

Assessment of various entities

1 Taxation of companies:

Domestic Company	Foreign Company
<ul style="list-style-type: none"> 25% - where total turnover or gross receipt in the previous year 2019-20 does not exceed Rs. 400 crore 30% in any other case Optional scheme u/s 115BAA – 22% Optional scheme u/s 115BAB – 15% (Refer Below)	40%
Surcharge <ul style="list-style-type: none"> If the total income > Rs. 1 Crore <= Rs. 10 Crore – 7% If the total income > Rs. 10 Crore – 12% Optional scheme u/s 115BAA and 115BAB – 10% 	Surcharge <ul style="list-style-type: none"> If the total income > Rs. 1 Crore <= Rs. 10 Crore – 2% If the total income > Rs. 10 Crore – 5%

Taxability u/s 115BAB and 115BAA

(1)	(2)	(3)	(4)
	Particulars	Section 115BAB	Section 115BAA
(1)	Applicability	Domestic manufacturing company/Electricity generation company	Any domestic company
(2)	Rate of tax	15%	22%
(3)	Rate of surcharge	10%	10%
(4)	Effective rate of tax (including surcharge & HEC)	17.16% [Tax@15% (+) Surcharge@10% (+) HEC@4%]	25.168% [Tax@22% (+) Surcharge@10% (+) HEC@4%]
(5)	Applicability of MAT	Not applicable	Not applicable
(6)	Manner of computation of tax liability		
	Particulars	Section 115BAB	Section 115BAA

	Income on which concessional rate of tax is applicable	The rate of tax (i.e., 17.16%) is applicable in respect of income derived from or incidental to manufacturing or production of	The rate of tax (i.e., 25.168%) is notwithstanding anything contained in the Income-tax
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	an article or thing or generation of electricity.	Act, 1961, but subject to the provisions of Chapter XII, other than section 115BA and 115BAB.
Rate of tax on income covered under Chapter XII [for example, long-term capital gains chargeable to tax u/s 112 and 112A, short-term capital gains chargeable to tax u/s 111A]	Such income would be subject to tax at the rates mentioned in the said sections in Chapter XII. Surcharge@10% would be levied on tax computed on such income. HEC@4% would be levied on the income-tax <i>plus</i> surcharge.	Such income would be subject to tax at the rates mentioned in the said sections in Chapter XII. Surcharge@10% is leviable on tax computed on such income. HEC@4% would be levied on the income-tax <i>plus</i> surcharge.
Rate of tax on other income in respect of which no specific rate of tax is provided in Chapter XII	The applicable tax rate is 17.16% [Tax@15% (+) Surcharge@10%(+) HEC@4%] if such income has neither been derived from nor is incidental to manufacturing or production of an article or thing or generating electricity (For example, income from house property and income from other sources). In respect of such income, no deduction or allowance in respect of any expenditure or allowance shall be allowed in computing such income.	The applicable tax rate is 25.168% (i.e., tax@22% <i>plus</i> surcharge@10% <i>plus</i> HEC@4%). There is, however, no restriction regarding claim of any deduction or allowance permissible under the relevant provisions of the Act.

Conditions to be fulfilled for availing concessional rate of tax and exemption from MAT			
7.	Particulars	Section 115BAB	Section 115BAA
	Conditions to be fulfilled for availing concessional rate of tax and exemption from MAT	(i) The company should be set-up and registered on or after 1.10.2019.	No time limit specified. Both existing companies and new companies can avail benefit.
		(ii) It should commence manufacturing or production of an article or thing or business of generating electricity on or before 31.3.2023.	Need not be a manufacturing or a production company
		(iii) It should <u>not</u> be formed by splitting up or the reconstruction of a business already in existence (except in case of a company, business of which is formed as a result of the re-establishment, reconstruction or revival by the person of the business of any undertaking referred to in section 33B in the circumstances and within the period specified therein)	No similar condition has been prescribed
		(iv) It does <u>not</u> use any machinery or plant previously used for any purpose	No similar condition has been prescribed

		(v)	It does <u>not</u> use any building previously used as a hotel or a convention centre [meanings assigned in section 80-ID(6)] in respect of which deduction u/s 80-ID has been claimed and allowed.	No similar condition has been prescribed
		(vi)	<p>It should <u>not</u> be engaged in any business other than the business of manufacture or production of any article or thing and research in relation to, or distribution of, such article or thing manufactured or produced by it.</p> <p>Note – Business of manufacture or production of any article or thing does <u>not</u> include business of –</p> <p>(1) Development of computer software in any form or in any media</p> <p>(2) Mining</p> <p>(3) Conversion of marble blocks or similar items into slabs</p> <p>(4) Bottling of gas into cylinder</p> <p>(5) Printing of books or production of cinematograph films</p> <p>(6) Any other business as may be notified by the Central</p>	No similar condition has been prescribed

