

INCOME-TAX ACT, 2025

D: Special provisions relating to minimum alternate tax and alternate minimum tax

Section 206 - Special provision for minimum alternate tax and alternate minimum tax.

- 1) (a) Irrespective of anything contained in any other provision of this Act, where in the case of an assessee being a company, the income-tax payable on the total income as computed under this Act for a tax year is less than the minimum alternate tax payable for such tax year, then—
- (i) the book profit shall be deemed to be the total income of that assessee for such tax year; and
 - (ii) the assessee shall be liable to pay income-tax equal to the minimum alternate tax.
- (b) For the purposes of clause (a), the expressions “minimum alternate tax” means the amount of tax computed on the book profit—
- (i) in case of a company being a unit located in an International Financial Services Centre and deriving its income solely in convertible foreign exchange, at the rate of 9%;
 - (ii) in case of any other company, at a rate of 15%.
- (c) For the purposes of this section, “book profit” means the profit as shown in the statement of profit and loss for the relevant tax year prepared as per clause (f), as increased by—
- (i) income-tax paid or payable and the provision therefor, if any such amount is debited to the statement of profit and loss, where income-tax shall include—
 - (A) any interest charged under this Act;
 - (B) surcharge, if any, as levied under the Central Acts;
 - (C) Education Cess on income-tax, if any, as levied under the Central Acts; and
 - (D) Secondary and Higher Education Cess on income-tax, if any, as levied under the Central Acts;
 - (ii) the amounts carried to any reserves, called by any name, if any such amount is debited to the statement of profit and loss;
 - (iii) the amount or amounts set aside to provisions made for meeting liabilities, other than ascertained liabilities, if any such amount is debited to the statement of profit and loss;
 - (iv) the amount by way of provision for losses of subsidiary companies, if any such amount is debited to the statement of profit and loss;
 - (v) dividends paid or proposed, if any such amount is debited to the statement of profit and loss;
 - (vi) expenditure relatable to any income to which provisions of section 11 apply or any expenditure out of regular income of a registered non-profit organisation referred in section 335, if any such amount is debited to the statement of profit and loss;
 - (vii) depreciation, if any such amount is debited to the statement of profit and loss;
 - (viii) deferred tax and the provision therefor, if any such amount is debited to the statement of profit and loss;
 - (ix) the amount or amounts set aside as provision for diminution in the value of any asset, if any such

amount is debited to the statement of profit and loss;

(x) the amount standing in revaluation reserve relating to revalued asset on the retirement or disposal of such asset, if any such amount is not credited to the statement of profit and loss,

and as reduced by—

(xi) The amount withdrawn from any reserve or provision (excluding a reserve created before the 1st April, 1997 otherwise than by way of a debit to the statement of profit and loss), where,—

(A) any such amount is credited to the statement of profit and loss; and

(B) the book profit of such year has been increased by those reserves or provisions out of which the said amount was withdrawn;

(xii) income to which any of the provisions of section 11 apply or any regular income of a registered non-profit organisation referred in section 335, if any such amount is credited to the statement of profit and loss;

(xiii) depreciation debited to the statement of profit and loss excluding the depreciation on account of revaluation of assets;

(xiv) the amount withdrawn from revaluation reserve and credited to the statement of profit and loss, to the extent it does not exceed depreciation on account of revaluation of assets referred to in sub-clause (xiii);

(xv) deferred tax, if any such amount is credited to the statement of profit and loss;

(xvi) loss brought forward (excluding depreciation) or unabsorbed depreciation, whichever is less, as per books of account, except, where either of such amount is nil, in case of a company other than the company referred to in clause (d)(vi) and (vii),

and as further adjusted by the amounts referred to in clause (d).

