MAT AND AMT

MAT stands for Minimum Alternate Tax and AMT stands for Alternate Minimum Tax. Initially the concept of MAT was introduced for companies and progressively it has been made applicable to all other taxpayers in the form of AMT. In this part you can gain knowledge about various provisions relating to MAT and AMT. First of all we will understand the provisions of MAT and thereafter the provisions of AMT.

Objective of levying MAT

At times it may happen that a taxpayer, being a company, may have generated income during the year, but by taking the advantage of various provisions of Income-tax Law (like exemptions, deductions, depreciation, etc.), it may have reduced its tax liability or may not have paid any tax at all. Due to increase in the number of zero tax paying companies, MAT was introduced by the Finance Act, 1987 with effect from assessment year 1988-89. Later on, it was withdrawn by the Finance Act, 1990 and then reintroduced by Finance (No. 2) Act, 1996, wef 1-4-1997.

The objective of introduction of MAT is to bring into the tax net "zero tax companies" which in spite of having earned substantial book profits and having paid handsome dividends, do not pay any tax due to various tax concessions and incentives provided under the Income-tax Law.

Since the introduction of MAT, several changes have been introduced in the provisions of MAT and today it is levied on companies as per the provisions of section 115JB.

Basic provisions of MAT

As per the concept of MAT, the tax liability of a company will be higher of the following:

- Tax liability of the company computed as per the normal provisions of the Income-tax Law, i.e., tax computed on the taxable income of the company by applying the tax rate applicable to the company. Tax computed in above manner can be termed as normal tax liability.
- Tax computed @ 15% (plus surcharge and cess as applicable) on book profit (manner of computation of book profit is discussed in later part). The tax computed by applying 15% (plus surcharge and cess as applicable) on book profit is called MAT.

Note:

MAT is levied at the rate of 9% (plus surcharge and cess as applicable) in case of a company, being a unit of an International Financial Services Centre and deriving its income solely in convertible foreign exchange.

Illustration

The taxable income of Essem Minerals Pvt. Ltd. computed as per the provisions of Income-tax Act is Rs. 8,40,000. Book profit of the company computed as per the provisions of section 115JB is Rs. 18,40,000. What will be the tax liability of Essem Minerals Pvt. Ltd. (ignore cess and surcharge)?

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The tax liability of a company will be higher of: (i) Normal tax liability, or (ii) MAT. Normal tax rate applicable to an Indian company is 30%* (plus cess and surcharge as applicable). Tax @ 30% on Rs. 8,40,000 will amount to Rs. 2,52,000 (plus cess). Book profit of the company is Rs. 18,40,000. MAT liability (excluding cess and surcharge) @ 15% on Rs.18,40,000 will come to Rs. 2,76,000.

Thus, the tax liability of Essem Minerals Pvt. Ltd. will be Rs. 2,76,000 (plus cess as applicable) being higher than the normal tax liability.

Note : * A domestic Company is taxable at the rate of 25% if, its turnover or gross receipt does not exceed Rs. 400 crores in the previous year 2021-22. In this case, it has been assumed that the turnover of Company exceeds Rs. 400 in previous year 2021-22.

Illustration

The taxable income of SM Energy Pvt. Ltd. computed as per the provisions of Income-tax Act is Rs. 28,40,000. Book profit of the company computed as per the provisions of section 115JB is Rs. 18,40,000. What will be the tax liability of SM Energy Pvt. Ltd. (ignore cess and surcharge)?

**

The tax liability of a company will be higher of: (i) Normal tax liability, or (ii) MAT. Normal tax rate applicable to an Indian company is 30%* (plus cess and surcharge as applicable). Tax @ 30% on Rs. 28,40,000 will amount to Rs. 8,52,000 (plus cess). Book profit of the company is Rs. 18,40,000. MAT liability (excluding cess and surcharge) @ 15% on Rs.18,40,000 will come to Rs. 2,76,000.

Thus, the tax liability of SM Energy Pvt. Ltd. will be Rs. 8,52,000 (plus cess as applicable), being higher than the MAT liability.

Note : * A domestic Company is taxable at the rate of 25% if, its turnover or gross receipt does not exceed Rs. 400 crores in the previous year 2021-22. In this case, it has been assumed that the turnover of Company exceeds Rs. 400 in previous year 2021-21.

Applicability and non-applicability of MAT

As per section 115JB, every taxpayer being a company is liable to pay MAT, if the Income-tax(including surcharge and cess) payable on the total income, computed as per the provisions of the Income-tax Act in respect of any year is less than 15% of its book-profit + surcharge (SC) + health & education cess.

