TAX RATES FOR COMPANIES FOR P.Y. 2019-20

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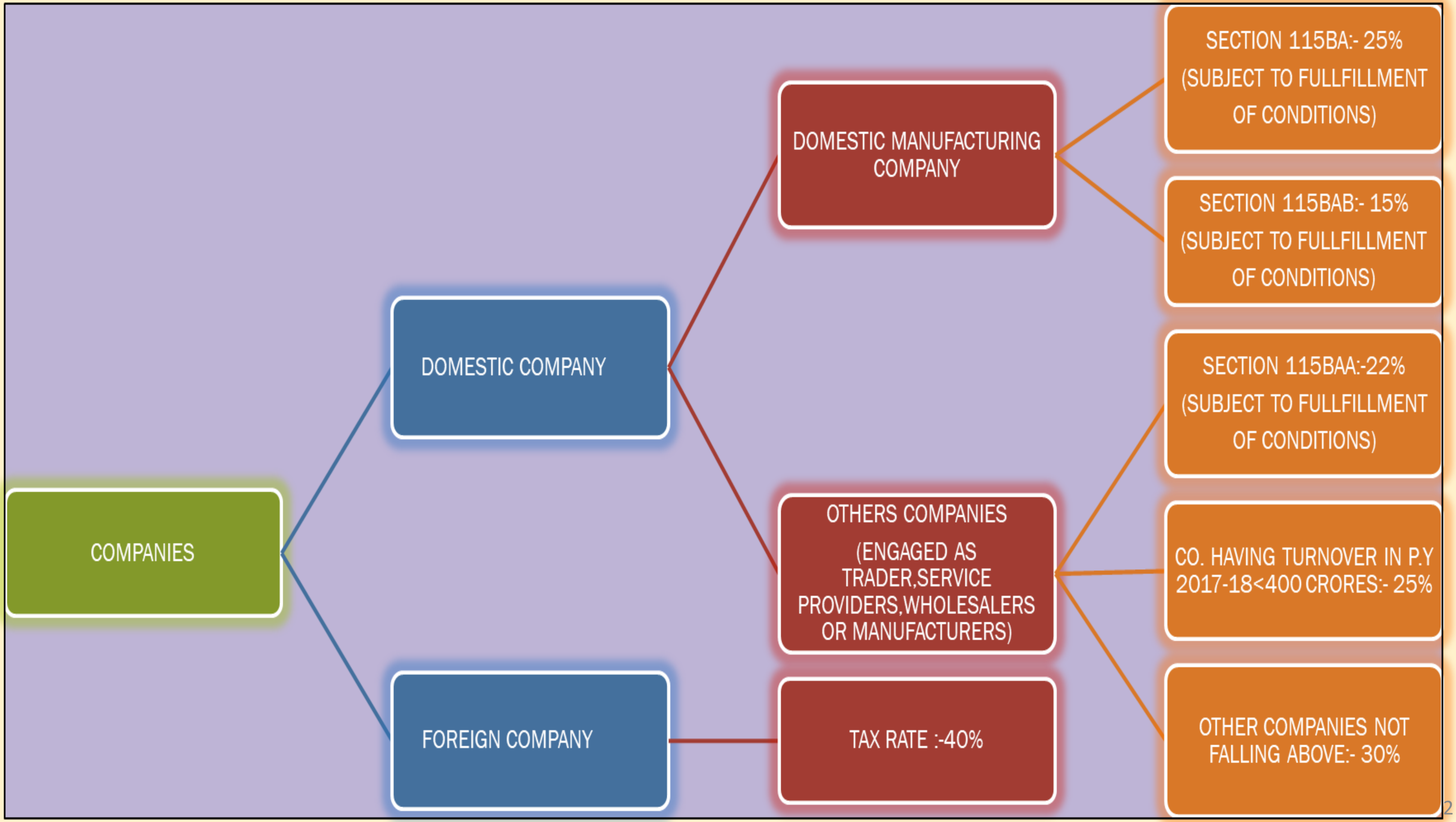
TAX RATES APPLICABLE TO COMPANIES FOR THE A.Y 2020-2021:-



