

MBA FC-02 SEM III CTPM.

FOR CLASS DATE 13/08/20 Thurs

TIME - 11:00AM TO 12:00PM

UNIT I - (ii)

UNIT-1, TOPICS : Assessment of Companies.

By. DR. NASIR AHMAD.

My students, first we look the meaning of "Company"
 "Company" is an association of person which is created by law and has own common seal,

'Company in sense: large capital investment in the body corporate and has own corporate management' the member of company is called shareholder. In the eye of Income tax

Company is of two type - (a) Indian Company
 (b) Foreign Company

Indian Companies called Domestic Company.
 Company which is not Indian Company is called foreign Company.

Every Company pays tax on their earning
 There are two rate of tax - Normal rate
 and special rate

Normal rate of tax is of two types

(a) Slab rate

(b) Flat rate

flat rate of tax is charged on Income of company.

If domestic company — 30% tax rate is charged

If foreign company — 40% tax rate is charged

Further.

There are no exemptions given to company

In the case of company there is no deduction allowed in the G.T.I (Gross total Income).

Before understanding the rate of tax and how the tax will be calculated on income of company, we should learn about the types of incomes which a company earns. given

1. Profit from business
2. Capital gains
3. Income from property
4. Income from dividend interest

All the above earnings are summed up and deduct allowed expenses i.e. the total income.

③

The following rates are applicable to the domestic companies for AY 2020-21 based on their Turnover.

Section	Tax rate	Surcharge
Section 115BA (Company having T.O upto 40 crore in 2017-18)	25%	7% (above 1 crore) 12% (" 10 crore)
Section 115BAA	22%	10%
Section 115BAB	15%	10%
Any other cases	30%	7% (exceed 1 crore) 12% (" 10 crore)

For Foreign Companies (AY 2020-21)

Nature of Income	Rate	Surcharge
Royalty received or fee for technical service under agreement	50%	exceed 1 crore 8%
Any other Income	40%	above 10 Crm = 5%

Health & education cess

Further 4% of Income tax calculated and applicable surcharge will be added to the amount of total tax liability before this cess.

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(3)

Company can file income return. due date is 31st October every year. for assessment of company whether domestic company / Foreign company / Government company.

Special rate of tax

Beside the normal flat rate for tax is charge on total income of company, some special rate of tax are applicable if the income from Capital gain, lottery & horse racing etc. In such cases a such type of income ^{tax on} separately calculated and added the total tax liability.

Let an example we practically handle

Example—

The Chetak Cement Ltd. is an Indian company in which the public are substantially interested. Its income week year 31st march, 2019-20 - was derived from the following sources:

- | | |
|-------------------------------------|-------------|
| (a) Profit from business | 15 crores. |
| (b) Dividend from A Ltd | 6 lakh |
| (c) Dividend from B Ltd a foreigner | 4 lakh |
| (d) Interest on CG Securities | Rs. 200,000 |
| (e) Short term Capital gain | 10 lakhs. |
| (f) Long term | 20, lakhs |

It has paid on 15 Feb 2020 a sum of Rs. 20 lakh to the PMDR Fund. The company has deposited Rs 4,00,000 Advance Payment tax for 2020-21 AY. You are required to calculate Income tax payable by the company.

Solution:

(a) Computation of T.I of Chetak Cement Ltd.

Income from Business:	15,00,00,000
Capital gain ST	10,00,000
LT	20,00,000

Income from other source.

Dividend from A Ltd.

Exempt

Dividend from B Ltd.

4,00,000.

Interest on Securities

2,00,000.

G.T.I ₹

15,36,00,000

LESS: Deduction 80G 50%

10,00,000

T.I

15,26,00,000

(b) Tax Payable by Chetak Cement Ltd.

$$(15,26,00,000 - LT CG 20,00,000) \times 30\% = 3,76,50,000$$

20% on LT CG 20,00,000

4,00,000

Surcharge @ 12% (above 10 lakh)

3,80,50,000

45,66,000

Add: Education cen @ 4

4,35,16,000

17,40,640

TAX LIABILITY

4,42,56,640

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₹

NET TAX LIABILITY 4,42,56,640

(-) Adv. Paid 20,00,000

4,22,56,640

In the next class

MAT