

Tax Rates in Taxation Laws (Amendment) Ordinance 2019 & Representation Skills



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Shared at

Vikas Marg CPE Study Circle of NIRC of ICAI

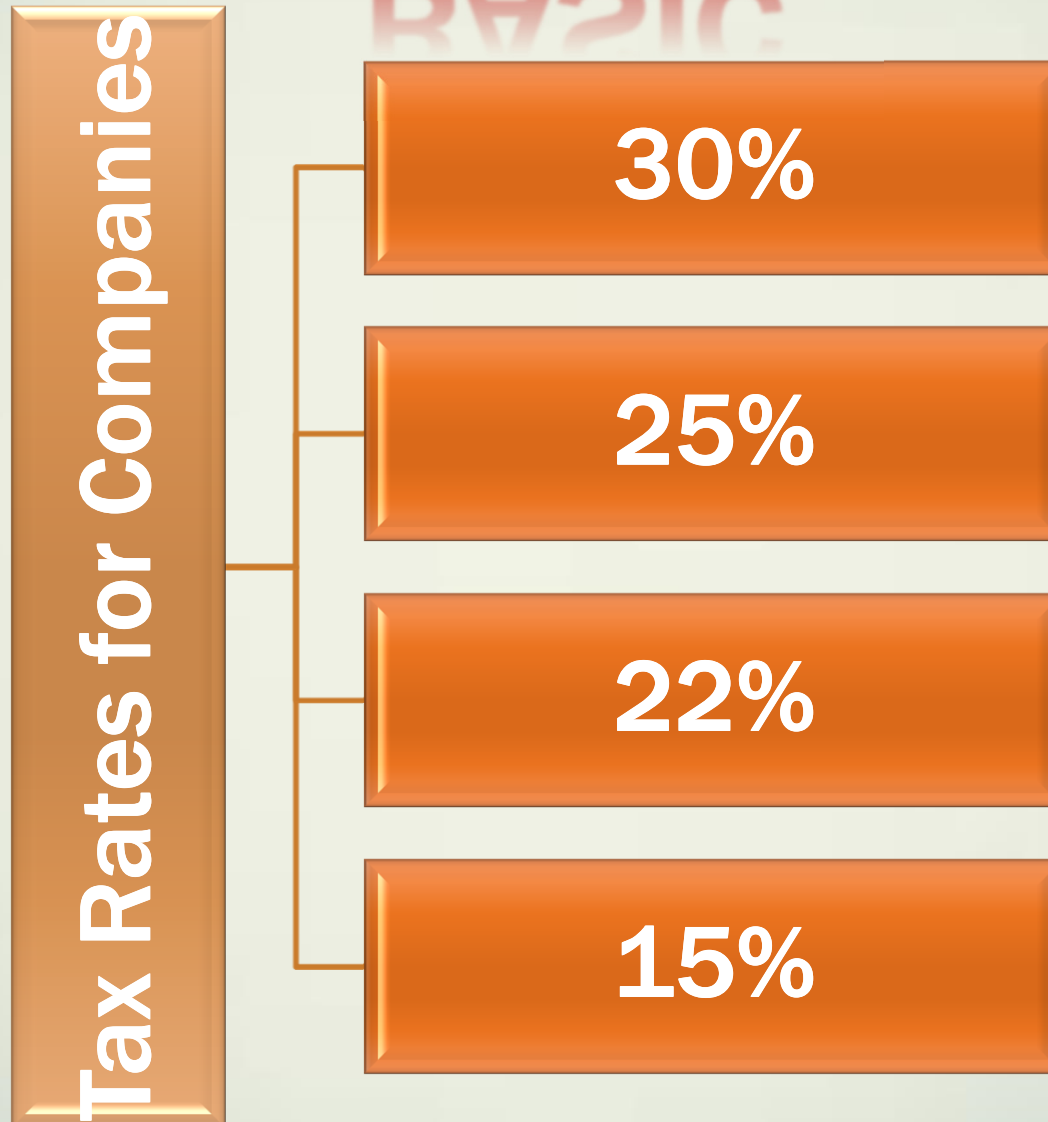
21st October 2019

TAX RATES

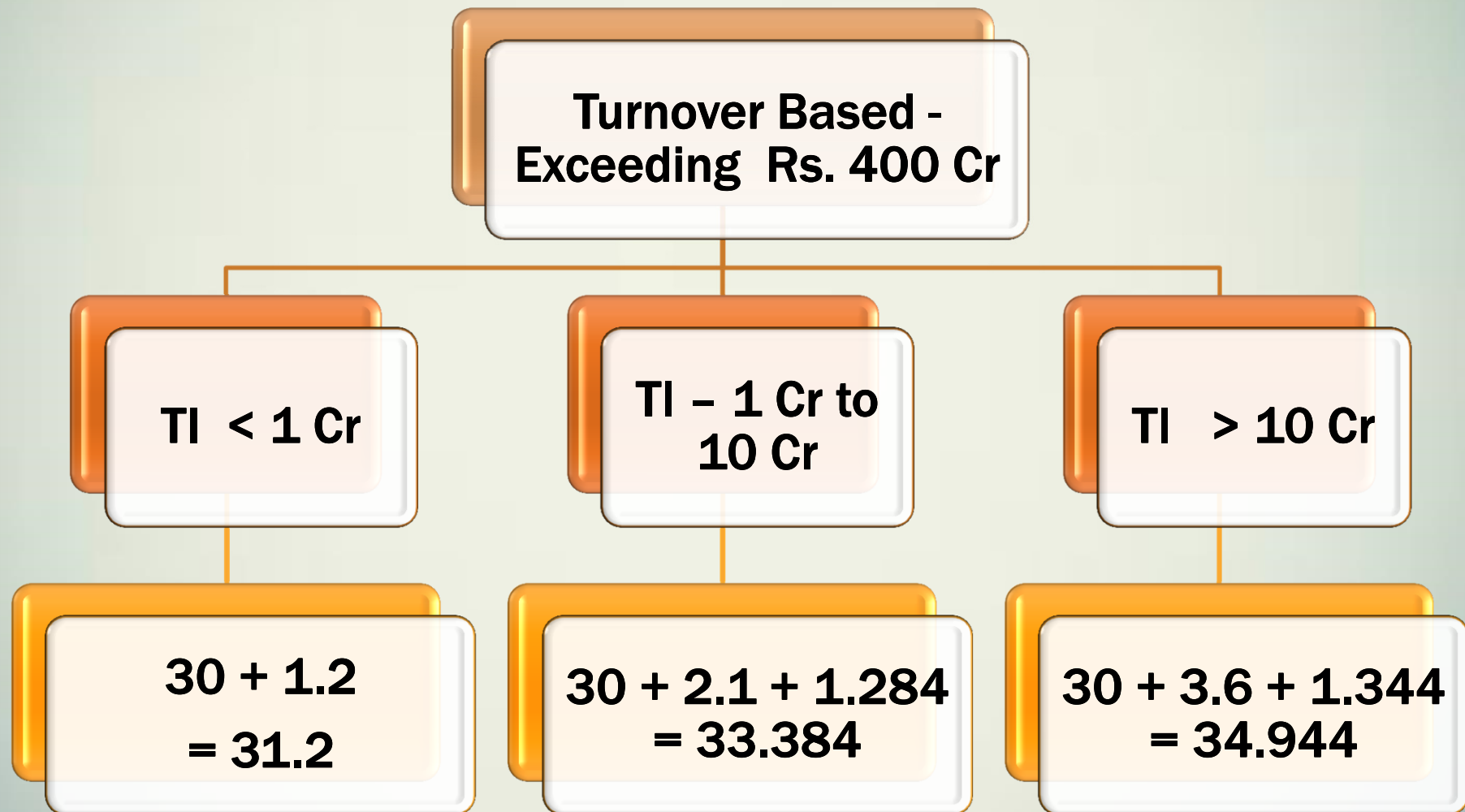
Taxation Laws (Amendment) Ordinance 2019

