TAX ON DIVIDEND RECEIVED FROM FOREIGN COMPANY

The Provision of this section are redundant w.e.f. A.Y. 2023-24 i.e., 01.04.2023.

SECTION 115BBD: TAX ON CERTAIN DIVIDENDS RECEIVED FROM FOREIGN COMPANIES

Section 115BBD provides that where total income of an Indian company includes any income by way **of dividends received from a foreign subsidiary** company, then such **dividends shall be taxable @ 15%** (plus applicable surcharge and cess) on the gross amount of dividends. **No expenditure** in respect of such dividends **shall be allowed** under the Act.

Following conditions must be fulfilled for application of Section 115BBD:

1. Benefit of Section 115BBD is available **only to the Indian Company.**
2. Indian Company must hold at least **26% in nominal value of the equity** share capital of the foreign company.
3. **Dividend received under section 2(22)(e) shall not be covered.**
4. **No other expense shall be claimed** by the Indian Company in respect of dividend received.

100% subsidiary company B Ltd in Cyprus (a Tax Heaven) earns ₹ 10 Crores	*gives a **dividend** of ₹10 crores to Indian company* → ***Taxable u/s 115BBD @ 15% in hands of A Ltd.***	Indian Holding company A Ltd.

100% subsidiary company B Ltd in Cyprus (a Tax Heaven) earns ₹ 10 Crores	*gives a **loan** of ₹10 crores to Indian company* → ***following shall be the implications:***	Indian Holding company A Ltd.

i. ₹10 crores shall be deemed as dividend u/s 2(22)(e).

ii. Section 115BBD is not attracted since it is not applicable to deemed dividend u/s 2(22)(e).

iii. Such dividend shall be taxable normally in hands of A Ltd. @ 30% + 12% + 4%. (Assuming that company does not fall in section 115BAA, section 115BAB and the turnover of company in previous year 2020-21 exceeded ₹ 400 crores)

5. **W.e.f. A.Y. 2023-24, such dividend income shall be taxable @ normal rates in the hands of Indian Company.**