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Overview of Amendments in Dividend Distribution Tax as per the Union Budget 2020 - 2021 focusing impacts on Shareholders and Companies



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ABSTRACT

Finance Act, 2020, eliminates the Dividend Distribution Tax (DDT) under section 115-O which was levied on domestic companies and now levies the liability of paying tax on the recipient of dividend instead of the payer. So far, companies paying dividend was liable to pay DDT @20.56% to the Government. This provision has been removed and the dividend will be taxed in the hands of recipient from April 1, 2020 as per the slab rate at which the investor is liable to pay income tax. Accordingly Section 10(34) has also been removed, by virtue of which dividend received from domestic company was treated as an exempted income so far. Similarly, dividends paid by mutual funds will also be taxable in the hands of the unitholders and not on the mutual funds. The drastic changes in provisions have mixed consequence on the related parties. The existing provisions have been discussed in this article for a better understanding of new provisions. This paper has reviewed some recent literature in the relevant field. Also Finance Act 2020 of India has been followed to find out the recent changes made in India on taxation of dividends

Keywords: *Dividend, Dividend Distribution Tax (DDT), Resident Individual, Domestic Companies*

I. INTRODUCTION

In the wake of the country-wide lockdown for dealing with the global corona-virus crisis, India's parliament just before adjourning enacted the Finance Bill 2020, which contains the tax proposal for the financial year 2020-21. This article

Overview of Amendments in Dividend Distribution Tax...

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