

**CHAPTER XVIII**

**RELIEF RESPECTING TAX ON DIVIDENDS IN CERTAIN CASES**

**Relief to shareholders in respect of agricultural income-tax attributable to dividends.**

**235.** [Omitted by the Finance (No. 2) Act, 1971, w.e.f. 1-4-1972. Prior to its omission, it was amended by the Taxation Laws (Amendment) Act, 1970, w.e.f. 1-4-1971 and with retrospective effect from 1-4-1962, the Finance Act, 1966, w.e.f. 1-4-1966 and the Finance Act, 1965, w.e.f. 1-4-1965.]

**Relief to company in respect of dividend paid out of past taxed profits.**

**236.** <sup>73</sup>(1) Where in respect of any previous year relevant to the assessment year commencing after the 31st day of March, 1960, an Indian company or a company which has made the prescribed arrangements for the declaration and payment of dividends within India, pays any dividend wholly or partly out of its profits and gains actually charged to income-tax for any assessment year ending before the 1st day of April, 1960, and deducts tax therefrom in accordance with the provisions of Chapter XVII-B, credit shall be given to the company against the income-tax, if any, payable by it on the profits and gains of the previous year during which the dividend is paid, of a sum calculated in accordance with the provisions of sub-section (2), and, where the amount of credit so calculated exceeds the income-tax payable by the company as aforesaid, the excess shall be refunded.

(2) The amount of income-tax to be given as credit under sub-section (1) shall be a sum equal to ten per cent of so much of the dividends referred to in sub-section (1) as are paid out of the profits and gains actually charged to income-tax for any assessment year ending before the 1st day of April, 1960.

*Explanation 1.*—For the purposes of this section, the aggregate of the dividends declared by a company in respect of any previous year shall be deemed first to have come out of the distributable income of that previous year and the balance, if any, out of the undistributed part of the distributable income of one or more previous years immediately preceding that previous year as would be just sufficient to cover the amount of such balance and as has not likewise been taken into account for covering such balance of any other previous year.

*Explanation 2.*—The expression "distributable income of any previous year" shall mean the total income (as computed before making any deduction under Chapter VI-A) assessed for that year as reduced by—

- (i) the amount of tax payable by the company in respect of its total income;
- (ii) the amount of any other tax levied under any law for the time being in force on the company by the Government or by a local authority in excess of the amount, if any, which has been allowed in computing the total income;
- (iii) any sum with reference to which a deduction is allowable to the company under the provisions of [section 80G](#); and
- (iv) in the case of a banking company, the amount actually transferred to a reserve fund under section 17 of the Banking Companies Act, 1949 (10 of 1949),

and as increased by—

- (a) any profits and gains or receipts of the company, not included in its total income (as computed before making any deduction under Chapter VI-A); and
- (b) any amount attributable to any allowance made in computing the profits and gains of the company for purposes of assessment, which the company has not taken into account in its profit and loss account.

Section - 236A, Income-tax Act, 1961-2018

**Relief to certain charitable institutions or funds in respect of certain dividends.**

**236A.** (1) Where seventy-five per cent of the share capital of any company is throughout the previous year beneficially held by an institution or fund established in India for a charitable purpose the income from dividend whereof is exempt under [section 11](#), credit shall be given to the institution or fund against the tax, if any, payable by it, of a sum calculated in accordance with the provisions of sub-section (2), in respect of its income from dividends (other than dividends on preference shares) declared or distributed during the previous year relevant to any assessment year beginning on or after the 1st day of April, 1966 by such a company, and where the amount of credit so calculated exceeds the tax, if any, payable by the said institution or fund, the excess shall be refunded.

(2) The amount to be given as credit under sub-section (1) shall be a sum which bears to the amount of the tax payable by the company under the provisions of the annual Finance Act with reference to the relevant amount of distributions of dividends by it the same proportion as the amount of the dividends (other than dividends on preference shares) received by the institution or fund from the company bears to the total amount of dividends (other than dividends on preference shares) declared or distributed by the company during the previous year.

*Explanation.*—In sub-section (2) of this section and in [section 280ZB](#), the expression "the relevant amount of distributions of dividends" has the meaning assigned to it in the Finance Act of the relevant year.