

NEW CORPORATE TAX RATES- BOOST TO ECONOMY

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It gives concessional rate of 25% subject to giving up certain benefits.



Word “Manufacturing” is added to the same section.



Surcharge is applicable at Normal Rate (7 or 12 %)

**SEC
115BA**





New Section Inserted
giving tax rate of 22 % to
Domestic Company.



Applicable to all the
Domestic companies
whether engaged in
manufacturing, trading or
service sector.



Surcharge 10 % is
applicable irrespective of
the Total Income.

**SEC
115BAA**



PROHIBITED	NOT PROHIBITED
DEDUCTION U/S. 10AA	NORMAL DEPRECIATION
ADDITIONAL DEPRECIATION U/S. 32(1)(ia)	UNABSORBED DEPRECIATION OTHER THAN DUE TO ADDITIONAL DEP
SEC 32AD	SET OFF OF LOSSES OTHER THAN DUE TO PROHIBITED ITEMS
SEC 33AB/ABA	CHAPTER VI-A PART 'A' & 'B' DEDUCTION
SEC 35 SCIENTIFIC RESEARCH DONATIONS	SEC 35 SCIENTIFIC RESEARCH EXPENSES
SEC 35AD	
SEC 35CCC/CCD	
CHAPTER VI-A PART 'C' DEDUCTION EXCEPT 80JJAA	
SET OFF OF LOSSES IF DUE TO ANY ABOVE	
MAT CREDIT U/S. 115JAA	

SEC 115BAA



DOMESTIC CO	TURNOVER in Previous Year 2017-18 does not exceed Rs. 400 crores		
	Normal provisions	Section 115BAA	Net saving in taxes (in %)
Income Upto Rs. 1 crore	26.00%	25.17%	0.83%
Income more than Rs. 1 crore but upto Rs. 10 crores	27.82%	25.17%	2.65%
Income more than Rs. 10 Crores	29.12%	25.17%	3.95%



DOMESTIC CO	TURNOVER in Previous Year 2017- 18 exceeds Rs. 400 crores		
	Normal provisions	Section 115BAA	Net saving in taxes (in %)
Income Upto Rs. 1 Crore	31.20%	25.17%	6.03%
Income more than Rs. 1 crore but upto Rs. 10 crores	33.38%	25.17%	8.21%
Income more than Rs. 10 crores	34.94%	25.17%	9.77%





New Section Inserted giving tax rate of 15% to New Domestic Company incorporated on or after 1-10-2019.



It must commence MANUFACTURING upto 31-3-2023.



Surcharge 10 % is applicable irrespective of the Total Income.

**SEC
115BAB**





It must not be formed by
Split up or
Reconstruction of
business already in
existence



Not use old P & M. Except

1. Not used in India
2. Imported to India
3. No Depreciation is claimed.



Building must not be
previously used as Hotel
or Convention Centre.

**SEC
115BAB**

**Some
Conditions**



PROHIBITED	NOT PROHIBITED
DEDUCTION U/S. 10AA	NORMAL DEPRECIATION
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SEC 115BAB





Rate of MAT is
Reduced to 15
% in place of
18.5 % for all
the
Companies.



Companies
Opting for Sec
115BAA or
115BAB is not
required to
pay MAT.

**SEC
115JB**



Income	NEW ORDINANCE						Finance Act, 2019								
	Domestic Manufacturing Companies incorporated on or after 1st October 2019 (Section 115BAB)			Domestic Companies (Section 115BAA)			Certain domestic manufacturing companies incorporated on or after 1st March 2016 (Section 115BA)			Domestic Companies whose turnover in Previous Year 2017-18 does not exceed Rs. 400 crores			Domestic Companies whose turnover in Previous Year 2017-18 exceeds Rs. 400 crores		

INCOME TAX RATES IN RESPECT OF INCOME CHARGEABLE UNDER THE NORMAL PROVISIONS OF THE ACT

Income under normal provisions	Tax rate	Surcharge	Effective tax rate*	Tax rate	Surcharge	Effective tax rate*	Tax rate	Surcharge	Effective tax rate*	Tax rate	Surcharge	Effective tax rate*	Tax rate	Surcharge	Effective tax rate*
Upto Rs. 1 crore	15%	10%	17.16	22%	10%	25.17	25%	0%	26.00	25%	0%	26.00	30%	0%	31.20
More than Rs. 1 crore but upto Rs. 10 crores	15%	10%	17.16	22%	10%	25.17	25%	7%	27.82	25%	7%	27.82	30%	7%	33.38
More than Rs. 10 crores	15%	10%	17.16	22%	10%	25.17	25%	12%	29.12	25%	12%	29.12	30%	12%	34.94