However, the provisions of MAT are not applicable on:

a) The domestic companies which have opted for tax regimes under Section 115BAA or Section 115BAB;
b) Any income accruing or arising to a company from the life insurance business referred to in Section 115B;
c) Shipping company, the income of which is subject to tonnage taxation.

Further, as per Explanation 4 to section 115JB as amended by Finance Act, 2016 with retrospective effect from 1/4/2001, it is clarified that the MAT provisions shall not be applicable and shall be deemed never to have been applicable to an assessee, being a foreign company, if—

(i) the assessee is a resident of a country or a specified territory with which India has an agreement referred to in sub-section (1) of section 90 or the Central Government has adopted any agreement under sub-section (1) of section 90A and the assessee does not have a permanent establishment in India in accordance with the provisions of such agreement; or

(ii) the assessee is a resident of a country with which India does not have an agreement of the nature referred to in clause (i) and the assessee is not required to seek registration under any law for the time being in force relating to companies.

Further, as per Explanation 4A to section 115JB as inserted by Finance Act, 2018, MAT provisions shall not be applicable to a foreign company, whose total income comprises of profits and gains arising from business referred to in section 44AB, 44BB, 44BBA, or 44BBB and such income has been offered to tax at the rates specified in those sections.

Meaning of book profit*

As per Explanation 1 to section 115JB(2) "book profit" for the purposes of section 115JB means net profit as shown in the statement of profit and loss prepared in accordance with Schedule III to the Companies Act, 2013 as increased and decreased by certain items prescribed in this regard. The items to be increased and decreased are as follows :

Computation of book profit (Table A)

Particulars	*Amount*
Net profit as per statement of profit and loss prepared in accordance with Schedule III to the Companies Act, 2013	XXXXX
Add *: Following items (if they are debited to the statement of profit and loss)*	
Income-tax paid/payable and the provision thereof (*)	XXXXX
Amounts carried to any reserves by whatever name called (Other than reserve specified under Section 33AC)	XXXXX
Provisions for unascertained liabilities	XXXXX
Provisions for losses of subsidiary companies	XXXXX
Dividends paid/proposed	XXXXX
Expenditure related to incomes which are exempt under section 10 [other than section 10(38)] section 11 and section 12	XXXXX
The amount or amounts of expenditure relatable to, income, being share of the taxpayer in the income of an association of persons or body of individuals, on which no income-tax is payable in accordance with the	XXXXX

provisions of section 86.	
The amount or amounts of expenditure relatable to income accruing or arising to a taxpayer being a foreign company, from : (a) the capital gains arising on transactions in securities; or (b) the interest, dividend royalty or fees for technical services chargeable to tax at the rate or rates specified in Chapter XII if the income-tax payable on above income is less than the rate of MAT	XXXXX
The amount representing notional loss on transfer of a capital asset, being share or a special purpose vehicle to a business trust in exchange of units allotted by that trust referred to in clause (xvii) of section 47 or the amount representing notional loss resulting from any change in carrying amount of said units or the amount of loss on transfer of units referred to in clause (xvii) of section 47	XXXXX
Expenditure relatable to income by way of royalty in respect of patent chargeable to tax under section 115BBF	XXXXX
Amount of depreciation debited to P & L A/c	XXXXX
Deferred tax and the provision thereof	XXXXX
Provision for diminution in the value of any asset	XXXXX
The amount standing in revaluation reserve relating to revalued asset on the retirement or disposal of such an asset if not credited to statement of profit and loss	XXXXX
The amount of gain on transfer of units referred to in clause (xvii) of section 47 computed by taking into account the cost of the shares exchanged with units referred to in the said clause or the carrying amount of the shares at the time of exchange where such shares are carried at a value other than the cost through statement of profit and loss as the case may be;	XXXXX
Less : Following items (if they are credited to the statement of profit and loss)	
Amount withdrawn from any reserve or provision if credited to P&L account (**)	(XXXXX)
Incomes which are exempt under section 10 [other than section 10(38)] section 11 and section 12	(XXXXX)
Amount of depreciation debited to statement of profit and loss (excluding the depreciation on revaluation of assets)	(XXXXX)