Note: Few slides are amended post presentation at the venue

BASIC



EFFECTIVE – TURNOVER BASED



EFFECTIVE – TURNOVER BASED

Turnover Based – Not exceeding Rs. 400 Cr for FY 2017-18

TI < 1 Cr

$$25 + 1 = 26$$

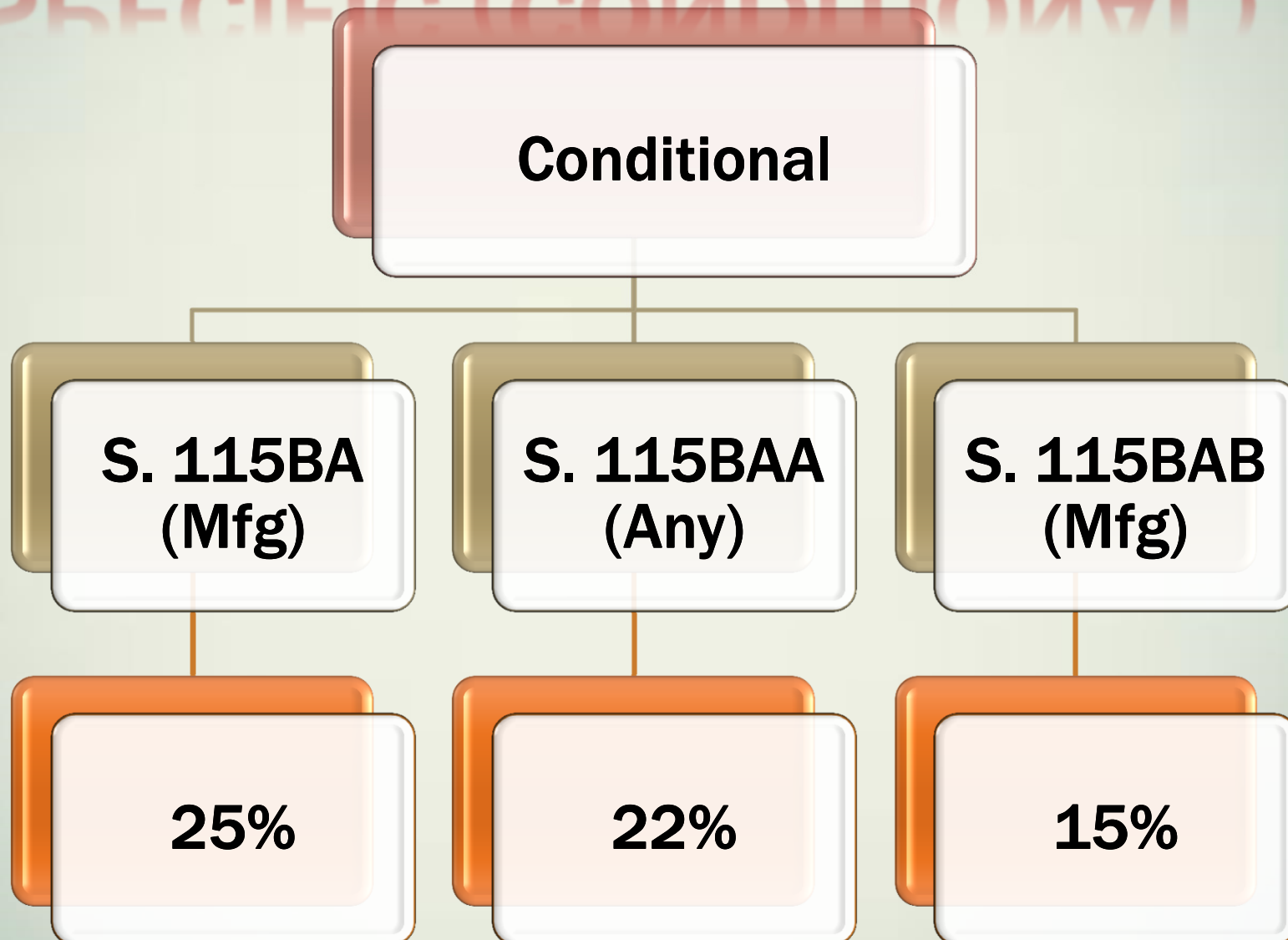
TI – 1 Cr to 10 Cr

$$25 + 1.75 + 1.07 = 27.82$$

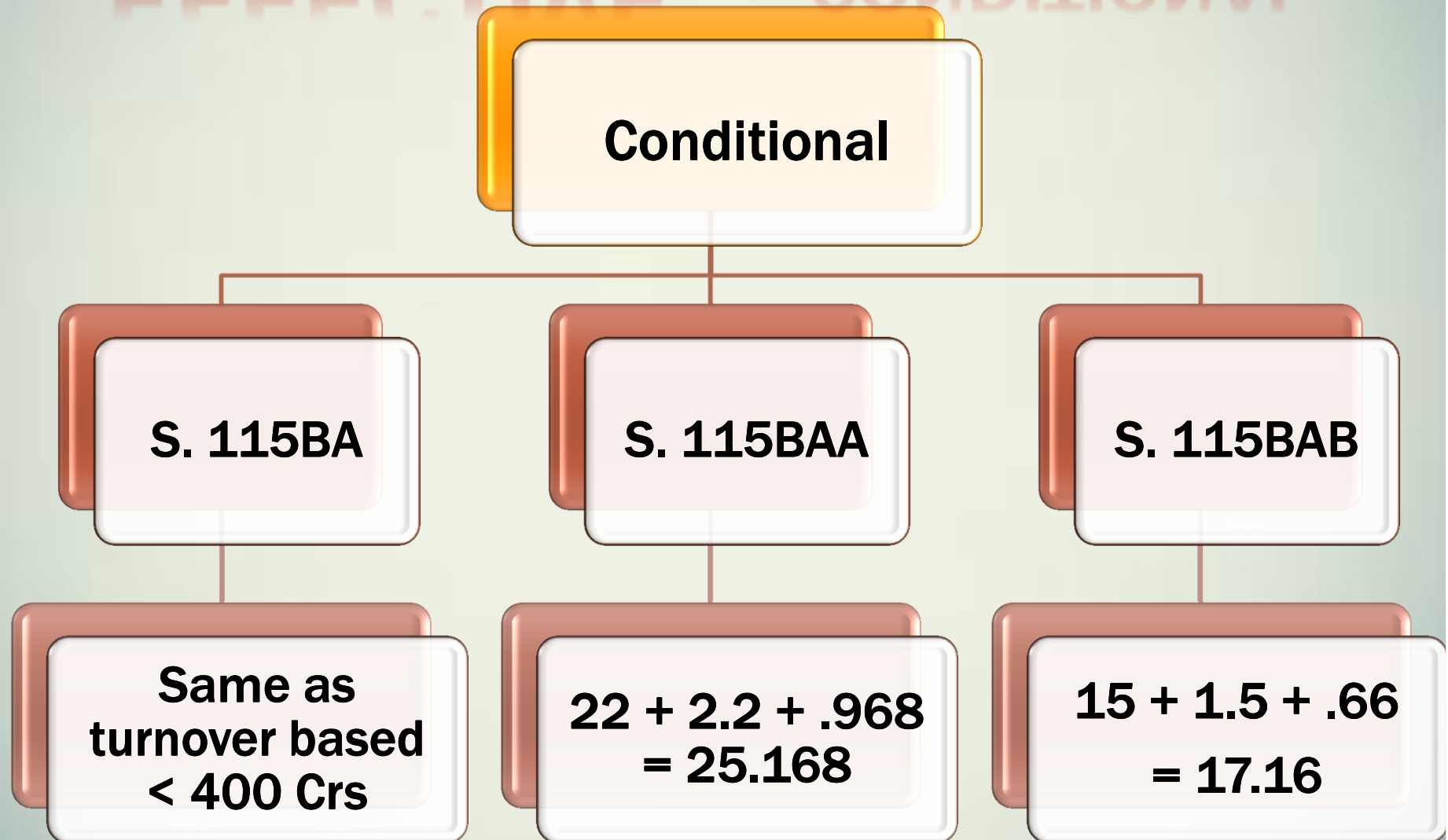
TI > 10 Cr

$$25 + 3 + 1.12 = 29.12$$

SPECIFIC (CONDITIONAL)



EFFECTIVE – CONDITIONAL



SIMILAR CONDITIONS IN 3

- ❖ **Total income is computed without claiming following deductions:**
 - ❖ **S. 10AA - SEZ units**
 - ❖ **S. 32 (1)(iia) - Additional Depreciation**
 - ❖ **S. 32 AD - Plt. Mch. in backward area**
 - ❖ **S. 33 AB - Tea/Coffee/Rubber**
 - ❖ **S. 33 ABA - Site restoration Fund**
 - ❖ **S. 35 (1)(ii)/(iia)/(iii), 35(2AA), 35(2AB) -scientific research**

SIMILAR CONDITIONS IN 3

- ❖ **Total income is computed without claiming following deductions:**
 - ❖ **S. 35 AD – Specified Business**
 - ❖ **S. 35CCC – Agriculture Extension project**
 - ❖ **S. 35CCD – Skill Development Project**
 - ❖ **Chapter VIA - Part C except 80JJAA**
- ❖ **32AC & 35 AC not allowed w.e.f. AY 2018-19 – only in S. 115BA**

