Taxation of Branches of Foreign Companies Section 44C

HEAD OFFICE EXPENDITURE - Deduction

DATE 100

Step① : Compute ADJUSTED TOTAL INCOME (Total Income without giving effect to :- ✓ B/F losses ✓ B/F Depreciation ✓ Deduction under chapter VIA)

Positive (Income)

Head office Expenditure

(i) 5% of Adjusted total Income

(ii) Amount of expenditure attributable to B/P of assessee is India

whichever is "LESS"

Negative (Loss)

Head office Expenditure

5% of "Average" Adjusted total Income

→ Branch Income assessable for Preceding 3 years, the average of Adjusted total Income for 3 years

→ Similarly 2 years and 1 year

TAXATION OF DIVIDENDS

Section 2(22)	(a) Any Distribution of Assets by Company to S/H	(b) Distribution of Debentures etc.	(c) Distribution of assets in the event of liquidation	(d) Reduction of share capital
	[Co. ⟶ S/H] Assets	[Co. ⟶ S/H] Debn Deposit Certificate; Bonus share → Preference S/H	[Co. ⟶ S/H]	[Co. ⟶ S/H]
★ To the Extent possesses accumulated Profits	whether Capitalised or not	— do —	— do — (on liquidation)	— do —
★ In the hands of Company (CDT payable by Domestic Co. u/s 115-O)	GIFT (No Capital Gains)	NIL	Transfer "X"	No treatment (Just reduction of share capital)
★ In the hands of Shareholders	COA to S/H = Cost of acquisition to Company	COA of Debn = NIL	Capital gains arises Sales Consideration Moneys Received xxx Add: Market Value of asset received on distribution date xxx Less: Amt. assessed as deemed dividend xxx Sales Consideration xxx	— do —
★ DIVIDEND (DEEMED) AMOUNT	Market Value of asset on the date of distribution	Amount of Debn / Bonus share subject to Accumulated Profit {capitalised or not}	F.M.V. of assets on the date of distribution	F.M.V. of the assets distributed on the date of distribution (Reduction)