			Govt. in this behalf.	
(8)	Common conditions for both sections for availing the concessional rate of tax and exemption from MAT	In case of a company opting for either section 115BAA or 115BAB, the total income should be computed -		
		(i)	without providing for deduction under any of the following sections:	
			Section	Provision
			10AA	Exemption of profits and gains derived from export of articles or things or from services by an assessee, being an entrepreneur from his Unit in SEZ.
			32(1)(iia)	Additional depreciation @20% , as the case may be, of actual cost of new plant and machinery acquired and installed by manufacturing undertakings.
			33AB	Deduction@40% of profits and gains of business of growing and manufacturing tea, coffee or rubber in India, to the extent deposited with NABARD in accordance with scheme approved by the Tea/Coffee/ Rubber Board.
			33ABA	Deduction@20% of the profits of a business of prospecting for, or extraction or production of, petroleum or natural gas or both in India, to the extent deposited with SBI in an approved scheme or deposited in Site Restoration Account.
			35(1)(ii)/(iia)/(iii)	Deduction for payment to any research association, company, university etc. for undertaking scientific research or social science or statistical research.

			35(2AA)	Deduction of payment to a National Laboratory or University or IIT or approved specified person for scientific research
			35(2AB)	Deduction of in-house scientific research expenditure incurred by a company engaged in the business of bio-technology or in the business of manufacture or production of an article or thing.
			35AD	Investment-linked tax deduction for specified businesses.
			35CCC	Deduction of expenditure incurred on notified agricultural extension project
			35CCD	Deduction of expenditure incurred by a company on notified skill development project.
			80C to 80U	Deductions from gross total income under Chapter VI-A other than the provisions of section 80JJAA or section 80M.
		(ii)	without set-off of any loss or allowance for unabsorbed depreciation deemed so u/s 72A, where such loss or depreciation is attributable to any of the deductions listed in (i) above [Such loss and depreciation would be deemed to have been already given effect to and no further deduction for such loss shall be allowed for any subsequent year]	
		(iii)	by claiming depreciation u/s 32 determined in the prescribed manner (i.e., in respect of depreciation of any block of assets entitled to more than 40% shall be restricted to 40% on the written down value of such block of assets). However, additional depreciation u/s 32(1)(ia) cannot be claimed.	
		<u>Note – Additional points relevant in the context of section 115BAA:</u>		
		<i>(1) In case of a company opting for section 115BAA, total income should be computed without set-off of any loss carried forward or depreciation from any earlier assessment year, where such loss or depreciation is attributable to any of the deductions listed in (i) above [Such loss and depreciation would be deemed to have been already given effect to and no further deduction for such loss or depreciation shall be allowed for any subsequent year]</i>		
		<i>(2) In the case of a person having a Unit in the IFSC, referred to in section 80LA(1A), which has exercised option for section 115BAA, deduction u/s 80LA would be allowed subject to fulfilment of the conditions specified in that section.</i>		

		(3) Since there is no time line within which option under section 115BAA can be exercised, a domestic company having brought forward losses and depreciation on account of deductions listed in (i) above may, if it so desires, postpone exercise the option under section 115BAA to alater assessment year, after set off of the losses and depreciation so accumulated.	
	Particulars	Section 115BAB	Section 115BAA
(9)	Failure to satisfy conditions	<p>On failure to satisfy the conditions mentioned in point no. (7) and (8) above in any P.Y., the option exercised would be invalid in respect of the assessment year relevant to that previous year and subsequent assessment years;</p> <p>Consequently, the other provisions of the Act would apply to the person as if the option had not been exercised for the assessment year relevant to that previous year and subsequent assessment years.</p> <p>Note – Where option exercised under section 115BAB is rendered invalid due to violation of conditions stipulated in point no.7 [(iv) to (vi)] above, such person may exercise option under section 115BAA.</p>	<p>On failure to satisfy the conditions mentioned in point no. (8) above in any P.Y., the option exercised would be invalid in respect of the assessment year relevant to that previous year and subsequent assessment years;</p> <p>Consequently, the other provisions of the Act would apply to the person as if the option had not been exercised for the assessment year relevant to that previous year and subsequent assessment years.</p>
	Particulars	Section 115BAB	Section 115BAA
(10)	Availability of set-off of MAT credit brought forward from earlier years	Since it is a new company, there would be no brought forward MAT credit	<p>Brought forward MAT credit cannot be set-off against income u/s 115BAA.</p> <p>Note - If a company has b/f MAT credit, it can first exhaust the MAT credit, and thereafter opt for section 115BAA in a subsequent previous year.</p>
	Particulars	Section 115BAB	Section 115BAA
(11)	Adjustments for transactions with persons having close connection	If the Assessing Officer opines that the course of business between the company and any other person having close connection therewith is so arranged that the business transacted between them produces more than the ordinary profits to the company, he is	No such requirement to make any adjustment

