

Frequently Asked Questions ('FAQs') on TDS of Dividend

A. Resident Shareholders

1. I am a shareholder. Will my dividend be subjected to TDS? If yes, are there any exceptions?

Rate of TDS on dividend payment to resident individual shareholders:

- As per provisions of Income Tax Act, 1961 ('IT Act'), tax shall be deducted at source under section 194 of the IT Act at the rate of 10% on the amount of dividend declared and paid by the Company during financial year 2023-24. However, in the following cases, TDS at the rate of 20% would be applicable as per the IT Act:
 - a) **Section 206AA of IT Act** – In case where PAN is not available/ submitted, or PAN submitted is invalid. Further, as per Section 139AA of the Act, every person who has been allotted a PAN and who is eligible to obtain Aadhaar, shall be required to link the PAN with Aadhaar. In case of failure to comply to this, the PAN allotted shall be deemed to be invalid/ inoperative and tax shall be deducted at the rate of 20% as per the provisions of section 206AA of the Act. The Company will be using online functionality of the Income-tax department for the above purpose and no claim shall lie against the Company for such taxes deduction. As of now CBDT vide its circular 03/2023 dated 28th March 2023 has extended the time limit for linking PAN with Aadhaar up to 30 June 2023. Subject to further extension, if you have not linked your PAN with Aadhaar kindly do so, to avoid higher Tax deduction.
 - b) **Section 206AB of IT Act** – In case of 'specified person'.
 - "Specified person" means a taxpayer who has not filed income tax return of previous year (i.e., FY2021-22) where aggregate of TDS and TCS in said previous year is ₹ 50,000 or more;
 - As per Notification No. 01 of 2022 dated 9th June 2022, issued by Central Board of Direct Taxes, in order to check the status of a shareholder as 'specified person', the Company would rely on the details available on the online functionality of the Income tax Department and shall accordingly determine the applicable TDS rate. The Company shall not rely on any declaration in relation to non-applicability of provisions of section 206AB of the IT Act.

Exceptions in case of resident individual shareholders

- No tax shall be deducted at source (on the dividend payable to a resident Individual if the total dividend to be received **from the Company during a financial year does not exceed ₹ 5,000; or if an eligible resident shareholder provides a valid declaration in Form 15G/15H to the Company subject to condition that PAN is valid and linked with Aadhaar.**
- Further, if a shareholder has obtained a lower or nil withholding tax certificate from the tax authorities and provides a copy of the same to the Company (TAN – PNEB15964E), tax shall be deducted on dividend payable to such shareholder at the rate specified in the said certificate.

Exceptions in case of resident non-individual shareholder:

- No tax shall be deducted at source on dividend payable to the following resident non-individual shareholders on submission of certain documents as mentioned below:
 - a) **Insurance Companies (Public & Other Insurance Companies):** Self-attested copy of registration certificate issued by the authorities. Also, a declaration that you are an Insurance company as defined under second proviso to section 194 of the IT Act.
 - b) **Mutual Funds:** Declaration stating that Mutual Fund shareholder is eligible for exemption under section 10(23D) of the IT Act along with self-attested copy of registration documents issued by the appropriate authorities.
 - c) **Category I / Category II Alternative Investment Fund:** Self- attested copy of certificate of registration/ declaration evidencing that you are a Category I / Category II Alternative Investment Fund, as defined under Section 10(23FBA) and clause (a) of Explanation 1 to Section 115UB of the IT Act [covered by Notification No. 51/2015 dated June 25, 2015].
 - d) **National Pension Scheme Trust:** The self- attested copy of registration certificate / declaration that you qualify as NPS Trust for the purpose of section 197A(1E) of the IT Act, and that your income is eligible for exemption under section 10(44) of the IT Act.
 - e) **Entities unconditionally exempt under section 10:** Documentary evidence and self-declaration substantiating that you are an entity

covered by Circular No. 18 of 2017 issued by the Central Board of Direct Tax and your income is unconditionally exempt under section 10 of the IT Act and that you are not statutorily required to file return of income under Section 139 of the IT Act.

- f) **Government:** Documentary evidence and self-declaration that you are a Corporation set up under specific legislation whose income is exempt and can be considered as a 'Government' and qualifies for exemption under section 196 of the IT Act.
- g) **Where lower/nil withholding certificate is submitted:** If a shareholder has obtained a lower or nil withholding tax certificate from the tax authorities and provides a copy of the same to the Company (TAN – PNEB15964E), tax shall be deducted on the dividend payable to such shareholder at the rate specified in the said certificate.
- h) **Submission of Form 15G:** If an eligible resident shareholder provides a valid declaration in Form 15G to the Company.

2. Is there any limit on the amount of dividend upto which no tax will be withheld in respect of resident shareholders?

- As stated above, no tax shall be deducted at source on the dividend payable to a **resident Individual** if the total dividend to be received from the Company during a financial year does not exceed ₹ 5,000.
- It may be noted that there is no such limit provided under the IT Act for resident non-individual shareholders and hence the dividend shall be subject to TDS.

