



RAMA UNIVERSITY

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FACULTY OF COMMERCE AND MANAGEMENT

COURSE: B.COM VI SEM.

SUBJECT: Corporate Tax Planning

SUBJECT CODE: BCH 403

LECTURE: 16

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LECTURE-16



**TAX CREDIT IN RESPECT OF TAX PAID ON DEEMED INCOME
UNDER MAT PROVISIONS (SECTION 115JAA)**

It provides that where tax is paid in any assessment year in relation to the deemed income under MAT Provisions against Tax Liability under section 115JB, a Tax Credit shall be allowed in subsequent years.

Section 115JAA provides that where any amount of tax is paid under section 115JB(1) by a company for any assessment year beginning on or after 1.4.2006, credit in respect of the taxes so paid for such assessment year shall be allowed on the difference of the tax paid under section 115JB and the amount of tax payable by the company on its total income computed in accordance with the other provisions of the Act. In other words, MAT credit shall be computed as under:

MAT credit available = Tax paid under section 115JB – Tax payable on the total income under normal provisions of the Act.

However, no interest shall be allowed on the amount of tax credit available under section 115JAA. [First proviso to section 115JAA]

Further, where the amount of tax credit in respect of any income-tax paid in any country or specified territory outside India, under section 90 or section 90A or section 91, allowed against the tax payable under the provisions of sub-section (1) of section 115JB exceeds the amount of such tax credit admissible against the tax payable by the assessee on its income in accordance with the other provisions of this Act, then, while computing the amount of credit under this sub-section, such excess amount shall be ignored. [Second proviso to section 115JAA]

The amount of tax credit so determined shall be allowed to be carried forward and set off in a year when the tax becomes payable on the total income computed under the regular provisions. However, no carry forward shall be allowed beyond the fifteenth assessment year (tenth assessment year upto assessment year 2017-18) immediately succeeding the assessment year in which the tax credit becomes allowable. The set off in respect of the brought forward tax credit shall be allowed for any assessment year to the extent of the difference between the tax on the total income and the tax which would have been payable under section 115JB for that assessment year. No credit will be allowed in respect of MAT paid in any assessment year prior to 2006-07.

In other words, MAT credit will be allowed only in that previous year in which tax payable on the total income as per normal provisions of the income tax Act is more than tax payable under section 115JB and it shall be allowed to the extent of the following:

Tax Payable on total income under the normal provisions of the Act – Tax Payable under section 115JB = MAT credit to be allowed.