No.	Particulars	Section 115BA	Section 115BAB	Section 115BAA
1)	Applicability	Domestic manufacturing Company	Domestic manufacturing company	Any domestic company
2)	Rate of tax	25%	15%	22%
3)	Rate of surcharge	Surcharge as applicable according to the Total Income.	10% (Irrespective of the Total Income)	10% (Irrespective of the Total Income)
4)	Effective rate of tax (including surcharge & HEC)	25% + surcharge (If applicable)+ HEC 4%	17.16% [Tax@15% (+)Surcharge@10% (+) HEC@4%]	25.168% [Tax@22% (+)Surcharge@10% (+) HEC@4%]
5)	Applicability of MAT	Applicable @15%	Not applicable	Not applicable
6)	Manner of computation of Tax liability			
	Particulars	**Section 115BA**	**Section 115BAB**	**Section 115BAA**
•	Business Income	25%	17.16%	25.168%
•	Rate of tax on income covered under Chapter XII (For e.g long term capital gain U/S 112A Taxed at 10% And short term capital gainU/S 111A taxed at 15%)	Applicable tax rate + Surcharge (as Applicable)+ HEC (4%)	Applicable tax rate + Surcharge (10%)+ HEC (4%)	Applicable tax rate + Surcharge (10%)+ HEC (4%)
•	Rate of tax on other income in respect of which no specific rate of tax is provided in Chapter XII (For e.g Income from other sources or Income from House Property ETC.)	25%	The applicable tax rate is25.168% (i.e. tax@22%, +surcharge @10% +HEC@4%) NOTE:-Taxed on Gross Income i.e.no deduction or allowance in respect of any expenditureor allowance shall be allowed in computing such Income.	The applicable tax rate is 25.168% (i.e. tax@22%, +surcharge @10% +HEC@4%) NOTE:-Taxed on Net Incomei.e. Deduction or allowance in respect of any expenditure or allowance shall be allowed in computing such Income.
•	Rate of tax on STCG derived from transfer of a capital asseton which no depreciation is allowable under the Act.	25%	The applicable tax rate is 25.168% (i.e. tax@22%, +surcharge @10% +HEC@4%) NOTE:-Taxed on Gross Income i.e.no deduction or allowance in respect of any expenditure or allowance shall be allowed in computing such Income.	The applicable tax rate is 25.168% (i.e., tax@22%, +surcharge @10% +HEC@4%) NOTE:-Taxed on Net Incomei.e. Deduction or allowance in respect of any expenditure or allowance shall be allowed in computing such Income.

7)	Conditions to be fulfilled for availing concessional rate of tax.			
	Particulars	**Section 115BA**	**Section 115BAB**	**Section 115 BAA**
	Conditions to be fulfilled for availing concessional rate of tax and exemption from MAT.	The company should be set-up and registered on or after 1.03.2016.	The company should be set-up and registered on or after 1.10.2019	No time limit specified. Both existing companies and new companies can avail benefit.
		-	Production or Manufacturing Shall Commence on or before **31.3.2023**	Need not be a manufacturing or a production company.
		-	It should not be formed by splitting up or reconstruction of a business already in existence	No similar condition has been prescribed
		-	New Plant and Machinery Shall be used. Exceptions:- 1. 20% can be Old P&M. 2. Imported P&M shall be considered as new	No such Condition.
		-	It does not use any building previously used as a hotel or a convention centre.	No Such Condition.
		-	**Following Business shall not Be Considered as Manufacture Or Production.** (1) Development of computer software in any form or in any media (2) Mining (3) Conversion of marble blocks or similar items into slabs (4) Bottling of gas into Cylinder (5) Printing of books or production of cinematograph films. (6) Any other business as may be notified by the Central Govt. in this behalf.	No Such Condition.

8) Common conditions for both sections for availing the concessional rate of tax.

1. No Deduction of following Sections:10AA,3 2(1)(iia),32AD,33AB,33ABA,35(i)/(iia)/(iii), 35(2AA), 35(2AB),35AD,35CCC,35CCD,80 IA- 80RRB Except 80JJAA.

2. No Loss or Unabsorbed Depreciation arising due to above sections will be allowed as deductions if assesse opts for this section.

Note :-Additional Points relevant to section 115BAA.

a. As there is no time limit for availing the option U/S115 BAA , It is recommended that assesse set off their losses and unabsorbed depreciation first and than opt for the said section.

b. In the case of a person having a Unit in the IFSC, referred to in section 80LA(1A), which has exercised option for section 115BAA, deduction u/s 80LA would be allowed subject to fulfilment of the conditions specified in that section.

c. Where there is a depreciation allowance in respect of a block of asset which has not been given full effect to prior to A.Y.2020-21, corresponding adjustment shall be made to the WDV of such block of assets as on 1.4.2019 in the prescribed manner, if option for section 115BAA is exercised for P.Y.2019-20 relevant to A.Y.2020- 21.

