An aerial photograph of a triathlon race in turquoise water. Numerous swimmers in black wetsuits and white swim caps are spread across the frame. A single kayaker in a bright pink kayak is positioned in the lower-middle section of the image. The water is clear and vibrant, with white splashes from the participants.

Paradigm Shift in Corporate Taxes and taxation of dividend income

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Reduction in the Corporate tax rates

Key amendments in the Taxation Laws (Amendment) Act, 2019 for reducing Corporate tax rates.

- ▶ Corporate tax rates reduced to 22% (effective 25.17%) from 30% (effective 34.94%) for all domestic companies, subject to the condition that they do not avail exemption/ incentives (Refer [Annexure 1](#) for list of notified exemptions/ incentives). Also, such companies not required to pay MAT.
- ▶ MAT rate for companies enjoying exemption/ incentives reduced to 15% (effective 17.47%) from 18.5% (effective 21.55%).
- ▶ For a **new manufacturing domestic company** set-up after 1 October 2019 [commences manufacturing **on or before 31 March 2023**] - Concessional rate of tax of 15% (effective tax rate of 17.16%) on income from qualified activity from AY 2020-21 onwards - MAT is not applicable

Key amendments in the Finance Act, 2020 – Traditional approach to tax dividend income.

- ▶ Prior to 1 April 2020, dividends distributed by an Indian company were exempt in the hands of the shareholders – The same were subject to in the hands of the payer company at the rate of 20.56%
- ▶ For FY 2020-21 onwards - dividend income is taxable in the hands of the shareholders. Non-resident shareholders are entitled to claim beneficial rate under the relevant tax treaties (subject to meeting relevant treaty conditions).

The move reduces Indian tax impact on dividend income received from Indian companies.

Overview of Corporate Tax Rates – Optimized & Rationalized

Corporate Tax Rates of Indian Cos

Old Regime	All types of Domestic Cos		Domestic Manufacturing Cos (Section 115BA)
New Regime AY 2020-21 onwards	Domestic Cos (Section 115BAA)	Domestic Cos, if opts for incentives (Old Regime - Section 115BA)	New Manufacturing Cos (Section 115BAB)
	<ul style="list-style-type: none"> ▶ Option to pay tax at 25.17% ▶ Option once exercised, can't be withdrawn ▶ No MAT applicable <p>Qualifying Conditions:</p> <ul style="list-style-type: none"> ▶ No other Direct tax incentive / exemption available ▶ However, incentives under section 80JJAA and section 80LA [units in an IFSC in India] of the Act still available ▶ No set off of loss carried forward from earlier AYs 	<ul style="list-style-type: none"> ▶ Cos with more than Rs 400 crore Turnover <ul style="list-style-type: none"> ▶ ETR to be at 34.94% ▶ Cos with less than Rs 400 crore Turnover <ul style="list-style-type: none"> ▶ ETR to be at 29.12% ▶ Other exemption/ incentive available ▶ MAT cut from 21.55% to 17.47% 	<ul style="list-style-type: none"> ▶ Option to pay tax @ 17.16% ▶ No MAT applicable ▶ Option exercised, can't be withdrawn <p>Qualifying Conditions</p> <ul style="list-style-type: none"> ▶ No other Direct tax incentive/ exemption available ▶ No set off of loss c/f from earlier AYs <p>Qualifying Taxpayers</p> <ul style="list-style-type: none"> ▶ Applicable - New domestic Manufacturing Cos formed on or after 1 Oct 2019 ▶ Commencement of manufacturing activities by 31 March 2023 ▶ Co does not use any old machinery or plant ▶ Engaged solely in business of mfr/ production of any article or thing (incl. generation of electricity) & its related R&D ▶ Business is not formed by split-up, or reconstruction of existing business ▶ Co does not use any building previously used as a hotel or a convention centre, in respect of which deduction u/s 80-ID has been claimed & allowed
	<ul style="list-style-type: none"> ▶ Cos with more than Rs 400 crore Turnover <ul style="list-style-type: none"> ▶ ETR at 34.94% ▶ MAT at 21.55% ▶ Exemption/ incentives available 	<ul style="list-style-type: none"> ▶ Cos with less than Rs 400 Crore Turnover <ul style="list-style-type: none"> ▶ ETR at 29.12% ▶ MAT at 21.55% ▶ Exemption/ incentives available 	<ul style="list-style-type: none"> ▶ ETR at 29.12% ▶ MAT at 21.55% ▶ Exemptions/ incentives not available

