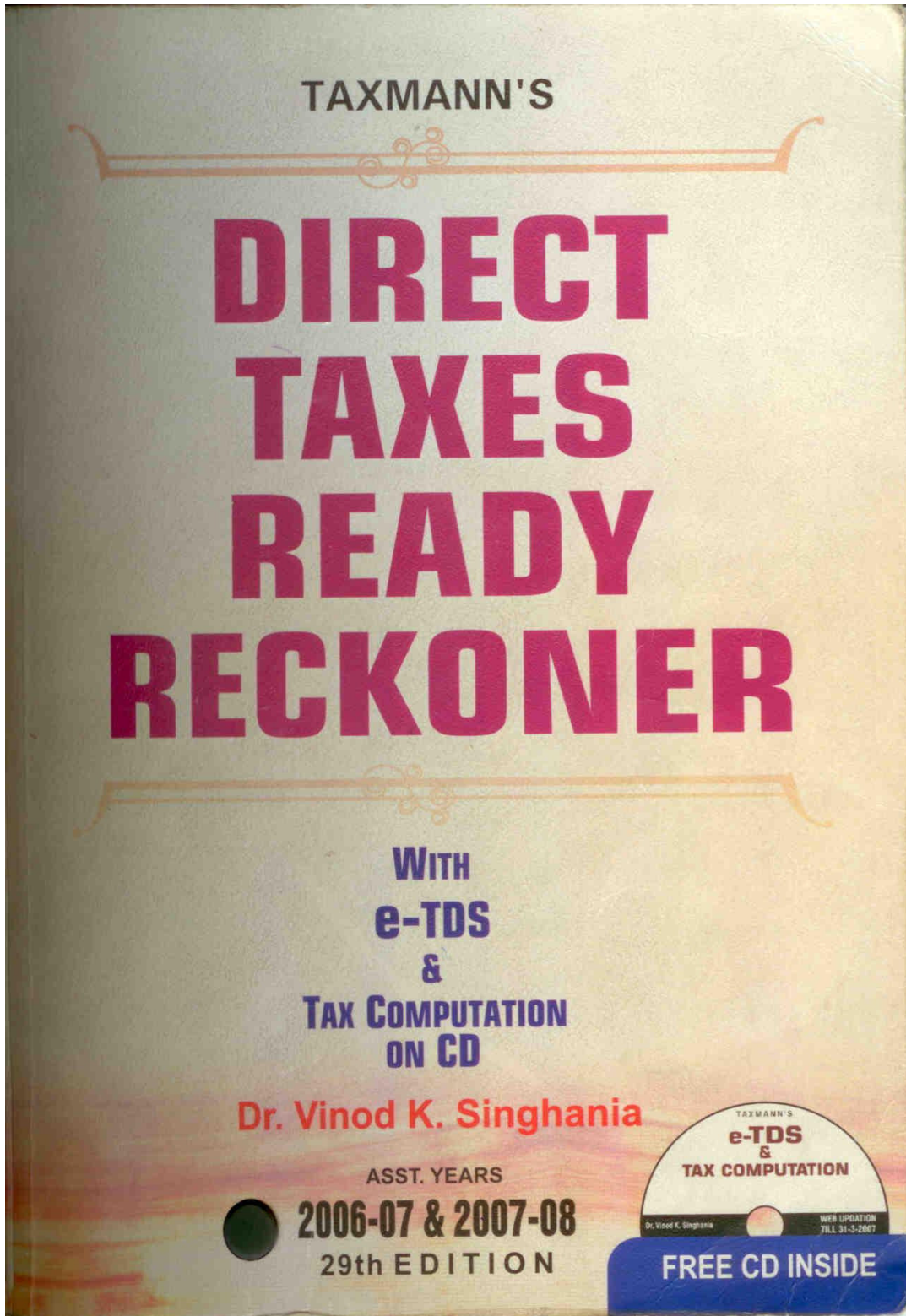


Document evidencing Minimum Alternate Tax (MAT) and Dividend Distribution Tax (DDT)



Notes:

1. **Surcharge**- Surcharge is 10 per cent of income-tax if net income of an individual, Hindu undivided family, association of persons, or body of individuals, exceeds Rs. 10,00,000. If a person, having taxable income exceeding Rs. 10,00,000, is eligible for tax rebate under section 88E, then first calculate income-tax on his income, from the tax so calculated deduct tax rebate under section 88E, 10 per cent of the balancing amount is surcharge. In the case of an artificial juridical person, surcharge is 10 per cent of income-tax (*i.e.*, income-tax *minus* rebate under section 88E), even if net income is less than Rs. 10,00,000.