(d) While computing the book profit under this section, the following amounts shall be further adjusted:--

(i) in case of a company being a member of association of persons or body of individuals having income being share of the assessee in the income of an association of persons or body of individuals, on which no income-tax is payable as per the provisions of section 310, then—

(A) the amount or amounts of expenditure relatable to such income if debited to the statement of profit and loss, is to be added; and

(B) the amount being income if credited to the statement of profit and loss, is to be reduced;

(ii) in case of a foreign company having income accruing or arising from—

(A) capital gains arising on transactions in securities; or

(B) the interest, dividend, royalty or fees for technical services chargeable to tax at the rate or rates specified in Chapter XIII,

and the income-tax payable thereon as per the provisions of this Act, other than the provisions of this Part, is at a rate less than the rate specified in clause (b), then—

(I) the amount or amounts of expenditure relatable to such income if debited to the statement of profit and loss, is to be added; and

(II) the amount being income if credited to the statement of profit and loss, is to be reduced;

(iii) In case of a company, which has transferred any capital asset, being share of a special purpose vehicle to a business trust,—

(I) the following amounts, if debited to the statement of profit and loss, are to be added:—

(A) the amount representing the notional loss on transfer of such capital asset, to a business trust in exchange of units allotted by the trust referred to in section 70(1)(zi); or

(B) the amount representing the notional loss resulting from any change in carrying amount of the said units; or

(C) the loss on transfer of units referred to in section 70(1)(zi);

(II) the following amounts, if credited to the statement of profit and loss, are to be reduced:—

(A) the amount representing the notional gain on transfer of such capital asset, to a business trust in exchange of units allotted by the trust referred to in section 70(1)(zi); or

(B) the amount representing the notional gain resulting from any change in carrying amount of the said units; or

(C) the gain on transfer of units referred to in section 70(1)(zi);

(iv) in case of a company that has transferred units referred to in section 70(1)(zi) and, where the gain or loss on such transfer has been computed by taking into account—

(A) the cost of the shares exchanged with units referred to in section 70(1)(zi); or

(B) the carrying amount of the shares at the time of exchange, if such shares are carried at a value other than the cost through statement of profit and loss,

then, the gain on transfer of such units is to be added, and the loss on transfer of such units is to be reduced;

(v) in case of a company whose total income includes income by way of royalty in respect of a patent which is chargeable to tax under section 194(1)—

(A) the amount or amounts of expenditure relatable to such royalty income, if any such amount is debited to the statement of profit and loss, is to be added; and

(B) the income by way of such royalty, is to be reduced;

(vi) in case of a company, where the Tribunal, on an application moved by the Central Government under section 241 of the Companies Act, 2013 has after suspension of the Board of Directors of such company has nominated new directors under section 242 of the said Act, the aggregate amount of unabsorbed depreciation and loss (excluding depreciation) brought forward of such company and its subsidiary and the subsidiary of such subsidiary, is to be reduced;

(vii) in case of a company against whom corporate insolvency resolution process has been admitted by the Adjudicating Authority under section 7 or 9 or 10 of the Insolvency and Bankruptcy Code, 2016, the aggregate amount of unabsorbed depreciation and loss (excluding depreciation) brought forward, is to be reduced;

(viii) in case of a company being a sick industrial company under section 17(1) of the Sick Industrial Companies (Special Provisions) Act, 1985, as it stood immediately before its repeal by the Sick Industrial Companies (Special Provisions) Repeal Act, 2003, the profits for the period commencing from the tax year in which such company has become a sick industrial company and ending with the tax year during which the entire net worth of such company becomes equal to or exceeds the accumulated losses, is to be reduced.

(ix) in case of a company, whose financial statements are drawn up in compliance with the Indian Accounting Standards specified in Annexure to the Companies (Indian Accounting Standards) Rules, 2015 made under the Companies Act, 2013, the amounts mentioned in column A of the Table below shall be added and the amounts mentioned in column B of the said Table below are to be reduced:

Table

| Amounts (to be added) | Amounts (to be reduced) |
|--|---|
| (A) | (B) |
| (1) Amounts credited to the statement of profit and loss as referred in clause (e)(i). | (1) Amounts debited to the statement of profit and loss as referred in clause (e)(i). |
| (2) The amounts or aggregate of the amounts debited to the statement of profit and loss on distribution as referred in clause (e)(ii). | (2) The amounts or aggregate of the amounts credited to the statement of profit and loss on distribution as referred in clause (e)(ii). |
| (3) Amount being one-fifth of the transition amount in the year of convergence and each of the following four tax years. | (3) Amount being one-fifth of the transition amount in the year of convergence and each of the following four tax years. |
| (4) The amount or the aggregate of the amounts referred to in clause (e)(iii), if such amount is not decreased. | (4) The amount or the aggregate of the amounts referred to in clause (e)(iii), if such amount is not increased. |
| (5) The amount or the aggregate of the amounts referred to in clause (e)(iv), if such amount is not decreased. | (5) The amount or the aggregate of the amounts referred to in clause (e)(iv), if such amount is not increased. |

