

MAT CREDIT NOT AVAILABLE TO COMPANIES OPTING FOR LOWER CORPORATE TAX RATE

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Public Finance, Taxation & Black Money incl. Government Budgeting

New Delhi: Companies looking to switch to the just-lowered 22% corporate tax rate without exemptions, will not be able use accumulated credit of [minimum alternate tax](#). The [Central Board of Direct Taxes \(CBDT\)](#) has issued a detailed circular that MAT credit will not be available to a company that opts for lower corporate tax rate of 22%. However, companies will have the option to go for the new regime after completely utilising MAT credit.

ET on Monday reported about CBDT clarifying that MAT credit will not be allowed. "...Tax credit of MAT paid by the domestic company exercising the option under Section 115BAA of the Act shall not be available consequent to exercising of such option," said Wednesday's circular.

Brought forward loss on account of [additional depreciation](#) shall also not be available to companies. Finance minister [Nirmala Sitharaman](#) had on September 20 slashed the corporate tax rate to 22% without exemptions or incentives from current 30% offering a 1.45 lakh crore boost to the economy, which grew by its slowest pace in six years in April-June, 2019-20 at 5%.

She also cut MAT rate to 15% from 18.5%. Tax experts say companies sitting on large MAT credits will continue in the old rate regime. "This option (switchover to lower rate) can be exercised any time so taxpayers can exhaust these carry forwards and then shift to the beneficial tax regime," said Vikas Vasal, national leader, tax, Grant Thornton in India. Companies availing various tax exemptions, such as under special economic zones schemes, have large MAT credits.

"This could be a huge cost to some companies that will perhaps consider continuing under the old regime for the time being," said Rohinton Sidhwa, partner, [Deloitte](#) India. He said new tax regime is heavily weighed in favour of new companies and investors. "The one-time transition costs, requirement for fresh investments and other hurdles posed for existing taxpayers are significant enough to dent benefits intended in the original announcement."

Dilip Lakhani, senior chartered accountant, said, "Corporates with units in SEZs will not opt for reduced rate as without MAT credit, they do not stand to gain in any way. The same will apply for infrastructure and real estate companies." Experts had a word of caution. MAT credit not available to companies opting for lower corporate tax rate

"Denial of carried forward MAT will be subject to litigation. If at all carried forward MAT credit was not intended to have been allowed to be set off under the new lower tax rate regime, it would have been best to have had this matter addressed by an explicit amendment in the ordinance itself," said Hitesh D Gajaria, co-head of tax, KPMG India.

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