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B.Com Honours

Semester VI

Calicut University

CORPORATE TAXATION AND TAX PLANNING

Course Code: COM6EJ313 • Module 2 Notes

Module II: Computation of Taxable Income & Tax Liability

Covers Gross Total Income (GTI) computation for companies, special corporate tax provisions, Minimum Alternate Tax (MAT under Sec 115JB), MAT Credit (Sec 115JAA), and taxation of distributed profits & dividends.

Unit 5: Computation of Gross Total Income (GTI) of Companies

GTI Aggregation: Sum of Income from House Property, Profits & Gains of Business/Profession (PGBP), Capital Gains, & Income from Other Sources.

Unit 6: Special Provisions Applicable to Corporate Total Income

Special Provisions: Taxation under concessional tax regimes (Sec 115BAA @ 22% & Sec 115BAB @ 15% without MAT applicability).

Unit 7: Computation of Total Income & Tax Liability

Tax Calculation: Apply applicable tax rate, add Surcharge (if Total Income > ₹1 Cr/₹10 Cr), & add 4% Health & Education Cess (HEC).

Unit 8: Minimum Alternate Tax (MAT under Sec 115JB)

MAT Framework: If normal tax payable is less than 15% of **Book Profit**, Book Profit is deemed Total Income. MAT Rate = $15\% + \text{Surcharge} + 4\% \text{ CESS}$. MAT Credit carried forward for 15 years under Sec 115JAA.

Unit 9: Tax on Distributed Profits & Dividend Taxation

Dividend Taxation: Abolition of Dividend Distribution Tax (DDT Sec 115O); dividends now taxable in hands of recipient shareholders at applicable slab rates with 10% TDS under Sec 194.

Practical Solved Corporate MAT Problem (Section 115JB MAT vs Normal Income Tax Calculation): A domestic company has Total Income under normal provisions = $\text{₹}20,00,000$ (Normal tax rate = 25%). Its Book Profit under Sec 115JB = $\text{₹}80,00,000$.
Calculate final tax payable for AY 2024-25 (assuming zero surcharge & 4% Cess).

MAT Tax = 15% of Book Profit + 4% Cess | Final Tax Payable = Higher of Normal Tax or MAT

Step-by-Step Corporate Tax Working:

1. **Normal Income Tax:** $25\% \text{ of } \text{₹}20,00,000 = \text{₹}5,00,000$. Add 4% Cess = $\mathbf{\text{₹}5,20,000}$.
2. **MAT Liability (Sec 115JB):** $15\% \text{ of Book Profit (₹80,00,000)} = \text{₹}12,00,000$. Add 4% Cess = $\mathbf{\text{₹}12,48,000}$.

3. **Final Tax Payable:** Higher of Normal Tax (₹5,20,000) or MAT (₹12,48,000) = $\mathbf{₹12,48,000}$.
4. **MAT Credit Carried Forward (Sec 115JAA):** $₹12,48,000 - ₹5,20,000 = \mathbf{₹7,28,000}$.

Practical Case Framework 2 (MAT Book Profit Adjustments Matrix under Sec 115JB): Compare net profit adjustments, additions required to net profit, and permitted deductions to arrive at MAT Book Profit.

Sec 115JB MAT Book Profit Adjustments Table:

Adjustment Direction	Accounting Head / Item Included	MAT Book Profit Treatment
Add Back to Net Profit	Income Tax paid/provision & Deferred Tax liability	Added back to Net Profit as per P&L
Add Back to Net Profit	Transfer to any Reserves & Proposed Dividend	Added back to Net Profit
Deduct from Net Profit	Brought forward loss OR unabsorbed depreciation (whichever is less)	Deducted to compute net MAT Book Profit