Section 148, Income-tax Act 2025: The Inter-Corporate Dividend Deduction That Keeps Group Profit Taxed Once

Old Section 80M, new home. What holding-company groups must get right for FY 2026-27.

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1. Holding Company Structuring
2. Income-tax Act 2025
3. Dividend Deduction
4. Group Tax Efficiency

Why This Deduction Exists at All

The Problem: Dividend Cascade

Since Dividend Distribution Tax was abolished, dividends are taxed in the shareholder's hands, not the paying company's. Clean for a single company, but a cascade inside a group.

Profit earned in an operating subsidiary, paid up to a holding company, then paid up again to promoters. Without relief, the same rupee is taxed at each tier. In a three-tier structure, three times.

The Fix: Section 148

The intermediate company deducts the dividend it received, to the extent it passes that money on. Result: a pass-through dividend is taxed only once, at the top, in the ultimate shareholder's hands.

Section 148 of the Income-tax Act 2025 continues this relief without a break.

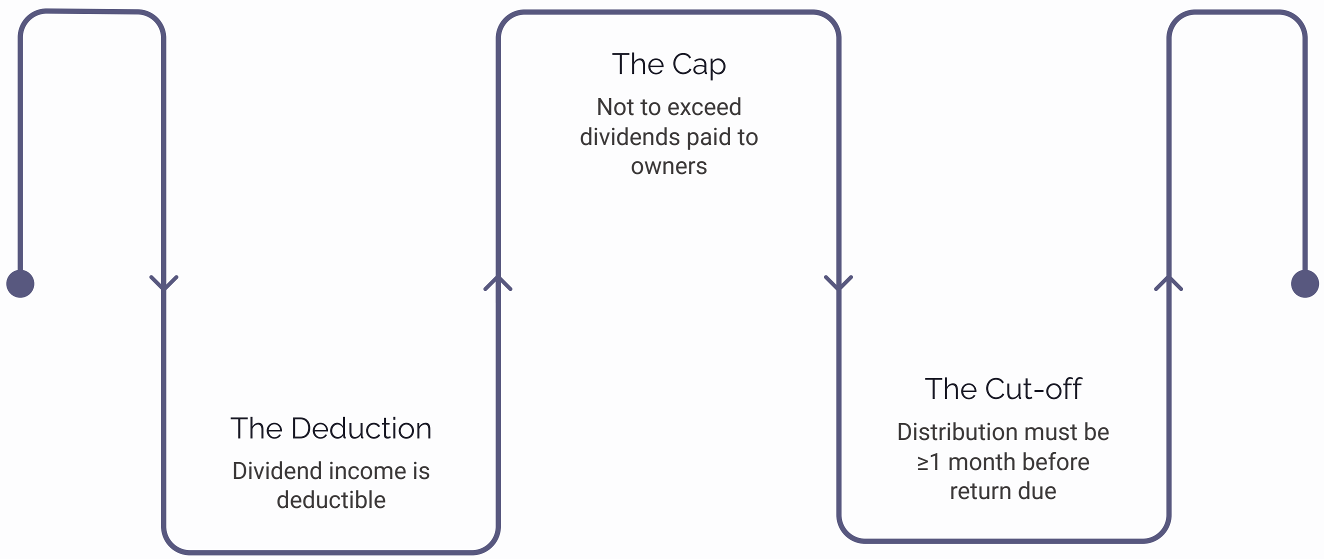
Same rupee of group profit. Taxed exactly once.

New Home, Same Idea: Section 80M Becomes Section 148

Old Law	New Law	Effective Date
Section 80M, Income-tax Act 1961	Section 148, Income-tax Act 2025	FY 2026-27, AY 2027-28 onwards
Governs FY 2025-26 and earlier years	Chapter VIII: Deduction in respect of certain inter-corporate dividends	In force from 1 April 2026

The mechanics are carried forward with the same purpose and one strict timing condition. The saving provisions of the new Act preserve deductions validly claimed under Section 80M for earlier years.

How Section 148 Works: Three Moving Parts



In Plain Terms

1. The Deduction. Where a domestic company's total income includes dividend income, it is allowed a deduction equal to that dividend income.

2. The Cap. The deduction cannot exceed the amount of dividend the company itself distributes to its own shareholders on or before the cut-off date.

