

Second Installment of Advance Income Tax - Due Date - 15th September 2019

When payment of Advance Income Tax is necessary?

- If the Income tax liability of any assessee, for the Assessment year 2020-21(Financial Year 2019-20) i.e. for the year from 1st April, 2019 to 31st March, 2020 is, likely to exceed Rs.10,000/-, then payment of Advance Income Tax is mandatory.
- If a company does not have taxable income but is liable to pay tax under section 115JB (Provisions of MAT)is also required to pay advance tax.

What is the rate of interest in case of default in payment of Advance Income Tax?

Interest @ 1% p.m. on the amount of unpaid tax will be levied in case of default in payment of Advance Tax. This interest is not deductible from taxable income. Therefore, it costs more.

Provision of MAT

Minimum Alternative Tax, payable under the Income Tax Act, was introduced to target large companies making huge profits and pay the dividend to their shareholders but pay no tax or minimal tax under the normal provisions of the Income Tax Act, by taking advantage of the various deductions, and exemptions allowed under the Act.

However with the introduction of MAT, the companies have to pay a fixed percentage of their profits as Minimum Alternate Tax.

MAT is applicable to all companies, including foreign companies.

Calculation of MAT-

Every company should pay **higher** of the tax calculated under the following two provisions:

1. Tax liability as per the Normal provisions of income tax act(tax rate 30% + 4% Education Cess + surcharge (if applicable)
2. Tax liability as per the MAT provisions are given in Sec 115JB(18.5 % of Book Profits + 4 % Education Cess + a surcharge if applicable)

Book profit means the net profit as shown in the profit & loss account for the year as increased and decreased by the following items:

Additions to the Net Profit (If debited to the Profit and Loss Account)

1. Income Tax paid or payable if any calculated as per normal provisions of income tax act.
2. Transfer made to any reserve
3. Dividend proposed or paid
4. Provision for loss of subsidiary companies
5. Depreciation including depreciation on account of revaluation of assets
6. Amount/provision of deferred tax
7. Provision for unascertained liabilities e.g. provision for bad debts
8. Amount of expense relating to exempt income under sections 10,11,12 (except sec 10AA and 10(38) This

means income under section 10AA & long term capital gain exempt under section 10(38) are subject to MAT. Provision made for diminution in the value of any asset

Deletions to the Net Profit (If credited to the Profit and Loss Account)

1. Amount withdrawn from any reserves or provisions
2. The amount of income to which any of the provisions of section 10, 11 & 12 except 10AA & 10(38) applies.
3. Amount withdrawn from revaluation reserve and credited to profit & loss account to the extent of depreciation on account of revaluation of asset.
4. Amount of loss brought forward or unabsorbed depreciation, whichever is less as per the books of account. However, the loss shall not include the depreciation. (if loss brought forward or unabsorbed depreciation is nil then nothing shall be deducted.)
5. Amount of Deferred Tax, if any such amount is credited in the profit & loss account
6. Amount of depreciation debited to the Profit and Loss Account (excluding the depreciation on revaluation of Assets)