For E.g An asset acquired costing Rs.1,00,000 and put to use for less than 180 days in P.Y. 2018-19. The company Opted for section 115 BAA for P.Y.2019-20. What will be the opening WDV?

CLOSING WDV AS ON 31ST MARCH 2019 FOR PLANT AND MACHINERY	
Opening WDV	1,00,000
(-) Depreciation @7.5%	-7500
(-) Additional Depreciation @10%	-10,000
WDV On 31st March 2019	82,500

In the following year i.e 2019-20 the opening WDV shall be reduced by remaining Additional Depreciation of RS. 10,000. However no deduction shall be made available for the additional depreciation as the domestic company has opted for section 115BAA. Hence the opening WDV shall be 72,500. Depreciation for the year shall be 10,875 (72,500 x 15%)

	Particulars	SECTION 115BA	SECTION 115BAB	SECTION 115BAA
9)	**Failure to satisfy conditions**	-	Consequently, the other provisions of the Act would apply to the person as if the option had not been exercised.	Consequently, the other provisions of the Act would apply to the person as if the option had not been exercised.
10)	**Availability of set-off of MAT credit brought forward from earlier years**	**MAT CREDIT CAN BE SET-OFF, AS MAT PROVISONS ARE APPLICABLE.**	Since it is a new company, there would be no brought forward MAT credit	Brought forward MAT credit cannot be set-off against income u/s 115BAA. Note - If a company has b/f MAT credit, it can first exhaust the MAT credit, and thereafter opt for section 115BAA in a subsequent previous year.
11)	**Adjustments for transactions with persons having close connection**	-	If the Assessing Officer opines that the course of business between the company and any other person having close connection therewith is so arranged that the business transacted between them produces more than the ordinary profits to the co., he is empowered to take into account the amount of profits as may be reasonably deemed to have been derived therefrom, while computing profits and gains of such co. **The income-tax on the income so deemed shall be subject to tax @34.32% (i.e., tax@30% + surcharge @10% +HEC@4%)**	No such requirement to make any adjustment

12)	Exercise of option by the company within the prescribed time	On or before the due date of Filing of FIRST return for previous year. Such option, once exercised,would apply to subsequent assessment years. Further, once the option has been exercised for any previous year, it cannot be subsequently withdrawn for the same or any other previous year. Note:- Further, where the person exercises option under section 115BAA, the option under section 115BA may be withdrawn	On or before the due date u/s 139(1) for furnishing the FIRST of the returns of income for any previous year relevant to A.Y.2020-21 or any subsequent assessment year. Such option, once exercised,would apply to subsequent assessment years. Further, once the option has been exercised for any previous year, it cannot be subsequently withdrawn for the same or any other previous year. **Notes – (1) The option has to be exercised at the time of furnishing the first of the returns of income for any previous year. If a person fails to so exercise such option, it cannot be exercised thereafter for any subsequent previous year.** **(2) In case of amalgamation, the option exercised u/s 115BAB shall remain valid in the case of the amalgamated company only and if the conditions are continued to be satisfied.**	On or before the due date of Filing of return for ANY PREVIOUS YEAR ON OR AFTER 1/4/2020. Such option, once exercised,would apply to subsequent assessment years. Further, once the option has been exercised for any previous year, it cannot be subsequently withdrawn for the same or any other previous year. Note:- Further, where the person exercises option under section 115BAA, the option under section 115BA may be withdrawn.

CAN SWAPPING OF SECTIONS POSSIBLE?

FIRST OPTION EXCERCISED UNDER SECTION	NOW WANT TO EXERCISE OPTION IN ANOTHER SECTION		
	115BA	**115BAB**	**115 BAA**
115BA	-	CAN NOT EXERCISE THIS OPTION	CAN EXERCISE THIS OPTION . NOTE:-ONCE THIS OPTION IS EXCERCISED CO. CANNOT AGAIN OPT FOR 115 BA.
115BAB	CAN NOT EXERCISE THIS OPTION	-	CAN EXERCISE THIS OPTION IF THE COMPANY HAS FAILED TO COMPLY WITH THE CONDITIONS OF SECTION 115BAB.
115BAA	CAN NOT EXERCISE THIS OPTION	CAN NOT EXERCISE THIS OPTION	-

THANK YOU.

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