3. The Cut-off. That onward distribution must happen at least one month before the due date for furnishing the return of income under Section 263(1) of the Act 2025.

> You get relief on what you pass through, not on what you keep, and only if you pass it through in time.

Worked Example: A Two-Tier Holding Structure

Step	Amount	Effect
Operating subsidiary pays dividend to Holding Co	Rs 100	Received as dividend income in Holding Co
Holding Co redistributes to shareholders before cut-off	Rs 100	Section 148 deduction of Rs 100 allowed
Net taxable dividend in Holding Co	Rs 0	No cascading. Taxed only in shareholders' hands.

Now Change One Fact

Holding Co receives Rs 100 but distributes only Rs 60 before the cut-off. Deduction is limited to Rs 60. The retained Rs 40 is taxable dividend income this year.

Distributed: Rs 60

Section 148 deduction allowed. Pass-through is sheltered.

Retained: Rs 40

Taxable dividend income this year. No deduction available.

The relief rewards genuine pass-through and taxes what you accumulate.

The One-Month Timing Rule That Forfeits the Deduction

⚠ This is where advisers earn their fee. The onward distribution must be completed one month before the return due date, not by the due date itself.

The Practical Cut-off

For a company whose return is due 31 October, the practical cut-off is on or before 30 September.

A dividend declared on 15 October, even though it is before the return is filed, does not qualify for that year's deduction.

The Right Way to Plan

Build holding-company board calendars backwards from this date, not from the filing date.

Return Due: 31 October

Section 263(1) deadline

Cut-off: 30 September

Hard board date for onward distribution

Two More Rules That Decide the Outcome

Eligible Sources Are Wider Than Most Assume

The deduction applies to dividends received from another domestic company, a foreign company, or a business trust. So the relief can reach cross-border dividends and REIT or InvIT income, not only domestic subsidiaries.

No Double-Deduction

Once a distributed amount is allowed as a deduction in one tax year, it cannot be claimed again in any other year. The match is one-to-one between the dividend received and the dividend passed on.

You cannot recycle one distribution to shelter income across two years.

One-to-one match only. No recycling of distributions across years.

Domestic Company

Standard inter-corporate dividend

Foreign Company

Cross-border dividend income

Business Trust

REIT or InvIT distributions

Who Should Be Paying Attention

Founders with a Holding-Company Structure

This deduction is what keeps your two-tier or three-tier structure tax-efficient. Losing it to a late distribution is an avoidable cost.

CFOs and Group Controllers

The September-type internal cut-off must be a hard date in the group dividend policy, owned and diarised.

CAs Advising Family Offices and Promoter Vehicles

The relief reaches foreign-company and business-trust dividends too, so it can shelter cross-border and REIT or InvIT income.

Your Action Plan for FY 2026-27

1. ### Map Every Dividend Flow

   Map every dividend flow in your group, tier by tier, and identify the intermediate companies that receive dividends.

2. ### Fix the Onward-Distribution Cut-off

   One month before each company's return due date, as a hard board date.

3. ### Distribute Before That Date

   Distribute what you intend to shelter before that date. Retained dividends stay taxable.

4. ### Keep a Clean One-to-One Record

   Keep a clean one-to-one record between dividends received and dividends passed on, so no amount is double-claimed.

Caveat to confirm: the interaction of this deduction with the concessional corporate tax regime should be checked against the enacted text for your specific facts.

Key Dates and the Bottom Line

1

1 April 2026

Income-tax Act 2025 in force. Section 148 governs FY 2026-27 onwards. Section 80M of the 1961 Act governs earlier years.

2

30 September

Practical onward-distribution cut-off for a 31 October filer. One month before the Section 263(1) due date.

3

31 October

Return due date under Section 263(1) for most companies. The hard filing deadline.

> **The bottom line:** Build your group's dividend calendar around the one-month-before-due-date cut-off, distribute before that date, keep a clean record. Do that and the same rupee of group profit is taxed exactly once.

Section 148 in Summary

- Deduction equals dividend income received
- Capped at dividend distributed to own shareholders
- Distribution must precede return due date by one month
- Covers domestic, foreign companies and business trusts
- No double-deduction across years