Deduction under section 32AC

With the motive to encourage investment in plant & Machinery, Government introduced a new section 32AC so as to give additional benefit to Manufacturers/producers.

Provisions relating to 32AC:

Who is eligible?

Any Company engaged in the business of Manufacturing of article or a thing. [Same as under Additional Deprecation u/s. 32(1)(iia).]

When shall investment be made to avail the benefit?

Investment in New Plant & Machinery shall be made anytime between 01/04/2013 to 31/03/2015.

How much amount shall be invested?

To avail the benefit investment in New Plant & Machinery shall in aggregate in the given period shall exceed 100 crore.

Here 100 crore is a crossover limit and not a threshold limit. i.e. if investment exceeds 100 crore deduction shall be allowed on entire investment made and not only on the amount that exceeds 100 crore.

Example:

If investment made is 120 crore then deduction shall be allowed on entire 120 crore.

Quantum of Deduction

FOR A.Y. 2014-15	
15% OF New Plant & Machinery Acquired & Installed between 01/04/2013 to 31/03/2014	xx

FOR A.Y. 2015-16	
15% OF New Plant & Machinery Acquired & Installed between 01/04/2013 to 31/03/2015 (Aggregate)	xx
Less : Amount allowed as a deduction under 32AC for A.Y. 2014-15	xx
Net Deduction For 2015-16	xx

Is there any lock in period?

Yes. Lock in period is 5 Years from the date of Installation.

If Company transfers the Plant & Machinery in respect of which the deduction is been availed within a period of 5 Years from the date of installation then the deduction allowed under this section shall be taxable as income under the head Business & Profession in the year in which such transfer is made. However If transfer is by virtue of Amalgamation or demerger then nothing shall be taxable as income provided the amalgamated or demerged company does not transfer the said asset for the total period of 5 years.

What do you mean by New Plant & machinery?

Plant & Machinery under this section has same meaning as under section 32(1)(iia) for enhanced depreciation. New Plant & Machinery shall include any plant & Machinery installed except the following:

1) Ship or Aircraft
2) Any Vehicle
3) Any Plant & Machinery on which whole deduction is allowed in the year of Installation
4) Any Office appliances including computers & software's
5) Any Plant & Machinery Installed in office premises
6) Any Plant & Machinery which is been used at any place including outside India before its Installation (Second Hand Machinery)

Can this deduction be treated as a Depreciation?

This is in the nature of deduction for Investment and shall not be treated as a depreciation and shall not be reduced for the purpose of determination of WDV.

Can Company avail this deduction along with normal & enhanced Depreciation?

Yes. Company can avail triple benefit. As this is in the nature of deduction it is allowed in addition to depreciation. Company can avail normal depreciation, enhanced depreciation and also deduction under this section subject to satisfaction of conditions mentioned under respective sections individually.

Practical Case:

(Rs in Crores)

Particulars	**AB Ltd**	**CD Ltd**	**EF Ltd**	**GH Ltd**	**XY Ltd**	**KC Ltd**
Cost Of Machinery Acquired & Installed in F.Y. 2013-14	**120**	**150**	**90**	**40**	**NIL**	**70**
Cost Of Machinery Acquired & Installed in F.Y. 2014-15	**NIL**	**20**	**40**	**60**	**120**	**50**

Deduction u/s. 32AC

(Rs in Crores)

Particulars	**AB Ltd**	**CD Ltd**	**EF Ltd**	**GH Ltd**	**XY Ltd**	**KC Ltd**
Is Company Eligible for deduction for A.Y. 2014-15	**Yes**	**Yes**	**No**	**No**	**No**	**No**
Is Company Eligible for deduction for A.Y. 2015-16	**Yes**	**Yes**	**Yes**	**No**	**Yes**	**Yes**
<u>Deduction For A.Y. 2014-15</u> **15% of Investment made in 2013-14**	**18**	**22.5**	**NIL**	**NIL**	**NIL**	**NIL**
<u>Deduction For A.Y. 2015-16</u> **15% of Investment made in aggregate during the period 01/04/2013 to 31/03/2015** **<u>Less :</u> Deduction allowed for A.Y. 2014-15** **Deduction Allowed for A.Y. 2015-16**	**18** **<u>18</u>** **NIL**	**25.5** **<u>22.5</u>** **3.00**	**19.5** **<u>NIL</u>** **19.5**	**NIL** **<u>NIL</u>** **NIL**	**18** **<u>NIL</u>** **18**	**18** **<u>NIL</u>** **18**