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E-CONTENT FOR M.COM (SEMESTER-4)

**SUBJECT: CORPORATE TAX PLANNING AND
MANAGEMENT**

PAPER CODE: COMEC- 1

**1UNIT-2: TAX PLANNING FOR SETTING UP OF A
NEW BUSINESS**

**TOPIC: TAX PLANNING FOR THE BUSINESS OF
INFRASTRUCTURE FACILITY**

TAX PLANNING FOR THE BUSINESS OF INFRASTRUCTURE FACILITY (u/s 80IA)

A deduction will be allowed from GTI to an assessee in respect of Profit and Gain derived from the business of:

- developing, or
- operating and maintaining, or

- developing, operating and maintaining any infrastructure facility.

'Infrastructure facility' means:

- a road including toll road, a bridge or a rail system
- a highway project including housing or other activities being an integral part of the highway project
- a water supply project, water treatment system, irrigation project, sanitation and sewerage system or solid waste management system
- a port, airport, inland waterways or inland port or navigation channel in the sea.

Plants set up for treatment of effluents and its conveyance system is a part of 'water treatment system' and qualify for tax benefits u/s 80-IA.

Conditions for Deduction:

1. It is owned by company or consortium of companies registered in India.
2. It enters into an agreement with the central or state government or a local authority or any other statutory body.
3. It starts operating and maintaining the infrastructure facility on or after 1 April,1995.
4. The assessee has to file audit report in prescribed form electronically certifying that the deduction has been correctly claimed.

Quantum and Period of Deduction:

100% of such profits for 10 consecutive assessment years.

Option to Claim Deduction:

The assessee, at his option, can claim deduction in any ten consecutive years out of 20 years beginning from the year in which it begins operations.

TAX PLANNING FOR THE BUSINESS OF GENERATION OR GENERATION AND DISTRIBUTION OF POWER

A) Deduction from Gross Total Income u/s 80IA(4)(iv):

Who is entitled to deduction:

- a. An undertaking which is set up in any part of India for generation or generation and distribution of power if it begins to generate power after 31.03.1993 but before 01.04.2017.
- b. It starts transmission or distribution by laying a network of new transmission or distribution lines after 31.03.1999 but before 01.04.2017.
- c. It undertakes substantial renovation and modernisation of the existing network of distribution or transmission lines after 31.03.2004 but before 01.04.2017.

Quantum and period of deduction:

100% such profits for 10 consecutive assessment years.

Options to claim deduction:

An assessee has an option to claim deduction for any 10 consecutive assessment years out of 15 years beginning from the year in year in which it begins operations.

Conditions for deduction:

1. It is not formed by splitting up, or the reconstruction, of a business already in existence except where the business of an industrial undertaking carried on in India is discontinued in any previous year due to natural disaster, war, riot or civil disturbance.
2. It is not formed by the transfer to a new business of machinery or plant previously used for any purpose except in case of transfer of plant and machinery previously used by a State Electricity Board.

B) Depreciation u/s 32

The assessee can claim depreciation on assets acquired after 31.031997 on the basis of straight line method.