3. Is the above rate of 10% or 20% as the case may be, to be increased by surcharge and cess?

- In case of resident shareholders, the rate of TDS would not be increased by surcharge and cess. However, in case of non- resident shareholders, rate of TDS would be increased by applicable surcharge and cess (refer Question 10)

4. I am a resident individual, and my dividend receipt is subject to TDS but tax on my estimated total income of the year after including this dividend income will be Nil. Can I request the company not to deduct tax at source and to pay the entire dividend amount without deduction of tax at source?

- Yes, in such a case you can approach the Company for non-deduction of tax at source. You will have to furnish a declaration in Form 15G (applicable to any person other than a company or a firm)/Form 15H (applicable to an individual above the age of 60 years), as the case may be, to the effect that the tax on his estimated total income of the year after including the dividend income to be received from company will be nil. The link for submission of the said form is <https://ris.kfintech.com/form15/>.

- In this regard, it may be noted that all fields mentioned in the said Forms are mandatory and the Company reserves the right to reject the forms submitted, if they do not fulfil the requirement of the law.

5. If PAN is not linked to Aadhaar (resident individual shareholders), in that case will the benefit of Form 15G/ Form 15H will be provided?

- No. If PAN is not linked to Aadhaar upto 30 June 2023 (subject to further extension), then the PAN will become invalid. In such case, Form 15G/ 15H will also become invalid and the benefit of nil TDS rate will not be applicable.

6. If Form 15G/ Form 15H are submitted online, then whether submitting a physical copy is compulsory?

- No. If Form 15G/ 15H are duly executed and submitted online at <https://ris.kfintech.com/form15/>, then submission of physical copy is not required.

7. What if I do not submit Form 15G/ Form 15H?

- In case you do not submit Form 15G or Form 15H, the Company would deduct tax at applicable rates in case your total dividend income from the Company exceeds ₹ 5,000 in a financial year. However, you may file your return of income and claim appropriate refund, if eligible.

8. What is the due date to submit the documents/ declarations mentioned above?

- The documents/ declarations mentioned above are required to be submitted to the Registrar and Transfer Agent ('RTA') on or before 11 July 2023 at <https://ris.kfintech.com/form15/>.

B. Non-resident Shareholders

9. What is the rate of TDS on the dividend declared and paid to non-resident shareholders?

- For non-resident shareholders, the rate of TDS is 20% (plus applicable surcharge and cess) as per the IT Act. However, where a non-resident shareholder is eligible to claim benefit under the Double Taxation Avoidance Agreement (DTAA) read with Multilateral Instrument (MLI), as may be applicable and the tax rate provided in the respective DTAA is more beneficial than the rate provided in the IT Act, then the rate as per the DTAA would be applied. In order to avail the DTAA benefit, non-resident shareholders would be required to submit certain documents as mentioned in **Annexure A (Part 2)** at <https://ris.kfintech.com/form15/>. Kindly note that extending the benefit of DTAA would depend on the completeness of documents submitted and is at the discretion of the Company.

Where the status of shareholder found as 'Specified person' under section 206AB of the IT Act and shareholder has not furnished declaration stating that no permanent establishment in India then rate of TDS would be 40% plus applicable surcharge and cess (Refer Question 11).

10. Is the above rate of 20%/40% (as per the IT Act) to be increased by surcharge and cess?

- Yes, in case of non-resident shareholders, the TDS rate of 20%/40% would be increased by applicable surcharge and health & education cess based on the status of the non-resident. However, in case TDS is deducted as per the beneficial rate provided in the DTAA (subject to submission of documents/declaration), then the rate as prescribed in the DTAA would not be further increased by surcharge and cess.

11. In case, where a non-resident is a specified person, then what will be tax rate at which TDS will be deducted?

- The applicable rate would be as high as 40% plus surcharge and cess in a case where a non-resident has not provided No PE declaration and is a specified person as per section 206AB.

12. What is the applicable rate of surcharge and cess for non-resident shareholders [including Foreign Institutional Investors (FIIs)/ Foreign Portfolio Investors (FPIs)]?

- The rate of health & education cess shall be 4% on the amount of tax liability and applicable surcharge. The rate of surcharge depends upon the status of the non-resident and its income.

For non-resident shareholders being foreign companies (including FII's/ FPIs being companies):

Dividend income during the financial year	Surcharge Rate	Effective TDS rate (including applicable surcharge and cess)
Not exceeding ₹ 1,00,00,000	NIL	20.80%
Exceeding ₹ 1,00,00,000 but not exceeding ₹ 10,00,00,000	2%	21.216%
Exceeding ₹ 10,00,00,000	5%	21.84%

For non-resident shareholders being firms (including FII's/ FPIs being firms):

Dividend income during the financial year	Surcharge Rate	Effective TDS rate (including applicable surcharge and cess)
Not exceeding ₹ 1,00,00,000	NIL	20.80%
Exceeding ₹ 1,00,00,000	12%	23.296%

For other categories of non-resident shareholders, including FII's/ FPIs:

Dividend income during the financial year	Surcharge Rate	Effective TDS rate (including applicable surcharge and cess)
Not exceeding ₹ 50,00,000	NIL	20.80%
Exceeding ₹ 50,00,000 but not exceeding ₹ 1,00,00,000	10%	22.88%
Exceeding ₹ 1,00,00,000	15%	23.92%

TDS rate would be 10% for dividend payment to any Specified funds being an Alternative Investment Fund category III covered under sub clause (c) of section 10(4D) of the IT Act .

