

Option to avail the benefit of section -115BAB must be exercised on or before the due date of furnishing the first return of income u/s 139(1) in prescribed manner. This option once exercised can't be subsequently withdrawn.

CRUX:

- **Sec-115BAA** = All domestic co. subject to condition
22% + 10% + 4%
- **Sec.115BAB** = New domestic manufacturing co.,
15% + 10% + 4% cess
- **Other companies** = 25%/30% + surcharge + Cess

•> Summary of Surcharge

	T.I. upto 1cr.	>1cr - 10cr	>10cr
• Domestic co. u/s 115BAA	10%	10%	10%
• Domestic co. u/s 115BAB	10%	10%	10%
• Other domestic company	0/Nil	7%	12%

•> Amendment - 2

Change in depreciation Rate

Old Law	New Law
Motor car, motor buses, lorries and	7

tax is, depreciation rate is;

- 15% where assessee is not engaged in the business of running of such motor vehicles

30%

- 2. 30%, where the assessee is engaged in the business of running such motor vehicles on hire.

45%

However, higher rates of depreciation benefit allowed only if the motor vehicles have been acquired on or after 23/8/2019 but before 11/4/2020 and put to use before 11/4/2020

→ Section - 43B : Deduction of Payment basis

Interest on any loan or borrowing taken from a deposit taking NBFC or systematically important non-deposit taking NBFC in accordance with T&C of the agreement governing such loan or borrowing

CHAPTER - 8INCOME FROM OTHER SOURCES(Sec. 56 to 59)➤ Section 56(1): Basic of Charge

Income which does not specifically fall under any other four heads of income is taxable under head Other sources.

Example: Family Pension, Fees received by MP/MLA
Guest lecture salary, income from sub-letting.

➤ Section 56(2): Specific Incomes

1. Dividend Income.
2. Sum received under a Keyman Insurance Policy including bonus.
3. Interest on securities.
4. Interest on compensation or enhanced compensation on receipt basis.
5. Casual Income (Lotteries, races, card games, gambling etc) taxable @ 30% u/s 115 B
6. Income from Letting of machinery, plant or furniture along with building.
7. Any sum of money received as an advance or otherwise in the course of negotiations for transfer of a capital asset, if,
 - a) such sum is forfeited; and
 - b) the negotiations do not result in transfer of such capital asset.
8. Renting from letting out of P&M and furniture.

Remarks

9. Salary of MP/MLA

10. Sitting Fees.

➤ Section 57: Deductible Expenses

- Interest on exp. by way of commission or remuneration of such income is deductible.
- 50% of interest received on original compensation or enhanced compensation on compulsory acquisition.
- Family pension 33.33% of pension or ₹ 15000, whichever is Less.
- Income from letting, deduction of repair, insurance and depreciation.
- Any other exp. incurred wholly and exclusively for earning such income.
- Interest deduction @ 20% (Max) [See Amendment PDF]

➤ Section 58: Expenses not allowed (i.e. Disallowed)

1. Personal Expenses
2. Interest paid o/s India on which TDS not deducted
3. Income Tax or Wealth Tax
4. Any exp. in connection with lottery, crossword puzzles etc.
5. Expenditure beyond Limit specified in section 40A.

However, expenditure incurred for activity of owning and maintaining race horse shall be allowed as deduction.

Chapter OTHER SOURCES

* loan interest Share purchase
विक्रय then loan Int.

Section 57: Deduction

As all the dividends are made taxable in the hands of recipient, the deductions from such income are brought in by inserting the following proviso.

No expenses are allowed as deduction EXCEPT the ^{*} interest expenses incurred to earn the income in the nature of Dividend or income in respect of units of MF specified under clause (23D) of section 10 or income in respect of units from a specified company defined in the explanation to clause (35) of section 10.

And SUCH DEDUCTION SHALL NOT EXCEED 20% OF THE DIVIDEND INCOME, or income in respect of such units included in the total income for that year.

Analysis & Example: [We will Discuss in Amendment Class]

DIVIDEND WHEN Taxable?

Deemed dividend = IN the P.Y in which it is so distributed @ paid by Co.

Final Dividend = IN the P.Y in which it is so Declared at the AGM

Interim Dividend = IN THE P.Y in which it is received by S.H

Example

Final dividend Declared on = 28/3/20

Received by S.H = 12/4/2020

* If dividend declared on

2/4/20 then it will be

Taxable in hands of S.H.