Amount withdrawn from revaluation reserve and credited to statement of profit and loss to the extent it does not exceed the amount of depreciation on revaluation of assets	(XXXXX)
The amount of income, being the share of the taxpayer in the income of an association of persons or body of individuals, on which no income-tax is payable in accordance with the provisions of section 86, if any such amount is credited to the statement of profit and loss	XXXXX
The amount of income accruing or arising to a taxpayer being a foreign company, from : (a) the capital gains arising on transactions in securities; or (b) the interest, dividend royalty or fees for technical services chargeable to tax at the rate or rates specified in Chapter XII if such income is credited to the statement of profit and loss and the income-tax payable on above income is less than the rate of MAT.	XXXXX
The amount (if any, credited to the statement of profit and loss) representing (a) notional gain on transfer of a capital asset, being share of a special purpose vehicle to a business trust in exchange of units allotted by that trust referred to in clause (xvii) of section 47; or (b) notional gain resulting from any change in carrying amount of said units; or (c) gain on transfer of units referred to in clause (xvii) of section 47, The amount representing notional gain on transfer of units referred to in clause (xvii) of section 47 computed by taking into account the cost of the shares exchanged with units referred to in the said clause or the carrying amount of the shares at the time of exchange where such shares are carried at a value other than the cost through statement of profit and loss, as the case may be;	XXXXX
Income by way of royalty in respect of patent chargeable to tax under section 115BBF	XXXXX

Aggregate amount of unabsorbed depreciation and loss brought forward in case of: a) A company and its subsidiary and the subsidiary of such subsidiary, where, the Tribunal, on an application moved by the Central Government under Section 241 of the Companies Act, 2013 has suspended the Board of Directors of such company and has appointed new directors who are nominated by the Central Government under Section 242 of the said Act; A company against whom an application for corporate insolvency resolution process has been admitted by the Adjudicating Authority under Section 7 or Section 9 or Section 10 of the Insolvency and Bankruptcy Code, 2016	
Amount of brought forward loss or unabsorbed depreciation, whichever is less as per books of account (in case of a company other than the company undergoing insolvency proceedings)	(XXXXX)
Profits of a sick industrial company till its net worth becomes zero/positive	(XXXXX)
Deferred tax, if credited to statement of profit and loss	(XXXXX)
Book profit to be used to compute MAT	**XXXXX**

(*) The amount of Income-tax shall include:

i. Any tax on distributed profits under section 115-O (dividend distribution tax - i.e., DDT) or tax on distributed income under section 115R;
ii. Any interest charged under this Act;
iii. Surcharge, if any, as levied by the Central Acts from time-to-time;
iv. Education Cess on Income-tax, if any, as levied by the Central Acts from time-to-time; and
v. Secondary and Higher Education Cess on Income-tax, if any, as levied by the Central Acts from time-to-time.

(**) Withdrawals made from reserves created or provisions made on or after the 1-4-1997, shall be deducted only if the book profit of the year of creation of such reserve has been increased by the amount transferred to such reserve or provisions (out of which the said amount was withdrawn).

For example, Governmental grants relating to depreciable assets are credited to special reserve (i.e., not to statement of profit and loss) in the year of receipt and a portion of such grant is transferred from that reserve to statement of profit and loss over the life of the asset in proportion to depreciation charged. In the year in which these grants were credited to special reserve, they had not been added to net profit for calculation of book profit subjected to MAT. Therefore, in the year of transfer to P&L the amounts so transferred shall not be reduced from net profit while calculating book profit for the purpose of MAT.

Meaning of book profit for Indian Accounting Standards (Ind AS) compliant companies

1. As per newly inserted section 115JB(2A) by the Finance Act, 2017, "book profit" for Ind AS compliant company for the purpose of section 115JB means the book profit as computed in accordance with Explanation 1 to section 115JB(2) as:-

(a) increased by all amounts credited to other comprehensive income (OCI) in the statement of profit and loss that will not be re-classified to profit or loss;

(b) decreased by all amounts debited to other comprehensive income (OCI) in the statement of profit and loss that will not be re-classified to profit or loss;

(c) increased by all amounts or aggregate of amounts debited to the statement of profit and loss on distribution of non-cash assets to shareholders in a demerger of companies in accordance with Appendix A of Ind AS 10*; and*

(d) decreased by all amounts or aggregate of amounts credited to the statement of profit and loss on distribution of non-cash assets to shareholders in a demerger of companies in accordance with Appendix A of Ind AS 10.

2. Any item credited/debited to OCI that will not re-classified to profit or loss should be ignored for the purpose of computing book profit if that item is:

(i) Revaluation surplus for fixed assets and intangible assets under Ind AS 16 and Ind AS 38; or

(ii) Gains or losses from investments in equity instruments measured at fair value through other comprehensive income (FVTOCI) as per Ind AS 109.

But, the book profit of the previous year in which the asset or investment as referred to in above points (i) and (ii) is retired, disposed, realised or otherwise transferred shall be increased or decreased by the amounts of above points (i) and (ii) to the extent relatable to the disposed asset or investment.

3. In the case of a resulting company, where the assets and liabilities of the undertaking or undertakings being received by it are recorded at values different from values appearing in the books of account of the demerged company immediately before demerger, any change in such value shall be ignored for the purpose of computation of book profit of the resulting company.

