MAT stands for Minimum Alternate Tax and AMT stands for Alternate Minimum Tax. Initially the concept of MAT was introduced for companies and progressively it has been made applicable to all other taxpayers in the form of AMT.

Concept of Minimum Tax in India: -

Normally, a company is liable to pay tax in accordance with the provisions ,115JB, of the Income Tax Act. However, the profit and loss account of a company is prepared as per the provisions of the Companies Act. In the past, a large number of companies showed profits on their profit and loss account and, at the same time, distributed huge dividends. However, these companies did not pay any tax to the government as they reported either nil or negative income under the provisions of the Income Tax Act. These companies are popularly known as 'zero-tax' companies.

Thus, MAT was introduced by the Finance Act, 1987 with effect from assessment year 1988-89. Later on, it was withdrawn by the Finance Act, 1990 and then reintroduced by Finance Act, 1996, with effect from 1-4-1997 to pay a minimum amount of tax by companies. MAT also covered foreign companies with income sources in India and are liable to pay MAT.

For example, the book profit of a company before depreciation is Rs 10 lakh. After considering depreciation and other exemptions, gross taxable income comes to Rs 2 lakh. Therefore, applicable income tax is charged @30%, i.e. is Rs 0.6 lakh. However, MAT would be Rs 1.85 lakh (@18.5% of Rs 10 lakh). In other words the book profit (PBT) as shown under the Profit and Loss account is assumed as income and % as MAT (different rates are prescribed under the act) will apply to find out tax liability . This tax payable will be compared with Tax payable under the provisions of Income tax act and amount, whichever is higher will be treated as payable by assessee.

Provision of MAT as per Income Tax Act: -

As per the concept of MAT, the tax liability of a company will be higher of the following: -

- Tax liability of the company computed as per the normal provisions of the Income-tax Law.
- Tax computed @ 15% (plus surcharge and cess as applicable) on **book profit** computed as per 115JB.

Note: MAT is levied at the rate of 9% (plus surcharge and cess as applicable) in case of a company, being a unit of an International Financial Services Centre and deriving its income solely in convertible foreign exchange.

The provisions of MAT are applicable to a corporate taxpayer only. Similarly, the provisions relating to AMT are applicable to non-corporate taxpayers in a modified pattern in the form of Alternate Minimum Tax, i.e., AMT. Thus, it can be said that MAT applies to companies and AMT applies to a person other than a company.

Provision of AMT as per Income Tax: -

The provisions of AMT will apply to every non-corporate taxpayer who has claimed

(i) deduction under section 80H to 80RRB (except 80P),
(ii) deduction under section 35AD and
(iii) deduction under section 10AA.

Thus, the provisions of AMT are not applicable to a noncorporate taxpayer who has not claimed any deduction under above discussed. However, following points should be kept in mind in this regard. The provisions of AMT shall apply to an individual or HUF or AOP or BOI or an artificial juridical person only if the adjusted total income exceeds Rs. 20,00,000.

In case of non-corporate taxpayer, AMT is levied @ 18.5% of adjusted total income (discussed later). Surcharge and cess as applicable will also be levied.

However, AMT is levied @ 9% in case of a non-corporate assesse being a unit located in International Financial Services Centre and deriving its income solely in convertible foreign exchange. Surcharge and cess as applicable will also be levied.

Every non-corporate taxpayer to whom the provisions of AMT apply is required to obtain a report from a chartered accountant in Form No. 29C before the date referred to in Section 44AB.

As discussed in earlier part, a person covered under MAT or AMT has to pay tax higher of normal tax liability or liability as per MAT or AMT provisions. Tax paid under MAT or AMT will be qualified for taking forward to get set of against tax Liability in future upto 15 years .