Amendment N.A Hence Exempt u/s 10(34)

§ CDT in hands of Co.

Section 115BDA: Tax on certain dividends received from domestic companies.

As per this section, the dividend received by the specified assessee exceeding Rs.10,00,000/-, such dividend received in excess Rs.10,00,000/- will be taxed at the rate of 10%. This provision will be applicable till AY 2020-21. From AY 2021-22, this section will be inactive.

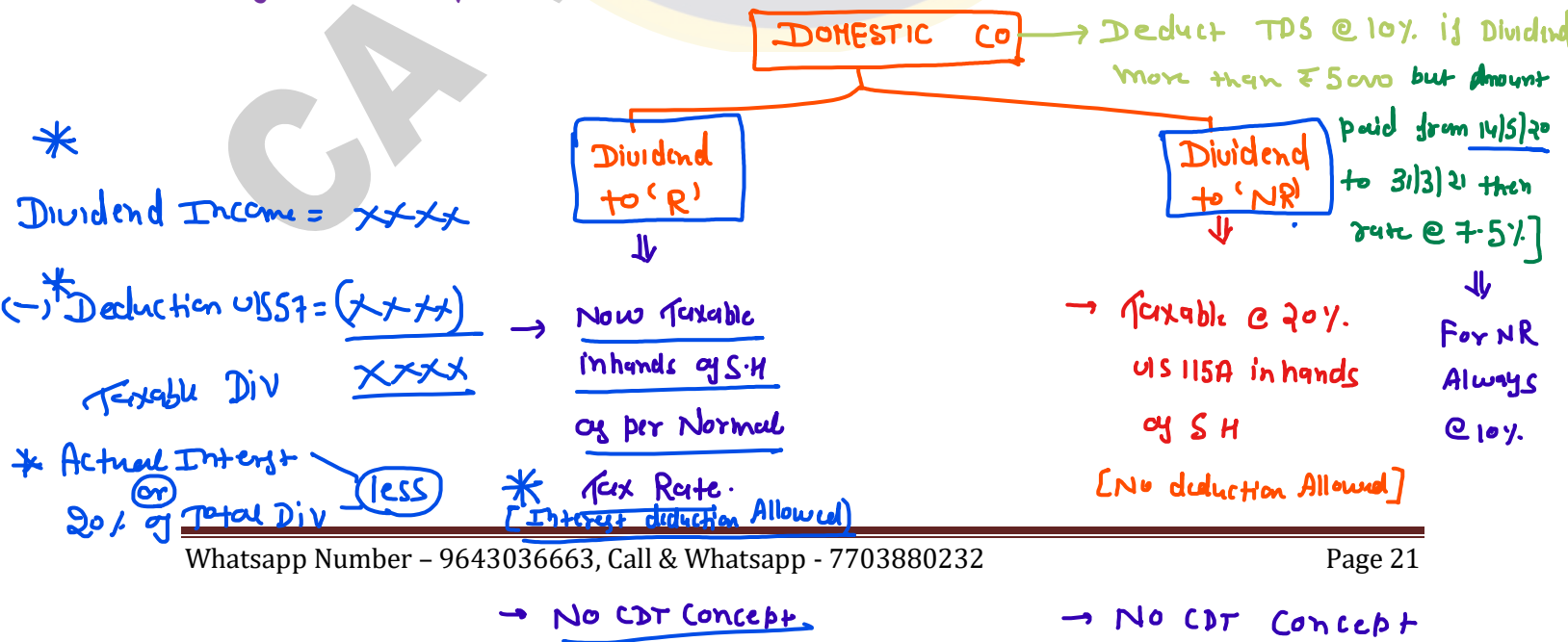
Section 115-O: Dividend Distribution Tax

DDT is removed from AY 2021-22. It means, the companies are not required to pay tax on the dividend distributed by them. It will be taxed in the hands of recipient i.e., Shareholders.

Section 115-R: Tax on income distributed to unit holders

Tax on distributed income to unit holders is removed from AY 2021-22. It means, the specified company/mutual fund is not required to pay tax on the income distributed by them. It will be taxed in the hands of recipient i.e., Unit holders.