MINIMUM ALTERNTE TAX RATES

Book profits under section 115JB	Tax rate	Surcharge	Effective tax rate*	Tax rate	Surcharge	Effective tax rate*	Tax rate	Surcharge	Effective tax rate*	Tax rate	Surcharge	Effective tax rate*	Tax rate	Surcharge	Effective tax rate*
Upto Rs. 1 crore	MAT not applicable			MAT not applicable			15%	0%	15.60	15%	0%	15.60	15%	0%	15.60
More than Rs. 1 crore but upto Rs. 10 crores							15%	7%	16.69	15%	7%	16.69	15%	7%	16.69
More than Rs. 10							15%	12%	17.47	15%	12%	17.47	15%	12%	17.47

SOME

IMPORTANT

ISSUES



ASSE SSE	INDI/ HUF	FIRM/ LLP	DOMESTIC COMPANY			
			OLD PROVISION		NEW PROVISION	
			T/O UPTO 400 CR	T/O EXCEEDS 400 CR	SEC 115BAA	SEC 115BAB
TAX AMT.	1,17,000	3,12,000	2,60,000	3,12,000	2,51,600	1,71,600
AVERAGE RATE	11.7 %	31.2 %	26 %	31.2 %	25.16 %	17.16 %

ISSUE : 1
TOTAL INCOME : 10,00,000
COMPUTE TOTAL TAX



ASSE SSE	INDI/ HUF	FIRM/ LLP	DOMESTIC COMPANY			
			OLD PROVISION		NEW PROVISION	
			T/O UPTO 400 CR	T/O EXCEEDS 400 CR	SEC 115BAA	SEC 115BAB
TAX AMT.	40,81,350	41,93,280	33,38,400	40,06,080	30,20,160	20,59,200
AVERAGE RATE	34.1 %	34.94 %	27.82 %	33.38 %	25.16 %	17.16 %

ISSUE : 2
TOTAL INCOME : 1,20,00,000
COMPUTE TOTAL TAX



ISSUE:3 NEW MFG UNIT ON 18-10-2019
ESTIMATED TOTAL INCOME BEFORE DEP 2CR
DEPRE : 20 LAKH & ADDI DEPRE : 16 LAKH
TWO EQUAL PARTNERS OR SHAREHOLDERS

PARTNERSHIP/LLP

TOTAL TAX : 57,30,820 (28.65 %)

PARTICULARS	AMOUNT
INCOME	2,00,00,000
LESS : DEPRE	20,00,000
<u>LESS : ADD DEP</u>	<u>16,00,000</u>
TAXABLE INCOME	1,64,00,000
<u>TAX @ 34.94 %</u>	<u>57,30,820</u>
NET AFTER TAX	1,06,69,180
TAX ON DISTRIBUTION	NIL
PROFIT SHARE (EACH PARTNER)	53,34,590

COMPANY [SEC 115BAB]

TOTAL TAX : 68,31,880 [34.15 %]

PARTICULARS	AMOUNT
INCOME	2,00,00,000
LESS : DEPRE	20,00,000
<u>LESS : ADD DEP</u>	<u>NA</u>
TAXABLE INCOME	1,80,00,000
<u>TAX @ 17.16 %</u>	<u>30,88,800</u>
NET AFTER TAX	1,49,11,200
TAX ON DISTRIBUTION	25,58,760
DIVIDEND SHARE (EACH SH HOLDER)	61,76,220
TAXABLE DIVIDEND 115 BBDA	51,76,220
TAX U/S 115 BBDA	5,02,160



ISSUE:4 NEW MFG UNIT ON 18-10-2019
ESTIMATED TOTAL INCOME BEFORE DEP 2CR
DEPRE : 20 LAKH & ADDI DEPRE : 16 LAKH
TWO EQUAL PARTNERS OR SHAREHOLDERS

PARTNERSHIP/LLP

TOTAL TAX : 57,30,820 (28.65 %)

COMPANY [SEC 115BAB]

TOTAL TAX : 30,88,800 [15.44 %]

PARTICULARS	AMOUNT
INCOME	2,00,00,000
LESS : DEPRE	20,00,000
<u>LESS : ADD DEP</u>	<u>16,00,000</u>
TAXABLE INCOME	1,64,00,000
<u>TAX @ 34.94 %</u>	<u>57,30,820</u>
NET AFTER TAX	1,06,69,180
PROFIT REINVESTED	

PARTICULARS	AMOUNT
INCOME	2,00,00,000
LESS : DEPRE	20,00,000
<u>LESS : ADD DEP</u>	<u>NA</u>
TAXABLE INCOME	1,80,00,000
<u>TAX @ 17.16 %</u>	<u>30,88,800</u>
NET AFTER TAX	1,49,11,200
TAX ON DISTRIBUTION	0
PROFIT IS REINVESTED & NOT DISTRIBUTED	



