

Department of applied economics and commerce, PU

Class :- Mcom (Sem 4)

Paper :-(COMEC-1), CTPM

Unit (3) :- Tax planning and financial management decision.

:-Tax treatment in the hands of shareholders:-

➤ Dividend received from a domestic company :-

Dividend from a domestic company is generally not taxable in the hands of shareholders by virtue of exemption given by section 10(34). On such dividend, the company which declares dividend, is required to pay dividend distribution tax under section 115-O. however the following exemptions should be noted ....

• Deemed dividend u/s 2(22)(e):-

If a loan or advance is given on or after April 1, 2018[which satisfies the conditions of sec2(22)(e)], then such loan or advance is deemed as “Dividend”. In the hands of recipient, such deemed Dividend is exempt under sec 10(34). The company which gives loan or advance, is liable for dividend tax under sec 115-O at the prescribed rate.

- Any other Dividend:-

Dividend income in the hands of shareholders is exempt under section 10(34) [company which pays dividend is subject to dividend tax under section 115-O]. However, exemption pertaining to dividend income from domestic companies is not available, if aggregate Dividend (received from domestic company) exceeds Rs 10 lakh in the previous year. In such a case, the aggregate dividend in excess of Rs 10 lakh) is taxable (On the gross basis, no deduction allowed) under section 115BBDA at the rate of 10% [+ SC+HEC] if the recipient shareholder is any person resident in India.

➤ Dividend received from other than Domestic Company:-

If Dividend received is from a Company other than a domestic Company it is chargeable to tax in the hands of recipient.

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