Illustrative list of tax exemptions/ incentives not available if new tax regime is opted

- ▶ Profits of SEZ Units
- ▶ Profit linked deductions
- ▶ Additional depreciation/ Investment allowance

- ▶ Weighted deductions on specified expenditures
- ▶ Deduction of sum paid to a research association/university/college/company for use of Scientific research/research association

Overview of Section 115BAB

Nature of the benefit

- ▶ Concessional rate of tax of 15% (effective tax rate of 17.16%) on total income of **new domestic manufacturing companies** from AY 2020-21 onwards - MAT is not applicable

Qualifying taxpayers

- ▶ Domestic company:
 - a) Set up and registered on or **after 1 October 2019** and commences manufacturing **on or before 31 March 2023**
 - b) Engaged **solely in business of manufacture/ production** of any article or thing as the case may be, its related research or distribution

Restriction on the claim of incentives

- ▶ Incentives under specified sections including deduction under section 10AA, 35(2AB), additional depreciation, etc., cannot be claimed (Refer Annexure 1 for list of notified exemptions/ incentives)
 - ▶ **Exceptions** – claim of deduction under section 80JJAA and capital expenditure on R&D under section 35(1)(iv) of the Act

Transfer Pricing

- ▶ Any business transacted by company with any persons owing to close connection shall be subject matter of transfer pricing provisions
- The term 'close connection' has not been defined under the Act. The term 'close connection' is also used in section 80-IA(10) of the Act
 - In the absence of judicial precedents interpreting the term 'close connection', the term has to be understood normally/ in common parlance
 - It may be reasonable to consider at least all AE relationships [as per SDT/ TP provisions] as being 'closely connected', Having regard to the facts, relationships with persons other than AEs could also come within the ambit of 'close connection'.

Overview of Section 115BAB

Sunset date and compliance

- ▶ No sunset date as long as set-up on or after 1 October 2019 and commences manufacturing on or before 31 March 2023
- ▶ Option to be exercised **in the first return** to be filed by the Company - Once the option is exercised, the same cannot be subsequently withdrawn

Formative conditions

- ▶ The business is **not formed by splitting-up, or the reconstruction**, of a business already in existence

Recurring conditions

- ▶ **Does not use any machinery or plant previously used** for any purpose
 - **Exceptions: (a)** Imported assets subject to certain conditions; **(b)** Use of previously used plant & machinery or part thereof **to the extent of 20% of total value of machinery or plant** is permissible
- ▶ Does not use building previously used as a hotel or convention center in respect of which 80-ID deduction has been claimed and allowed
- ▶ Is not engaged in **any business other than the business of manufacture or production** of any article or thing
 - Clarificatory explanation inserted to disregard certain business from the scope of manufacture or production
- ▶ Does not claim specified incentive or carried forward loss/ unabsorbed depreciation arising from claim of such incentives

Guidelines

- ▶ The CBDT (with the approval of CG) can issue guidelines to remove difficulties **in relation to the recurring conditions, to be laid** before each house of parliament and shall be binding on the Company as well as Tax Authorities

The above conditions are comparable to other incentive provisions under the Act – thus, jurisprudence in relation to such incentive provisions may be relied upon for assessing the claim

Overview of Section 115BAB

Tax rate applicable for other income

Relevant extract of the proviso to section 115BAB(1):

Provided that where the total income of the person, includes any income, which has **neither been derived from nor is incidental** to manufacturing or production of an article or thing and in respect of which no specific rate of tax has been provided separately under this Chapter, such income shall be **taxed at the rate of twenty-two per cent and no deduction or allowance** in respect of any expenditure or allowance shall be allowed in computing such income:

