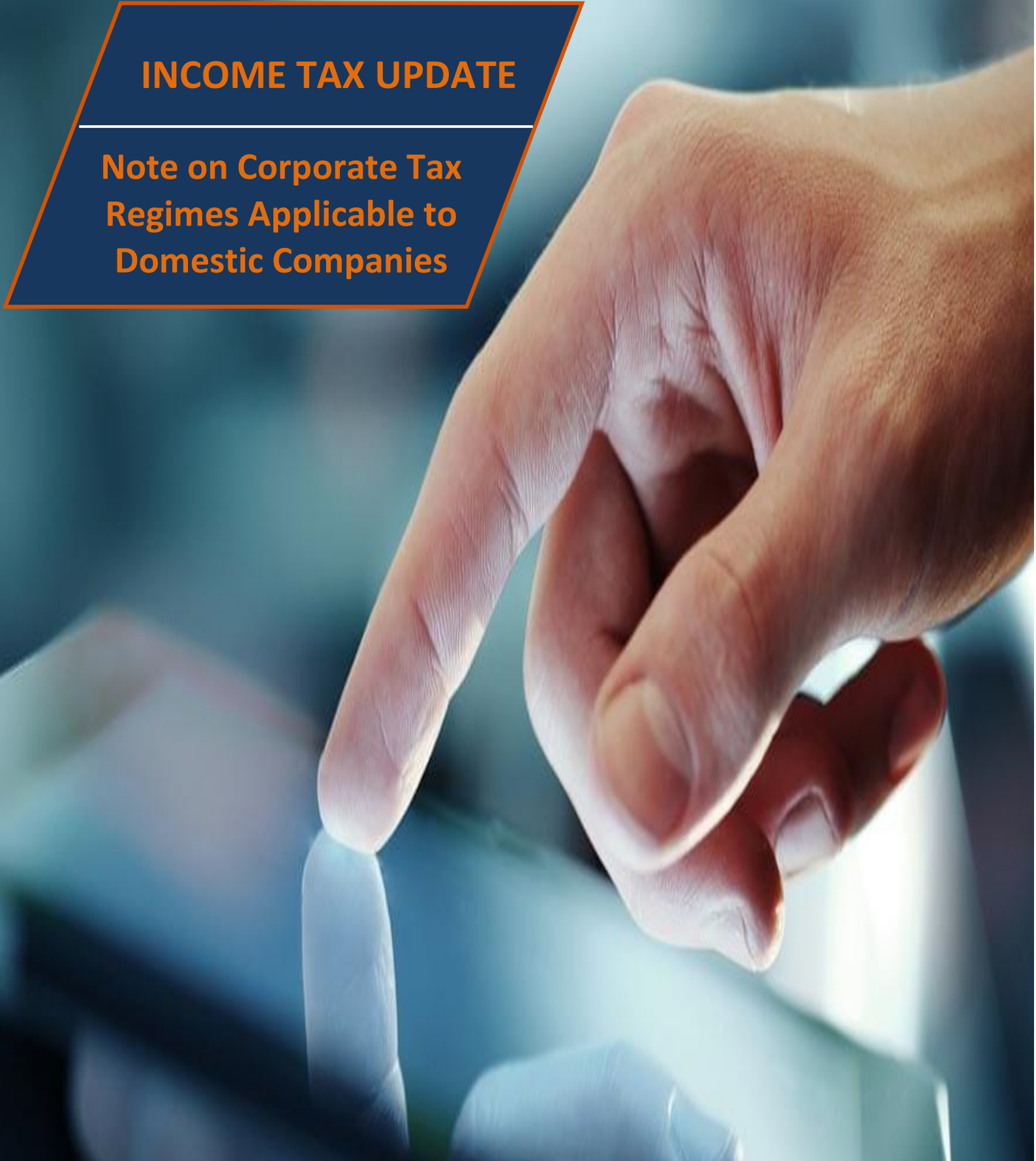


**INCOME TAX UPDATE**

**Note on Corporate Tax  
Regimes Applicable to  
Domestic Companies**



**Note on Corporate Tax Regimes Applicable  
to Domestic Companies under Sections  
115BAA, 115BAB and the General Provisions  
of the Income-Tax Act, 1961-  
Assessment Year 2026–27**

**1. Introduction**

For domestic companies, the tax framework under the Income-tax Act, 1961 operates differently from the regime applicable to individuals and Hindu Undivided Families (HUFs). Corporate taxpayers may either continue under the standard taxation provisions (commonly referred to as the “Old Regime”) or opt for concessional tax regimes under Sections 115BAA or 115BAB (commonly referred to as the “New Regime”), subject to prescribed conditions.

The provisions applicable for financial year ending 31.03.2026, i.e., Assessment Year (“AY”) 2026-27 are summarized below.

