

Department of Applied Economics and Commerce

Patna University, Patna-05

Class:- M.Com semester(IV) Subject:- Corporate Tax Planning and Management

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Surcharge:-

Surcharge is a tax on tax. It is levied on the tax payable, and not on the income generated.

Current rates of Surcharge

1. **Individuals, Hindu Undivided Family (HUFs), Body of Individuals (BOI), Association of Persons (AOP) and Artificial Judicial Person (AJP)**

| Total Income | Rate of Surcharge applicable |
|-----------------------------|------------------------------|
| Less than Rs. 50 Lakhs | Nil |
| Rs. 50 Lakhs to Rs. 1 Crore | 10% |
| More than Rs. 1 Crore | 15% |

2. **Domestic Company** – the following are the surcharge rates that are applicable in case domestic companies:

| Total Income | Rate of Surcharge applicable |
|-----------------------------|------------------------------|
| Less than Rs. 1 Crore | Nil |
| Rs. 1 Crore to Rs. 10 Crore | 7% |
| More than Rs. 10 Crore | 12% |

3. **Foreign Company** – As per **Income Tax Act, 1961**, Foreign company refers to a company whose control and management are situated wholly outside of India. Following surcharge rates are applicable in case foreign company:

| Total Income | Rate of Surcharge applicable |
|-----------------------------|------------------------------|
| Less than Rs. 1 Crore | Nil |
| Rs. 1 Crore to Rs. 10 Crore | 2% |
| More than Rs. 10 Crore | 5% |

Marginal Relief:-

Individual

Where Income exceeds ₹50 lakhs but does not exceed ₹1 crore, the total amount payable as income tax and surcharge on such income shall not exceed the total amount payable as income tax on total income of ₹50 lakhs by more than the amount of income that exceeds ₹50 lakhs.

Where Income exceeds ₹1crore, the total amount payable as income tax and surcharge on such income shall not exceed the total amount payable as income tax and surcharge on a total income of ₹1 crore by more than the amount of income that exceeds ₹1crore.

Company:

Where Income exceeds ₹1 crore but does not exceed ₹10 crore, the total amount payable as income tax and surcharge on such income shall not exceed the total amount payable as income tax on total income of ₹1 crore by more than the amount of income that exceeds ₹1 crore.

Where Income exceeds ₹10crore, the total amount payable as income tax and surcharge on such income shall not exceed the total amount payable as income tax and surcharge on a total income of ₹10 crore by more than the amount of income that exceeds ₹10crore.

Firm:-

Where Income exceeds ₹1 crore but does not exceed ₹10 crore, the total amount payable as income tax and surcharge on such income shall not exceed the total amount payable as income tax on total income of ₹1 crore by more than the amount of income that exceeds ₹1 crore.

Computation of Marginal relief:-

Example:- 1. If the total income of a company is ₹10200000, the marginal relief and tax payable for assessment year 2019-20 shall be:-

Solution:-

Computation of tax liability
For the assessment year 2019-20

Status- Company

Previous year 2018-19

| Particular | Amount |
|--|-----------|
| Tax on ₹10000000@25% | 2500000 |
| Tax on ₹200000@25% | 50000 |
| | 25,50,000 |
| Tax on ₹1,02,00,000 | |
| Add Surcharge @7% | 178500 |
| | 27,28,500 |
| (Total Income exceeds ₹1 crore) | |
| On income of ₹2,00,000, tax and surcharge is (2728500-2500000)=₹228500 | |
| But it cannot exceeds ₹200000 | |
| Hence, marginal relief (228500-200000) | 28500 |
| | 2700000 |
| Add health and education cess @4% | 108000 |
| Tax payable | 2808000 |

On Health & Education cess marginal relief is not allowed.

Example -2.

Mr. Mukesh is salaried employee (age 40 years). His total income from salary for the year 2018-19 amount to Rs. 51, 00,000. Will, he liable to pay surcharge, if yes, then how much and will he get the benefit of margin relief?

Computation of tax liability

For the assessment year 2019-20

Status- Individual

Previous year 2018-19

| Particular | Amount |
|--|---------|
| Tax on ₹5100000 | |
| Tax at slab rate: | |
| On ₹250000 | Nil |
| On next ₹ 250000 @5% | 12500 |
| On next ₹500000 @20% | 100000 |
| On balance ₹4100000 @30% | 1230000 |
| | 1342500 |
| Add; Surcharge @10% | 134250 |
| Normal tax liability | 1476750 |
| (Total income exceeds ₹ 50lakh) | |
| On income of ₹ 100000, tax and surcharge is (1476750-1312500)=134250 | |
| But it cannot exceeds ₹ 100000 | 34250 |
| Hence marginal relief (134250-100000) | 1442500 |
| | 57700 |
| Add Health and education cess @4% | 150200 |
| Tax payable | |