- Income-tax payable on profits derived in excess of ALP from parties having close connection shall be computed at the **rate of thirty per cent**:
- Income-tax payable in respect of income being **short term capital gains derived from transfer of a capital asset on which no depreciation** is allowable under the Act shall be computed at the **rate of twenty-two per cent**

Nature of income	Tax rate
Interest on Fixed Deposits	22% (Gross income)
Rental income	22% (Gross income)
Income from MFs/ equities (STT and Non-STT)	STCG – 15%/ 22%/ LTCG - 10%/ 20%
Capital gains on sale of land	STCG - 22%/ LTCG - 20%
Profits derived in excess of ALP from transactions with parties having close connection with the taxpayer	30%

Issues relating to key conditions

<p>Bare provisions of the Act</p>	<p><i>“the business is <u>not formed by splitting up, or the reconstruction</u>, of a business already in existence”</i> Provided that this condition shall not apply in respect 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 such undertaking as is referred to in section 33B, in the circumstances and within the period specified in the said section;</p>
<p>Scope of the relevant terms</p>	<p><u>Splitting of the business</u></p> <ul style="list-style-type: none"> • The integrity of a business in existence is broken up and different sections of the activities previously conducted are carried on independently <p><u>Reconstruction of business</u></p> <ul style="list-style-type: none"> • The existing unit is merely altered (i.e. made into a new form) and the business is continued in such altered form. The identity of the business is not lost. Necessarily involves a substantial transfer of the assets from existing unit
<p>Key factors to be established</p>	<ul style="list-style-type: none"> • Set-up with an intent to expand the capacity • Significant investment in plant and machinery • Operational independence • Concurrent running of old and new unit • Significant technological improvement • Different Product • Recruiting of new employees • Sale of products of new customers
<p>Inconsequential aspects</p>	<ul style="list-style-type: none"> • Use old premises/ building (not subject to deduction under section 80-ID) • Common management as commercially expedient and without compromising the distinct identity • Purchase or sale of goods to related party (subject to satisfaction of arms’ length price)

Issues relating to key conditions

Instances	<ul style="list-style-type: none">• Expansion of the capacity• Backward/ forward integration• Manufacturing new product
Formative or year on year condition	<ul style="list-style-type: none">• Literal interpretation supports the view that the same should be tested only in the year of set-up<ul style="list-style-type: none">• Thus, if the Tax Authorities are satisfied about compliance of the condition in the year of formation, the same should continue to govern subsequent years• However, the Court has affirmed the above claim under specific facts and it can be argued that the condition needs to be satisfied at each stage of expansion in future

SECOND HAND MACHINERY/ BUILDING

Bare Provisions of the Act	<p><i>(ii) does not use any machinery or plant previously used for any purpose.</i></p> <p><i>.....Explanation 2.—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 such machinery or plant or part thereof does not exceed twenty per cent of the total value of the machinery or plant used by the company, then, for the purposes of sub-clause (ii) of this clause, the condition specified therein shall be deemed to have been complied with;</i></p> <p><i>(iii) does not use any building previously used as a hotel or a convention centre, as the case may be, in respect of which deduction under section 80-ID has been claimed and allowed</i></p>
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Issues relating to key conditions

<p>Key distinction vis-à-vis other provisions of the Act</p>	<ul style="list-style-type: none"> • Conventionally, restriction applied to eligible undertaking not “formed by transfer” of second hand plant and machinery • Section 115BAB mandates that the company “does not use” any plant and machinery previously used for any purpose • Thus, on two counts the restriction under section 115BAB is distinct: <ul style="list-style-type: none"> (a) <i>It is not a formative conditions and hence, needs to be satisfied on year on year basis</i> (b) <i>It applies to even the plant or machinery which is hired</i> • This condition requires stricter adherence on the part of taxpayer – also, if the goods are being manufactured through a job worker, the condition may extend to use of plant or machinery by such job worker • It is perceived to be most controversial considering the broader language of the provision
<p>Other issues</p>	<ul style="list-style-type: none"> • To determine 80:20 condition – in comparison with Gross value, Book WDV, Tax WDV or Fair Market Value (‘FMV’) <ul style="list-style-type: none"> • Leads to subjective and possible reference to a valuation officer • Whether the above condition is applicable only in relation to manufacturing process or extended to all functions at entity level – <i>Considering the language of the provision, it may apply to all functions.</i>

