Saturday, 23 April 2022 11:28 AM

DIVIDENDS & DEEMED DIVIDENDS

WHAT?

SEC 2(22) → DIVIDEND INCLUDES DEEMED DIVIDEND.

- FINAL DIV.
- INTERIM DIV.
- 5 AREAS
  - 2(22)(a)
  - 2(22)(b)
  - 2(22)(c)
  - 2(22)(d)
  - 2(22)(e)

SPECIFIC ANTI-AVOIDANCE RULES (SAAR)

2(22)(a) DISTRIBUTION of ASSETS BY CO. TO SHAREHOLDERS TO EXTENT of ACC PROFITS (WHETHER CAPITALISED OR NOT).

B/S

SH CAP 1L	ASSETS 3L
RES/SURPLUS 2L	
3L	3L

BONUS ISSUE

3L → DISTRIBUTE ASSET of 1L → TO SHAREHOLDER

BOOK VALUE

fmv of ASSET = 1,80,000 = 3,00,000

3,00,000
1,80,000 fmv
OR
2,00,000 ACC PROFIT

WE (LOWER)

→ 1,80,000
→ 2,00,000

2(22)(b) BONUS TO PREF SHAREHOLDER OR DEBENTURES TO ANY SHAREHOLDER } TO EXTENT of ACC PROFITS (WHETHER CAP OR NOT)

BONUS TO EQ. SHAREHOLDER → RECD → NOT. DIVIDEND.

Eg:- DEBENTURES TO EQ SHAREHOLDER of 2,00,000
ACC PROFITS of 3,00,000

2L
1L

2(22)(c) REPLICA of 2(22)(a) ON LIQUIDATION of COMPANY
⇓
WINDING UP of COMPANIES SECTION 46.

ASSETS = 2L BV.
= X.
fmv = 4L
ACC PROFITS 3L.
3L
WE

2(22)(d)

B/S

SH CAP 1L	ASSETS 3L
RES/SURPLUS 2L	
50K.	
3L	3L.

50K.

→ BV of 1L = fmv = 1,50,000

NEW

50K.	2L
1,50K.	

2(22)(d) DISTRIBUTION of ASSETS BY CO. TO SHAREHOLDER. DUE TO REDUCTION of SHARE CAPITAL TO THE EXTENT of ACC PROFITS (CAP OR NOT)

BV = 2L
fmv = 3L

3L fmv of ASSETS
OR
1.5L REDN of SHARE CAP.
OR.
ACC PROFITS (CAP OR NOT)
2L

SH CAP BY. 1,50,000

WE = DEEMED. DIV. 1.5L

2(22)(e)

(1) PANORAMIC EDUCATION PVT LTD —LOANS→ MR. PULKIT. ≥ 10%. (IRRELEVANT RATE of INT)

CLOSELY HELD CO. (PVT CO.) —LOANS/ADVANCES→ SHAREHOLDER
⇓
HOLDING 10% OR MORE of VOTING POWER IN CO.

TO EXTENT of ACC PROFITS (NOT CAPITALISED)

B/S

RIS 2L	

(2) PANORAMIC EDU PVT LTD. (CLOSELY HELD CO. (PVT CO.)) —LOANS/ADV→ ANY CONCERN. (LOANS of 3L)

DD. TAXABLE

ANY CONCERN. ABC P.f. BUSINESS LTD. of MR. PULKIT

A PERSON HOLDS 20% OR MORE VOTING POWER OR PROFIT SHARING (CASE MAY BE)

MR. PULKIT. ⇓ 30% of PROFITS 25% of V.P.

SHAREHOLDER HOLDING 10% OR MORE VOTING POWER.

MR. PULKIT.

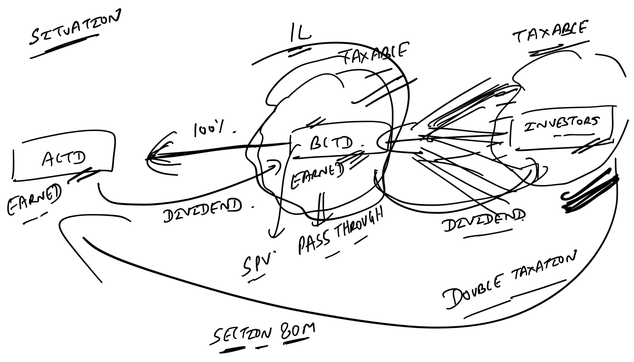
SECTION 8.

