

CERTIFICATION OF MAT



- CA VINOD KUMAR JAIN

Introduction

- MAT introduced to bring zero tax-paying Cos. into the taxation
- Introduced in 1987 withdrawn in 1990 & reintroduced from 1.4.97
- Applicable Section 115JB and reporting in form 29B
- Tax on book profit @18.5% + Surcharge (0, 7%, 12%) + Education cess (4%)
- MAT credit



MAT Credit (S. 115JAA)

- MAT paid by Co. over and above normal tax can be claimed as credit of tax
- No interest is paid on this Tax credit
- Such tax credit can be C/f for **15 Asst. Yrs. (upto AY 18-19 it was allowed for 10 yrs.)**
- MAT credit is allowed to set off when tax under normal provisions is more than tax payable under MAT S. 115JB

Additions to the Net Profit

(If Debited in P & L A/c.)

- a) Income Tax paid or payable (Normal provisions of ITAct)
- b) Transfer made to any reserve
- c) Provision for unascertained liabilities e.g. provision for bad debts
- d) Provision for loss of subsidiary companies
- e) Dividend paid or proposed
- f) Amount of expense relating to exempt income under sections 10,11,12 (Except sec 10AA and 10(38), since they are not allowed)

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Continued..... (Wef AY 16-17)

- (fa) amount or amounts of expenditure relatable to, income, being share of the assessee 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; or
- (fb) amount or amounts of expenditure relatable to income accruing or arising to an assessee, being a foreign company, from,—
 - (A) capital gains arising on transactions in securities; or
 - (B) interest, royalty or fees for technical services chargeable to tax at the rate or rates specified in Chapter XII,
if the income-tax payable thereon in accordance with the provisions of this Act, other than the provisions of this Chapter, it is a rate less than the rate specified in sub-section (1); or
- (fc) 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 the 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; or;
- (fd) the amount or amounts of expenditure relatable to income by way of royalty in respect of patent chargeable to tax under section 115BBF

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- g) Depreciation including Depreciation on a/c of revaluation of assets
- h) Amount of deferred tax and provision thereof
- i) Provision made for diminution in the value of any asset
- j) Amount standing in revaluation reserve related to revalued assets on retirement or disposal of such assets
- k) 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 profit or loss account, as the case may be

Deletions to the Net Profit

(If credited to P & L A/c.)

- i. Amount withdrawn from any reserves or provisions, if any such amount is credited to the Profit & loss
- ii. Exempt income u/s. 10, 11 & 12 [except 10AA & 10(38)]
 - (iia) the amount of depreciation debited to the 67[statement of profit and loss] (excluding the depreciation on account of revaluation of assets); or
 - (iib) the amount withdrawn from revaluation reserve and credited to the 67[statement of profit and loss], to the extent it does not exceed the amount of depreciation on account of revaluation of assets referred to in clause (iia); or

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- (iic) the amount of income, being the share of the assessee 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 67[statement of P&L]; or

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- (iid) the amount of income accruing or arising to an assessee, 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 69[statement of profit and loss] and the income-tax payable thereon in accordance with the provisions of this Act, other than the provisions of this Chapter, is at a rate less than the rate specified in sub-section (1); or
- (iie) the amount 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, if any, credited to the statement of profit and loss or
- (iif) the amount of loss 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 69[statement of profit and loss], as the case may be

Continued Wef AY 17-18

- (iig) the amount of income by way of royalty in respect of patent chargeable to tax under section 115BBF
- (iih) the aggregate amount of unabsorbed depreciation and loss brought forward in case of 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 (31 of 2016)
- iii. Amount of b/f business loss or unabsorbed depreciation, whichever is less as per the books of A/c
- iv. Amount of profit of sick industrial company
- v. Amount of Deferred Tax

CBDT clarifications on MAT provisions applicable to Ind AS

- Starting point for MAT is profit before OCI (Other comprehensive income) and not Total Comprehensive Income.
- Loss arising out of fair value adjustments of financial instruments measured at fair value through Profit or Loss (FVTPL) is not required to be added back to book profit.
- Dividend on preference shares (classified as interest or dividend) under Ind AS, would be added back to book profit for the purpose of MAT computation.
- Book profit of the financial year, in which the asset is retired, disposed, realized or otherwise transferred, is required to be adjusted by the revaluation amount after adjustment of the depreciation on the revaluation amount.

CBDT clarifications on MAT provisions applicable to Ind AS

- B/f Loss or unabsorbed depn. for YE 31.3.16 as per (Indian GAAP) would be allowed deduction of the lower of loss B/f or unabsorbed depn., even though the Ind AS financial statement for FY 2016–17 may depict different amounts of B/f losses/unabsorbed depn. for the FY 2015–16 as comparatives.
- For subsequent periods, deductions shall be allowed as per Ind AS accounts.
- The amounts credited or debited to other equity (subject to certain adjustments) on the convergence date at the time of transition to Ind AS are to be included in book profit over a period of five years starting from the year of Ind AS adoption as transition amount. (To consider amount on start of opening date of 1st year)

CBDT clarifications on MAT provisions applicable to Ind AS

- On transition to Ind AS, any adjustments made to other equity on account of provision for bad and doubtful debts, proposed dividend (including DDT), deferred taxes, share application money pending allotment, capital reserves and securities premium should not form part of the transition amount for computing book profit over a period of five years starting from the year of Ind AS adoption.
- Adjustments made to other equity on transition to Ind AS, if any, of compound financial instruments like nonconvertible debentures and interest-free loans be included in transition amount.
- An entity following December year end, will be required to follow Indian GAAP for the pre-convergence period and Ind AS for the remaining period. Therefore, it would prepare two sets of accounts for the purpose of MAT computation.
- Adjustments on account of service concession arrangements would be included in transition amount and also on an ongoing basis.

Thank You!