Relevant consideration

- Important that satisfaction of all the conditions to be demonstrated with appropriate documentation including addressing GAAR concerns - right from inception of planning to set-up an new entities.
- Certain conditions being recurring in nature – important to follow practice to maintain documentation on real time basis

Other key issues (1/2)

Key issues

If the taxpayer files declaration to opt in for the scheme prior to due date under section 139(1) but files a belated tax return – whether the benefit could be denied?

- ▶ Literal reading of section 115BAB(7) suggest that the taxpayer is required to file the opting-in declaration before the due date prescribed under section 139(1).
- ▶ Unlike other incentive provisions, it is not made conditional here to file the return within due date to avail benefit

What is the difference between the declaration exercising option to be filed under the provisions of section 115BAA vis-à-vis 115BAB?

- ▶ Option under section 115BAA can be exercised in any particular AY, whereas the declaration under section 115BAB needs to be filed in the first year of the company itself

Does the condition of splitting-up, reconstruction is also applicable in case if the business is formed by discontinuing the operations in any other country?

- ▶ Though the literal interpretation may suggest otherwise – however, considering its anti-avoidance provision, the legislative intent and absence of extra territorial operation, the benefit may be allowed

Whether date of trial run or date of commercial production is to be seen before 31 March 2023?

- ▶ Trial run usually satisfies the date of business set-up
- ▶ As per section 115BAB, commercial production should start before 31 March 2023 to avail benefit – Judicial precedents available

Does sale of commercial manufacturing happen before 31 March 2023?

- ▶ The provision requires commencement of manufacturing before 31 March 2023, hence, sales should not be relevant
- ▶ In such situations, adequate documentation should be maintained to demonstrate the commencement of manufacturing

Other key issues (2/2)

Key issues

Special considerations in case of corporate re-organization – amalgamation/ demerger of eligible entities

- In case of amalgamation, will amalgamated company lose the benefit merely because of the factor of amalgamation?
- Amalgamation of 2 eligible entities claiming section 115BAB deduction – assuming no allegation of split or re-construction of existing business, where Amalgamation technically breaches use of second-hand asset conditions?
- Availing benefits in case of tax neutral 'demerger'?

Case study – Setting up of new manufacturing with transfer of CWIP

Background

- ▶ I Co set-up a new company (WOS) for housing the new manufacturing plant to avail benefit of such lower tax rate -
 - ▶ Undertaking expansion under such WOS with fresh investment
 - ▶ Migration of plants at CWIP stage to such WOS
 - ▶ Making investment in a New Co opens door for seeking investor and to claim PSI incentives
- ▶ **Key features of arrangement**
 - ▶ Raw material to be supplied by Parent Company
 - ▶ Capacity of existing plant owned by Parent fully utilized – New plant to increase overall production capacity of the Group
 - ▶ New contracts with existing customers to be entered by WOS
 - ▶ New plant to be set-up by WOS in abandoned factory building of Parent (acquired or taken on lease from Parent)
 - ▶ 50% of P&M kept in packed condition with Parent and for balance 50%, PO placed by Parent - Vendor to directly deliver the same to WOS [New POs to be issued]
 - ▶ New workforce to be hired by WOS
 - ▶ WOS to be funded for P&M, L&B purchase by Parent via debt-equity mix

Key considerations

Splitting up and reconstruction

- Existing capacity at Parent level fully utilized – WOS set-up for capacity expansion
- Fresh investment
- New set of work force
- New contracts with customers
- Quality of products with new machinery set-up higher than existing

Transfer of CWIP

- If PO placed, order received but in packed condition [Previously used conditions not satisfied]
- If existing L&B of parent is being used by WOS [Not restricted under the provisions]

Rationale for expansion in New WOS (GAAR)

