

Finance Act 1965

Section 22 - Insertion of New Section 85a

After section 85 of the Income tax Act, the following section shall be inserted, namely :

"85A. Deduction of tax on intercorporate dividends. Where the total income of an assessee being a company includes any income by way of dividends received by it from an Indian company or a company which has made the prescribed arrangements for the declaration and payment of dividends (including dividends on preference shares) within India, the assessee shall be entitled to a deduction from the income tax with which it is chargeable on its total income for any assessment year of so much of the amount of income tax calculated at the average rate of income tax on the income so included (other than any such income on which no income tax is payable under the provisions of this Act) as exceeds an amount of twenty five per cent. thereof :

Provided that in the case of a company which has not made the prescribed arrangements for the declaration and payment of dividends within India and whose total income includes any income by way of dividends received by it from an Indian company which is not such a company as is referred to in section 108 and which is wholly or mainly engaged in the business of generation or distribution of electricity or of construction, manufacture or production of any one or more of the articles or things specified in the list in paragraph 2 of the Third Schedule to the Companies (Profits) Surtax Act, 1964 (7 of 1964), the amount of income tax deductible under this section shall be so much of the amount of income tax calculated at the average rate of income tax on the income so included (other than any such income on which no income tax is payable under the provisions of this Act) as exceeds an amount of fifteen per cent. thereof.

Explanation : For the purposes of this section, a company shall be deemed to be mainly engaged in the business of generation or distribution of electricity or of construction, manufacture or production of any one or more of the articles or things specified in the list in paragraph 2 of the Third Schedule to the Companies (Profits) Surtax Act, 1964 (7 of 1964), if the income attributable to any of the aforesaid activities included in its total income for the previous year is not less than fifty one per cent. of such total income."