**ISSUE:5 BUILDER WANTS TO START ELIGIBLE PROJECT
UIS. 80 IBA ESTIMATING PROFIT OF 100 Rs.
ADVICE THE FORM OF ENTITY LLP OR COMPANY.**

COMPANY

[NORMAL PROVISION]

TAXABLE INCOME	AMOUNT
GROSS INCOME	100
<u>LESS : 80 IBA</u>	<u>100</u>
TAXABLE INCOME	NIL
<u>TAX @ 26 %</u>	<u>NIL</u>
MAT	AMOUNT
BOOK PROFIT	100
<u>TAX @ 15.6 %</u>	<u>15.6</u>
W E HIGHER	15.6

COMPANY

[SEC 115BAA]

PARTICULARS	AMOUNT
GROSS INCOME	100
<u>LESS : 80 IBA</u>	<u>N A</u>
TAXABLE INCOME	100
<u>TAX @ 25.17 %</u>	<u>25.17</u>



PARTNERSHIP LLP

TAXABLE INCOME	AMOUNT
GROSS INCOME	100
<u>LESS : 80 IBA</u>	<u>100</u>
TAXABLE INCOME	NIL
<u>TAX @ 31.2 %</u>	<u>NIL</u>
ALTE MINIMUM TAX [AMT]	AMOUNT
TAXABLE INCOME	NIL
<u>ADD : 80 IBA</u>	<u>100</u>
ADJ TOTAL INCOME	100
TAX @ 19.24 %	19.24



ISSUE : 6 MANUFACTURING CO.

- **HAVING BUSINESS PROFESSION THAN MANUFACTURING ACTIVITY**
- **OTHER & INCOME THE**
- **HAVING INCOME UNDER THE HEAD HP, CG OR IFOS**
- **WHOLE INCOME WILL BE ELIGIBLE FOR 15 % EXCEPT THE INCOME TAXABLE AT SPECIAL RATE.**
- **WHOLE INCOME WILL NOT BE ELIGIBLE FOR 15 %.**



ISSUE : 7

- **EK PVT LTD IS AN INDIAN COMPANY INCORPORATED ON 29-01-2019**
- **IT HAS IMPORTED MACHINERY FROM CHINA & ABOUT TO START THE IMPORT OF RAW MATERIAL FROM VIETNAM.**
- **IT WILL MANUFACTURE THE GOODS AND EXPORT THE SAME TO USA.**
- **DIRECTOR OF THE COMPANY IS HAPPY TO HAVE REDUCTION OF TAX RATE FROM 25/30 % TO 22 %.**
- **ANALYSE AND ADVICE THE COMPANY.**



ISSUE : 8

- **ABC PVT LTD IS NOT ELIGIBLE FOR ANY EXEMPTION OR INCOME SIDE DEDUCTIONS.**
- **BUT IT HAS ACQUIRED LAND SINCE 2004 WHICH THE COMPANY WANTS TO SALE OFF IN THE CURRENT YEAR.**
- **OVER & ABOVE THE SAME IT HAS SOME LISTED EQUITY SHARES WHICH ALSO THE COMPANY WANTS TO SALE OFF IN THE CURRENT YEAR.**
- **ADVICE THE COMPANY TO OPT FOR SEC 115 BAA OR NOT ?**





SEC 92BA :

DOMESTIC TRANSFER
PRICING IS APPLICABLE
FOR ANY BUSINESS
TRANSACTION WITH
PERSONS U/S. 115 BAB.



SEC 115QA :

BUYBACK TAX @ 20 % WILL
NOT APPLY IN CASE OF
LISTED COMPANY IN
RESPECT OF WHICH THE
PUBLIC ANNOUNCEMENT HAS
BEEN MADE BEFORE 5TH JULY
2019.



SEC 111A & 112A :

IN CASE OF TOTAL INCOME
INCLUDES SEC 111A & 112A
EVENIF THE TOTAL INCOME
EXCEEDS 2 CRORE,
SURCHARGE RATE CAN'T
EXCEED 15 %.

OTHER
MISLENEOUS
PROVISIONS





BROUGHT FORWARD LOSS
DUE TO ADDITIONAL
DEPRECIATION IS NOT
ALLOWED TO BE CARRIED
FORWARD.



MAT CREDIT U/S. 115 JAA
CAN ALSO NOT BE
CARRIED FORWARD.



THERE IS NOT TIME LIMIT FOR
EXERCISING THE OPTION TO
OPT FOR SEC 115 BAA.
DOMESTIC CO CAN EXERCISE
THE OPTION AFTER AVAILING
THE SETOFF OF THE ABOVE.

CBDT
CIRCULAR
29
DATED
02/10/2019
FOR SEC
115BAA
COMPANIES

THANK YOU

CA PALAK B. PAVAGADHI

**PAVAGADHI SHAH
& ASSOCIATES**

CHARTERED ACCOUNTANTS

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