- Funding / PE Investor
- Cost benefit analysis to demonstrate that the additional cost for new set-up outweighs the tax benefit
- Indirect Tax Benefits – Better utilization PSI subsidy on sale of raw materials by Parent to WOS
- Risk diversification - Different product line
- Risk diversification - Different geographical location

Related party transactions

- Transaction with related parties (including common expenses) at arms length

General Overview - Taxation of dividend income

- ▶ Prior to 1 April 2020, dividends distributed by an Indian company were exempt in the hands of the shareholders – The same were subject to Dividend Distribution Tax [DDT] in the hands of the payer company at the rate of 20.56%
- ▶ For FY 2020-21 onwards - Dividend income is taxable in the hands of the shareholders*. Further, for removal of cascading effect, deduction is allowed in respect of certain intercorporate dividends
- ▶ Income-tax rates on the dividend income for each class of Resident tax-payers is as below:

Resident shareholder	Tax Rate
Individual/ HUF	Depending on the slab rate - Maximum Marginal tax of 35.88% (Surcharge on dividend is capped at 15%) [Base tax of 30%+ Surcharge of 15%+ Education cess of 4%]
Trust	35.88% (same as above)
LLP/ Partnership firm	Maximum Marginal tax of 34.94% (Surcharge applicable at the rate of 12%) [Base tax of 30%+ Surcharge of 12%+ Education cess of 4%]
Indian company from any other Indian Company	Maximum Marginal tax of 34.94% [Base tax of 30%+ Surcharge of 12%+ Education cess of 4%] - Deduction under section 80M of the Act is also available for companies which have opted for lower corporate tax rate under section 115BAA/ 115BAB of the Act

**Subject to the beneficial rate under the relevant tax treaties, in case of a non-resident shareholder*

Withholding tax on dividends

Withholding tax rates

Shareholder	Withholding as per the Income-tax Act, 1961 (Act)	Withholding tax rate as per tax treaty
Resident shareholder	10%* (Section 194 of the Act)	N.A.
FPIs	20% (++)applicable surcharge and cess)	N.A. - Currently the Act does not take cognizance of tax treaty rates for withholding purposes (Refer discussion in the ensuing slide)
Non-resident shareholders - Non FPIs	20% (++)applicable surcharge and cess)	Reduced rate i.e. 5%, 10%, 15%, 20% as applicable may be considered (subject to availability of tax treaty benefits)

Points for consideration

- ▶ In cases where tax treaty benefits are available, excess taxes deducted can be claimed as refund in tax return or utilised towards payment of any other tax liability during the relevant tax year
- ▶ Documentation requirements for tax treaty claim at the time of withholding

** In case where the amount of dividend paid/ likely to be paid to a shareholder exceeds INR 5,000 during a financial year. Further, pertinent to note that Press Release issued by Central Board of Direct Taxes (CBDT) dated 13 May 2020, provides for the lower withholding rate of 7.5% from 14 May 2020 to 31 March 2021.*

Withholding tax on dividends – Hon’ble SC decision in case of Pilcom

- ▶ The Hon’ble SC in a recent ruling in case of **PILCOM v CIT [2020] 116 Taxmann.com 394 (SC)**, in the context of section 194E of the Act (withholding on payments to a non resident sports person, which is similar to section 196D of the Act) dealt with respect to applicability of the tax treaty provisions at the time of tax withholding, the Hon’ble SC held that the obligation of a person to withhold tax at source under the provisions of the domestic law i.e. the Act, is not affected by the provisions of a DTAA.
- ▶ Further, the Hon’ble SC stated that mere fact that the taxpayer is entitled to benefits under a DTAA, by itself, cannot absolve the withholding tax obligation of the payer under the domestic law. Where, the taxpayer is entitled to the benefits of a DTAA, the same is to be claimed by the taxpayer (in the return of income so filed by it) and where it is correctly claimed, the taxpayer would be refunded the excess tax so withheld along with the interest, if any.
- ▶ In light of the above judgement, with respect to withholding tax on dividend income, the following merits consideration

