

A BRIEF ANALYSIS OF AMT (ALTERNATE MINIMUM TAX)

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Abstract: The Finance Act,2011 levied Alternate Minimum Tax on Limited Liability Partnerships only.However The Finance Act 2012 has extended the Alternate Minimum Tax on all the assesses except companies. In minimum alternate tax on companies, the book profits are computed. However in the Alternate Minimum Tax book profits has no relevance. The Alternate Minimum Tax is computed after making some adjustment in taxable income. The provision of AMT would, however not be applicable to the individual, HUF,AOP,BOI whether incorporated or not, or artificial juridical person if the total adjusted income of such person does not exceed 20 Lakhs.This paper will show the impact of AMT on the assessee .

Index Terms - Alternate Minimum Tax, Limited Liability Partnerships, HUF,AOP,BOI

1 . Introduction: - **Analysis Alternate Minimum Tax:-**The Finance Act,2011 levied Alternate Minimum Tax on Limited Liability Partnerships only.However The Finance Act 2012 has extended the Alternate Minimum Tax on all the assesses except companies. In minimum alternate tax on companies, the book profits are computed. However in the Alternate Minimum Tax book profits has no relevance. The Alternate Minimum Tax is computed after making some adjustment in taxable income. The provision of AMT would, however not be applicable to the individual, HUF, AOP, BOI whether incorporated or not, or artificial juridical person if the total adjusted income of such person does not exceed 20 Lakhs.U/S 115JC of Income Tax Act1.Notwithstanding anything contained in this Act. where the regular Income Tax payable for a previous year by a person other than a company is less than alternate minimum tax payable for such previous year , the adjusted total income shall be deemed to be the total income of that person for such previous year and it shall be liable to pay income tax on such Total income at the rate of 18.5%.2.Adjusted Total Income referred to the sub section (1) shall be the total income before giving the effect to this chapter as increased by:-(i)deduction claimed ,if any under any section (other than Section 80 P) included in Chapter VIA under the heading "C-Deduction in respect of certain income and (ii)deduction claimed ,if any under section 10AA . (iii) Deduction claimed if any Under section 35 AD reduced by amount of depreciation allowable in accordance with the provisions of section 32 as if no deduction under section 35AD was allowable in respect of the assets on which the deduction under that section is claimed

Total income as computed under the normal provisions of the Income tax Act	
Add:- Deduction under chapter VIA(Heading C-deduction in respect of certain incomes except Deduction under section 80P	
Add:-Deduction under section 10AA(Deduction in respect of profits of SEZ units)	
Add:-Deduction claimed under section 35AD	

Less:- depreciation allowable as per section 32 assuming that deduction under section 35AD was not allowed on that assets on which deduction under section 35 AD is claimed	
Adjusted Total Income	

AMT will apply to the assesses claiming profit linked deductions under section 80IA to 80RRB and under section 10AA. However deduction under section 80P is not to be added back. Under the act the investment linked deduction have been provided in place of profit linked deduction .These profit linked deduction are subject to alternate minimum tax .accordingly with a view to include the investment linked deduction claimed under section 35AD in computing adjusted total income for the purpose of calculating alternative minimum tax, it is proposed to amend the section so as to provide that total income shall be increased by the deduction claimed under section 35AD for purpose of computation of adjusted total income .The amount of depreciation allowable under section 32 shall however be reduced in computing the adjusted total income

Example:-

Total income	60
Deduction claimed under chapter VI A	40
Deduction claimed under section 35AD on a capital asset	100

Computation of adjusted total income for the purpose of AMT:

Total income	60
Add:-Deduction claimed under chapter VI A(on non specified business)-	40
Deduction claimed under section 35AD on a capital asset	100
Less:- depreciation under section 32	15
Adjusted Total Income	185

If provisions of alternate minimum tax are applicable the assessee will have to obtain a report in form no. 29 C from a Chartered Accountant. The person shall furnish such report on or before the due date of filing the return of income under section 139(1). The Provision of AMT would however not be applicable to an individual, HUF, AOP, BOI whether incorporated or not or artificial juridical person, if the adjusted total income of such person does not exceed 20 lakh. The limit of 20 Lakh is not applicable on partnership firm and LLP. AMT means the amount of tax computed on Adjusted Total Income @18.5% plus surcharge if Adjusted Total Income exceeds 1 crore plus 3% education cess in all cases