		<p>empowered to take into account the amount of profits as may be reasonably deemed to have been derived therefrom, while computing profits and gains of such company.</p> <p>In case the arrangement referred above involves a specified domestic transaction referred to in section 92BA, then, the amount of profits from such transaction would be determined by considering the arm's length price (ALP).</p> <p>The amount, being profits in excess of the amount of the profits determined by the Assessing Officer, shall be deemed to be the income of the person.</p> <p>The income-tax on the income so deemed shall be subject to tax @ 34.32% (i.e., tax @ 30% + surcharge @ 10% + HEC @ 4%).</p> <p><i>Note – The scope of “specified domestic transaction” referred to in section 92BA has been expanded to include within its ambit, any business transacted between such persons with close connection, where one such person is a company claiming benefit under section 115BAB.</i></p>	
	Particulars	Section 115BAB	Section 115BAA
(12)	Exercise of option by the company within the prescribed time	<p>The beneficial provisions of this section would apply only if option is exercised in the prescribed manner on or before the due date u/s 139(1) for furnishing the first of the returns of income for any previous year relevant to assessment year or any subsequent assessment year.</p> <p>Such option, once exercised, would apply to subsequent assessment years.</p> <p>Further, once the option has been exercised for any previous year, it</p>	<p>The beneficial provisions of this section would apply if option is exercised in the prescribed manner on or before the due date u/s 139(1) for furnishing the return of income for any previous year relevant to assessment year or any subsequent A.Y.</p> <p>Such option, once exercised, would apply to subsequent assessment years.</p>

		<p>cannot be subsequently withdrawn for the same or any other previous year. Notes</p> <p>– (1) <i>The option has to be exercised at the time of furnishing the first of the returns of income for any previous year. If a person fails to so exercise such option, it cannot be exercised thereafter for any subsequent previous year.</i></p> <p>(2) <i>In case of amalgamation, the option exercised u/s 115BAB shall remain valid in the case of the amalgamated company only and if the conditions mentioned in point no. (7) and (8) are continued to be satisfied by such company.</i></p>	<p>Further, once the option has been exercised for any previous year, it cannot be subsequently withdrawn for the same or any other previous year.</p> <p>Note – <i>The option can be exercised even in a later year, but once exercised, cannot be withdrawn subsequently.</i></p> <p>Further, where the person exercises option under section 115BAA, the option under section 115BA may be withdrawn.</p>
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Note – Any machinery or plant which was used outside India by any other person shall not be regarded as machinery or plant previously used for any purpose, if all the following conditions are fulfilled, namely:—

- (a) such machinery or plant was not, at any time previous to the date of the installation, used in India;
- (b) such machinery or plant is imported into India from any country outside India;
- (c) no deduction on account of depreciation in respect of such machinery or plant has been allowed or is allowable under the provisions of the Income-tax Act, 1961 in computing the total income of any person for any period prior to the date of installation of the machinery or plant by the person.

Further, where in the case of a person, any machinery or plant or any part thereof previously used for any purpose is put to use by the company and the total value of the machinery or plant or parts so transferred does not exceed 20% of the total value of the machinery or plant used by the company, then, the condition specified that the company does not use any machinery or plant previously used for any purpose would be deemed to have been complied with.

