

## **Concessional Rates of Income Tax @ 22% for Companies in India**

### **Concessional Rates of Income Tax @ 22% for Companies in India Applicable from AY 2020-21 – FY 2019-20**

♦ Income tax @22% in place of 25% or 30% under the Section 115-BAA

#### **1. Income Tax @ 22% is applicable on the Companies**

(i) All Indian companies are permitted to avail concessional rate of income tax @22% plus 10% 'fixed' surcharge and 4% higher education cess

(ii) However these companies are 'not' permitted to avail the followings deductions 'after' availing Income Tax @ 22%

(a) 'No' deduction under the section 10AA for a unit as established in **Special Economic Zones (SEZs)**

(b) 'No' deduction under the Section 32(1)(iia) for the 'additional' depreciation against 'new' addition in plant and machinery by the 'manufacturing' companies.

(c) 'No' deduction under the section 33AB for the manufacturing of 'Tea', coffee and rubber

(d) 'No' deduction under the section 35 for the Scientific 'Research' Expenditures

(e) 'No' deduction under the section 35AD for the 'capital' expenditures incurred against 'specified' business

(f) 'No' deduction under the section 35CCC or 35CCD for the expenditures against 'agricultural' extension project or 'skill' development project

(g) (a) 'No' deduction for chapter VI-A under the heading 'C' like deductions under section 80H to 80TT

(b) However some 'special' deductions are permitted for the companies under the section 80G, 80GGA, 80GGB, 80JJAA, 80LA and 80M for the AY 2020-21 and 80JJAA, 80LA and 80M for the AY 2021-22 and onwards

#### **2. Important Points**

(i) 'No' Minimum Alternative Tax (MAT) concept under the Section 115JB is applicable on the company where availing income tax @22%. Hence non-applicability of the MAT is greatest advantage of the option under the section 115BAA.

(ii) 'No' MAT credit is permitted where the company is availing income tax @ 22%

(iii) (a) 'No' brought forward 'losses' and unabsorbed 'depreciation' are permitted under the Section 10AA, 32(1)(iia), 33AB, 35, 35AD, 35CCC or 35CCD

(b) Hence 'normal' brought forward losses and unabsorbed depreciation 'other than' Abovementioned sections under the para 1(ii)(a) to (g) are permitted

(iv) 'No' withdrawal option is available against income tax @22% in the 'subsequent' years. Hence once this option is opted thereafter withdrawal in 'subsequent' years is 'not' permitted

(v) Income tax @ 22% is permitted from AY 2020-21 and also permitted in 'subsequent' years where same is not opted from Ay 2020-21.

(vi) Form Number 10-IC is to be filed 'before' the due date of filing of return of incomes under the section 139(1) for availing income tax @22%

(vii) Presently income tax @25 % or 30% plus surcharge and education cess is applicable where the Indian company is 'not' availing Income tax @ 22% under the section 115BAA

(viii) 'Comparison' between 'present' rate of income tax and 'future' effective rate of Income tax under the section 115BA and 115BAA respectively

- **Present Rate of Income tax @ 25% or 30% under the section 115BA**

(aa) 'Effective Rate' of Income tax is @26% (25% + 1% higher education cess) where taxable profits in the financial year 2019-20 are below 1 crore and also turnover is below 400 crore in the financial year 2017-18

(ab) Effective Rate of Income tax is @27.82% (25% +1.75% surcharge + 1.07% education cess) where taxable profits in the financial year 2019-20 are between 1 crore and 10 crore and also turnover is below 400 crore in the financial year 2017-18

(ba) Effective Rate of Income tax is @31.20% (30% + 1.2% higher education cess) where taxable profits in the financial year 2019-20 are below 1 crore but turnover is 400 crore and above in the financial year 2017-18

(bb) Effective Rate of Income tax is @33.384% (30% +2.10% surcharge + 1.284% higher education cess) where taxable profits in the financial year 2019-20 are between 1 crore and 10 crore and also turnover is 400 'crore' and above in the financial year 2017-18

- **Future Rate of Income tax @ 22% under the Section 115BAA**

- Effective Rate of Income tax @25.168% (22%+2.2% surcharge + 0.968% higher education cess) where taxable profits in the financial year 2019-20 are without any limit in the financial year 2019-20 and also without any limit on the turnover in the financial year 2017-18

**Source : Taxguru**