Computation of Tax Liability

ILLUSTRATIONS ON ASSESSMENT OF COMPANIES

Illustration 28: From the following information, determine the tax liability of Z Ltd., domestic company, for the Assessment Year 2015-2016 and 2016-2017.

S. No.	Assessment year	Book-profits (₹)	Total income (₹)
1.	2015-2016	2,80,000	1,30,000
2.	2016-2017	3,00,000	2,00,000

Solution :

Solution :

Surcharge is not considered assuming, Net Income less than ₹ 1 crore

Assessment Year	Book-profit (₹)	Total Income (₹)	Tax on Book-Profit (₹)	Tax on Total Income @ 30.9% rounded off u/s 288B (₹)	Tax Credit = Tax on Book Profits (–) Tax on Total Income (₹)	Tax Payable after tax credit set off, if any (₹)	Tax credit balance (₹)
2015-2016	2,80,000	1,30,000	@ 19.055% on 2,80,000 = 53,354	@ 30.9% on 1,30,000 = 40,170	13,184	53,354	13,184
2016-2017	3,00,000	2,00,000	@ 19.055% on 3,00,000 = 57,165	@ 30.9% on 2,00,000 = 61,800	—	57,165 [restricted to ₹57,165]	8,549 [13,184-4,635]

Note :

1. Tax Payable is rounded off to the nearest multiple of ₹ 10 (Sec. 288B)
2. As per Sec. 115JD, the tax credit shall be allowed to be set off to the extent of the excess of regular income -tax over the alternate minimum tax and the balance of the tax credit, if any, shall be carried forward.

Tax Credit Balance

A tax credit is an amount of money that taxpayers can subtract from taxes owed to their government. Unlike deductions and exemptions, which reduce the amount of taxable income, tax credits reduce the actual amount of tax owed. The value of a tax credit depends on the nature of the credit; certain types of tax credits are granted to individuals or businesses in specific locations, classifications, or industries.

Thank You