WHEN (EXACT) DIV IS TAXED? → POINT of TIME

- FINAL DIV ⇓ DECLARED.
- INTERIM DIV. ⇓ PAID. (MADE AVAILABLE TO SHAREHOLDER)
- DEEMED DIV.
  - 2(22) (a) TO (d) ⇓ WHEN DISTRIBUTED
  - 2(22)(e) ⇓ WHEN PAID.

SECTION 80M

SITUATION



SECTION 80M

SECTION 80M DEDUCTION FOR INTER CORPORATE DIVIDENDS.

RECEIVES from
- DOM CO.
- OR FOR. CO.
- OR. BUSINESS TRUSTS

P.Y 21-22 10L

⇓

DOMESTIC CO. 70L GTI → 18L DISTRIBUTED TO ANY SHAREHOLDERS TILL 30/9/22 (18L)

DEDUCTION U/S 80M AMT. 10L

→ RECEIPT DURING P.Y 10L. OR
→ DISTRIBUTED TILL ONE MONTH BEFORE DUE DATE of ROI (30/9/22 OR 31/10/22)

18L WEL

Dom. Co.
- 10,000 TO GOVT of INDIA
- 20,800 GOVT of INDIA (20.8%)

AT TIME of PMT → DIV TL → TO SHAREHOLDER

fD, ED PD. TDS

NR → 79,200
R → 90,000

- RES. ⇓ SEC 194. 10%
- NON-RES. ⇓ SEC 195 20% (+) APPL S/C (+) 4% CESS.

DTAA (BENEFICIAL)

UPTO 31/3/20

PAYER Co. ⇓ DDT. → DIV. → SHAREHOLDERS ⇓ EXEMPT. PAYEE - OLD.

ON/AFTER 1/4/20

FOR. CO. Co. ⇓ DDT. IND CO. → DISTRIBUTES DIV. → RECD IN INDIA OR O/S

Co SHAREHOLDER ⇓ TAXABLE → AT NORMAL RATES. (ANY, INDIA)

HOW IS IT TAXABLE?

10L AMOUNT of LOAN, INT RATE = 5% P.A. → INT. 50,000 Z

INCOME FROM OTHER SOURCES → 1,00,000 (20,000) 80,000 Z.

1,00,000 Z.

NO DEDUCTION FOR ANY EXPENSE EXCEPT INT ON LOAN FOR ACQUIRING SHARES (RESTRICTED TO 20% of DIVIDEND)

Co. (SEC 5 & SEC 9(1)(iv))

- DOM CO. (IND CO.) ⇓ DIVIDEND ⇓ TO ANY SHAREHOLDER. (IN INDIA | O/S INDIA) ⇓ FULLY TAXABLE.
- FOR. CO. ⇓ DIVIDEND ⇓
  - IN INDIA ⇓ TO ANY SHAREHOLDER FULLY TAXABLE.
  - O/S INDIA RECD.
    - TO RES. SHAREH. ⇓ FULLY TAXABLE
    - TO NON-RES. SHAREH ⇓ NOT. TAXABLE

WHEN IS IT TAXABLE? (FOR WHOM)

DIV (+) DEEMED DIV

- SEC 2(22) (a)(b)(c)(d)(e) WHAT?
  (+)
- SEC 8. TIME? (+) SEC 9 & SEC 6.
  (+)
- IFOS SEC 56 (+) 57 (+) 58. HOW?
  (+)
- DEDUCTIONS SEC 80M
  (+)
- TDS SEC 194 & 195
  (+)
- SPL. 115BBD ×.

UPTO 31/3/22 ✗ SEC 115BBD SPECIAL PROV P.Y 22-23.

P.Y 21-22 A.Y 22-23.

26% OR MORE of NOMINAL VALUE → SPECIFIED FOREIGN CO. ← INVESTED IN. ← INDIAN CO. → DIVIDEND → TAXABLE (IFOS) → AT 15% RATE (+) APPL S/C (+) 4% CESS

INDIAN CO. → AT NORMAL RATES (25% | 30%) (+) APPL S/C (+) 4% CESS (MORE TAX)

→ IND / HUF / AOP / BOI / AJP (25% | 37%)
⇓
DIVIDEND INCOME
↳ RATE of SURCHARGE IS RESTRICTED TO 15%

→ BUY BACK of SHARES IS NOT DIVIDEND
⇓
SEC 46A | 115QA.
- RALEY SHAREHOLDER
- CO.