

MAT

Different types of taxes are levied by the government of India from an individual as well as companies. The Indian government is continuously striving to make the tax payers spectrum broader to ensure that no individual or company that is earning a substantial profit gets to avoid payment of income tax.

All such taxes payable by entities fall under direct tax category or indirect tax category. MAT (Minimum Alternative Tax) is a tax payable by the companies (consumers) and falls under the indirect tax category.

Definition :

According to Sec. 115 JB of I.T. Act every company (domestic or foreign) is required to pay MAT. MAT is a tax levied under I.T. Act 1961.

MAT is a way of making company minimum amount of tax.

It is applicable to all companies except those engaged in infrastructure and power sector. Income arising from trade zone, charitable activities, investments by venture capital companies are also excluded from the purview of MAT. However, foreign companies with income sources in India are liable under MAT.

Why MAT

Normally, a company is liable to pay tax on the income computed in accordance with the provisions of the Income tax act, but the profit & loss accounts of the company is prepared as per provision of companies act.

Company finds various loop holes to avoid paying income tax by using several exemptions.

In the past, a large number of companies showed BOOK PROFITS on their profit and loss accounts at the same time distributed huge dividends. However, the companies didn't pay any tax

to the government as they reported either nil or negative income under provision of income tax act. These companies were showing BOOK PROFIT and declaring dividends to the shareholders but were not paying any tax. These companies are popularly known as ZERO TAX COMPANY.

The Indian IT Act shows a large number of exemptions from Total Income. Besides exemptions there are several deductions permitted from the Gross total income (GTI). Further, depreciation allowable under the IT Act is not the same as required under the company act. The latter provides a lower rate viz. a viz. the IT and which computer a high rate of depreciations.

The result of such exemptions, deductions and other incentives under the Act in the form of liberal rates of depreciation is the emergence of zero tax companies, which in spite of having being BOOK PROFIT are able to reduce their taxable Income to nil.

In order to bring such companies under the IT act see 115 JA was introduced from AY 1997-98. Now all companies having book profit under the company act shall have to pay tax at 18.5%.

This tax is not applicable to individuals, SHOPS and partnership from etc.

Provision

If any company regard to pay advance tax as computed in accordance with. If the tax liability is ₹ 10000 or more for a particular financial year under Sec. 115 JB of said Act.

MAT CREDIT

Book profit before depreciation of company is Rs. 7 lakh. After claiming depreciations and other exemptions, gross total income come to 4 lakh the income tax applicable Rs. 1.2 lakh at a rate of 30%. However MAT would be Rs. ₹ 1.29 lakh (Rs. 7 lakh at 18.5%)

Excess tax = 1.2.9 – 1.2 = .09 lakh

This can be carried forward for adjusting.

The mat paid can be carried forward and set off against regular tax payable during the subsequent ¹⁵~~five~~ years period subject to certain condition.

CBDT issue notification pertaining to foreign tax credit and suggested Indian tax payer offset overseas tax against the MAT liabilities.

This also serve by publishing MAT Report on website in coming soon. CBDT is also being thinking for FPI (Foreign Portfolio investments under the provision of MAT).

Lastly I want to say that MAT is type of tax which attract Indian companies getting for privilege of MAT credit in five year and also it grasp up to catching up zero tax company in near future.