Unit 4 — Corporate Tax

Tax Planning & Management | BMB FM 02 / KMB FM 02

Unit 4: Corporate Taxation

Syllabus: Computation of taxable income of companies; carry-forward and set-off of losses for companies; Minimum Alternate Tax (MAT); set-off and carry-forward of amalgamation losses; tax planning for amalgamation, merger and demerger of companies; tax provisions for venture capital funds.

> **YAHAN 90% STUDENTS GALTI KARTE HAIN**
>
> Corporate tax rates aur MAT rate har Finance Act se badalte hain. Ye notes **concepts, sections aur conditions** par focus karte hain. Current rates apne AY se confirm kar lena.

Exam Blueprint (2025-26 paper)

Topic	2025-26 paper	Marks
Minimum Alternate Tax (MAT)	Section A	2
Tax provisions for venture capital funds	Section C	7
Amalgamation and demerger tax planning	Syllabus weight	7
Carry forward of losses for companies (Sec. 79, 72A)	Syllabus weight	7

> **YE QUESTION BAAR-BAAR AAYA HAI**
>
> **MAT** aur **amalgamation/demerger** — ye do is unit ke sabse likely questions hain. MAT ka concept aur uska formula, aur Section 72A ki conditions — dono ratt lo.

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1. Types of Companies and Residential Status

1.1 Classification under the Income Tax Act

Type	Meaning
Indian company	Registered under the Companies Act in India
Domestic company	An Indian company, or any other company which has made prescribed arrangements for declaring and paying dividends in India
Foreign company	A company which is **not a domestic company**
Company in which the public are substantially interested	A "**widely held**" company — government companies, listed companies, section 8 companies, subsidiaries of such companies
Closely held company	A company in which the public are **NOT** substantially interested

1.2 Residential Status of a Company — Section 6(3)

A company is **resident in India** if:

- **(a)** it is an **Indian company**, **OR**
- **(b)** its **Place of Effective Management (POEM)** during the year is **in India**

DEFINITION - RATTA MAARO

POEM — the place where **key management and commercial decisions** necessary for the conduct of the business of the entity **as a whole are, in substance, made**. Introduced to prevent shell companies registered abroad but actually controlled from India.

Tax incidence: a **resident** company is taxed on its **global income**; a **non-resident** company is taxed only on income **received, accruing or arising in India**.

2. Computation of Taxable Income of a Company

2.1 The Computation Format

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Income from House Property                              xxx
+ Profits and Gains of Business or Profession           xxx
+ Capital Gains                                         xxx
+ Income from Other Sources                             xxx
──────────────────────────────────────────────────────────
= GROSS TOTAL INCOME                                    xxx
– Deductions under Chapter VI-A
  (80G, 80GGB, 80IA, 80IB, 80JJAA etc.)               (xxx)
──────────────────────────────────────────────────────────
= TOTAL INCOME                                          xxx

Tax on Total Income at the applicable corporate rate    xxx
+ Surcharge                                             xxx
+ Health and Education Cess @ 4%                        xxx
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= Tax liability under NORMAL PROVISIONS                 xxx

COMPARE with MAT @ 15% of Book Profit (Sec. 115JB)
→ Tax payable = HIGHER of the two
──────────────────────────────────────────────────────────
– TDS / TCS / Advance tax                              (xxx)
= TAX PAYABLE or REFUNDABLE                             xxx
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Salary head does NOT apply to a company — a company cannot be an employee. So only **four heads** are relevant for companies.

2.2 Deductions Available to Companies (Chapter VI-A)

80G — donations to specified funds; **80GGB** — contribution to political parties (companies); **80IA / 80IB / 80IC** — profits of industrial undertakings, infrastructure, SEZ and specified areas; **80JJAA** — additional employee cost (an incentive for employment generation); **80M** — inter-corporate dividend received, to the extent further distributed.

2.3 Concessional Tax Regimes for Companies