



**“What’s
New?”**

October 07, 2019

“Clarification in respect of section 115BAA inserted through Taxation Laws (Amendment) Ordinance, 2019”

CBDT has issued clarification on the queries raised by stakeholders in respect of option under this section of 22% tax rate for existing companies, with regard to allowability of set off of carry forward losses attributable to additional depreciation and utilization of brought forward MAT credit.

Source: Circular No.29/2019 dated October 2, 2019

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Clarification issued by CBDT with respect to section 115BAA

Vide Circular No. 29/2019, dated October 2, 2019, CBDT issued a clarification in respect of section 115BAA as follows:

Additional depreciation and brought forward losses due to additional depreciation:

Where a company exercises option of reduced tax rate of 22% under this section, deductions for additional depreciation (@20%) as well as for set off of any loss brought forward from earlier years which is attributable to additional depreciation would not be allowable.

Further, since there is no time limit imposed for exercising of the option under this section, the company may, exercise this option once brought forward accumulated losses on account of additional depreciation are fully utilized.

Brought forward Minimum Alternate Tax (MAT) credit:

MAT credit is the difference between the tax paid as per MAT provisions vis-a-vis the tax liability computed under the normal provisions of Income Tax Act, where the normally computed tax liability is less than the tax payable in accordance with the MAT provisions.

Where a company exercises option under section 115BAA, MAT provisions shall not be applicable to it. Hence, brought forward MAT credit shall also not be available to the company in such case.

Further, since there is no time limit imposed for exercising of the option under this section, the company may exercise this option once brought forward MAT credit is fully utilized against regular tax payable.

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