## 2. Corporate Tax Rates Applicable for AY 2026-27

Unlike individual taxation, where tax rates are determined through progressive income slabs, corporate tax is levied at a flat rate on the total taxable income of the company, depending upon the applicable regime.

Given below is a table summarizing the tax rates under different sections for domestic companies:

<b>Particulars</b>	<b>Relevant Provision</b>	<b>Base Tax Rate</b>	<b>Applicable Surcharge</b>	<b>Effective Tax Rate (including 4% Health &amp; Education Cess)</b>
Domestic Company having turnover/gross receipts not	Normal Provisions (Old Regime)	25%	7% where total income exceeds	Approximately 26.00% to 29.12%

exceeding ₹400 Crore in FY 2023-24			₹1 Crore and 12% where total income exceeds ₹10 Crore	
Domestic Company having turnover/gross receipts exceeding ₹400 Crore in FY 2023-24	Normal provisions (Old Regime)	30%	7% where total income exceeds ₹1 Crore and 12% where total income exceeds ₹10 crore	Approximately 31.20% to 34.94%

Any Existing Domestic Company opting for concessional taxation	Section 115BAA	22%	10% (irrespective of income level)	25.17%
Eligible New Manufacturing Domestic Company	Section 115BAB	15%	10% (irrespective of income level)	17.16%

**Note:**

The concessional tax rate under Section 115BAB is available only to eligible new domestic manufacturing companies incorporated on or after 1 October 2019, and has commenced manufacturing or production of an article or thing on or before the 31st day of March, 2024 and fulfilling the prescribed conditions under the

Income-tax Act.

### **3. Key Distinctions between Old Regime and New Regime**

#### **A. Availability of Deductions and Incentives**

##### **Old Regime**

Companies continuing under the normal provisions may avail various deductions, exemptions and incentives available under the Income-tax Act, including but not limited to:

- i. Additional depreciation under Section 32;
- ii. Deduction under Section 10AA for eligible SEZ units;
- iii. Investment-linked deductions;
- iv. Scientific research deductions under Section 35; and
- v. Other sector-specific tax incentives.

## **New Regime (Sections 115BAA / 115BAB)**

Companies opting for the concessional tax regimes are required to forgo most profit-linked and investment-linked deductions and exemptions. However, certain deductions continue to remain available, including:

- i. Deduction under Section 80JJAA in respect of employment of new workmen/employees; and
- ii. Deduction under Section 80M in respect of inter-corporate dividends.

## **B. Applicability of Minimum Alternate Tax (MAT)**

### **Old Regime**

Companies governed by the normal tax provisions remain subject to Minimum Alternate Tax (“MAT”) provisions, where applicable

## **New Regime (Sections 115BAA / 115BAB)**

Companies opting for taxation under Section 115BAA or Section 115BAB are exempt from the applicability of MAT. Further, any unutilized MAT credit available as on the date of exercising the option under Section 115BAA or Section 115BAB cannot be carried forward or utilized subsequently and effectively lapses.

### **4. Exercise of Option and Switching Rules**

#### **A.Optional Nature of the Concessional Regime**

The concessional tax regime under Section 115BAA is optional and may be exercised by any domestic company satisfying the prescribed conditions.

A domestic company shall continue to be governed by the normal provisions of the Income-tax Act unless it specifically exercises the option by filing the prescribed declaration (Form No. 10-IC in case of Section 115BAA)

on or before the due date for filing the income-tax return under Section 139(1).

## **B. Irrevocability of the Option**

The option exercised under Section 115BAA or Section 115BAB is irrevocable.

Accordingly, once a domestic company opts for taxation under the concessional regime:

- i. The option shall apply for the relevant assessment year and all subsequent assessment years;
- ii. The company cannot subsequently withdraw such option; and
- iii. Reversion to the normal tax regime is not permissible.

Therefore, the decision to migrate to the concessional tax regime should be taken only after evaluating the impact of loss of tax incentives, unabsorbed MAT credits and future tax planning considerations.

## **5. Conclusion**

The choice between the normal tax regime and the concessional tax regimes under Sections 115BAA and 115BAB requires a comprehensive evaluation of the company's existing and future tax position. While the concessional regimes offer significantly lower tax rates and exemption from MAT, they require the company to forego several tax incentives and deductions. Additionally, the option once exercised is permanent and cannot be withdrawn.

Accordingly, companies should undertake a detailed tax impact assessment before exercising the option under the concessional regime.

**Disclaimer:**

This document has been prepared in summary based on the provisions of the Income-tax Act, 1961, as amended from time to time, and the relevant circulars, notifications, guidelines, judicial precedents and administrative instructions available as of the date hereof. This document is subject to, and should be read with, the detailed provisions of the Income Tax Act, 1961.

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