4. So, for the computation of book profit of an Ind AS compliant company, you may proceed as follows:

Particulars	Amount
Book profit as computed in Table A	XXXXX
Adjustments as mentioned in point (3) above	XXXXX
Adjustments for revaluation gain/loss for fixed assets & intangible assets in the year of their disposal or transfer	XXXXX
Adjustments for gains or losses from investments in equity instruments measured at FVTOCI in the year if their disposal or transfer	XXXXX

Adjustments for any other OCI items that will not be re-classified to profit or Loss	XXXXX
Book profit to be used to compute MAT	**XXXXX**

5. The adjustments arising on account of transition to Ind AS from existing Indian GAAP are required to be recorded under Other Equity in the balance sheet. The amount of these adjustments are defined as transition amount. The amount of such adjustments that will not be re-classified should be included in computation of book profit equally over a period of 5 years starting from the year of first-time adoption of Ind AS, subject to certain exclusions.

MAT credit

As discussed in earlier part, a company has to pay higher of normal tax liability or liability as per MAT provisions. If in any year the company pays liability as per MAT, then it is entitled to claim credit of MAT paid over and above the normal tax liability in the subsequent year(s).The provisions relating to carry forward and adjustment of MAT credit are given in section 115JAA.

Provided that where the amount of Foreign Tax Credit ('FTC') allowed against the MAT exceeds the amount of such FTC admissible against the tax payable by the assessee under normal provisions of the Income-Tax Act, then, while computing the amount of FTC under this sub-section, such excess amount shall be ignored.

Illustration

The tax liability of Essem Minerals Ltd. for the financial year 2023-24 under the normal provisions of the Income-tax Act is Rs. 8,40,000 and the liability as per the provisions of MAT is Rs. 10,00,000. Will the company be entitled to claim any MAT credit in the subsequent year(s) as per the provisions of section 115JAA?

**

A company paying MAT is entitled to claim the credit of MAT paid in excess of normal tax liability. In this case the liability of Essem Minerals Ltd. for the year 2023-24 under the normal provisions is Rs. 8,40,000 and as per the provisions of section 115JB it is Rs. 10,00,000 (which is higher than normal tax liability) and, hence, the company has to pay Rs. 10,00,000, i.e., liability as per MAT provisions.

As per section 115JAA, if in any year a company pays its tax liability as per MAT, then it can claim MAT credit being the excess MAT paid over the normal tax liability. In this case, as the liability of MAT is higher, and, hence, the company will be entitled to claim MAT credit of Rs. 1,60,000 (being excess of MAT over normal tax liability of Rs. 8,40,000).

Adjustment of carried forward MAT credit

As discussed earlier, a company is entitled to claim MAT credit i.e. excess of MAT paid over the normal tax liability. The credit of MAT can be utilised by the company in the subsequent year(s). The credit can be adjusted in the year in which the liability of the company as per the normal provisions is more than the MAT liability. The set off in respect of brought forward MAT credit shall be allowed in the subsequent year(s) to the extent of the difference between the tax on its total income as per the normal provisions and as per the MAT provisions.

Illustration

The tax liability of Essem Energy Ltd. for the financial year 2023-24 under the normal provisions of the Income-tax Act is Rs. 18,40,000 and the liability as per the provisions of MAT is Rs. 18,00,000. It has brought forward MAT credit of Rs. 2,00,000. Can the company adjust the MAT credit? If, yes then how much and what will be the tax liability of the company after adjustment of MAT credit?

**

MAT credit can be adjusted in the year in which the liability of the company as per the normal provisions is more than the MAT liability. In this case the liability as per the normal provisions of the Income-tax Act is Rs. 18,40,000 and the liability as per the provisions of MAT is Rs. 18,00,000. Liability as per the normal provisions is more than liability as per the provisions of MAT and, hence, the company can adjust the MAT credit.

The set off in respect of brought forward MAT credit shall be allowed in the subsequent year(s) to the extent of the difference between the tax on total income as per the normal provisions and liability as per the MAT provisions. Thus, after set off of MAT credit, the liability of the company cannot be less than liability as per the provisions of MAT. In this case, the liability as per MAT is Rs. 18,00,000, and, hence, after claiming set off of the MAT credit, the liability of company cannot be less than Rs. 18,00,000. Hence, out of the credit of Rs. 2,00,000 the company can claim credit of Rs. 40,000 only and the balance credit of Rs. 1,60,000 can be carried forward to next year(s).

