

**Concessional Rates of the Income Tax @ 22% for the Companies in India****■ Income tax @22% in place of 25% or 30% under the Section 115-BAA****1. Income Tax @ 22% is applicable on Companies for Assessment year (AY) 2020-21**

- (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 Zone (SEZ)
  - (b) **No** deduction under the Section 32(1)(ia) 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)(ia), 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**

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