

# ALTERNATE MINIMUM TAX (AMT) ON ALL ASSESSEES EXCEPT COMPANIES

<b>Applicability</b>	<p>All assessees except Companies are liable to pay AMT if the tax payable under the normal provisions of Income tax is lesser than 18.5% of Adjusted total Income (Plus surcharge and education cess).  <b>[9% in case of an assessee being unit located in an International Financial Services Centre (IFSC)]</b></p> <p>However, AMT shall not be payable by Individual/ HUF/ AOP/ BOI/ Artificial Juridical person if adjusted total income of such person does not exceed ₹20 lakhs.</p> <p><b>The provisions of AMT shall apply to a person who has claimed any deduction under—</b></p> <ul style="list-style-type: none"> <li>(a) sections 80-IA to section 80RRB (other than section 80P); or</li> <li>(b) section 10AA; or</li> <li>(c) section 35AD.</li> </ul> <p><b>However, AMT shall not apply where option is exercised under section 115BAC or 115BAD.</b></p> <p><b>AMT is not payable by specified funds referred to in section 10(4D).</b></p> <p style="text-align: right;"><b>(Added by Finance Act, 2020)</b></p>	
<b>Rate of AMT</b>	<ul style="list-style-type: none"> <li>1. <b>In case of an assessee being unit located in an International Financial Services Centre @ 9%</b> [plus surcharge, if applicable, plus 4% health &amp; education cess in all cases]</li> <li>2. <b>In case of an assessee being a co-operative society @ 15%</b> (plus surcharge, if applicable, plus 4% health &amp; education cess in all cases)</li> </ul> <p style="text-align: right;"><b>(Added by Finance Act, 2022)</b></p> <ul style="list-style-type: none"> <li>3. <b>In any other case @ 18.5%</b> [plus surcharge, if applicable, plus 4% health &amp; education cess in all cases].</li> </ul>	
<b>Adjusted Total Income</b>	<p>Total income as computed under the normal provisions of the Income-tax Act</p>	xxx
	<b>Add:</b> Deductions under section 80-IA to 80RRB except deduction under section 80P	xxx
	<b>Add:</b> Deduction under section 10AA (Deduction in respect of profits of SEZ units)	xxx
	<b>Add:</b> Deduction claimed under section 35AD	xxx

	<p><b>Less:</b> Depreciation allowable as per section 32 assuming that deduction under section 35AD was not allowed on the assets on which deduction under section 35AD is claimed</p>	xxx
	<b>Adjusted Total Income</b>	<b>xxx</b>
	<p><b>KEY NOTES:</b></p> <ul style="list-style-type: none"> <li>• <b>AMT will apply to the assessee claiming profit linked deductions under section 80-IA to 80RRB and under section 10AA. However, deduction under section 80P is not to be added back.</b></li> <li>• Assessee claiming deduction under section 35AD are also liable to pay AMT on such deduction. <b>However, they shall be allowed depreciation on the assets on which 35AD has been claimed.</b></li> <li>• Deductions under section 80C to 80GGC and 80U are not to be added back.</li> </ul>	
<b>Audit report</b>	<ul style="list-style-type: none"> <li>• Assessee will be required to obtain a report from a chartered accountant certifying the computation of the adjusted total income and AMT.</li> <li>• Such report will be required to be furnished on or before the due date of filing of income-tax return.</li> </ul>	
<b>Tax Credit for AMT</b>	<ul style="list-style-type: none"> <li>• AMT paid in excess of the regular income-tax computed under the normal provisions will be available as credit against future tax liability.</li> <li>• <b>The amount of tax credit will be reduced by the following Foreign Tax Credit allowed against AMT minus Foreign Tax Credit allowed against normal income tax</b></li> <li>• The AMT credit will be allowed to be carried forward and set-off for a period of <b>15 years</b> succeeding the year in which such credit becomes available.</li> <li>• <b>Credit is allowed in the year in which regular tax is more than AMT.</b></li> <li>• <b>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.</b></li> </ul> <p><b>However, MAT credit of the Company is not allowed to be carried forward in the hands of LLP on conversion of Company into LLP.</b></p> <p><b>The provisions of tax credit shall not apply where option is exercised under section 115BAC or 115BAD.</b>  <b>(Added by Finance Act, 2020)</b></p>	
<b>Other provisions of Income tax Act</b>	<p>Other provisions like advance tax, interest under section 234A/B/C shall apply to LLP which is liable to pay AMT.</p>	

## AN IMPORTANT AMENDMENT

**It is possible that in one year AMT is applicable and in the next year AMT is not applicable** because the Adjusted Total Income does not exceed 20 lakhs or deduction under 35AD/10AA/80IA to 80RRB are not applicable in the next year. **The law has been amended to provide credit of AMT shall be available in the next year even if chapter of AMT is not applicable in the next year.** This is illustrated by following example.

### Illustration:

An individual for Previous Year 31-3-2023 has business income of ₹ 30,00,000. For Previous Year 31-3-2022 he was subject to AMT as he was claiming deduction under section 80-IE. He has an AMT credit of ₹ 4,00,000. During Previous Year 31-3-2023, he is not entitled to deductions under Chapter VI-A/ 10AA / 35AD.

### Answer:

Although AMT is not applicable to the assessee in Previous Year 31.3.2023, yet he can claim AMT credit as per section 115JEE.

Normal tax on ₹ 30,00,000	₹ 7,41,000
Alternate Minimum Tax @ 19.24% on ₹ 30,00,000	₹ 5,77,200
AMT credit available for set-off	<u>₹ 1,63,800</u>

**Therefore, tax payable by assessee shall be ₹ 5,77,200 after taking credit of AMT of ₹ 1,63,800. Assessee will carry forward balance AMT of ₹ 2,36,200.**

As per Finance Act, 2020, where the individual exercises option under section 115BAC(5), for P.Y. 31.03.2023 for the first time, tax payable shall be ₹ 6,63,000 and AMT credit shall not be allowed as per section 115JD(6).

Also, the credit shall lapse once the option is exercised under section 115BAC(5).