

**Corporate Tax Planning and Management**

Today we conducted the online class on zoom app from 01.00pm to 01.40pm for the students of M.Com. IV Semester of Corporate tax planning and management. The questions asked by students (with their answer given by me) are below:

1. *What is Distributed Profit?*

Answer: Distributed profits are those earnings which are shared with shareholders as dividend. Section 115-O of the Income Tax, 1961 refers to dividend distribution tax as an additional income tax. Such tax is not in the nature of withholding tax. It is a levy on the post tax profits of the company out of which the dividend is declared or distributed. Thus, it is clear that the dividend distribution tax is an income tax on the distributable profits of the domestic company.

2. What are the provisions post amendment in section 115-0?

Answer: *The Clause 27* of the Bill amended Section 115-O of the Income-tax Act relating to tax on distributed profits of domestic companies.

Under the existing provisions contained in sub-section (1A) of section 115-O, the amount of dividends referred to in sub-section (1) shall be reduced by the amount of dividend, if any, received by the domestic company during the financial year, if -

- a. such amount of dividend is received from its subsidiary ; and
- b. the subsidiary has paid tax payable under this section on such dividend.

The said sub-section also provides that the same amount of dividend shall not be reduced more than once.

It is proposed to amend clause (a) of the aforesaid subsection (1A) so as to provide that in case a domestic company receives any dividend from any of its subsidiary during the financial year and where such subsidiary -

- a. is a domestic company, the subsidiary has paid tax, if any payable, on such dividend ; or
- b. is a foreign company, the tax is payable by the domestic company under section 115BBD, on such dividend, the dividend received from such subsidiary during the financial year shall be reduced.

3. What are the provisions regarding subsidiary companies dividend under section 115-0 of Income tax Act?

Answer: As per the provisions of Section 115-O of the Act, the domestic holding company will not have to pay DDT on dividends paid to its shareholders to the extent it has received dividends from its subsidiary

company on which DDT has been paid by the subsidiary. The current provisions give relief in respect of dividend received from only those companies in which the recipient companies are holding more than half of the nominal value of equity capital.

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