

## Summary of Recommendations

### Systemic issues including ambiguities/lacunae in the special provisions

- (a) CBDT may like to insert enabling provisions under Explanation (1) to sub section (2) of section 115JB clarifying the treatment of following items in computation of book profit:
- (i) Interest accrued on Inter Corporate Deposit (ICD) and fixed deposit made out of advances received from Government etc. which were considered for taxation under normal provisions
  - (ii) Grant in aid etc., directly taken to balance sheet and not routed through profit and loss account
  - (iii) Profit/loss on sale of long term investment of the amalgamating company
  - (iv) Debenture Redemption Reserve/Loan Redemption Reserve considering its complexity involving element of reserve as well as ascertained liability
  - (v) Excess/short depreciation due to change in method of depreciation **(Para 2.4.1 to 2.4.3, 2.5 and 2.6)**
- (b) CBDT may like to clarify the manner of setting off brought forward business loss/unabsorbed depreciation in computation of book profit. **(Para 2.7.1 to 2.7.3)**
- (c) CBDT may like to prescribe an adjustment for reduction of the bad debts actually written off in the books of accounts in computation of book profit, as the same is considered for reduction under normal provisions. **(Para 2.8.1)**
- (d) CBDT may like to prescribe an adjustment for additions of the following items in computation of book profit, which were considered for addition under normal provision:
- (i) Bogus purchases/undisclosed income/unaccounted income
  - (ii) Transfer pricing adjustments on items having direct bearing on the profit and loss account
  - (iii) Statutory dues not paid within due date of filing of return of income
  - (iv) Expenditure on Corporate Social Responsibility (CSR) **(Para 2.8.2. to 2.8.5)**

- (e) CBDT may like to introduce a provision in the Act for disallowance of MAT credit of the amalgamating company on discontinuance of their business by the amalgamated company after amalgamation.

**(Para 2.8.6)**

*The CBDT during exit conference agreed to examine all the issues above and stated that feasibility of issuing a circular/clarification if required will be explored.*

#### **Extent of non-compliance of MAT provisions**

CBDT may like to append a schedule or an annexure showing year wise bifurcated details of business loss and unabsorbed depreciation as per the Companies Act as well to Form 29B/Tax Audit Report/ITR 6 so that their updated status is considered at the time of assessment. **(Para 3.5)**

*The CBDT during exit conference stated that it may be difficult to have a separate annexure/schedule but agreed to have a view in the Assessment Information System (AST) where the details of brought forward business loss and unabsorbed depreciation as per the Companies Act will also be visible.*

#### **Bringing Zero Tax Companies into the tax base**

- (a) The ITD may devise a framework for accountability where AOs may be made accountable for the effective use of Non-filers Monitoring System for identification of both corporate and non corporate non filers separately so that they effectively pursue the non filers to bring them into tax net.

**(Para 4.2.1)**

*The CBDT during exit conference agreed to have a suitable framework in this regard.*

- (b) ITD may pursue the cases where ITRs were not filed so as to bring them into tax net. **(Para 4.2.1)**

*The CBDT during exit conference agreed to look into the matter.*