SIMILAR CONDITIONS IN 3

- ❖ **C/f loss from any earlier AY if such loss is attributable to any of above - not allowed. Loss would exhaust**
- ❖ **Depreciation u/s 32 claimed except additional depreciation**
- ❖ **Option to be availed in 1st year till ITR date u/s 139(1) for S. 115BA (Form 10-IB) & 115BAB - cannot be changed later except from S. 115BA to S. 115BAA**

ADDL. CONDITION S. 115BAB

- * Company must not be formed by splitting up or reconstruction of business.**
- * Exception - re-establishment, reconstruction or revival of any undertaking as is referred in section 33B**
- * It is not engaged in any business other than of manufacture or production of any article or thing and research in relation to, or distribution of, such article or thing manufactured or produced by it**

ADDL. CONDITION S. 115BAB

- * **Company must not use building previously used as a hotel or convention centre.**
- * **Company must not use plant & machinery previously used for any purpose.**
 - * **Exception - any machinery or plant which was used outside India by any other person, if following conditions fulfilled:—**
 - * **such machinery or plant was not, at any time previous to the date of the installation by the person, used in India;**
 - * **such machinery or plant is imported into India from any country outside India; and**
 - * **no deduction of dep. in respect of such machinery or plant has been allowed or is allowable under IT Act in computing TI of any person for any period prior to installation**

MAT CHANGES

- ❖ Rate reduced from **18.5%** to **15%**
- ❖ Not applicable to:
 - ❖ Company in life insurance business u/s **115B**
 - ❖ Company opting for tax u/s **115BAA** (**22%**)
 - ❖ Company Opting for tax u/s **115BAB** (**15%**)

COMPARATIVE CHART

	Turnover Based < 400 Crs	S. 115BA	S. 115BAA	S. 115 BAB
Effective Tax Rate	26 / 27.82 / 29.12	26 / 27.82 / 29.12	25.168	17.16
MAT	15%	15%	Nil	Nil
Additional Dep	Allowed	Not Allowed	Not Allowed	Not Allowed
C/F Unab. Addl Dep	Allowed	Not Allowed	Not Allowed	Not Allowed
Specified deductions	Allowed	Not Allowed	Not Allowed	Not Allowed
C/F loss due to Spf. Deduction	Allowed	Not Allowed	Not Allowed	Not Allowed
Nature of Business	Any	Manufacturing	Any	Manufacturing

COMPARATIVE CHART

	Turnover Based < 400 Crs	S. 115BA	S. 115BAA	S. 115 BAB
Year to Start	Any Year	Incorporated on or after 1.3.2016	Any year	Incorporated on or after 1.10.2019 and commence mfg by 31.3.2023
Option for benefit	Nil	To be taken in 1st year Till u/s 139(1) time Form 10 - IB to be filed	To be taken in any year Till u/s 139(1) time	To be taken in 1st year Till u/s 139(1) time
DDT	Applicable	Applicable	Applicable	Applicable
MAT Credit allowed	Yes	Yes	No	No

SWITCH

Allowed

**Turnover Based to
S. 115BAA (22%)**

**S. 115 BA (25%) to
S. 115BAA (22%)**

Not Allowed

**Inter-Turnover
Based**

**Turnover to S.
115BA (25%)**

**Turnover to S.
115BAB (15%)**

COMPANY VS. FIRM / LLP

	Turnover Based 400 Crs / S. 115BA	S. 115BAA	S. 115 BAB	Firm / LLP
Effective Rate	26 / 27.82 / 29.12	25.168	17.16	31.2 / 34.944
DDT	20.5552941	20.5552941	20.5552941	Nil
Tax + DDT (if whole profit to remit)	46.56 / 48.38 / 49.68	45.723	37.72	31.2 / 34.944
MAT / AMT	15.6 / 16.692 / 17.472	Nil	Nil	19.24 / 21.5488
Addl. Dep / specified deductions & its c/f	Allowed / 115BA - Not allowed	Not Allowed	Not Allowed	Allowed
Nature of Business	Any / Mfg	Any	Mfg	Any
Compliances	Heavy	Heavy	Heavy	Low