2 Minimum Alternate Tax (MAT):

a. Applicable to Whom?	<ol style="list-style-type: none"> 1. Company, 2. Including foreign company having PE or place of business in India. 3. Company, being a Unit, located in International Financial Service Centre deriving income solely in convertible foreign exchange. <p>Exception:</p> <ol style="list-style-type: none"> 1. Company engaged in life insurance business. 2. A foreign company which do not have a PE in India (However, this benefit is applicable only to those foreign company being a resident of a country with whom India have DTAA).
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	3. Foreign company where the total income comprises solely of income offered u/s 44B/BB/BBA/BBB and taxes have been paid at the rates specified under those sections 4. A foreign company which do not require to register under the Companies Act, 1956 (now Companies Act, 2013) (such benefit is extended to the foreign company with whom India does not have a DTAA).		
b. Applicable When?	If Income tax calculated on the total income as computed under this Act < 15% of book profits. Then Book profit shall be deemed to be total income.		
c. Rate of tax:	For normal companies	15%	
	For Company located in IFSC	9%	
d. Applicability of surcharge	Company	Book Profit	Rate
	Domestic Company	>Rs. 1 crores but <= Rs. 10 crores	7%
		>Rs. 10 crores	12%
	Foreign Company	>Rs. 1 crores but <= Rs. 10 crores	2%
		>Rs. 10 crores	5%
e. Procedure for computation:	1. Compute total income as per normal provision.		
	2. Compute tax on total income arrived as per step 1 at normal rate of tax applicable to the company assessee.		
	3. Compute book profit u/s 115JB (Refer ③).		
	4. MAT payable = 15% x book profit as per step 3.		
	5. Tax payable = HIGHER of step 2 or step 4.		
	6. Tax payable + Surcharge.		
	7. Avail marginal relief.		
	8. Step 8 + Cess @ 4%.		

Preparation of P&L A/c - Section 115JB(2):

Every assessee being a company shall prepare its P&L a/c for the relevant PY as per Schedule VI of the Companies Act, 1956 (now Companies Act, 2013) or as per the Act governing such company. E.g. banking company, insurance company, electricity company, etc. Net profit as per P & L A/c. or annual accounts which are laid down before AGM shall be considered for arriving at book profits. If financial year as per Companies Act, 1956 (now Companies Act, 2013) is adopted different from previous year then, also policies & procedures to prepare the accounts shall not change.

Computation of book profits [Explanation 1 below section 115JB(2)]:

Computation of book profits:		
Sr.No.	Particulars	Rs.

Net profit arrived in accordance with the provisions of Schedule VI of the Companies Act, 1956 (now Companies Act, 2013) or the relevant Act of Insurance/Banking/Electricity company, as the case may be	XXX
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For **Add**: If any amount in all points is debited to the profit and loss account.

Interlinked addition/deletion	
1	Add : Amount transferred to Reserve whatever name called debited to profit and loss account
	Add : Amount transferred to revaluation reserve relating to revalued asset on disposal of such asset if not credited to profit and loss account
	Less : Reserve withdrawal credited to profit and loss account
2	Add : Depreciation
	Less : Depreciation debited to the profit and loss account <u>excluding</u> the depreciation on account of revaluation of assets
	Less : Revaluation reserve withdrawal restricted to the depreciation on account of revaluation of assets and credited to the profit and loss account

The cumulative effect of the above adjustment is that:

1. The excessive depreciation to the extent of the revalued portion of the asset shall be added back.
2. Further to avoid double taxation on account of the addition made as above, any revaluation reserve to the extent of the higher depreciation claimed on account of revaluation of the asset shall be excluded while determining the book profit.

3	Add : Deferred tax liability + Provision	XXX
	Less : Deferred tax asset, if credited to the profit and loss account	(XXX)

4	Add : Notional loss on: <ul style="list-style-type: none"> a. Transfer of capital asset being shares of a SPV to a business trust in exchange of units allotted by the trust referred to in section 47(xvii) or b. Resulting from any change in carrying amount of such units of the trust; 	XXX
	Less : Notional gain credited to profit and loss account on: <ul style="list-style-type: none"> a. Transfer of capital asset being shares of a SPV to a business trust in exchange of units allotted by the trust referred to in section 47(xvii) or b. Resulting from any change in carrying amount of such units of the trust; 	(XXX)

