preparation of P & L accounts	Companies are required to prepare P & L Account as per Schedule III of Companies Act, 2013	No such legal requirements
Allowance of depreciation	Rate specified in Companies Act, 2013	Rate specified under Rule 5 of Income tax Rules
Treatment of Brought forward losses	Lower of brought forward losses or unabsorbed depreciation is allowed to be deducted from Book profits	Both brought forward losses or unabsorbed depreciation to be deducted before carrying specified adjustment to total income.
LTCG exempt under sec 10(38)	MAT is applicable	AMT is not applicable

MAT V/s AMT

Section	Particulars
10AA	Newly established units in SEZ's
80IA	Deduction for industrial undertakings engaged in Infrastructure Development
80IAB	Deduction for industrial undertakings engaged in development of SEZ's
80IB	Deduction for industrial undertakings engaged in other than Infrastructure Development
80IC	Special provisions for undertakings in special category states.
80ID	Special provisions for hotels and convention centre in specified areas.
80IE	Special provisions for undertakings in North Eastern States.
80JJA	Deduction for undertakings engaged in collection and processing of bio degradable waste.
80JJAA	Deduction in respect of employment of new workmen.
80LA	Deductions in respect of OBU's.
80QQB	Deduction respect of royalty income of authors.
35AD	Deduction in respect of expenditure on specified business (w.e.f. 1-4-2015)

Sections hit by AMT

AMT Credit

- AMT credit shall be allowed for next 10 consecutive years.
- Credit can be set off only in the year in which the regular tax payable exceeds the AMT.

Credit of AMT is available even in a year where no deduction is claimed under

- Chapter VI-A
- Section 10AA
- Section 35 AD w.e.f. 1-4-2015
- Adjusted Total Income of Specified Tax payers is below 20 lakhs.

Gain on restatement of foreign currency term loan at the Balance Sheet date:

Gain due to restatement at the Balance Sheet Date of foreign currency term loan cannot be reduced from net profit for the purpose of working out book profit u/s 115JB, sine it does not represent 'real income'.

City Gold Media Ltd. Vs. ITO [2012] 17 taxman.com 232 (Ahd.Trib.)

Profit on Sale of assets being Long Term Capital Gain eligible for 54EC benefit, credited to P&L account:

Profit on sale of assets credited to profit and loss account can not be excluded in computing book profit under section 115JB even though capital gain arising from sale of that asset is not subject to tax under normal provisions of the Act, by virtue of sec.54EC.

Technicarts (P.) Ltd.. Vs. ITO [2011] 12 taxman.com 1 (Mum.Trib)

Cessation of liability on account of settlement loan liability with bank:

No part of the liability that has ceased on account of settlement of loan liability of bank and credited to P&L account can be excluded even though part of the liability may represent waiver of principle amount of loan.

Duke Offshore Ltd. Vs. Dy.CIT[2011] 45 SOT 399 (Mum.)

Recent Developments in MAT

Income which had earlier been written off as a bad debt, received now:

Income received by assessee, which had earlier been written off as bad debt, can not be included as a part of 'book profit'.

CIT Vs. Premium Taxcons (P.) Ltd.[2010] 229 CTR 308 (Uttarakhand)

MAT and 80-IB deduction:

The 'book profit' and 'total income' have to be computed independently. Therefore, the assessee could not be allowed deduction under section 80-IB while computing the book profit under sec.115JB.

Ganesh Housing Corporation Ltd. Vs. Asst.CIT[2009] 32 SOT 207 [Ahd.]

Treatment of accumulated depreciation in respects of assets sold or disposed off:

Where depreciation provided in previous year on fixed assets which were sold or disposed off during current year has been credited/written back to the profit and loss account for current year, such depreciation provision is NOT to be included as part of book profit.

ICI India Ltd. Vs. CIT(Appeals) [2011] 14 taxman.com 147 (Cal.)

Recent Developments in MAT

Capital Gain Exempt under sec. 47(iv):

Capital gains arising on transfer of assets by parent Company to its 100 per cent subsidiary Company can not be reduced for computing book profit u/s 115JB, since there is no express provision as per Explanation 1 to sec.115JB(2).

Rain Commodities Ltd.[2010] 40 SOT 265 (Hyd.) (SB)

Interest on borrowed capital not debited to P&L account:

Interest on borrowed capital not debited to P&L account and capitalized as part of cost of new project can not be reduced from net profit since there is no express provision as per Explanation 1 to sec.115JB(2).

CIT Vs. Avery Cycle Industries [2004] 89 ITD 497 (Chd.)

Interest income on Zero Coupon Bonds not accrued during previous year:

Since the interest on Zero Coupon Bond had not accrued during the year, the same could not be considered so as to “disclose the result of working of the company during the financial year” as per Schedule III. Hence the same is to be reduced from while computing the book profit.

Syndicate Bank Vs. Asst. CIT[2006] 7 SOT 51 (Bang.)

Recent Developments in MAT

Loss on Sale of Fixed Assets debited to P&L account:

Loss on sale of fixed assets is rightly debited to P&L account (in accordance with Accounting Standard 10 and Schedule III, the same can not be added back to net book profit, on the grounds of it being a capital loss.

Asian Diet Products Ltd. Vs. Dy.CIT[2007] 162 Taxman 210 (Delhi) (Mag.)

Income covered by principles of mutuality:

Once the income is found to be covered by the principle of mutuality, the same can not be brought to tax even under the provisions of Sec.115JB. The provisions of sec.2(24) recognizes the principle of mutuality and has excluded all business involving such principle from the purview of the Act, except those mentioned in sub-clause (vii) of sec.2(24).

Delhi Gymkhana Club Ltd Vs. Dy.CIT [2010] 35 SOT 335 (Delhi).