(e) For the purposes of the Table in clause (d)(ix),—

(i) the amount referred to in columns A and B of serial number 1 of the said Table shall be the other comprehensive income in the statement of profit and loss under the head “Items that will not be re-classified to profit or loss”, excluding—

(A) revaluation surplus for assets as per the Indian Accounting Standards 16 and Indian Accounting Standards 38; or

(B) gains or losses from investments in equity instruments designated at fair value through other comprehensive income as per the Indian Accounting Standards 109,

and the amount or the aggregate of the amounts referred to in sub-clause (i)(A) and (B) for the tax year or any of the preceding tax years, and relatable to such investment or asset, in the tax year in which the said investment or asset is retired, disposed, realised or otherwise transferred;

(ii) the distribution referred to in columns A and B of serial number 2 of the said Table shall be the distribution of non-cash assets to shareholders in a demerger as per Appendix A of the Indian Accounting Standards 10;

(iii) the amount referred to in columns A and B of serial number 4 of the said Table shall be the amount which is relatable to the asset or investment referred to in clause (t)(vi)(B) to (E) for the tax year in which such asset or investment is retired, disposed, realised or otherwise transferred;

(iv) the amount referred to in columns A and B of serial number 5 of the said Table shall be the transition amount which is relatable to the foreign operations referred to in clause (t)(vi)(F) for the tax year in which such foreign operation is disposed or otherwise transferred.

(f) For the purposes of book profit under clause (c), every company shall prepare its statement of profit and loss for the relevant tax year in the following manner:—

(i) in case of an insurance or banking company, or a company engaged in the generation or supply of electricity, or any other class of company for which a form of financial statement has been specified under the enactment governing such class of company, as per the provisions of such enactment;

(ii) in all other cases, as per the provisions of Schedule III to the Companies Act, 2013.

(g) While preparing the annual accounts including statement of profit and loss by the company, the—

(i) accounting policies;

(ii) accounting standards adopted for preparing such accounts including statement of profit and loss; and

(iii) method and rates adopted for calculating the depreciation,

shall be the same as have been adopted for the purpose of preparing such accounts including statement of profit and loss and laid before the company at its annual general meeting as per the provisions of section 129 of the Companies Act, 2013, or correspond to the accounting policies, accounting standards and the method and rates for calculating the depreciation which have been adopted for preparing such accounts including statement of profit and loss for, such financial year or part of such financial year falling within the relevant tax year, where the company has adopted or adopts the financial year under the which is different from the tax year under this Act.

(h) In the case of a resulting company, where the property and the liabilities of the undertaking or undertakings being received by it are recorded at values different from the values appearing in the books of account of the demerged company immediately before the demerger, any change in such value shall be ignored for the purpose of computation of book profit of the resulting company under this sub-section.

(i) In the case of an assessee being a company, where--

(i) there is an increase in book profit of the tax year due to income of past year or years included in the book profit on account of--

(A) an advance pricing agreement entered into by the assessee under section 168; or

(B) a secondary adjustment required to be made under section 170; and

(ii) the assessee has not utilised the credit of tax paid under this sub-section in any subsequent tax year under clauses (m), (n), (o) and (p),

the Assessing Officer shall, on an application made to him in this behalf by the assessee,--

(I) recompute the book profit of the past year or years and tax payable under this sub-section, if any, by the assessee during the tax year in such manner, as may be prescribed; and

(II) the provisions of section 287 shall, so far as may be, apply and the period of four years specified in sub-sections (7) and (8) of that section shall be reckoned from the end of the tax year in which the said application is received by the Assessing Officer.

(j) Irrespective of anything contained in any other provisions of this Act, no interest shall be payable to an assessee on the refund arising on account of the clause (i).

(k) Nothing contained in clause (a) shall affect the determination of the amounts, in relation to the relevant tax year, to be carried forward to the subsequent year or years under the provisions of section 33(11) or 111 or 112(1) or 113 or 115.

