How To Plan Tax Benefits Of A Company

The role of **income tax consultants** is massively increasing in this ever-changing world where the tech industry is developing at a very fast rate. Income tax consultants are self-sufficient in providing you with a detailed analysis of certain things which are sometimes kept away from our reach.

Companies for the purpose of Income Tax include

- Indian companies, body corporates incorporated under the laws of countries outside India
- Body corporates/institutions being assessed as companies as per the earlier laws in force
- Body corporates — Indian or not, incorporated or not, declared as a company by general or special order of the Board, for the period specified in such declaration/ order.

As a result, people have consistently searched for “chartered accountants near me” to avail the benefits of an income tax consultant.

Through this article, you will get to know about how you can plan the tax benefits of a company and before that what are such tax benefits which you will get to know with the assistance of income tax consultants.

Tax Benefits of a Company

Tax rate reduced to 25% from 30%

With effect from financial year [“FY”] 2018–19, the income tax rate stands reduced to 25% (plus applicable surcharge and cess) for domestic companies with total turnover or gross receipts not exceeding Rs. 250 crores for the year ended 31 March 2017.

Provisions of Minimum Alternate Tax [“MAT”] are made inapplicable to certain foreign companies

The provisions of MAT are made inapplicable to foreign companies that have opted for presumptive taxation. Foreign companies that are engaged in the business of shipping, air transport, oil exploration, and turnkey construction projects are benefited from this.

Transfer of certain capital assets is not treated as a transfer for income tax purposes

For the purpose of Income Tax, the sale, relinquishment, or extinguishment of rights in assets would be considered a transfer of assets. Further, any gains arising out of such transfers to a person who is transferring such capital assets are offered to tax as capital gains. However, in order to facilitate the merger of uneconomic units with financially sound Indian Companies, in the interest of increased efficiency and productivity, certain transfers are specified that are not to be treated as transfers for income tax purposes. Some of the significant transactions specified in this regard are discussed as under:

1. Transfer of capital assets by a parent company to its wholly-owned Indian subsidiary
2. Transfer of capital assets by a wholly-owned subsidiary company to its Indian holding company. Provided, the conditions prescribed in this regard are satisfied.
3. Transfer of capital assets in a scheme of amalgamation by amalgamating company to an Indian amalgamated company.
4. Transfer of capital assets in a scheme of merger by the demerged company to an Indian resulting company.
5. Allotment of shares of an Indian amalgamated company to the shareholders in the amalgamating company in lieu of their amalgamation
6. Transfer of capital assets by a private limited company or unlisted public company to a limited liability partnership [“LLP”] in the course of the conversion of the company into an LLP. However, the same would be subject to the satisfaction of certain conditions prescribed in this regard.

Deduction on the expense incurred in relation to setting up/ extension of a business

Any expenditure incurred by a Company for setting up of a business or for extension is eligible to be amortized and claimed as an expense over a period of five consecutive years beginning from the year in which the business commenced/ expansion of business is completed. This enables a Company to defer the claim of expenditures incurred towards the preparation of project reports, feasibility reports, legal charges for drafting agreements, incorporation fees, etc. over a period of 5 years. However, such claims shall be restricted to 5% of capital employed by the Company.

Further, any expenditure incurred by a Company in the course of amalgamation or demerger could also be amortized and claimed over a period of five consecutive years.

Deduction specific to the nature of the business of the Company

Tax incentives are generally introduced to encourage businesses to venture into certain sectors that are significant for the economic development of the nation. Any company engaged in such specified business would be eligible for tax holiday or deduction with respect to the profits earned from such business for a period prescribed in this regard. However, it is important to note that many of such incentives introduced earlier are now in their sunset period.

Indian Companies engaged in developing, maintaining, and operating infrastructure facilities, conducting scientific and industrial research and development, etc. are some of the companies that are benefited from this.

Deduction specific to contributions made

100% of the amount contributed, by a medium other than cash, to any political party or electoral trust is allowed as a deduction to a Company for tax purposes.

Reduced rate of tax on dividends received from certain companies.

Dividends received from a foreign company wherein the Company holds 26% or more shares are subject to tax at a reduced rate of 15%. Further, the dividends received from such companies are to be reduced from dividends distributed/ payable in the computation of Dividend Distribution Tax ["DDT"], which in turn reduces the DDT liability.

Insolvency resolution

Loss-making companies under insolvency may carry forward and set off their losses even if there is a change in shareholding by more than 49%.

Key takeaways

The takeaway that we get from the article, is people have been highly influenced by income tax consultants and thereby they look out for “chartered accountants near me”. Under the Income Tax Act, various provisions are introduced for the betterment of individuals, companies, and other entities for tax-saving purposes. It is critical to find the best route for companies or individuals for their tax planning. However, we at our portal are helping to find the best Income tax consultants.

However, people can always rely on LegalPillers, who are competent enough for **online company registration**, and on top of that, they also look out for online company registration in Delhi.

Disclaimer — The information mentioned above is subject to informational purposes only, Kindly do cross-verify all details before relying on it.