

CHAPTER 6 – SECTION 10AA – SEZ

10AA waalon ke liye Income Tax bhi soft ho jaata hai - 'Beta aaram se, aap toh Raja babu ho'

1. Eligible Assessee

- ❖ Undertaking which begins to **Manufacture or Produce**
 - **Article**
 - **Computer Software**

in SEZ
- ❖ **Profit & Gains derived from an undertaking engaged in the export of goods or services.**

2. Deduction

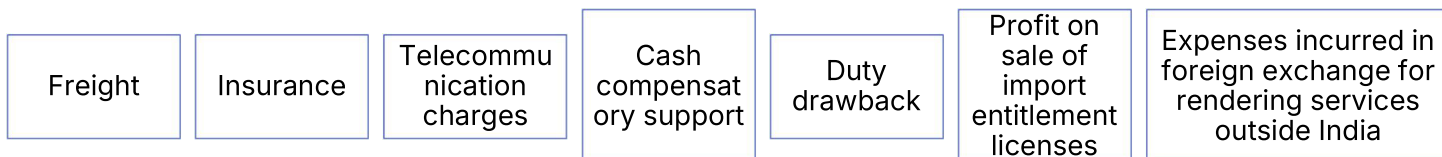


Export Profit = $\frac{\text{Profits of the SEZ undertaking} \times \text{Export T/o of SEZ the undertaking}}{\text{Total T/o of the undertaking}}$

- ❖ Export Turnover means consideration by the undertaking received in India in convertible foreign exchange **within a period of 6 month from the end of PY** or within such further period as permitted by Competent Authority.
- ❖ The export proceeds from sale of goods or provision of services shall be deemed to have been received in India where such export turnover is credited to a separate account maintained for that purpose by the assessee with any bank outside India with the approval of the Reserve Bank of India

3. Not Included

Export turnover & total turnover doesn't include



Profits of the undertaking doesn't include

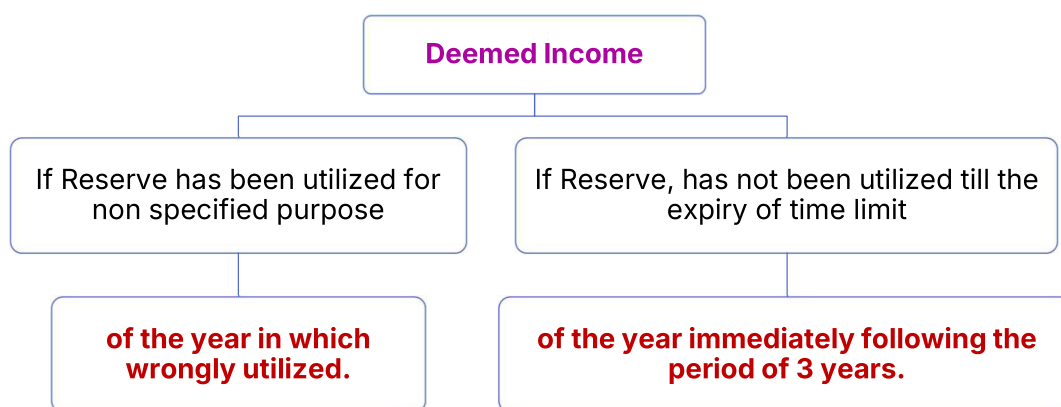
- Cash compensatory support
- Duty drawback and
- Profit on sale of import entitlement licenses.

Total Turnover includes

- Export Turnover and Domestic T/O and
- That portion of export T/O which is not received in convertible foreign exchange.

4. SEZ Re-Investment Reserve

The amount credited to the **reserve must be utilized for acquiring new Plant and Machinery**, which should be **put to use within three years** following the previous year in which the reserve was created. If the amount is **mis utilized or remains unused, the deduction claimed earlier will be taxable as PGBP**



P&M used in business should be New P&M

Exception

- 20% of total value of P&M used in undertaking can be second hand
- P&M imported from outside India & no deduction is availed in India till date

Not utilized for

- distribution by way of dividends or profits; or
- for remittance outside India as profits; or
- for the creation of any asset outside India;

5. Points

1. No deduction under section 10AA would be allowed to an assessee who does not furnish a return of income on or before the due date specified u/s 139(1).
2. Software developed **overseas at the client's location** would **qualify for the 10AA** benefit, subject to the existence of a contract between the client and the SEZ unit.
3. Profits earned as a **result of deployment of technical manpower at client place** abroad specifically for software development would **qualify for the 10AA benefit**, subject to the existence of a contract between the client and the SEZ unit.
4. Tax holiday should **not be denied merely on the ground** of **physical relocation** of an eligible SEZ unit from **one place to another SEZ unit**.
5. Assessee may **commence its activities on or before 31st March 2021**

6. The **formation of SEZ** should **not occur by splitting up existing business or reconstruction** or formed by transfer of plant & machinery previously used exceeding 20% of total Plant & Machineries used in business.
7. During the period of deduction, depreciation is deemed to have been allowed on the assets. Written Down Value shall accordingly be reduced.
8. No deduction under section 80-IA and 80-IB shall be allowed in relation to the profits and gains of the undertaking.
9. Unabsorbed depreciation under section 32(2) or business loss under section 72(1) or loss under the head "Capital gains" under section 74 of the undertaking, being the Unit, shall be allowed to be carried forward or set off.
10. If a deduction is claimed and allowed under this section for any specified business eligible for investment-linked deduction under section 35AD, no deduction under section 35AD shall be allowed for the same or any other assessment year.
11. **Amalgamation and Demerger**
 - a. The provisions of this section would apply to the amalgamated or resulting Unit as they would have applied to the amalgamating or demerged Unit had the amalgamation or demerger not taken place.
 - b. No deduction for the amalgamating or demerged Unit for the previous year in which amalgamation or demerger takes place.