2. **Marginal relief**- In the case of the aforesaid person having a net income of exceeding Rs. 10,00,000, the net amount payable as income-tax and surcharge shall not exceed the total amount payable as income-tax on total income of Rs. 10,00,000 by more than the amount of income that exceeds Rs. 10,00,000.

3. **Education cess** - It is 2 per cent of income-tax (after rebate under section 88E) and surcharge.

Tax tables: For tax tables, see pages B-1 to B-21.

0.1-2 Firms - A firm is taxable at the rate of 30 per cent for the assessment years 2006-07 and 2007-08 [see also para 0.1-6].

Surcharge : 10 per cent of income-tax [*i.e.*, income tax after rebate under section 88E].

Education cess - It is 2 per cent of income-tax and surcharge.

Tax tables : For tax tables, see page B-22.

0.1.3 Companies - For the assessment years 2006-07 and 2007-08 the following rates of income-tax are applicable:

Company	Rate of income-tax (per cent) [see also para 0.1-6]
In the case of a domestic company	30
In the case of a foreign company	
<input type="checkbox"/> royalty received from Government or an Indian concern in pursuance of an agreement made by it with the Indian concern after March 31, 1961, but before April 1, 1976, or fees for rendering technical services in pursuance of an agreement made by it after February 29, 1964 but before April 1, 1976 and where such agreement has, in either case, been approved by the Central Government	50
<input type="checkbox"/> other income	40

Surcharge - Surcharge is applicable at the rates given below-

Domestic company	10%
Non-domestic company	2.5%

Note - Surcharge is applicable at the rate given above on (income-tax *minus* rebate under section 88E).

Education cess - It is 2 per cent of income-tax and surcharge for the assessment years 2006-07 and 2007-08.

Tax tables : For tax tables, see pages B-22 and B-23.

0.1-3a MINIMUM ALTERNATE TAX - For the assessment years 2006-07 and 2007-08, the following rate of minimum alternate tax shall be applicable.

(as a % of book profit)

	Assessment year 2006-07				Assessment year 2007-08			
	IT	SC	EC	Total	IT	SC	EC	Total
• Domestic company	7.5	0.75	0.165	8.415	10	1	0.22	11.22
• Foreign company	7.5	0.1875	0.15375	7.84125	10	0.25	0.205	10.455

Nature of goods/nature of contract or licence or lease	If the purchaser or licensee or lessee is (a) an individual, HUF, AOP or BOI and the aggregate amount subject to tax collection does not exceed Rs. 10,00,000 or (b) a co-operative society or (c) local authority				If the purchaser or licensee or lessee is (a) an individual, HUF, AOP or BOI and the aggregate amount subject to tax collection exceeds Rs. 10,00,000 or (b) an artificial juridical person or (c) a domestic company or (d) firm				If the purchaser or licensee or lessee is a non domestic company			
	IT	SC	EC	Total	IT	SC	EC	Total	IT	SC	EC	Total
Alcoholic liquor for human consumption	1	Nil	0.02	1.02	1	0.1	0.022	1.122	1	0.025	0.0205	1.0455
Tendu leaves	5	Nil	0.1	5.1	5	0.5	0.11	5.61	5	0.125	0.1025	5.2275
Timber obtained under a forest lease	2.5	Nil	0.05	2.55	2.5	0.25	0.055	2.805	2.5	0.0625	0.05125	2.61375
Timber obtained by any mode other than under a forest lease	2.5	Nil	0.05	2.55	2.5	0.25	0.055	2.805	2.5	0.0625	0.05125	2.61375
Any other forest produce (not being timber or tendu leaves)	2.5	Nil	0.05	2.55	2.5	0.25	0.055	2.805	2.5	0.0625	0.05125	2.61375
Scrap	1	Nil	0.02	1.02	1	0.1	0.022	1.122	1	0.025	0.0205	1.0455
Parking lot, toll plaza, mining and quarrying	2	Nil	0.04	2.04	2	0.2	0.044	2.244	2	0.05	0.041	2.091

