

TDS on Dividend

Pursuant to the amendments introduced in the Income-tax Act, 1961 ('the Act') vide Finance Act, 2020, w.e.f. April 1, 2020, dividend declared, paid or distributed by a Company on or after April 1, 2020, shall be taxable in the hands of the shareholders. The Company shall, therefore, be required to deduct TDS/ Withholding Tax (TDS/WHT) at the time of payment of dividend at the applicable tax rates. The rates of TDS/ WHT would depend upon the category and residential status of the shareholder as briefed hereunder:

A. Tax on Dividend to Resident Shareholders

I. Tax on dividend amount to Resident Individual Shareholders

- a) Tax shall not be deducted on payment of dividend to **Resident Individual Shareholder**, if the total amount of dividend payable during the financial year does not exceed Rs.5,000/-
- b) Tax to be deducted on payment of dividend to Resident Individual Shareholder, if the total amount of dividend payable during the financial year exceeds Rs.5,000/-:

Category of shareholder	Applicable tax rate	Documents required to be submitted
Resident individual shareholders with PAN	10%	PAN to be updated with Depository Participant / RTA.
Resident individual shareholders without PAN / invalid PAN	20%	NA

- c) Resident Individual Shareholders, desires to avail exemption from deduction of tax on payment of dividend exceeding Rs.5,000/- during the financial year:

Category of shareholder	Applicable tax rate	Documents required to be submitted
Resident Individual shareholders with PAN	Nil	Copy of PAN card Declaration in Form 15G (for individuals with no tax liability on total income). Declaration in Form 15H (for individuals above the age of 60 years with no tax liability on total income).

II. Tax on dividend amount to Resident Non-Individual Shareholders

Tax on dividend payable during the financial year to Resident Non-Individual Shareholders shall be deducted either @ 10% or lower rates. They can avail exemption from TDS by submission of following documents:

Category of shareholder	Applicable tax rate	Documents required to be submitted
Mutual Fund specified under Section 10(23D) of the Income Tax Act, 1961 (the Act)	Nil	Copy of self attested PAN Declaration under 10(23D) of the Act.
An Insurance Company exempted under Section 194 of the Act	Nil	Copy of self attested PAN Declaration qualifying as Insurer as per section 2(7A) of the Insurance Act, 1938.
Alternate Investment Fund (AIF established in India)	Nil	Copy of self attested PAN Declaration under section 10(23FBA) of the Act for exemption and registration certificates for either Category I or Category II AIF as per SEBI Regulations.
Other Non-Individual shareholders	Nil	Copy of self attested PAN Declaration along with self-attested copy of documentary evidence supporting the exemption.
Shareholders who have submitted order u/s 197 of the Act	As per order	Copy of self attested PAN Lower withholding tax certificate for the FY 2021-22 obtained from tax authority to be submitted to claim the lower tax rates.

B. Tax on Dividend to Non-Resident Shareholders

Tax deductible at source / withholding tax on payment of dividend during the financial year to Non-Resident Shareholders shall as follows:

Non-resident shareholders shall be taxed @ 20% plus applicable surcharge and cess on the dividend payable during the financial year. They can avail beneficial rates under tax treaty between India and their country of residence, subject to submission of necessary documents i.e. No

Permanent Establishment and Beneficial Ownership Declaration, Tax Residency Certificate, Form 10F, any other document which may be required to avail the tax treaty benefits.

Format for submission of various declarations mentioned above are made available at 'Investor Relations' section on the website of the Company and the shareholders are requested to upload the duly filled in declarations to the link, www.linkintime.co.in/formsreg/submission-of-form-15g-15h.html, on or before August 17, 2023.

C. SPECIAL PROVISIONS OF SECTION 206AB OF THE ACT

(For non-filers of tax return - For resident shareholders and selected non-resident shareholders)

The Finance Act, 2021 has inter alia inserted the provisions of section 206AB of the Act which introduces special provisions for TDS in respect of non-filers of income-tax return with effect from 1st July 2021. The term 'specified person' is defined in sub section (3) of section 206AB and covers the persons who satisfy the following conditions:

- A person who has not filed the income tax return for two previous years immediately prior to the previous year in which tax is required to be deducted, for which the time limit of filing of return of income under section 139(1) of the Act has expired; and
- The aggregate of TDS and TCS in his case is Rs.50,000 or more in each of these two previous years.

TDS is required to be deducted at higher of following rates in case of payments to specified persons:

- twice the rate specified in the relevant provision of the Act; or
- twice the rate or rates in force; or
- the rate of 5%