Period for which MAT credit can be carried forward

As discussed earlier, the company can carry forward the MAT credit for adjustment in subsequent year(s), however, the MAT credit can be carried forward only for a period of 15 years after which it will lapse. In other words, if MAT credit cannot be utilised by the company within a period of 15 years (immediately succeeding the assessment year in which such credit was generated), then such credit will lapse. No interest is paid to the taxpayer in respect of such credit.

Report from chartered accountant

Every company to whom the provisions of section 115JB applies is required to obtain a report from a chartered accountant in Form No. 29B certifying that the book profit has been computed in accordance with the provisions of section 115JB. The report should be obtained before the specified date referred to in Section 44AB. Audit report in Form No. 29B shall be filed electronically.

Provisions relating to AMT

The provisions of MAT are applicable to a corporate taxpayer only. The provisions relating to AMT are applicable to non-corporate taxpayers in a modified pattern in the form of Alternate Minimum Tax, i.e., AMT. Thus, it can be said that MAT applies to companies and AMT applies to a person other than a company. The provisions relating to AMT are given in sections 115JC to 115JF.

Basic provisions relating to applicability of the AMT to different taxpayers

The provisions of AMT will apply to every non-corporate taxpayer who has claimed (i) deduction under section 80H to 80RRB (except 80P), (ii) deduction under section 35AD and (iii) deduction under section 10AA. Thus, the provisions of AMT are not applicable to a non-corporate taxpayer who has not claimed any deduction under above discussed sections. However, following points should be kept in mind in this regard.

The provisions of AMT shall apply to an individual or a Hindu undivided family or an association of persons or a body of individuals (whether incorporated or not) or an artificial juridical person only if the adjusted total income (discussed later) of such person exceeds Rs. 20,00,000.(Section 115JEE)

The provisions of AMT shall apply to every other person (i.e., other than an individual or a HUF or an AOP/BOI or an artificial juridical person) irrespective of its income. For definition of a person refer to section 2(31).

Further the provisions of AMT are not applicable to a person:

(a) Who has exercised the concessional tax regime available under section 115BAC, section 11BAD or section 115BAE; or

(b) Income tax payable in respect of total income of a person is computed under section 115BAC(1A).

Re-computation of Book Profits of Past Years due to APA or Secondary Adjustment

The Finance Act, 2021 has introduced a new sub-section (2D) to Section 115JB. It has been provided that Assessing Officer, on an application by the assessee, shall re-compute book profit of the past years and tax payable thereon if assessee's current year's income has increased due to repatriation on account of an Advance Pricing Agreement entered into by the assessee under section 92CC or on account of secondary adjustment required to be made under section 92CE.

The CBDT may notify the manner for re-computation of the book profits of past years by the Assessing Officer. Further, it has been provided that for rectification of mistake under section 154, the period of 4 years as specified in the said section shall be reckoned from the end of the financial year in which such application is received by the Assessing Officer.

Two provisos to the sub-section (2D) to Section 115JB have also been inserted. The *first proviso* provides that the benefit of re-computation of book profit shall be available only if the assessee has not utilised the MAT credit in any subsequent Assessment Year. In other words, if such assessee has utilised the MAT credit for payment of tax liability of any subsequent assessment year, he shall not be eligible to claim the benefit of Section 115(2D).

In the *second proviso*, it is provided that the assessee can make an application for re-computation of book profit only for the past years beginning on or before Assessment Year 2020-21. Further, the assessee shall not be eligible to claim the interest on the refund, if any, arising to him on account of reduction in tax payable due to re-computation of profit of past years.

Rate of AMT

In case of non-corporate taxpayer, AMT is levied @ 18.5%* of adjusted total income (discussed later). Surcharge and cess as applicable will also be levied. However, AMT is levied @ 9% in case of a non-corporate assessee being a unit located in International Financial Services Centre and deriving its income solely in convertible foreign exchange. Surcharge and cess as applicable will also be levied.

* With effect from Assessment Year 2023-24, the Finance Act, 2022 has reduced the rate of AMT from 18.5% to 15% in case of co-operative society.

Meaning of adjusted total income

In case of a non-corporate taxpayer, adjusted total income is computed in following manner :

Particulars	*(Rs.)*
Taxable income of the taxpayer	XXXX
Add: Amount of deduction claimed under section 80H to 80RRB (except 80P)	XXXX
Add: Amount of deduction claimed under section 35AD (as reduced by the amount of depreciation allowable in accordance with the provisions of section 32)	XXXX
Add: Amount of deduction claimed under section 10AA	XXXX
Adjusted total income	**XXXX**

Tax liability in case of a non-corporate taxpayers to whom the provisions of AMT apply

As per the concept of AMT, the tax liability of a non-corporate taxpayer to whom the provisions of AMT applies will be higher of the following:

- Tax liability computed as per the normal provisions of the Income-tax Law, i.e., tax computed on the taxable income of the taxpayer at the tax rate applicable to him. Tax computed in above manner can be termed as normal tax liability.
- Tax computed @ 18.5% (plus surcharge and cess as applicable) on adjusted total income. The tax computed by applying 18.5% (plus surcharge and cess as applicable) on adjusted total income is called AMT.