Dividend tax under section 115-O

0.8 During the financial year 2006-07, dividend tax shall be charged as follows :

	Dividend tax	SC	EC	Total
Dividend* [other than deemed dividend under section 2(22)(e)]	12.5	1.25	0.275	14.025
Deemed dividend under section 2(22)(e)**	NA	NA	NA	NA

*Not taxable in the hands of shareholders [sec. 10(3-d)].

**Taxable in the hands of shareholders under section 56, without claiming any deduction under section 80L or 80M. The payer of such deemed dividend is liable to deduct tax at source under section 194.

Evidence against statutory transfer to reserves of 7.5%

Source: <http://www.mca.gov.in/MinistryWebsite/dca/actsbills/rules/CToPtRR1975.pdf>

Companies (Transfer of Profits to Reserves) Rules, 1975

In exercise of the powers conferred by sub-section (2-A) of section 205 read with clause (a) of sub-section (1) of section 642, of the Companies Act, 1956 (1 of 1956), the Central Government hereby makes the following rules, namely :-

1. Short title.-

These rules may be called the Companies (Transfers of Profits to Reserves) Rules, 1975.

The expression 'profits' in Rule 2 denotes only 'net profits after tax' according to a clarification issued by the Department of Company Affairs (Letter No. F. 1194, dated 9.2.1976 addressed to the Indian Chamber of Commerce, Calcutta).

2. Percentage of profits to be transferred to reserves.-

No dividend shall be declared or paid by a company for any financial year out of the profits of the company for that year arrived at after providing for depreciation in accordance with the provisions of sub-section (2) of section 205 of the Act, except after the transfer to the reserves of the company of a percentage of its profits for that year as specified below : -

- (i) Where the dividend proposed exceeds 10 per cent but not 12.5 per cent of the paid-up capital, the amount to be transferred to the reserves shall not be less than 2.5 per cent of the current profits ;
- (ii) Where the dividend proposed exceeds 12.5 per cent but does not exceed 15 per cent of the paid-up capital, the amount to be transferred to the reserves shall not be less than 5 per cent of the current profits ;
- (iii) Where the dividend proposed exceeds 15 per cent, but does not exceed 20 per cent of the paid-up capital, the amount to be transferred to the reserves shall not be less than 7.5 per cent of the current profits ; and
- (iv) Where the dividend proposed exceeds 20 per cent of the paid-up capital, the amount to be transferred to reserves shall not be less than 10 per cent of the current profits.

3. Conditions governing voluntary transfer of a higher percentage.-

Nothing in Rule 2 shall be deemed to prohibit the voluntary transfer by a company of a percentage higher than 10 per cent of its profits to its reserves for any financial year, so however that :-

"(i) Where a dividend is declared,-

- (a) a minimum distribution sufficient for the maintenance of dividends to shareholders at a rate equal to the average of the rates at which dividends declared by it over the three years immediately preceding the financial year ; or

- (b) in a case where bonus shares have been issued in the financial year in which the dividend is declared or in the three years immediately preceding the financial year, a minimum distribution sufficient for the maintenance of dividends to shareholders at an amount equal to the average amount (quantum) of dividend declared over the three years immediately preceding the financial year, is ensured :

Provided that in a case where the net profits after tax are lower by 20 per cent or more than the average net profits after tax of the two financial years immediately preceding, it shall not be necessary to ensure such minimum distribution."

- (ii) Where no dividend is declared, the amount proposed to be transferred to its reserves from the current profits shall be lower than the average amount of the dividends to the shareholders declared by it over the three years immediately preceding the financial year.

4. Penalty.-

If a company fails to comply with any of the provisions contained in these rules, the company and every officer of the company in default shall be punishable with fine which may extend to five hundred rupees, and, where the contravention is a continuing one, with a further fine which may extend to fifty rupees for every day, after the first, during which such contravention continues".</BODY< font>