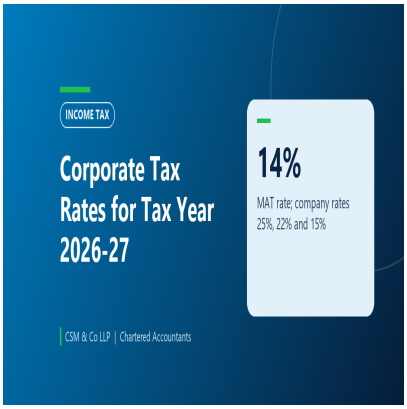


Corporate Tax Rates for Tax Year 2026-27: 25%, 22%, 15% Regimes, MAT at 14% and AMT

Description

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Quick summary

- A domestic company pays 25% if its turnover in tax year 2024-25 was up to ?400 crore and 30% otherwise (Finance Act, 2026), or can opt for 22% under section 200 (earlier 115BAA); a new manufacturing company set up from 1 October 2019 that began production by 31 March 2024 can pay 15% under section 201 (earlier 115BAB).
- The option under sections 199 to 201 must be exercised by the return due date and cannot be withdrawn; these companies give up most deductions and the related carry forward losses.
- Minimum alternate tax is now 14% of book profit (earlier 15%), does not apply to a company that opted for section 200 or 201, and from 1 April 2026 gives no new credit; old MAT credit can be used up to 25% of tax payable.
- Non-corporate persons claiming certain deductions pay alternate minimum tax at 18.5% of adjusted total income, with credit carried forward for 15 years.

A company's tax depends on which regime it is in. For tax year 2026-27, the Income-tax Act, 2025 and the Finance Act, 2026 give a base rate and three concessional options, plus minimum alternate tax for companies that pay little regular tax. This post summarises them.

Base rates (Finance Act, 2026)

Company	Rate
Domestic company whose total turnover or gross receipts in **tax year 2024-25 did not exceed ?400 crore**	**25%**
Other domestic company	**30%**

Company	Rate
Company other than a domestic company (foreign company)	**35%** on the balance of income (50% on specified old royalty and technical fee agreements)
Firm and local authority	30%

Surcharge (companies): domestic company, 7% if total income exceeds ?1 crore and does not exceed ?10 crore, and 12% above ?10 crore; a company that opts for section 200 or 201, a flat 10%; foreign company, 2% above ?1 crore up to ?10 crore and 5% above ?10 crore; and a firm 12% above ?1 crore. Cess is 4%.

The concessional options

Section 200 (earlier 115BAA): 22%

Any **domestic company** may opt to pay **22%**, if its total income is computed:

- **without** the deductions under Chapter VIII (other than section 146 for new employment and section 148 for inter-corporate dividends), section 45(2) or 47(1)(b), or the sections listed in section 205(1)(a) to (g); and
- **without** set-off of brought forward loss or depreciation attributable to those deductions (section 200(1)).

Those losses and depreciation are treated as having been given full effect, so they lapse (section 200(3)). The option:

- must be exercised on or before the **due date for the first return** the company must file (section 200(5));
- **cannot be withdrawn** once exercised (section 200(6)); and
- becomes **invalid** from the year in which the company fails to meet the conditions, after which the general rules apply (section 200(2)).

MAT does not apply to a company that has exercised this option (section 206(1)(q)(ii)).

Section 201 (earlier 115BAB): 15% for new manufacturing companies

A domestic company engaged in **manufacture or production of an article or thing** can opt for:

Income	Rate
Total income other than the items below	**15%**
Income not derived from or incidental to manufacturing or production, with no specific rate under other provisions (no expenditure deduction)	22%
Short-term capital gains on assets on which no depreciation is allowable	22%
Income deemed under section 205(4)	30%

Conditions: the option is exercised on or before the due date for the first return; the company was **set up and registered on or after 1 October 2019**; it **commenced manufacturing or production on or before 31 March 2024**; total income is computed without the deductions as for section 200; and the conditions in section 201(5) and section 205(2) are fulfilled. Because of the cut-off date for starting production, this option is **closed for new companies**.

Section 199: 25% for companies set up from 1 March 2016

A domestic company set up and registered on or after **1 March 2016**, engaged only in **manufacture or production** (and research and distribution of its own products), may opt for **25%**, if income is computed without the specified deductions. Since the base rate is 25% for companies up to ?400 crore turnover, this option is mainly of historical interest. An option under section 199 can be exchanged for section 200 (section 199(4)).

Minimum alternate tax (section 206(1))

Where the tax on a company's total income is **less than** the minimum alternate tax (MAT), the **book profit** is deemed to be total income and the company pays MAT.