5	Add : Gain on transfer of units of business trust referred to u/s 47(xvii) which was computed by taking into account: <ul style="list-style-type: none"> i. The cost of shares exchanged with units or ii. The carrying amount of the shares at the time of exchange where such shares are carried at a value other than the cost through profit and loss 	
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	account. (Gain = Sale consideration (–) Cost or carrying amount of shares held in SPV at the time of exchange)	XXX
	Less: Loss on transfer of units of business trust referred to u/s 47(xvii) which was computed by taking into account: <ul style="list-style-type: none"> i. The cost of shares exchanged with units or ii. The carrying amount of the shares at the time of exchange where such shares are carried at a value other than the cost through profit and loss account. (Loss = Cost or carrying amount of shares held in SPV at the time of exchange (–) Sale consideration) 	(XXX)
6	Add: Expenditure relatable to income exempt u/s 10, 11, 12	XXX
	Less: Income exempt u/s 10, 11, 12	(XXX)
7	Add: Expenditure relatable to income being share of income of assessee from AOP or BOI, on which no tax is payable as per section 86	XXX
	Less: Income being share of income of assessee from AOP or BOI, on which no tax is payable as per section 86, if such amount is credited to the profit and loss account	(XXX)
8	Add: Expenditure in respect of royalty income from patents chargeable to tax u/s 115BBF	XXX
	Less: Income by way of royalty in respect of patents chargeable to tax u/s 115BBF	(XXX)
9	Add: Expenditure of foreign company relating to: <ul style="list-style-type: none"> i. Capital gain arising on transaction in securities or ii. The interest, dividend royalty or fee for technical services chargeable to tax at the rates specified u/s 115A If such income is taxable under general provision of the Act at a rate less than 15%	XXX
	Less: Income of foreign company accruing or arising from: <ul style="list-style-type: none"> i. Capital gain arising on transaction in securities or ii. The interest, dividend royalty or fee for technical services chargeable to tax at the rates specified u/s 115A If such income is taxable under general provision of the Act at a rate less than 15% and is credited to the profit and loss account	(XXX)

Add: Independent addition:		
1	Provision for unascertained liabilities	XXX
2	Provision for losses of subsidiary company	XXX
3	Income tax paid/Payable Note: Income tax includes (i) Dividend Distribution Tax/Tax on distributed income, (ii) Interest under this Act, (iii) Surcharge and (iv) cess	XXX
4	Dividend paid/proposed	XXX
5	Provision for diminution in value of asset	XXX

Less: Independent deletion:		
1	Profit from sick industrial company [From AY in which company was declared sick – AY in which net worth is \geq accumulated losses]	(XXX)
2	Brought forward loss or unabsorbed depreciation (<u>as per books</u>) whichever is <u>less</u> (Not applicable if brought forward loss or depreciation is Nil)	(XXX)
3	Profit from tonnage tax scheme (as per books)	(XXX)

Book profit	XXX
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Brought forward loss and unabsorbed depreciation:

Aggregate amount of unabsorbed depreciation and loss brought forward in case of a –

(A) company, and its subsidiary and the subsidiary of such subsidiary, where, the Tribunal, on an application moved by the Central Government under section 241 of the Companies Act, 2013 has suspended the Board of Directors of such company and has appointed new directors who are nominated by the Central Government under section 242 of the said Act;

(B) company against whom an application for corporate insolvency resolution process has been admitted by the Adjudicating Authority under section 7 or section 9 or section 10 of the Insolvency and Bankruptcy Code, 2016.

It may be noted that loss does not include depreciation.

A company would be a subsidiary of another company if such other company holds more than half in the nominal value of equity share capital of the company.

Computation of Book Profit for Ind AS compliant companies:

Sr.No.	Particulars	`
	Net profit arrived in accordance with the provisions of Schedule III of the Companies Act, 2013 or the relevant Act of Insurance/Banking/Electricity company, as the case may be	XXX

IND-AS Adjustments		
(i)	<u>“Items in Other Comprehensive Income (OCI) in the statement of Profit and Loss Account under the head “Items that will not be re-classified to profit and loss:”</u>	
Add:	Amount credited to OCI	xx
Less:	Amount debited to OCI	(xx)
Note:	<u>NO Add/Less</u> of the items shall be made in respect of: (a) Revaluation for assets; or (b) Gains/losses from investment in equity instruments designated at fair value through OCI <u>unless</u> the <u>asset or investment</u> * is retired, disposed, realized or otherwise transferred, in which case the book profits shall be increased/decreased suitably.	
	<u>*Assets:</u> Those referred for OCI (Ind AS-16 & Ind AS-38) (+) Property, plant & equipment, intangible assets (Ind AS-101)	
	<u>Investment:</u> Those referred for OCI (Equity Instruments: Ind AS-109) (+) Investments in subsidiaries, joint ventures and associates (Ind AS-101)	
(ii)	<u>Demerger:</u>	
Add:	Amount <u>debited</u> to the statement of profit and loss on distribution of non-cash assets to shareholders in a demerger	xx
Less:	Amounts <u>credited</u> to the statement of profit and loss on distribution of non-cash assets to shareholders in a demerger	(xx)
Note:	In the case of <u>resulting company</u> , where the property and liabilities of the undertaking being received by it are <u>recorded</u> at values <u>different</u> from values appearing in the books of account of the demerged company immediately before the demerger, any change in such value shall be <u>ignored</u> for the purpose of computation of book profit of the resulting company.	
(iii)	<u>Year of Convergence and Each of Following 4 Previous Years:</u>	
Add / Less:	1/5 th of transition amount. <u>Transition amount means:</u> The aggregate of the amount adjusted in the <u>other equity</u> (excluding capital reserve, and securities premium reserve) on the <u>convergence date</u> . <u>Excluding adjustment made on this date:</u> (i) in OCI which shall be reclassified to P&L (ii) revaluation surplus for assets (Ind AS-16 & 38)	xx/(xx)

