MAT (MINIMUM ALTERNATE TAX)

➢ OBJECTIVE

The primary objective of introducing MAT was to bring into the tax net "zero tax companies" which in spite of having earned substantial book profits and having paid big amounts of dividends, did not pay any taxes as they took benefits of various tax concessions and incentives provided under the Income-tax law.

➢ Applicability of MAT

As per section 115JB, every taxpayer being a company is liable to pay MAT,
If the Income-tax payable per the provisions of the Income-tax Act
is less than 18.50% (plus surcharge & cess) of its book profit.

The provisions of MAT are applicable to every company whether public or private and whether Indian or foreign.

➢ Exclusions

As per section 115JB(5A), provisions of MAT shall not apply to any income accruing or arising to a company from life insurance business referred to in section 115B.
Also, as per provisions of Section 115V-O , any shipping income liable to tonnage taxation is not liable to MAT.

➢ Meaning of book profit

Book profit" for the purposes of section 115JB means net profit as shown in the P & L Account prepared in accordance with Schedule VI of the Companies Act [now Schedule III to the Companies Act, 2013] as increased and decreased by certain items.
The items to be increased and decreased are as follows :

Particulars	***Amount***
Net profit as per Profit & Loss A/c prepared in accordance with Schedule VI to the Companies Act now Schedule III to the Companies Act, 2013	***XXXXX***

Add : Following items (if they are debited to the P & L A/c)

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 provisions of section 86.	*XXXXX*
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, 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*
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 profit and loss account	*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	*XXXXX*

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 profit or loss account, as the case may be;

Less : Following items (if they are credited to the P & L A/c)

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 P&L account (excluding the depreciation on revaluation of assets)	***(XXXXX)***
Amount withdrawn from revaluation reserve and credited to P&L account 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 profit and loss account	***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, 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 profit and loss account and the income-tax payable on above income is less than the rate of MAT.***	***XXXXX***
The amount (if any, credited to the profit and loss account) 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 representation 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 profit or loss account, as the case may be;	***XXXXX***
Amount of brought forward loss or unabsorbed depreciation, whichever is less as per books of account	***(XXXXX)***

Profits of a sick industrial company till its net worth becomes zero/positive	*(XXXXX)*
Deferred tax, if credited to P&L account	*(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) 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).

➢ MAT CREDIT & ITS CARRY FORWARD

MAT credit i.e. excess of MAT paid over the normal tax liability as per normal provisions of Income Tax.
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.

Also, MAT credit must be utilised by the company within a period of 10 years (immediately succeeding the assessment year in which such credit was generated), after that such credit shall lapse.

➢ Compliance Requirements

Every company falling under MAT is required to obtain a report from a chartered accountant in Form No. 29B certifying that the book profit has been computed correctly.
The report should be obtained on or before due date of filing the return of income.
Audit report in Form No. 29B shall be filed electronically.