Note:

(1) AMT is levied @ 9% in case of a non-corporate assessee being a unit located in International Financial Services Centre and deriving its income solely in convertible foreign exchange. Surcharge and cess as applicable will also be levied.

(2) AMT is levied @ 15% in case of a co-operative society (Applicable from Assessment Year 2023-24)

Illustration

The taxable income for the year 2023-24 of Mr. Kumar (resident and age 39 years) computed as per the provisions of Income-tax Act is Rs. 28,40,000. The taxable income has been computed after deduction of Rs. 2,00,000 under section 80QQB in respect of royalty on books. Will he be liable to AMT? What will be his tax liability for the year?

**

The provisions of AMT shall apply to a non-corporate taxpayer if he has made any claim for deduction under section 80H to 80RRB (except section 80P), under section 35AD and under section 10AA. Further, the provisions of AMT shall apply to an individual or a Hindu undivided family or an association of persons or a body of individuals (whether incorporated or not) or an artificial juridical person only if the adjusted total income of such person exceeds Rs. 20,00,000. In this case, Mr. Kumar has claimed deduction under section 80QQB and his adjusted total income exceeds Rs. 20,00,000 and, hence, the provisions of AMT will apply to him.

By applying the provisions of AMT, the tax liability of Mr. Kumar will be higher of the following:

- Tax liability computed as per the normal provisions of the Income-tax Law, i.e., tax computed on the taxable income of the taxpayer by applying the tax rate applicable to him. Tax computed in above manner can be termed as normal tax liability.
- Tax computed @ 18.5% (plus surcharge and cess as applicable) on adjusted total income. The tax computed by applying 18.5% (plus surcharge and cess as applicable) on adjusted total income is called AMT.

His taxable income is Rs. 28,40,000, tax on Rs. 28,40,000 by applying the tax rates applicable to an individual below the age of 60 years for the assessment year 2024-25 works out to Rs. 6,64,500. Tax liability after health & education cess of 4% would work out to Rs. 6,91,080.

Adjusted total income will come to Rs. 30,40,000 (Rs. 28,40,000 + Rs. 2,00,000, i.e., deduction under section 80QQB). AMT @ 18.5% on Rs. 30,40,000 will come to Rs. 5,62,400. AMT liability after health & education cess of 4% will come to Rs. 5,84,896.

From the above computation it can be observed that the liability as per the normal provisions of the Income-tax Act is more than the liability as per the provisions of AMT and, hence, the tax liability of Mr. Kumar will be Rs. 6,91,080.

Illustration

The taxable income for the financial year 2023-24 of Mr. Ajay (resident and age 34 years) computed as per the provisions of Income-tax Act is Rs. 20,84,000. The taxable income has been computed after deduction of Rs. 5,00,000 under section 80JJA. Will he be liable to AMT? What will be his tax liability for the year?

**

The provisions of AMT shall apply to a non-corporate taxpayer if he has made any claim for deduction under section 80H to 80RRB (except section 80P), under section 35AD and under section 10AA. Further, the provisions of AMT shall apply to an individual or a Hindu undivided family or an association of persons or a body of individuals (whether incorporated or not) or an artificial juridical person only if the adjusted total income of such person exceeds Rs. 20,00,000. In this case, Mr. Ajay has claimed deduction under section 80JJA and his adjusted total income exceeds Rs. 20,00,000 and, hence, the provisions of AMT would apply to him.

By applying the provisions of AMT, the tax liability of Mr. Ajay will be higher of the following:

Tax liability computed as per the normal provisions of the Income-tax Law, i.e., tax computed on the taxable income of the taxpayer by the tax rate applicable to him. Tax computed in above manner can be termed as normal tax liability.

Tax computed @ 18.5% (plus surcharge and cess as applicable) on adjusted total income. The tax computed by applying 18.5% (plus surcharge and cess as applicable) on adjusted total income is called AMT.

His taxable income is Rs. 20,84,000, tax on Rs. 20,84,000 by applying the tax rates applicable to an individual below the age of 60 years for the assessment year 2024-25 works out to Rs. 4,37,700. Tax liability after health & education cess of 4% would work out to Rs. 4,55,208.

Adjusted total income will come to Rs. 25,84,000 (Rs. 20,84,000 + Rs. 5,00,000, i.e., deduction under section 80JJA). AMT @ 18.5% on Rs. 25,84,000 will come to Rs. 4,78,040. AMT liability after cess of 4% will come to Rs. 4,97,162.

