

Finance Act,1990

Section 26 - Substitution of New Section for Section 80m

For section 80M of the Income-tax Act, the following section shall be substituted, with effect from the 1st day of April, 1991, namely :-

80M. Deduction in respect of certain inter-corporate dividends. -

(1) Where the gross total income of a domestic company, in any previous year, includes any income by way of dividends from another domestic company, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of such domestic company, a deduction of an amount equal to, -

(i) in the case of a scheduled bank or a public financial institution or a State financial corporation or a State industrial investment corporation or a company registered under section 25 of the Companies Act, 1956 (1 of 1956), sixty per cent. of the income by way of dividends from another domestic company;

(ii) in the case of any other domestic companies, so much of the amount of income by way of dividends from another domestic company as does not exceed the amount of dividend distributed by the first-mentioned domestic company on or before the due date.

(2) Where any deduction, in respect of the amount of dividend distributed by the domestic company, has been allowed under clause (ii) of sub-section (1) in any previous year, no deduction shall be allowed in respect of such amount in any other previous year.

(3) Where the dividend distributed is in respect of any period comprised in the previous year ending on the 31st day of March, 1990, no deduction shall be allowed in respect of such dividend.

Explanation : For the purposes of this section, the expressions -

(i) "scheduled bank" means the State Bank of India constituted under the State Bank of India Act, 1955 (23 of 1955) a subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (5 of 1970), or under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 (40 of 1980), or any other bank included in the Second Schedule to the Reserve Bank of India Act, 1934 (2 of 1934) and which is a domestic company;

(ii) "public financial institution" shall have the meaning assigned to it in section 4A of the Companies Act, 1956 (1 of 1956);

(iii) "State financial corporation" and "State industrial investment corporation" shall have the same meanings as in section 43B;

(iv) "due date" means the date for furnishing the return of income under sub-section (1) of section 139.'