AMOUNT RECEIVABLE POST TAXES

	Turnover Based 400 Crs / S. 115BA	S. 115BAA	S. 115 BAB	Firm / LLP
Assumed Profit	100	100	100	100
Tax paid	26 / 27.82 / 29.12	25.168	17.16	31.2 / 34.944
Balance	74 / 72.18 / 70.88	74.832	82.84	68.80 / 65.056
DDT	15.21 / 14.84 / 14.57	15.39	17.03	Nil
Balance amount receivable by promoters	58.79 / 57.34 / 56.31	59.44	65.81	68.80 / 65.056
Additional Depreciation	Allowed / Not allowed	Not Allowed	Not Allowed	Allowed

CASE STUDY 1

- ❖ Question is to switch from 25% to 22%
- ❖ Existing Company has following:
 - ❖ No c/f losses
 - ❖ No unabsorbed depreciation
 - ❖ No MAT Credit
 - ❖ Profit in AY 2020-21 – 50 Lacs

TAX CALCULATION -1

NORMAL TAX	Turnover Based < 400 Crs	S. 115BAA
Profit as per PL	50	50
Normal Tax	12.5 + 0.50 = 13	11 + 1.1 + .484 = 12.584
Benefits	CAN Claim Addl. Dep in future	Lower outflow / NO MAT
Repercussions	Higher outflow / MAT	CAN NOT claim additional Depreciation later