Waiver of loan and interest by the lender (gains):

Where the assessee did not incorporate effect of waiver in its books of account, though it disclosed details of waiver in its annual report, AO was justified in adding amount of interest waiver to arrive at book profit.

Shipyards Ltd. Vs. Dy.CIT[2010] 130 TTJ (Vishaka) 213.

Recent Developments in MAT

Revision of accounts which were adopted by AGM and submits revised return:

If the revised accounts meets the requirements of Schedule III and certified by the Chartered Accountants, then the net profit as per revised accounts based on which revised return has been submitted will have to be considered for calculation of “book profits”.

Dy.CIT Vs. Arvind Mills Ltd. [2009] 183 Taxman 189 (Guj.)

Change in accounting policy and qualification of the same by Statutory Auditor:

If the change in accounting policy is as per the Accounting Standard and what auditors have done is to give in their note the effect of such change in assessee's profit, it can not be said that assessee had not followed provisions of Schedule III.

Indian Oiltanking Ltd. Vs. ITO [2009] 120 ITD 237 (Mum)

Revised accounts pursuant to scheme of amalgamation which has retrospective effect:

Assessee, for giving effect to amalgamation as sanctioned by High Court, was entitled to prepare second set of accounts to set off unabsorbed losses of amalgamating company against its own surplus profits subject to fulfillment of conditions specified in Explan. (iii) to sub-s. (2) of s. 115JB.

CIT Vs. Beck India Ltd. [2008] 26 SOT 141 (Mum.)

Recent Developments in MAT

Share of profit form AOP is includible in book profit to determine MAT as held in **ACIT Vs B. Seenaih and Co Projects Ltd [2013] 37 taxmann.com 241.**

The assessee is entitled to claim the arrears on account of change in method of depreciation for the current year and also the arrears of past years.

CIT Vs Rubamin P Ltd [2008] 10 DTR 278

Amount credited by the assessee company to its P&L A/c having been withdrawn from the reserves transferred to it by another company under a scheme of arrangement which was originally created by the latter is deductible from the net profit for computing book profits – clause 1 of explanation to Sec 115JA. **Kopran Drugs Ltd Vs ACIT [2002] 127 TTJ 723.**

Demand raised by excise department though disputed is considered as ascertained liability. **CIT Vs Gandhi Silk Mills Ltd [2005] 274 ITR 145.**

Recent Developments in MAT

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Thank You!

Asst. Year	Tax credit allowed U/s 115jA	Tax credit availed U/s 115jA	No. of years allowed for c/f
2010-11	50,00,000		-
2011-12		1,00,000	0
2012-13		5,00,000	1
2013-14		0	2
2014-15		4,00,000	3
2015-16		2,00,000	4
2016-17		0	5
2017-18		3,00,000	6
2018-19		5,00,000	7
2019-2020		8,00,000	8
2020-2021		9,00,000	9
2021-2022		10,00,000	10

ITO Vs Data Software research Company 319 ITR (AT)40 distinguish from CBDT Circular no.763 dt Feb 18, 1998 230 ITR (st) 54.



**Profit and
Loss
Account**

Book Profit

Previous Year

Dr by
creating
Reserve

INCREASE

**Any
Subsequent
Year**

Cr by
reversing
Reserve

DECREASE

Adjustment for Reserve



**Profit and
Loss Account**

Book Profit

Previous Year

Dr by
creating
Provision

INCREASE

**Any
Subsequent
Year**

Cr by
reversing
provision

**NO
CHANGE**

Adjustment for Provision for asset



Is actual quantification of Ascertained Liability required ?

Provision for Gratuity on Actuarial Basis	No
Provision of Capital Nature debited to P&L	Yes
Provision for Leave Encashment	No
Debenture Redemption Reserve (In view of Revised Schedule III)	Yes

[Bharat Earth Movers Ltd. Vs CIT (2000)]

Unascertained Liabilities



➤ Surcharge	Yes
➤ Education Cess, Secondary and Higher Education Cess	Yes
➤ Interest	Yes
➤ Penalty	No
➤ Fringe Benefit Tax	No
➤ Dividend Distribution Tax and Income Distribution Tax	Yes
➤ STT, CTT, BCTT	No
➤ Wealth Tax	No
➤ Deferred Tax (Arising out of applicability of AS 22)	Yes
➤ Foreign Tax [Bank of India, Re(2007) 165 Taxman 627]	Yes

The amount of income-tax paid or payable



*Upon sale, amount
to be credited to P&L
a/c as per clause j =
RV- BV
=Rs 93 lakhs*

Book
Value(BV):
Rs 4 lakhs

Sale Value : Rs 96 lakhs



Revised Value of property(RV):
Rs 97 lakhs



**of revalued asset disposed or retired if not credited to the profit and loss account*

Clause j w.e.f 1.4.2013



Unabsorbed business loss or unabsorbed depreciation

- Brought forward business loss and unabsorbed depreciation as per income tax shall have no relevance. Susi Sea 48 SOT 424 (Vishakha)
- The amount of loss b/f or unabsorbed depreciation as per the Books of accounts whichever is less is to be deducted to arrive at book profit.
- The loss shall not include depreciation.
- Therefore, where there is profit (before depreciation) but after adjustment of depreciation, the profit is converted into loss, no adj in BP is allowed as although there is unabsorbed depreciation but b/fd loss is NIL.



Particulars	Upto 1-4-2015	After 1-4- 2015	After 1-4-2015
Total Income	100		100
Add: Deductions under Chapter VIA	40		40
Add: Deduction u/s 10AA	30		30
Add: Deduction u/s 35AD	Not applicable	60	
Depreciation u/s 32	Not applicable	(15)	45
Adjusted Total Income	170		215

Proposed Amendment by Finance Bill(2) of 2014