Analysis & Example: [We will Discuss in Amendment Class]



➤ Section - 115-O Corporate Dividend Tax

1. Every Indian Co. shall pay CDT @ 15% at the time of payment of dividend except for dividend u/s 2(22). It shall be levied on gross amount instead of amount paid net of taxes. (now effective rate of CDT is 20.555%.)
2. The principle officer of the domestic company and the company shall be liable to pay tax on distributed profits to credit of the central government within 14 days from the date of -
 - a) Declaration of any dividend; or
 - b) Distribution of any dividend; or
 - c) Payment of any dividend.

NOTE: In case of dividend covered u/s 2(22)(e) CDT Rate is 34.944% on Net value.

➤ Section 10(34): Dividend exempt from Tax.

Any income paid by way of dividend (on which CDT has been paid) from Indian Co. is exempt in the hands of shareholder includes dividend u/s 2(22)(e).

➤ Exemption under section 10(34) not to apply to Dividend covered u/s 115BB(A)

Old Law Problem

1. Section 10(3) exempts dividend received by a shareholder of a domestic company since the same is subject to dividend distribution tax (DDT) under 115-O.
2. Under section 115-O, dividends distributed by a domestic company are subject to tax @ 15% at the time of distribution in the hands of company declaring dividend. This may result in vertical inequity amongst the tax payers since dividend distributed to those shareholders who receive high dividend are subject to tax only at the rate of 15% whereas had such income been taxable in their hands directly, the same would have been subject to tax at the rate of 30%.

New Law

1. To remove this vertical inequity, section 115BBDA has been inserted to provide that any income by way of aggregate dividend in excess of ₹ 10 Lakh shall be chargeable to tax in the case of All resident Assessee, except;
 - Domestic Company
 - Institution referred to in section 10(2)(c)
 - Religious Trust and Charitable trust registered u/s 12A
 - Non-resident
2. This section shall apply where the total dividends received by the specified assessee from all companies taken together, exceeds Rs. 10 Lakhs during the P.Y.

Remarks

3. The amount in excess of 10 Lakh shall be taxed at the rate of 10% (plus surcharge and cess)
4. No deduction in respect of any expenditure or allowance or set off of losses shall be allowed to assessee under any provision of the Act in computing the income by way of dividends
5. Dividend shall include deemed dividends except u/s 2(22)(e).
6. It may be noted that company shall also pay CDT under section 115-O on the dividends which getting taxed u/s 115BBDA in the hands of shareholders.
7. Accordingly, a proviso has been inserted in section 10(34) to provide that the exemption available there under in respect of dividend received by a shareholder from a domestic co. would not apply to income by way of dividend chargeable to tax under section 115BBDA.

➤ Example

A Ltd. a domestic company, declared dividend of ₹ 170 Lakh for the year F.Y 2015-16 and distributed the same on 30.07.2016. Mr. X, holding 10% shares in A Ltd., receives dividend of ₹ 17 Lakh in July, 2016. Mr. Y holding 5% shares in A Ltd. receives dividend of ₹ 8.50 Lakh. Discuss the tax implications in the hands of Mr. X and Mr. Y, assuming that Mr. X and Mr. Y have not received from any other domestic company during the year.

Solution

- (i) Dividend of ₹ 170 Lakh declared and distributed in the FY 2016-17 is subject to dividend distribution tax in the hands of A Ltd, a domestic company.
- (ii) In the hands of Mr. X, dividend received upto ₹ 10 Lakh would be exempt under u/s 10(34). ₹ 7 Lakh, being dividend received in excess of ₹ 10 Lakh, would be taxable @ 10% as per section 115 BBDA. Such dividend would not be exempt u/s 10(34). Therefore, tax payable by Mr. X on dividend of ₹ 7 Lakh under section 115 BBDA would be ₹ 72,800 [i.e., 10% of 7 Lakh + cess @ 4%].
- In the hands of Mr. Y, entire dividend of ₹ 8.50 lakh received would be exempt under section 10(34) since only dividend received in excess of ₹ 10 Lakh would be taxable u/s 115 BBDA.

→ Section-115BBDA

- This section shall apply to all resident assessee, except;
 - Domestic Company
 - Institution referred to in Section 10(33c)
 - Religious Trust and Charitable Trust registered u/s 12AA.
 - Non-resident
- This section shall apply where the total dividends received by the specified assessee from all companies taken together exceeds Rs. 10 Lakhs

Remarks