- **Rate: 14%** of book profit (reduced from 15% by the Finance Act, 2026, from 1 April 2026); **9%** for a unit in an International Financial Services Centre earning in foreign exchange.
- **Not applicable** to a company that has exercised the option under section 200(5) or 201(2), and to a company with life insurance business income taxed under section 194(1), among others.
- **Book profit** is the profit in the statement of profit and loss as prepared under Schedule III of the Companies Act (or the governing enactment), increased by income tax and provision, reserves, provisions for unascertained liabilities, dividends, depreciation, deferred tax and other items listed in section 206(1)(c), and reduced by items such as depreciation (excluding revaluation depreciation), brought forward loss or unabsorbed depreciation (whichever is less), and the other deductions listed there.
- **A report from an accountant** certifying the book profit is required before the specified date in section 63.

No new MAT credit; old credit

- **From 1 April 2026, MAT paid gives no credit**: the clauses allowing credit for the excess of MAT over regular tax and its carry forward were omitted by the Finance Act, 2026. MAT is effectively a final tax.
- **Credit brought forward from the 1961 Act** (section 115JAA) as on 31 March 2026 survives only for a **domestic company that opts under section 200(5) or 201(2)** for a tax year beginning on or after 1 April 2026. The credit can be set off up to **25% of the tax payable** on the total income of the year, and the balance carried forward, but not beyond the 15th tax year from the year the credit first arose (section 206(3)).
- A **foreign company** can set off its brought forward credit in a year when its tax exceeds MAT, within the same 15 year limit (section 206(4)).

Alternate minimum tax for non-corporates (section 206(2))

An assessee who is **not a company** and who claims a deduction under **Chapter VIII-C** (other than section 149) or **section 46** pays **alternate minimum tax (AMT)** if regular tax is lower:

- **Rate: 18.5%** of the **adjusted total income**; 15% for a co-operative society; 9% for an IFSC unit.
- **Adjusted total income:** total income plus the deductions claimed under Chapter VIII-C and under section 46 (reduced by the depreciation allowable on the assets).

- **Does not apply** to a person who has opted under section 203(5) or 204(2), a person taxed under section 202(1) (the default new regime), an individual, HUF, AOP or BOI whose adjusted total income is **?20 lakh or less**, and a specified fund.
- **Credit:** the excess of AMT over regular tax is carried forward and set off when regular tax exceeds AMT, up to the 15th year, without interest.
- A **report in the prescribed form** from an accountant is required before the specified date in section 63.

Choosing a regime

Question	Section 200 (22%)	Base rate (25% or 30%)
Deductions (for example, Chapter VIII, section 45(2))	Largely not available	Available
Losses and unabsorbed depreciation attributable to those deductions	Lapse	Carried forward
MAT	Not applicable	Applies if regular tax is lower than 14% of book profit
Reversal	Not possible	N/A

For most companies without significant deductions, section 200 reduces the rate and removes MAT. A company with large brought forward losses from claimed deductions, or with big incentives, should compare before opting, because the option is **irreversible**.

Frequently asked questions

What is the corporate tax rate for tax year 2026-27?

For a domestic company, 25% if its total turnover or gross receipts in tax year 2024-25 did not exceed ?400 crore, otherwise 30%; 22% under section 200 if it opts in; and 15% under section 201 for a qualifying new manufacturing company. A company other than a domestic company pays 35% (Finance Act, 2026). Add surcharge and 4% cess.

Who can opt for the 22% rate under section 200?

Any domestic company, by exercising the option on or before the due date for the first return it must file. It computes income without most deductions and without set-off of losses attributable to them, and cannot later withdraw the option.

What is the 15% rate under section 201?

A domestic company engaged in manufacture or production, set up and registered on or after 1 October

2019, which commenced production by 31 March 2024, and which meets the other conditions in sections 201 and 205. Other income is taxed at 22%, and certain short-term gains and deemed income at special rates.

What is MAT now?

Minimum alternate tax is 14% of book profit (9% for an IFSC unit), reduced from 15% from 1 April 2026. It applies where the company's regular tax is less than the MAT, and does not apply to a company that has opted for section 200 or 201 (section 206(1)).

Can MAT credit still be claimed?

No fresh MAT credit arises from 1 April 2026, because the credit clauses were omitted. Credit brought forward from the 1961 Act can be set off by a domestic company that has opted under section 200 or 201, up to 25% of the tax payable, and within 15 years of the year in which it arose (section 206(3)).

What is alternate minimum tax?

A tax of 18.5% (15% for a co-operative society, 9% for an IFSC unit) on adjusted total income of a person other than a company who has claimed deductions under Chapter VIII-C or section 46, where regular tax is lower. It does not apply to a person taxed under section 202(1) or whose adjusted total income is up to ?20 lakh (section 206(2)).

Official sources

- Income Tax Department: Income-tax Act, 2025 (sections 199 to 201, 205, 206)
- Finance Act, 2026 (First Schedule Part I-B, rates and surcharge)

Related reading

- Section 80-IAC: Tax Exemption for Startups, Eligibility and Conditions
- Income Tax Assessee under the Income Tax Act
- Section 80M: Deduction for Inter-Corporate Dividends, Conditions and Example

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