Relevant sections	Tax Rate
194LBA(2)	Payment of Interest and Dividend income by Business Trust – Withholding to be at a flat rate of 10% (without recourse of any treaty benefits)
196D	Income of FPIs from Securities – Withholding to be at a flat rate of 20% (without recourse of any treaty benefits)

Section 80M of the Act - Overview

- ▶ Rollover benefits available only for **domestic companies**, whose gross total income includes dividend from another domestic company, foreign company or business trust.
- ▶ The amount of **dividend received** shall be allowed as deduction, if such amount is **distributed** as dividend on a before the due date.
 - ▶ Due date means the date **one month prior** to the date for furnishing the return of income under section 139(1) of the Act
 - ▶ No condition of maintaining or fulfilling the sequence of receipt on onward distribution
 - ▶ The Act requires amount to be distributed to the shareholders, before the due date, mere declaration on a before the due date may not make company eligible to claim 80M deduction. Reliance could be placed on the Hon'ble Supreme Court's decision in the case of ***Punjab Distilling Industries Limited (57 ITR 1)***, wherein the term 'distribution' is explained as Actual/ constructive payment by way of journal entries, in which liability is acknowledged towards shareholders.
- ▶ Eligibility of deduction under section 80M of the Act may be seen vis-à-vis dividend income accrual under section 8 such that it forms part of Gross Total Income. ***Actual receipt*** may not be necessary.
 - ▶ Dividend income shall be deemed to be the income of the financial year in which it is declared/ distributed/ paid;
 - ▶ Interim dividend shall be deemed to be the income of the financial year in which the amount of such dividend is unconditionally made available by the company to the member.

Section 80M of the Act – Select Issues

Issue 1 – Deduction under section 80M of the Act on Net Dividend income/ Gross Dividend income

Particulars	Scenario 1 – Only dividend income	Scenario 2 – Dividend income + Other income
Business Income	-	200
Dividend income	100	100
(less) Interest expense	(20)	(20)
Gross Total income (GTI)	80	280
Dividend up streamed	100	100
Less: 80M deduction	80*	80 or 100?*

*Section 80A(2) of the Act states that deduction under chapter VIA of the Act, may not exceed GTI of the taxpayer

** Alternate views possible. Deduction under section 80M of the Act may be restricted to **INR 80** only as section 80M of the Act says that GTI of any domestic company in any previous year **includes any income by way of dividend**.

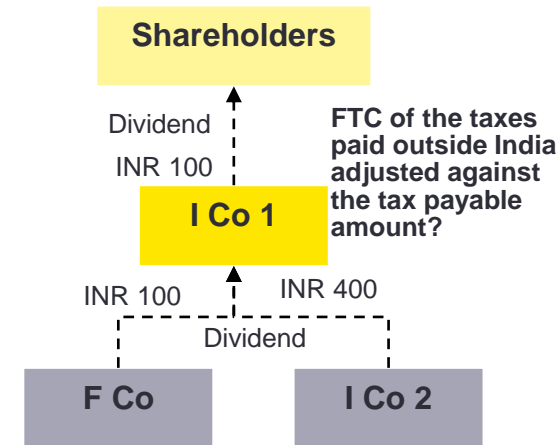
- This would imply that income which is included in GTI is net dividend, after considering claim of expenditure under the head of Income from other sources

It can also be argued that the intention of legislature to provide deduction to specific nature of income has always been to restrict the deduction to such net taxable income included in GTI. Analogy can be drawn from the provision of section 80T (capital gains), 80RRA (Remuneration by Indian Citizen), 80QQA, etc all such section provides deduction from the specific nature of income included in GTI.