(l) The provisions of this sub-section shall not be applicable to any assessee, being a foreign company, where--

(i) the assessee is a resident of a country or a specified territory with which India has an agreement referred to in section 159(1) or the Central Government has adopted any agreement under section 159(2) and the assessee does not have a permanent establishment in India as per the provisions of such agreement; or

(ii) the assessee is a resident of a country with which India does not have an agreement of the nature referred to in sub-clause (i) and the assessee is not required to seek registration under any law for the time being in force relating to companies; or

(iii) the total income of the assessee comprises solely of profits and gains from business referred to in section 61(2) (Table: Sl. Nos. 1, 3, 4 and 5), and such income has been offered to tax at the rates specified in the respective sections.

(m) Where any tax is paid under clause (a) by an assessee, then, credit shall be allowed to him of an amount in excess of such minimum alternate tax over the tax payable by such assessee on his total income computed as per the other provisions of this Act for that tax year.

(n) While allowing credit under clause (m),--

(i) no interest shall be payable on the tax credit so allowed; and

(ii) where tax credit in respect of any income-tax paid in any country or specified territory outside India, under section 159(1) or (2), allowed against the minimum alternate tax exceeds such tax credit admissible against the tax payable by the assessee on its income as per the other provisions of this Act, then, while computing the credit under clause (m), such excess amount shall be ignored.

(o) (i) The tax credit determined under clause (m) shall be carried forward, and--

(A) set off in a year, when tax payable on the total income computed as per the provisions of this Act exceeds the minimum alternate tax; and

(B) such set off in respect of brought forward tax credit shall be allowed for any tax year to the extent of the difference between the tax on his total income and the minimum alternate tax for that tax year;

(ii) such carry forward of tax credit shall not be allowed beyond the fifteenth tax year immediately succeeding the tax year in which the tax credit becomes allowable under clause (m);

(p) Where as a result of any order passed under this Act, tax payable under this Act is decreased or increased, as the case may be, tax credit allowed under clause (m) shall also be decreased or increased accordingly.

(q) The provisions of this section shall not apply to a person,--

(i) being a company having income accruing or arising from life insurance business referred to in section 194(1) (Table: Sl. No. 6); or

(ii) who has exercised the option under section 200(5) or section 201(2).

(r) In case of conversion of a private company or unlisted public company into a limited liability partnership under the Limited Liability Partnership Act, 2008, the provisions of clauses (m) to (p) shall not apply to the successor limited liability partnership.

(s) Every company to which this section applies, shall furnish a report in the prescribed form from an accountant, certifying that the book profit in its case has been computed as per the provisions of this section--

(i) before the specified date referred to in section 63; or

(ii) along with the return of income furnished in response to a notice under section 268(1).

(t) For the purposes of this sub-section,—

(i) “Adjudicating Authority” shall have the same meaning as assigned to it in section 5(1) of the Insolvency and Bankruptcy Code, 2016;

(ii) “convergence date” means the first day of the first Indian Accounting Standards reporting period as defined in the Indian Accounting Standards 101;

(iii) “net worth” shall have the meaning assigned to it in section 3(1)(ga) of the Sick Industrial Companies (Special Provisions) Act, 1985, as it stood immediately before its repeal by the Sick Industrial Companies (Special Provisions) Repeal Act, 2003;

(iv) “private company” and “unlisted public company” shall have the meanings respectively assigned to them in the Limited Liability Partnership Act, 2008;

(v) “securities” shall have the same meaning as assigned to it in section 2(h) of the Securities Contracts (Regulation) Act, 1956;

(vi) “transition amount” means the amount or the aggregate of the amounts adjusted in the other equity (excluding capital reserve and securities premium reserve) on the convergence date, but not including the following:—

(A) amount or aggregate of the amounts adjusted in the other comprehensive income on the convergence date which shall be subsequently re-classified to the profit or loss;

(B) revaluation surplus for assets as per the Indian Accounting Standards 16 and Indian Accounting Standards 38 adjusted on the convergence date;

(C) gains or losses from investments in equity instruments designated at fair value through other comprehensive income as per the Indian Accounting Standards 109 adjusted on the convergence date;

(D) adjustments relating to items of property, plant and equipment and intangible assets recorded at fair value as deemed cost as per paragraphs D5 and D7 of the Indian Accounting Standards 101 on the convergence date;

(E) adjustments relating to investments in subsidiaries, joint ventures and associates recorded at fair value as deemed cost as per paragraph D15 of the Indian Accounting Standards 101 on the convergence date; and

(F) adjustments relating to cumulative translation differences of a foreign operation as per paragraph D13 of the Indian Accounting Standards 101 on the convergence date;

(vii) “Tribunal” shall have the same meaning as assigned to it in section 2(90) of the Companies Act, 2013;

(viii) “Unit” means a unit established in an International Financial Services Centre;

(ix) “year of convergence” means the tax year within which the convergence date falls; and

(x) a company shall be a subsidiary of another company, if such other company holds more than half in the nominal value of equity share capital of the company.