From the above computation it can be observed that the liability as per the provisions of AMT is more than the liability as per the normal provisions and, hence, the tax liability of Mr. Ajay would work out to Rs. 4,97,162 (i.e., as per AMT). The excess tax paid by Mr. Ajay on account of AMT can be claimed as AMT credit and can be carried forward for adjustment to next year(s) [provisions relating to AMT credit are discussed later].

AMT credit

As discussed in earlier part, a non-corporate taxpayer to whom the provisions of AMT applies has to pay higher of normal tax liability or liability as per the provisions of AMT. If in any year the taxpayer pays liability as per AMT, then he is entitled to claim credit in the subsequent year(s) of AMT paid above the normal tax liability.

Provided that where the amount of Foreign Tax Credit ('FTC') allowed against the AMT exceeds the amount of such FTC admissible against the tax payable by the assessee under normal provisions of the Income-Tax Act, then, while computing the amount of FTC under this sub-section, such excess amount shall be ignored.

Illustration

The tax liability of Essem Enterprises (a partnership firm) for the financial year 2023-24 under the normal provisions of the Income-tax Act is Rs. 8,40,000 and the liability as per the provisions of AMT is Rs. 10,00,000. Will it be entitled to claim any AMT credit in the subsequent year(s)?

**

A non-corporate taxpayer paying AMT is entitled to claim the credit of AMT paid in excess of normal tax liability. In this case the liability of Essem Enterprises for the financial year 2023-24 under the normal provisions is Rs. 8,40,000 and as per the provisions of AMT is Rs. 10,00,000 (which is higher than normal tax liability) and, hence, the firm has to pay Rs. 10,00,000, i.e., liability as per AMT provisions.

If in any year, the taxpayer pays liability as per AMT, then it can claim AMT credit of the excess of AMT paid over the normal tax liability. In this case, the liability of AMT is higher, hence, the firm will be entitled to claim AMT credit of Rs. 1,60,000 (being excess of AMT over normal tax liability of Rs. 8,40,000).

Adjustment of carried forward AMT credit

As discussed earlier, a non-corporate taxpayer to whom the provisions of AMT applies is entitled to claim AMT credit of excess AMT paid over the normal tax liability. The credit of AMT can be utilised by the taxpayer in the subsequent year(s). The credit can be adjusted in the year in which the liability of the taxpayer as per the normal provisions is more than the AMT liability. The set off in respect brought forward AMT credit shall be allowed in the subsequent year(s) to the extent of the difference between the tax on his total income as per the normal provisions and the liability as per the AMT provisions.

Illustration

The tax liability of Essem Enterprises (a partnership firm) for the financial year 2023-24 under the normal provisions of the Income-tax Act is Rs. 18,40,000 and the liability as per the provisions of AMT is Rs. 18,00,000. It has brought forward AMT credit of Rs. 2,00,000. Can the firm adjust the AMT credit? If yes, then how much and what will be the tax liability of the firm after adjustment of AMT credit?

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The AMT credit can be adjusted in the year in which the liability of the non-corporate taxpayer to whom the provisions of AMT applies as per the normal provisions is more than the AMT liability. In this case, the liability as per the normal provisions of the Income-tax Act is Rs. 18,40,000 and the liability as per the provisions of AMT is Rs. 18,00,000. Liability as per the normal provisions is more than liability as per the provisions of AMT and, hence, the firm can adjust the AMT credit.

The set off in respect of brought forward AMT credit shall be allowed in the subsequent year(s) to the extent of the difference between the tax on his total income as per the normal provisions and the liability as per the AMT provisions. Thus, after set off of the AMT credit, the liability of the firm cannot be less than liability as per the provisions of AMT. In this case, the liability as per AMT is Rs. 18,00,000, and, hence, after claiming set off of the AMT credit, the liability of the firm cannot be less than Rs. 18,00,000. Hence, out of the credit of Rs. 2,00,000 the firm can claim credit of Rs. 40,000 only and the balance credit of Rs. 1,60,000 can be carried forward to next year(s).

Period for which AMT credit can be carried forward

As discussed earlier, a non-corporate taxpayer (to whom the provisions of AMT applies) can carry forward the AMT credit for adjustment in subsequent year(s), however, the AMT credit can be carried forward only for a period of 15 years after which it will lapse. In other words, if AMT credit cannot be utilised by the non-corporate taxpayer within a period of 15 years (immediately succeeding the assessment year in which such credit was generated), then such credit will lapse. No interest is paid to the taxpayer in respect of such credit.