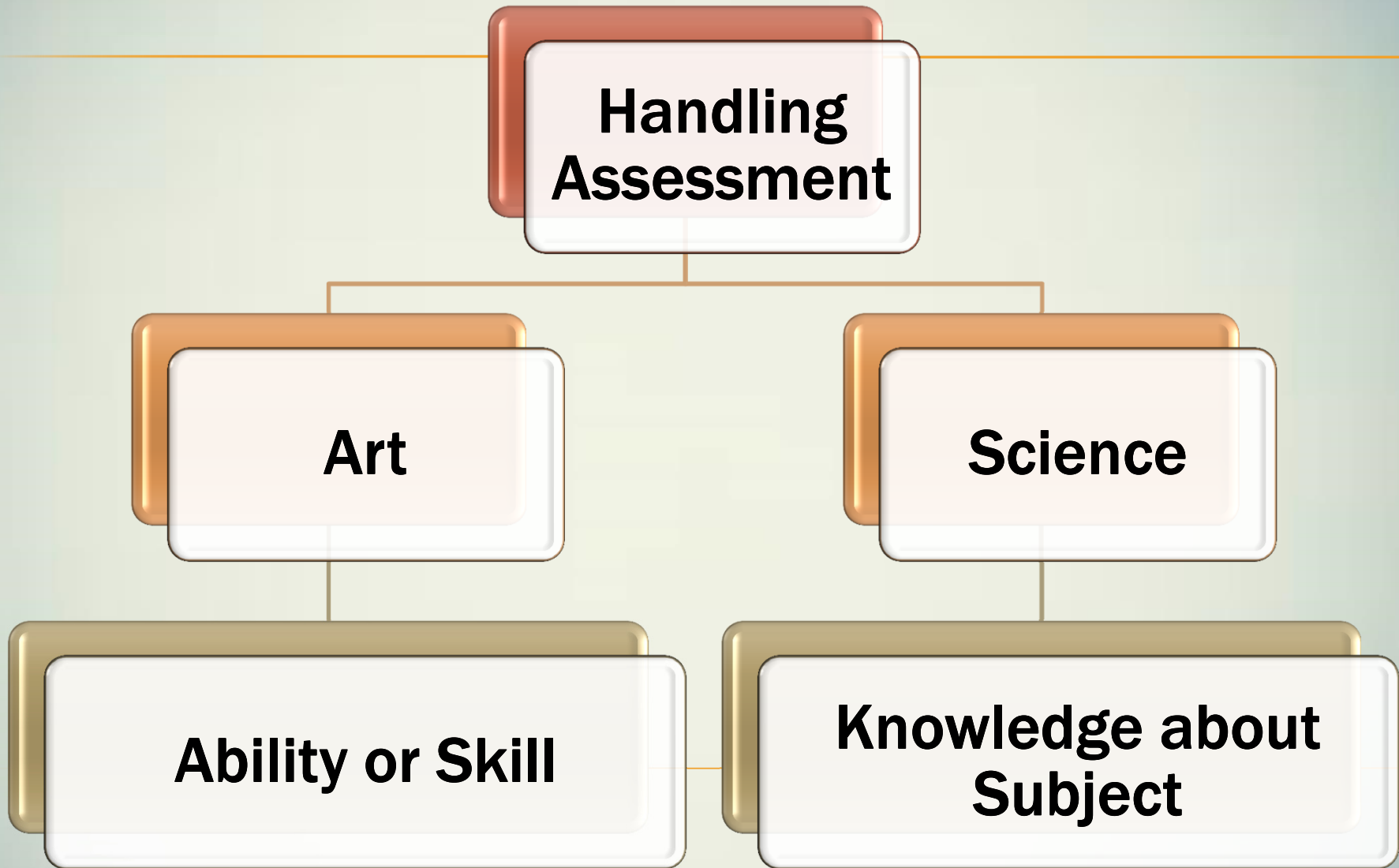
CASE STUDY -2

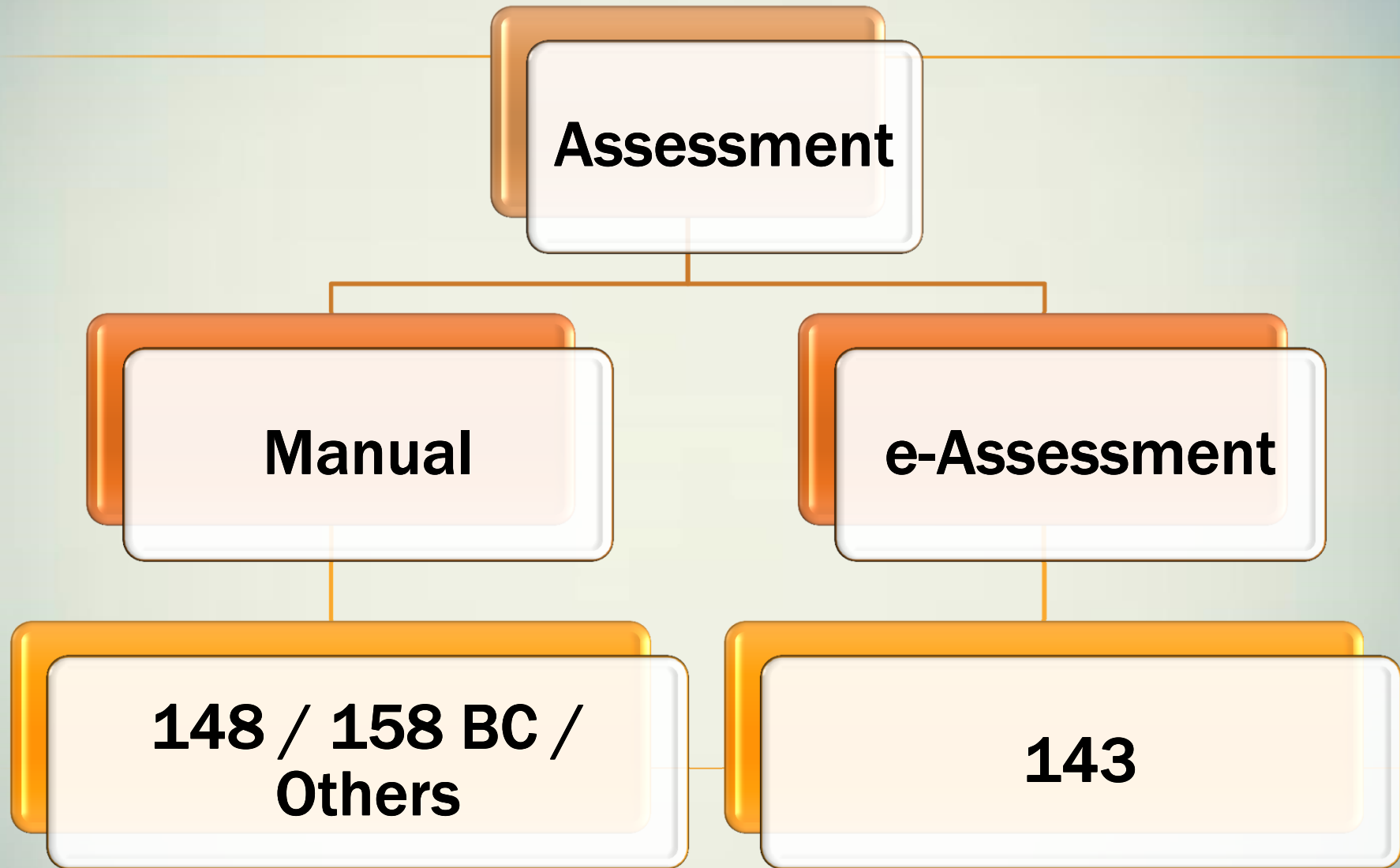
- ❖ Question is to switch from 25% to 22%
- ❖ Existing Company has following:
 - ❖ Total c/f loss Income Tax – 100 Crs comprising
 - ❖ Business Loss – 50 Crs
 - ❖ C/f depreciation – 30 Crs
 - ❖ C/f additional depreciation – 20 Crs
 - ❖ Books loss – 100 crs – 60 Loss – 40 Dep
 - ❖ MAT Credit – Rs. 25 Crs
 - ❖ Profit in AY 2020-21 – 250 Crs