Section 80M of the Act – Select Issues

Issue 2 – Interplay of dividend income from a foreign company taxable at the concessional tax rate under section 115BBD, deduction under section 80M of the Act and Foreign tax credit

- ▶ Per section 80M of the Act, that the deduction will be available to the extent, the dividend amount received which is included in gross total income. Section does not distinguish/ prioritize distribution of dividend from Foreign Company/ Indian Company
 - ▶ It may be possible to take Beneficial allocation by the I Co 1 which has dividend income from specified foreign company (which is taxable at concessional rate of 15%) and another Indian company.
 - ▶ Amount distributed can first be set off against, the Indian dividend income and the balance can be subjected to tax as per the beneficial provisions of section 115BBD of the Act.
- ▶ I Co 1 may not claim FTC of taxes paid outside India, when the entire dividend income included in GTI is claimed as deduction under section 80M of the Act. Such income may not be considered as a doubly taxed income.
- ▶ In case where the entire amount of dividend income is not upstreamed/ onward paid, then FTC can be claimed against the balance taxable income.



F CO is a **specified foreign company** (in which I Co's shareholding is more or equal to 26%), Dividend income of I Co 1 from F Co will be taxable as per the beneficial provisions of section 115BBD of the Act.

Section 80M of the Act – Select Issues

Issue 3 – Dividend income taxable as IFOS and allowance of interest expense

- ▶ Since section 56 of the Act, specifically covers section 56, within its ambit, dividend income will be taxable under the head Income from other sources (IFOS), irrespective of the fact whether the investment in shares is classified under stock in trade or treated as capital asset.
- ▶ Per section 57 of the Act, deduction shall not be allowed of any expense (other than interest expense), exceeding 20% of dividend income
 - Arguably, interest expense will not be allowable as deduction in the absence of dividend income.
- ▶ Though the dividend income is taxable as IFOS, where investment is made in an Investee company to acquire the controlling interest, the **deductibility of the interest expenditure** may be looked into citing specific facts of the case.
- ▶ It may be noted that if dividend taxation takes place under the scheme of MAT, then the expense deduction would be governed by the provisions of section 115JB and any restrictions under the head PGBP/ section 57 (including proviso) may not apply.



Questions?

Glossary

Abbreviation	Term
Act	Income-tax Act, 1961
AE	Associated Enterprise
DDT	Dividend Distribution Tax
DTAA	Double Tax Avoidance Agreement
ETR	Effective tax rate
FPIs	Foreign Portfolio Investors
FTC	Foreign Tax credit
GAAR	General Anti-Avoidance Rules
GTI	Gross Total Income
HUF	Hindu Undivided Family
IFOS	Income from Other Sources
LLP	Limited Liability Partnership
LTCG	Long term capital gains
MAT	Minimum Alternate Tax
PGBP	Profits and Gains of Business or Profession
SC	Supreme Court of India
SDT	Specified Domestic Transaction
STCG	Short term capital gains
STT	Securities Transaction Tax
TP	Transfer pricing
TRC	Tax Residency Certificate
WOS	Wholly Owned Subsidiary

Annexure 1 - List of tax incentives which cannot be claimed for reduced tax rate by domestic companies

Sections	Particulars
10AA	Deduction allowed for profits and gains earned from activity of manufacture, production or service by newly established units in SEZ on fulfilment of certain conditions
32(1)(iia)	Additional depreciation @10% on any new machinery or plant (other than ships and aircrafts) acquired/ installed after 31 March 2005
32AC	Investment Allowance in respect of new plant and machinery of value exceeding Rs. 25 crore and installed on/ before 31 March 2017
32AD	Investment allowance in respect of new plant and machinery installed in specified backward area
33AB	Deduction of amount deposited in tea development account, etc.
33ABA	Deduction of amount deposit towards 'site restoration fund
35(1)(ii)/ (iia)/ (iii)	Deduction of sum paid to a research association/ university/ college/ company for use in scientific research/ research association for undertaking research in social science/ statistical research
35(2AA)	Weighted Deduction of payment to national laboratory or university or IIT for scientific research
35(2AB)	Weighted Deduction of expenditure on in-house research or development facility by company
35AC	Payment to a public sector company/ local authority/ association/ institution approved by National Committee for spending on eligible project
35AD	Deduction in respect of (capital) expenditure on specified business
35CCC/ CCD	Weighted deduction for expenditure on agriculture extension project/ skill development project
Part C – Chapter VI-A	Profit linked deductions under Part C of Chapter VIA of Income Tax Act, 1961 (except Section 80JJAA)

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Thank You



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