Report from Chartered Accountant

Every non-corporate taxpayer to whom the provisions of AMT apply is required to obtain a report from a chartered accountant in Form No. 29C before the date referred to in Section 44AB.

MCQ on AMT and MAT

Q1. MAT stands for ____________

(a) Minimum Alternate Tax
(b) Minimum Allowed Tax
(c) Minimum Applicable Tax
(d) Minimum Adjustable Tax

Correct answer : (a)

Justification of correct answer :

MAT stands for Minimum Alternate Tax and AMT stands for Alternate Minimum Tax. Initially the concept of MAT was introduced for companies and progressively it has been made applicable to all other taxpayers in the form of AMT.

Thus, option (a) is the correct option.

Q2. AMT stands for ____________

(a) Applicable Minimum Tax
(b) Adjustable Minimum Tax
(c) Alternate Minimum Tax
(d) Allowed Minimum Tax

Correct answer : (c)

Justification of correct answer :

MAT stands for Minimum Alternate Tax and AMT stands for Alternate Minimum Tax. Initially the concept of MAT was introduced for companies and progressively it has been made applicable to all other taxpayers in the form of AMT.

Thus, option (c) is the correct option.

Q3. As per section 115JB, every taxpayer being a company is liable to pay MAT, if the Income-tax payable on the total income, computed as per the provisions of the Income-tax Act in respect of any year is less than 15.50% of its book-profit + surcharge (SC) + education cess (EC) + secondary and higher education cess (SHEC).

(a) True
(b) False

Correct answer : (b)

Justification of correct answer :

As per section 115JB, every taxpayer being a company is liable to pay MAT, if the Income-tax payable on the total income, computed as per the provisions of the Income-tax Act in respect of any year is less than **15%** of its book-profit + surcharge (SC) + health & education cess (HEC).

Thus, the statement given in the question is false and hence, option (b) is the correct option.

Q4. As per section 115JB(5A) MAT shall not apply to any income accruing or arising to a company from life insurance business referred to in section 115B.

(a) True (b) False

Correct answer : (a)

Justification of correct answer :

As per section 115JB(5A) MAT shall not apply to any income accruing or arising to a company from life insurance business referred to in section 115B.

Thus, the statement given in the question is true and hence, option (a) is the correct option.

Q5. The provisions of MAT will apply to shipping income liable to tonnage taxation, *i.e.*, tonnage taxation scheme as provided in section 115V to 115VZC.

(a) True (b) False

Correct answer : (b)

Justification of correct answer :

The provisions of MAT will not apply to shipping income liable to tonnage taxation, *i.e.*, tonnage taxation scheme as provided in section 115V to 115VZC.

Thus, the statement given in the question is false and hence, option (b) is the correct option.

Q6. As per *Explanation 1* to section 115JB(2) "book profit" for the purposes of section 115JB means net profit as shown in the statement of profit and loss prepared in accordance with _______of the Companies Act as increased and decreased by certain items prescribed in this regard.

(a) Schedule V (b) Schedule III

(c) Schedule IV (d) Schedule I

Correct answer : (b)

Justification of correct answer :

As per *Explanation 1* to section 115JB(2) "book profit" for the purposes of section 115JB means net profit as shown in the statement of profit and loss prepared in accordance with Schedule III to the Companies Act, 2013 as increased and decreased by certain items prescribed in this regard.

Thus, option (b) is the correct option.

Q7. If in any year the company pays liability as per MAT, then it is entitled to claim credit of MAT paid over and above the normal tax liability in the subsequent year(s).

(a) True (b) False

Correct answer : (a)

Justification of correct answer :

If in any year the company pays liability as per MAT, then it is entitled to claim credit of MAT paid over and above the normal tax liability in the subsequent year(s). The provisions relating to carry forward and adjustment of MAT credit are given in section 115JAA.

Thus, the statement given in the question is true and hence, option (a) is the correct option.

Q8. In case of non-corporate taxpayer, AMT is levied @________% of adjusted total income.

(a) 20.00 (b) 18.50

(c) 15.00 (d) 10.00

Correct answer : (b)

Justification of correct answer :

In case of non-corporate taxpayer, AMT is levied @ 18.5% of adjusted total income

Thus, option (b) is the correct option.

Q9. Every non-corporate taxpayer to whom the provisions of AMT apply is required to obtain a report from a chartered accountant in Form No. ______ on or before the due date of filing the return of income

(a) 29 (b) 29A

(c) 29B (d) 29C

Correct answer : (d)

Justification of correct answer :

Every non-corporate taxpayer to whom the provisions of AMT apply is required to obtain a report from a chartered accountant in Form No. 29C on or before the due date of filing the return of income

Thus, option (d) is the correct option.