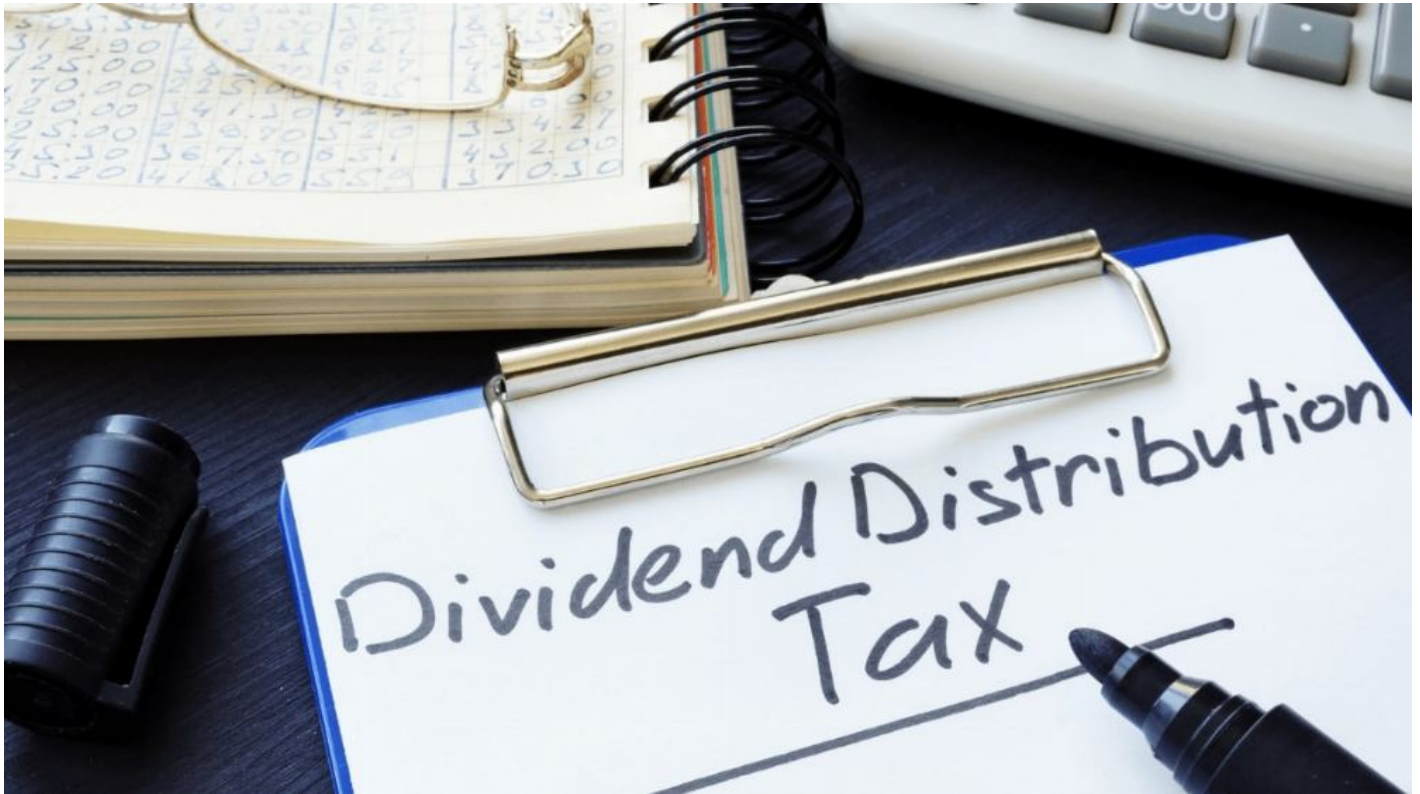


What is Dividend Distribution Tax (DDT)?

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About Dividend Distribution Tax (DDT)

- **It was a tax imposed** by the Indian government **on companies that distributed dividends to their shareholders.**
- It was introduced **to tax the dividend income received by shareholders indirectly through the company, rather than taxing the dividend income at the individual level.**
- **Companies that pay dividends to their shareholders in India were required to pay the DDT.**
- **DDT has been repealed** and abolished by the Government for Indian corporations **under the Finance Act 2020.**
- **With this modification, Indian corporations are no longer obligated to pay DDT** on dividends paid to shareholders. **Instead, shareholders will be forced to pay tax on dividends based on their tax bracket.**
- For example, if a shareholder is in the 30% tax bracket, the dividend received will be subject to 30% taxation.
- The **dividend income is taxed in the hands of the shareholders only if dividend is distributed on or after 01-04-2020.**

What is Dividend?

- A dividend is a **return given by a company to its shareholders out of the profits earned** by the company in a particular year.
 - Dividends can be **issued in various forms, such as cash payment, stocks** or any other form.
 - A company's dividend is **decided by its board of directors** and it **requires the shareholders' approval**.
 - It is **not obligatory for a company to pay dividend**. Many companies do not pay dividends and instead retain earnings to be invested back into the company.
 - **Dividend Yield:**
 - It is a **measure of the annual dividend income an investor can expect to receive** from an investment in a particular stock.
 - It is **calculated by dividing the annual dividend per share by the stock's current market price**.
 - This percentage **helps investors assess the income potential of a stock**.
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Q1: What is a Direct Tax?

A direct tax is a type of tax that is imposed on individuals and entities (such as corporations or businesses) directly by the government. In other words, the tax liability is borne by the person or entity on whom the tax is levied, and the tax cannot be shifted to someone else. Direct taxes are typically based on an individual's income, wealth, or profits, and they are paid directly to the government.

Source: Cognizant liable to pay dividend distribution tax on buyback of shares worth Rs 19,000 crore: ITAT

Source: <https://vajiramandravi.com/current-affairs/dividend-distribution-tax/>

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