

Finance Act, 1997

Section 40 - INSERTION OF NEW CHAPTER XII-D -AfterSection 115-N of the Income Tax Act -, the following Chapter shall be inserted

1) Notwithstanding anything contained in any other provision of this Act and subject to the provisions of this section, in addition to the income tax chargeable in respect of the total income of a domestic company for any assessment year, any amount declared, distributed or paid by such company by way of dividends (whether interim or otherwise) on or after the 1st day of June, 1997, whether out of current or accumulated profits shall be charged to additional income tax (hereinafter referred to as tax on distributed profits) at the rate of ten per cent. (2) Notwithstanding that no income tax is payable by a domestic company on its total income computed in accordance with the provisions of this Act, the tax on distributed profits under subsection (1) shall be payable by such company. (3) The principal officer of the domestic company and the company shall be liable to pay the tax on distributed profits to the credit of the Central Government within fourteen days from the date of- (a) declaration of any dividend; or (b) distribution of any dividend; or (c) payment of any dividend, whichever is earliest. (4) The tax on distributed profits so paid by the company shall be treated as the Final payment of tax in respect of the amount declared, distributed or paid as dividends and no further credit therefor shall be claimed by the company or by any other person in respect of the amount of tax so paid. (5) No deduction under any other provision of this Act shall be allowed to the company or a shareholder in respect of the amount which has been charged to tax under sub-section (1) or the tax thereon. 115-P. Interest payable for non-payment of tax by domestic companies.-Where the principal officer of a domestic company and the company fails to pay the whole or any part of the tax on distributed profits referred to in sub-section (1) of Section 115-0, within the time allowed under sub-section (3) of that section, he or it shall be liable to pay simple interest at the rate of two per cent for every month or part thereof on the amount of such tax for the period beginning on the date immediately after the last date on which such tax was payable and ending with the date on which the tax is actually paid. 115-Q. When a company is deemed to be in default.-If any principal officer of a domestic company and the company does not pay tax on distributed profits in accordance with the provisions of Section 115-0, then, he or it shall be deemed to be an assessee in default in respect of the amount of tax payable by him or it and all the provisions of this Act for the collection and recovery of income tax shall apply. Explanation.-For the purposes of this Chapter, the expression 'dividends' shall have the same meaning as is given to 'dividend' in clause (22) of Section 2 but shall not include sub-clause (e) thereof."