TAX CALCULATION -2

NORMAL TAX	Turnover Based 400 Crs	S. 115BAA
Profit as per PL	250	250
TI	= 250 - 100 = 150	= 250 - 80 = 170
Normal Tax	37.5 + 4.5 + 1.68 = 43.68	37.4 + 3.74 + 1.65 = 42.79
Profit as per MAT	250 - 40 = 210	Nil
MAT	31.5 + 3.78 + 1.41 = 36.69	Nil
Tax Payable	43.68	42.7856
Less: MAT Credit	6.9888	0
Tax payable	36.6912	42.7856
Benefits	Claim Addl. Dep; Avail MAT Cr	Currently nil
Repercussions	Currently nil... may switch later	MAT Cr lost, Addl Dep lost









ENTRANCE



A smile confuses an approaching frown.

Don't tell your friends about your indigestion. "How are you" is a greeting, not a question.

Arthur Guiterman



APPEARANCE

Appearance rules the world

Friedrich Schiller

Clothes and manners do not make
the man; but when he is made, they
greatly improve his appearance

Arthur Ashe

- × Mobile manners**
- × Be a good listener**
- × Use of language**

- ✘ Keeping of files
- ✘ Be effective speaker
- ✘ Taking along someone

POLITENESS



"To be humble
to superiors is duty,
to equals courtesy,
to inferiors nobleness."

Benjamin Franklin

"Be calm in arguing;
for fierceness makes error a fault,
and truth discourtesy."

George Herbert

CONFIDENCE

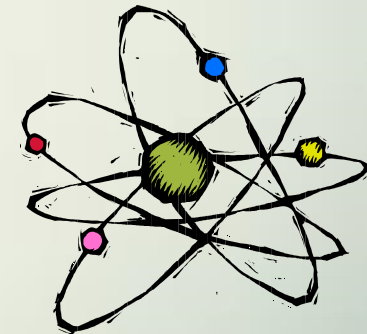


"You have to expect things of yourself before you can do them."

Michael Jordan



SCIENCE



TECHNICALITIES

- × Knowledge of Subject
- × Knowledge of Procedure
- × Knowledge of Terminologies
- × Teaching the Authority
- × Telling mistake of other assesses
- × Don't miss the dates



MASTER THE FACTS

“Always remember that if you master the facts, legal principles can be applied at any stage of the proceedings.

In other words, mastery of facts is as important or rather more important than mastery over the law”



**SAY WHAT YOU HAVE WRITTEN
AND
WRITE WHAT YOU SAY**

REPLY TO NOTICES

- × **Online or manual**
- × **Mention:**
 - + **PAN,**
 - + **Subject,**
 - + **Assessment Year**
 - + **DIN too**
- × **Negate**
 - + **Specific question**
 - + **Hidden message or indications**

REPLY TO NOTICES

- × **Positive approach**
- × **To write**
 - + **Factual position**
 - + **Legal position**
- × **Be specific**
- × **Case Laws ???**

BODY OF LETTER

- ✘ Reference of notice / earlier letter / continuation to earlier letter dated or number / discussion etc.
- ✘ Detail / documents are being filed on request of client , as provided by him
- ✘ Use para, sub para,
- ✘ Serial number of para. Sub-para
- ✘ Personal presence of person
- ✘ Books of accounts are being produce
- ✘ Enclosure – list of documents, Page nos
- ✘ Alignment right / left

USE OF LETTER HEAD



Assessee



Professional

DON'TS

- × **Forget POA**
- × **Misstate the fact**
- × **Cite wrong or overruled cases**
- × **Be Eager to get the case done**
- × **Annoy the officer**



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