



Income Tax Department

Government of India

Dividends

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194. ⁴¹The principal officer of 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, shall, before making any payment ⁴²[by any mode] in respect of any dividend or before making any distribution or payment to a shareholder, who is resident in India, of any dividend within the meaning of sub-clause (a) or sub-clause (b) or sub-clause (c) or sub-clause (d) or sub-clause (e) of clause (22) of [section 2](#), deduct from the amount of such dividend, income-tax ⁴³[at the rate of ten per cent] :

Provided that no such deduction shall be made in the case of a shareholder, being an individual, if—

- (a) the dividend is paid by the company by 44[any mode other than cash]; and
- (b) the amount of such dividend or, as the case may be, the aggregate of the amounts of such dividend distributed or paid or likely to be distributed or paid during the financial year by the company to the shareholder, does not exceed 45[five thousand] rupees:

Provided further that the provisions of this section shall not apply to such income credited or paid to—

- (a) the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956 (31 of 1956), in respect of any shares owned by it or in which it has full beneficial interest;
- (b) the General Insurance Corporation of India (hereafter in this proviso referred to as the Corporation) or to any of the four companies (hereafter in this proviso referred to as such company), formed by virtue of the schemes framed under sub-section (1) of section 16 of the General Insurance Business (Nationalisation) Act, 1972 (57 of 1972), in respect of any shares owned by the Corporation or such company or in which the Corporation or such company has full beneficial interest;
- (c) any other insurer in respect of any shares owned by it or in which it has full beneficial interest;

[46](#)[(d) a "business trust", as defined in clause (13A) of [section 2](#), by a special purpose vehicle referred to in the Explanation to clause (23FC) of [section 10](#);

(e) any other person as may be notified by the Central Government in the Official Gazette in this behalf.]

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