

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1442
ANSWERED ON:18.07.2014
MAT ON SEZ
Somaiya Dr. Kirit

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has introduced Minimum Alternate Tax (MAT) on Special Economic Zones (SEZs) which resulted into reservations from Industry ;
- (b) if so, the details thereof;
- (c) the details of the original provision / change and logic behind the same;
- (d) the objections/observations received from business community and others in this regard; and
- (e) views of Government on the issue?

Answer

FINANCE MINISTER (SHRI ARUN JAITLEY)

(a,b&d) Minimum Alternate Tax (MAT) has been levied on developers of Special Economic Zones (SEZs) and units operating in SEZs with effect from 1st April, 2012 vide Finance Act, 2011. Representations have been received from the business community and others regarding restoration of exemption from payment of MAT to SEZ units and developers.

(c)&(e) The Ministry of Commerce amended the Income-tax Act through Special Economic Zones Act, 2005. Sub-section (6) as inserted by SEZ Act, 2005, in section 115JB of the Income-tax Act provided that MAT shall not apply to the income accruing or arising on or after 01.04.2005 from any business carried on or services rendered by an entrepreneur or a developer, in a unit or a Special Economic Zone. There was no sunset date for this exemption. MAT is levied on the principle that everyone participating in the economy must contribute to the exchequer.

It was noticed that companies were making huge profits and distributing dividend to their shareholders but were not paying any income tax due to the large number of exemptions / deductions available under the Income-tax Act. Accordingly, MAT was levied on all companies to address inequity in taxation of corporate taxpayers. The removal of MAT from SEZ developers and units had no justification vis-a-vis other sectors of economy which were liable to pay MAT. Further, MAT paid by the company can be carried forward for set-off against regular tax payable during the subsequent year(s), up to ten assessment years when the regular tax payable under the normal provisions of the Income-tax Act is more than the computation provided under MAT.