	(iii) gain or loss from investments in equity instruments designated <u>at fair value</u> (iv) adjustment relating to property, plant & equipment, intangible assets recorded <u>at fair value</u> (v) adjustments relating to investment in subsidiaries, JV & associates recorded at fair value (vi) adjustment relating to cumulative translation differences of a foreign operations	
(iv)	Foreign Operations:	
Add/ Less:	Where foreign operations is disposed or otherwise transferred, the book profit shall be increased or decreased suitably.	xx/(xx)

Adjustment in tax payable on book profit u/s 115JB(1) on account of Advance Pricing Agreement (APA) under section 92CC or secondary adjustment under section 92CE [Section 115JB(2D)]:

Where there is an increase in book profit of the previous year due to inclusion of past year(s) income in books of account on account of

- (1) an APA entered into by the assessee under section 92CC; or
- (2) secondary adjustment, required to be made under section 92CE, and

the assessee makes an application to the Assessing Officer in this behalf, the Assessing Officer shall recompute

- the book profit of the past year or years and
- tax payable, if any, by the assessee during the previous year under section 115JB(1), in such manner as may be prescribed.

In such case, the provisions of section 154 [i.e., rectification of mistake apparent from record] would apply; and the period of four years would be reckoned from the end of the financial year in which the said application is received by the Assessing Officer.

Accordingly, Rule 10RB(1) has been inserted to provide that the tax payable by the assessee company under section 115JB(1), for the previous year, shall be reduced by the following amount:

$$(A-B) - (D-C)$$

A= tax payable by the assessee company under section 115JB(1) on the book profit of the previous year including the past income. However, where no tax is payable under section 115JB(1) on book profit of that previous year including past income, the value of A would be deemed to be zero.

B= tax payable by the assessee company under section 115JB(1) on the book profit of the previous year after reducing the book profit with the past income. However, where no tax is payable under section 115JB(1) on the resultant figure, the value of B would be deemed to be zero.

C = Aggregate of tax payable by the assessee company under section 115JB(1) on the book profit of those past year or years to which the past income belongs. However, where no tax is payable under section 115JB(1) on the book profit of that year or years, the tax payable for that year or years would be deemed to be zero.

D = Aggregate of tax payable by the assessee company under section 115JB(1) on the book profit of past year or years, referred to in item C, after increasing the book profit with the relevant past income of such year or years. However, where no tax is payable under section 115JB(1) on the amount so increased, the tax payable for that year or years would be deemed to be zero.

It may be noted that if the value of $(A-B)-(D-C)$ in the formula is negative, its value would be deemed to be zero.

Meaning of past income [Rule 10RB(2)] Past income means the amount of income of past year or years included in the book profit of the previous year on account of an APA entered into by the assessee under section 92CC or on account of secondary adjustment required to be made under section 92CE.

MAT credit to be reduced [Rule 10RB(3)] The tax credit allowed to the assessee under section 115JAA would be reduced by the amount which is equal to the amount of reduction that has been allowed under Rule 10RB(1).

The adjustment in the book profit shall be made only if the assessee has not utilised the credit of tax paid in any subsequent assessment year under section 115JAA.

The provisions of this sub-section have been inserted w.e.f. A.Y. 2021-22. However, these provisions would also be applicable for the A.Y. 2020-21 or any earlier assessment year. However, no interest shall be payable to such assessee on the refund arising on account of re-computation of book profits of the previous year.

MAT Credit:

Where tax is paid in any assessment year in relation to the deemed income under section 115JB(1), the excess of tax so paid over and above the tax payable under the other provisions of the Income-tax Act, 1961, will be allowed as tax credit in the subsequent years. The MAT credit is allowed to be carried forward for 15 AYs succeeding the AY in which credit becomes allowable.