

6. Tax Treatment of Dividend in the hands of Shareholders : -

Status of the company which declares dividend	Taxability in the hands of shareholders	Dividend distribution tax payable by company which declares dividend
A : Non-domestic company	It is taxable in the hands of a shareholder (if it is received in India or if the shareholder is resident and ordinarily resident in India)	No dividend distribution tax
B: Domestic company (not being dividend under section 2(22)(e)j	<i>General rule</i> - In the hands of shareholder, such dividend is exempt under section 10(34). <i>Exception</i> - From the assessment year 2017-18, dividend income is taxable in the hands of shareholders under section IISBBDA, if a few conditions are satisfied (provisions of section II5I3BDA are given below)	The company (which declares dividend) is required to pay dividend distribution tax under section 115-0. It is applicable even if the share- holder is subject to tax under section II5BBDA
C: Domestic company [being loan or advance deemed as dividend under section 2(22)(e)]		
<ul style="list-style-type: none"> Deemed dividend distribution up to March 31, 2018 	Taxable in the hands of recipient under section 56 under the head "Income from other sources"	No dividend distribution tax under section 115-0
<ul style="list-style-type: none"> Deemed dividend distribution on or after April 1, 2018 	Not taxable in the hands of recipient by virtue of exemption given by section 10(34)	The company (which distributes deemed dividend as loan or advance) is liable for dividend distribution tax under section 115-0 at the rate of 30 per cent (+ SC + HEC, effective rate is 34.944 per cent).



Related Topics... 'Income from Other Sources'	
Scope of Income Chargeable under the head 'Income from Other Sources' (Section 56)	
Taxable Incomes under the head 'Income from Other Sources' [Section 56(2)]	
Taxability of Dividend Income [Section 56(2)(i)]	
Winnings from Lotteries, Crossword Puzzles, Horse Races and Card Games [Section 56(2)(ib)]	
Interest on Securities under the head 'Income from Other Sources' [Section 56(2)(id)]	
Income from Letting Out of Machinery , Plant or Furniture [Section 56(2)(ii)]	
Income from Composite Letting of Machinery, Plant or Furniture and Buildings [Section 56(2)(iii)]	
Share Premium in excess of the Fair Market Value to be treated as Income [Section 56(2)(viib)]	
Interest on Compensation or Enhanced Compensation [Section 56(2)(viii)]	
Forfeiture of Advance Received for Transfer of a Capital Asset to be Taxed under the head "Income from Other Sources" [Section 56(2)(ix)]	
Income of any person to include not only gift of money from any person(s) but also the gift of property (whether movable or immovable) or property acquired for inadequate consideration [Section 56(2)(x), w.e.f. A.Y. 2018-19]	
Amount Expressly Disallowed in computing the 'Income from Other Sources' (Section 58)	
Deductions Allowed in computing the 'Income from Other Sources'(Section 57)	
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