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B.Com Honours | Semester VI | Calicut University

CORPORATE TAXATION AND TAX PLANNING

Course Code: COM6EJ313 • Module 1 Notes

Module I: Assessment of Companies

Covers corporate taxation fundamentals, types of companies under Income Tax Act, residential status & Place of Effective Management (POEM), carry forward & set off of corporate losses, and Chapter VI-A deductions.

Unit 1: Introduction to Corporate Taxation & Types of Companies

Company Definition (Sec 2(17)): Indian company, body corporate incorporated outside India, or any institution declared as company by CBDT. Types: Domestic vs Foreign company; Widely-held vs Closely-held company.

Unit 2: Residential Status of Companies & POEM Rules

Residential Status (Sec 6(3)): A company is resident in India if:
1. It is an Indian company, OR
2. Its **Place of Effective Management (POEM)** in that year is in India (where key management & commercial decisions as a whole are made).

Unit 3: Carry Forward and Set Off of Corporate Losses

Section 79 Restriction: In closely-held companies, business loss cannot be carried forward unless shares carrying at least 51% of voting power are beneficially held by same shareholders on last day of previous year.

Unit 4: Chapter VI-A Deductions Available to Corporate Assessees

Corporate Deductions: Sec 80IA (Infrastructure), Sec 80IB (Industrial undertakings), Sec 80JJAA (Employment of new employees - 30% deduction), & Sec 80M (Inter-corporate dividends).

Practical Case Framework 1 (Corporate Tax Classification & Statutory Tax Rates Matrix): Compare company classification, domestic/foreign status, basic tax rate slab, and applicable surcharge thresholds.

Corporate Tax Slabs & Classification Reference Table:

Company Classification	Basic Applicable Income Tax Rate	Surcharge Rate Thresholds
Domestic Co. (Turnover $\le$ ₹400 Cr)	25% + Surcharge + 4% HEC	7% (Income > ₹1 Cr); 12% (Income > ₹10 Cr)
New Domestic Mfg Co. (Sec 115BAB)	15% + 10% Surcharge + 4% HEC	Flat 10% Surcharge applicable
Foreign Company	40% (or 35%) + Surcharge + 4% HEC	2% (Income > ₹1 Cr); 5% (Income > ₹10 Cr)

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Practical Case Framework 2 (Section 79 Loss Carry-Forward & Change in Shareholding Matrix): Detail change scenario, percentage of voting power retained, loss carry-forward permission, and statutory exception.

Section 79 Corporate Loss Set-Off Rules Table:

Corporate Shareholding Change Scenario	Voting Power Retained by Original Owners	Loss Carry-Forward Eligibility
Standard Closely-Held Company	$ge 51%$ voting power held by old owners	Eligible to set off accumulated business losses
Ownership Shift > 50%	$< 51%$ voting power held by old owners	Business loss lapse; set off strictly prohibited
NCLT Insolvency / Resolution Plan	Ownership change under IBC resolution	Exempted from Sec 79; loss carry-forward allowed

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