(a) Irrespective of anything contained in this Act, where the regular income-tax payable for a tax year by a person, other than a company, is less than the alternate minimum tax payable for such tax year, then,—

(i) the adjusted total income shall be deemed to be the total income of that person for such tax year and

(ii) he shall be liable to pay income-tax equal to the alternate minimum tax.

(b) For the purposes of this sub-section,—

(i) “adjusted total income” shall be the total income before giving effect to clause (a), as increased by deductions claimed, if any, under—

- (I) any section (other than section 149) included in Chapter VIII-C;
 - (II) section 46 as reduced by depreciation allowable as per the provisions of section 33, as if no deduction was allowed in respect of the assets on which the deduction under that section is claimed.
 - (ii) “alternate minimum tax” means the amount of tax computed on adjusted total income,—
 - (I) in case of an assessee being a unit located in an International Financial Services Centre and deriving its income solely in convertible foreign exchange, at the rate of 9%;
 - (II) in case of an assessee being a co-operative society, at the rate of 15%;
 - (III) in any other case, at a rate of 18.5%;
 - (iii) “regular income-tax” means the income-tax payable for a tax year by a person on his total income in accordance with the provisions of this Act other than the provisions of this sub-section;
 - (iv) “Unit” means a unit established in an International Financial Services Centre.
- (c) The provisions of this sub-section shall apply to a person who has claimed any deduction under any section (other than section 149) included in Chapter VIII-C or section 46.
- (d) The provisions of this sub-section shall not apply to--
- (i) a person, who has exercised the option under section 203(5) or section 204(2);
 - (ii) a person, whose income-tax payable in respect of the total income of such person is computed under section 202(1);
 - (iii) an individual or a Hindu undivided family or an association of persons or a body of individuals, whether incorporated or not, or an artificial juridical person referred to in section 2(77)(g), if the adjusted total income of such person does not exceed twenty lakh rupees; or
 - (iv) any specified fund referred to in Schedule VI (Note 1).
- (e) Where any tax is paid under clause (a) by an assessee, then, credit shall be allowed to him of an amount which shall be the excess of alternate minimum tax over the regular income tax payable of that year.
- (f) While allowing credit under clause (e),--
- (i) no interest shall be payable on the tax credit so allowed; and
 - (ii) where tax credit in respect of any income-tax paid in any country or specified territory outside India, under section 159(1) or (2), allowed against the alternate minimum tax payable exceeds such tax credit admissible against the regular income-tax payable by the assessee, then, while computing the credit under clause (e), such excess amount shall be ignored.
- (g) Tax credit determined under clause (e) shall be carried forward and--
- (i) set off in a year, when the regular income tax exceeds the alternate minimum tax; and
 - (ii) such set off in respect of brought forward tax credit shall be allowed for any tax year to the extent of the excess of regular income tax over the alternate minimum tax for that tax year,
- and such carry forward shall not be allowed beyond the fifteenth tax year immediately succeeding the tax year in which the tax credit becomes allowable under clause (e).
- (h) Where as a result of any order passed under this Act, tax payable under this Act is reduced or

increased, tax credit allowed under clause (e) shall also be reduced or increased accordingly.

(i) Irrespective of anything contained in clause (c) or clause (d), the credit for tax paid under clause (a) shall be allowed in accordance with the provisions of clauses (e), (f), (g) and (h).

(j) Every person to which this sub-section applies, shall furnish a report in the prescribed form from an accountant, certifying that the adjusted total income and alternate minimum tax in its case have been computed as per the provisions of this sub-section before the specified date referred to in section 63.

(3) Save as otherwise provided in this section, all other provisions of this Act shall apply to every assessee mentioned in this section.