# Recent Amendments in Minimum Alternate Tax

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In India, Government has given a number of privileges to treasury miners of the country through several exemptions and incentives for taxpayers incorporated in direct tax laws. Across India, companies are the largest income-earning and tax-paying entities. Thereby ending up availing the highest tax benefits from income-based tax exemptions and incentives, thus substantially reducing their tax liability. Consequently, the Government of India brought a concept of Minimum Alternative Tax (MAT) through the Finance Act vide Section 80VVA of the Income Tax Act in 1983 **specifically for the Zero Tax companies i.e. companies were showing Book Profits & declaring Dividend & they were not paying Income Tax.** This is how the history roll-on and shelf rate of 30% of book profit was decided for the minimum tax to be paid by every company which was turned out to be half of the initial rate i.e. 15% in Finance Act, 2019 in amended Section 115JB. **However, Provisions of section 115JB are not applicable to the business carried on, or service rendered by any entrepreneur or a developer or a unit in Special Economic Zone (SEZ)** . With time, the government has continuously introduced the amendment and modification to address various issues and loop holes. With time, the volatility of laws became constant over the period which was further addressed by Finance Minister Mrs. Sitharaman through the budget, 2021 that brought a change in Section 115JB in adjustments of Book Profits.

Prior to this budget, foreign companies were only required to adjust for interest, royalty while computing book profits as per MAT but from Assessment Year (A.Y) 2021-22 foreign companies shall make an adjustment on account of dividend also, which means any dividend being paid or received by the foreign company shall not be included in the book profits as per MAT. To elaborate further a foreign company is any company that is not a domestic company, meaning thereby Domestic Company means a company that has prescribed arrangements for declaration and made payment of the dividends within India.

The second amendment as proposed by the budget in relation to MAT is in respect of Advance Pricing Agreement. Presently, section 115JB does not provide for any adjustment on account of additional income of past year(s) included in BOA of the current year on account of transfer pricing adjustment or secondary adjustment or on account of an Advance Pricing Agreement (APA) entered with the taxpayer. To address this incongruity, it is proposed that where the previous year's income is included in the current year due to an APA or a secondary adjustment under transfer pricing, the taxpayer can make an request to the Assessing Officer requesting the recomputation of the book profit under section 115JB of the past year(s). This amendment will take effect from 1st April 2021 & will applicable from A.Y. 2021-22.

**However, through Circular No.29/2019 CBDT clarifies that existing domestic companies opting for a lower tax rate @22% will not be able to use accumulated MAT credit & henceforth not eligible for the deduction. This option is an irreversible one. Once the option is availed for any previous year, it cannot be subsequently withdrawn.**

To sum up we can conclude that for a company, if Tax calculated as per Income Tax is less than the 15% of Book profit as per MAT, then the assessee shall pay Tax as per the later. From AY. 21-22, adjustment for APA or secondary adjustment, and for companies Dividend can be provided while calculating the Book Profit as per MAT **& as per the ordinance accumulated will be vanished if once the company availed the option of the lowered tax rate.**

## AMRG TAKE:

MAT was originally introduced to include prosperous companies from paying no tax at all, or only a nominal tax to contribute at least a small portion of their profits to the national exchequer at a time. **By Ordinance CBDT provides relief to all the domestic companies' taxpayer to availed lowered tax rate & in case all the MAT credit utilized by the company then no MAT Liability will arise henceforth**. Through Budget 2021, government-provided relief to the taxpayers whose MAT liability has arisen in the year of repatriation on account of Advance Pricing Agreement (APA) or secondary adjustment. It is proposed for providing relief by aligning the MAT provisions with the year of taxability of such income.