

MAT demon haunts India Inc

7 Jul 2009, 04:19 hrs IST, TNN

India Inc got a jolt in the form of a hike in rates for Minimum Alternate Tax (MAT). Companies paying MAT—instead of the regular corporate tax—could soon see a higher outgo under this head as the finance minister hiked rates from the earlier 10% to 15% After including the different surcharges, the effective rate would now be nearly 17%, tax experts said.

[times: Join discussion on the Budget](#)

MAT is the tax that a corporate compulsorily pays in case its corporate tax outgo—after accounting for all the exemptions—is below a threshold limit. In taxman's parlance it is the tax that a corporate pays on its 'book profit', which is different from its profit in 'the profit & loss' account.

In India, MAT was introduced about 15 years ago after the government found that despite substantial profits, a large number of corporates were not paying any tax.

Often MAT is criticised as an antithesis to any concession or exemption. Even if there is some justification for MAT, in a slowing economy it is more important for a company to have immediate cash flow, said Nishith Desai, international tax and corporate law expert. "When more and more developed countries are reducing their tax rates to a level below 30%, a MAT rate of 15% definitely looks higher," Desai added.

In India, a number of IT and infrastructure companies pay MAT instead of the regular corporate tax. "These (companies paying MAT now) may end up paying a higher tax now," said Sanjay Kapadia, executive director, PriceWaterhouse Coopers. For the corporates, there's little choice but to accept the higher rates.

"There's nothing much one can do about it except absorb it," said Venugopal Dhoot, chairman, Videocon group. A case of grin and bear it.

Related Stories

- EDITORIAL COMMENT | Budgeting Change
- The big bore
- PM must present budget, abolish rail budget
- I-T exemption: FM thanks janata, gives bigger slices
- Special Coverage: Union Budget 2009-10**
- FM reigns supreme on sops
- Blogs:** The Budget and People Like Us | Why the Budget left me bored, confused
- Divestment when time is right: Pranab
- Poll funding waiver puts Cong, BJP on same side
- Pranab plays true to Congress script**
- How would you rate finance minister Pranab Mukherjee's Budget?
- Battered IT boots up for a holiday
- Nothing golden, says grey brigade
- LCD TVs, mobiles, select life saving drugs cheaper, set-top box costlier
- Highlights of Union Budget 2009-10

More Union Budget 2009

- Power learns to mind the gap
 - Legal fees, facelifts to hurt
 - Polyester clothes get tattered and torn
 - Rough it, adventure tourism got cheaper
- [More >>](#)

[Videos](#) [Picture](#)

My Times, My Voice

- Would lifting dry laws stem the flow of spurious liquor in Gujarat?
 - FIs earn tax-free profits, but an investor has to pay taxes on gain in stock market?
- [More >>](#)

Hotklix

Virtual tour of Michael Jackson's toy room
Photos of his secret arcade room revealed.

B'day special: Rare photos of MS Dhoni
Wish him as he turns 28 today.

Top Search: [Interview: Pranab on his budget |](#)

[More >>](#)

[Latest News](#) | [Most Read](#) | [Most Emailed](#) | [Most Commented](#) | [Hot klix](#)

Horoscope

Cancer

Evergreen Legends of Dilli

58888 Mobile

- Personalised TOI on mobile **New**
- TOI mPaper
- News alerts @ Re.1

ePaper: Print Edition

Get the replica of your favourite edition of Times of India Feel at home..
[View ePaper.](#)

START A SALES OUTLET THAT'S OPEN 24x7

itimes^{New}



Esha, 25, Bangalore



Shreshtha, 21, Kolkata



Wish Happy Birthday to MS Dhoni

- Cinemchis: Discuss films
- Women behind cricketers
- Sherlyn on Jackson
- Behenji, statues today, temple tomorrow?
- Burqa or no burqa?

[More>>](#)

Shop

Split Acs
Starting @ Rs.11900

Travel

Great Airfares to Goa

Mobile 58888

Send Free SMS
Music Messaging

[More >>](#)

Zigwheels^{New}

Hyundai i20 brings diesel and automatic options
Hyundai India has just launched a diesel and 1.4-litre petrol automatic variants of its premium hatchback, the i20
All about Fiat Grande Punto
All New Honda Jazz



[Maruti Ritz | Car review | Buy Car](#)

Write here...

Terms & conditions 

Name: Location:

Email:

Powered by Indiatimes

[About Us](#) | [Advertise with Us](#) | [Terms of Use](#) | [Privacy Policy](#) | [Feedback](#) | [Sitemap](#)

Copyright © 2009 Bennett Coleman & Co. Ltd. All rights reserved. For reprint rights: Times Syndication Service

This site is best viewed with Internet Explorer 6.0 or higher; Firefox 2.0 or higher at a minimum screen resolution of 1024x768