13. Is there any limit on the amount of dividend upto which no tax will be withheld in respect of non-resident shareholders?

- There is no such limit provided under the IT Act for non-resident shareholders and hence, the entire dividend is subject to TDS.

14. When are the documents for claiming concessional rate benefit under the DTAA required to be submitted?

- A non-resident wanting to claim benefit of concessional tax rate under the DTAA should submit the necessary valid documents to the RTA on or before 11 July 2023 by uploading the same on weblink at <https://ris.kfintech.com/form15/>.

The list of documents is provided below:

- Copy of PAN Card (duly attested) allotted by the Indian Income Tax authorities
- Copy of Tax Residency Certificate (TRC) (of FY 2023-24 or calendar year 2023, valid as on record date) obtained from the tax authorities of the country of which the shareholder is resident. In case, the TRC is furnished in a language other than English, the said TRC would have to be translated from such other language to English language and thereafter, duly notarized and apostilled copy of the TRC would have to be provided;
- Self-declaration in Form 10F electronically generated from the income-tax web portal where a non-resident shareholder holds a Permanent Account Number in India. In case the shareholder does not have a PAN, self-declaration in Form 10F can be physically submitted. [Click here](#) for the format of Form 10F.

Self-declaration by the non-resident shareholder in the prescribed format. [Click here](#) for the format of the self-declaration.

c. Common FAQs – for resident as well as non-resident shareholders:

15. Am I required to update the PAN? If yes, where should it be updated?

- Yes, shareholders are required to update their PAN. For securities held in physical form ISR 1 form duly signed by the holder(s) mentioning the PAN details and the folio nos. / Name of company along with the requisite declaration should be sent to KFin address. To avoid rejection, ensure that

the signatures of the holder(s) is as per the specimen signatures registered. You can download ISR 1 form by clicking on the link: <https://ris.kfintech.com/clientservices/ISC>. For dematerialized holdings, please reach out to your Depository Participant (DP) with relevant details to get the details updated or changed. Refer to SEBI circular No. dated 16 March 2023, for complete details, if required.

- In addition to the above, all shareholders are requested to ensure that the below details are submitted and/or updated, as applicable, in their respective demat account(s) maintained with the Depository participant(s); or in case of shares held in physical form, with the Company/RTA for the purpose of complying with the applicable TDS provisions:
 - a) Valid Permanent Account Number (PAN);
 - b) Residential status as per the IT Act i.e. Resident or Non-Resident for FY 2023-24;
 - c) Category of the Shareholder, viz. Mutual Fund, Insurance Company, Alternate Investment Fund (AIF) – Category I, II and III, Government (Central/ State Government), FPI/ FII, Foreign Company, Individual, Hindu Undivided Family (HUF), Firm, Limited Liability Partnership (LLP), Association of Persons (AOP), Body of Individuals (BOI) or Artificial Juridical Person, Trust, Domestic Company, etc.; and
 - d) Address with PIN Code (including country).

Kindly note that for the purpose of deduction of tax at source, the Company would be relying on the data shared by the RTA. In case the above details are not updated by the record date, then the Company will rely on the details as on the record date, as received from RTA.

16. How can a shareholder know the quantum of tax deducted from his dividend income by the company?

- To know the quantum of the tax deducted, the Company shall arrange to email the soft copy of the TDS certificate to shareholders at the registered email ID within the prescribed time, post payment of the said dividend, if declared in the AGM. Shareholders can also check Form 26AS from their e-filing account at <https://www.incometax.gov.in/home> or TRACES website <https://www.tdscpc.gov.in/app/login.xhtml>.
- Please note the credit in Form 26AS shall be reflected after the TDS statement filed by company on a quarterly basis is processed by the tax authority.

17. Where can I find a consolidated list of documents/declarations that are required to be submitted by me? What is the due date for submission of these documents/ declarations?

- A consolidated list of documents/declarations is provided in **Annexure A**. [Click here](#) to access Annexure A. The documents/ declarations, as applicable to you, are required to be submitted to the Company latest by 11 July 2023. Any document/declaration submitted post 11 July 2023 will not be considered by the Company while deducting tax at source.

18. What if TDS is deducted at a higher rate in absence of submission of details/documents within the prescribed time, viz. upto 11 July 2023?

- In case TDS is deducted at a higher rate in absence of receipt of details/ documents from shareholders by the due date of 11 July 2023, the shareholders may consider filing their return of income and claiming an appropriate refund, if eligible.

19. Any other query?

- In case you have any other queries, please feel free to send those queries to einward.ris@kfintech.com.