Illustration:-

MR. A, a resident individual having a unit located in SEZ furnishes you with the following information for the year ended 31/03/2018

Profit from unit located in SEZ	30,00,000
Export turnover of unit located in SEZ	72,00,000
Total turnover of unit located in SEZ	1,00,00,000
Income from other source	6,50,0000
Investment in Public Provident Fund	1,00,000

Solution:-(1) his tax liability for assessment year 2018-2019 after taking in to account alternate minimum tax provisions

2 if profits derived from unit located SEZ is 300000 instead of 30,00,000

Profits and Gain of Business or Profession		
Profit from unit located in SEZ	3000000	
Less deduction U/S 10AA (3000000X7200000/10000000)	2160000	840000
Income from other source		650000
Gross Total Income		1490000
Less Deduction u/s 80C		100000
Total income		1390000
Tax Liability as per normal provision of Act	229500	
Alternate Minimum Tax 3550000x18.5%	656750	
ATI=1390000+2160000=3550000		
Since AMT is higher than as per normal provisions of the act, Mr. A shall be liable to pay alternate minimum tax		656750
Add Education cess		19703
Total tax payable (rounded off)		676450

Section 115JE specifically provides that "Save as otherwise provided in this chapter ,all other provisions of this act shall apply to a person referred to this chapter" Hence all other provisions relating to Self assessment under section 140A,Advance Tax, Interest under

Profits and Gain of Business or Profession		
Profit from unit located in SEZ	300000	
Less deduction U/S 10AA (3000000X7200000/10000000)	216000	84000
Income from other source		650000
Gross Total Income		734000
Less Deduction u/s 80C		100000
Total income		634000
Tax Liability as per normal provision of Act	39300	
ATI =634000+216000=850000	-	
ATI of Mr.A does not exceed 20 Lakhs hence he is not liable to pay AMT		
Tax Liability as per normal provision of Act		39300
Add Education cess		1179
Total tax payable (rounded off)		40479

section 234A,234B and 234C, Penalty etc. would also apply to a person who is subject to AMT¹¹AMT paid in excess of the regular tax computed under the normal provisions will be available as credit against future tax liability. The AMT credit will be allowed to be carried forward and set off for a period of ten years succeeding the year in which such credit become available. Credit is allowed in the year in which regular tax is more than AMT. The credit allowed to be set off will be restricted to the difference between the regular income tax computed under the normal provisions and the AMT.No interest shall be payable on tax credit so allowed. The existing provision of sub section (1) of section 115 JEE of the act provide that the provisions of chapter XIIBA shall be applicable to any person who has claimed a deduction under part C of Chapter VI A or claimed a deduction u/s 10AA. Further the present provisions of sub section (2) of section 115JEE provide that the chapter shall not be applicable to an individual or an HUF or an association of persons or a body of individuals (Whether incorporated or not) or an artificial juridical person if the adjusted total income does not exceed twenty lakhs rupees. This has created difficulty in claim of credit of alternate minimum tax under section 115JD in an assessment year where the income is not more than twenty lakh rupees or there is no claim of any deduction under section 10AA or Chapter VIA. With a view

to enable a assessee who has paid alternate minimum tax in any earlier previous year to claim credit of the same in any subsequent year it is proposed to amend this section so as to provide that the credit for tax paid under section 115JC shall be allowed in accordance with the provision of section 115JD notwithstanding the condition mentioned in sub section (1) or (2) of section 115JEE.¹³ Example:¹⁴- An individual for previous year 31-03-2017 has business income of 3000000. For previous year 31-03-2016 he was subject to AMT as he was claiming deduction under section 80IE. He has an AMT credit of 4000000. During previous year 31-03-2018 he is not entitled to deductions under chapter VIA/10AA/35AD. Although AMT is not applicable to the assessee yet he can claim AMT credit as per amendment made by Finance Act 2014 in section 115JEE.

Normal Tax on 3000000

733875

AMT @ 19.055% on 3000000

571650

AMT credit available for set off

571650-733875=162225

Therefore tax payable by assessee shall be 571650 after taking credit of AMT of 162225 Assessee will carry forward balance AMT of 400000-162225=237775

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