

## FAQs on Tax deducted at Source (TDS) on Dividend

### 1. **Applicability of TDS provisions to a resident individual shareholder with valid PAN:**

- Effective April 1, 2020, as per the Income Tax Act, 1961, the dividend income is taxable in the hands of shareholders. Accordingly, if any **resident individual shareholder** is in receipt of dividend exceeding INR 5,000 in a fiscal year, entire dividend will be subject to TDS @ 10%. The rate of 10% is applicable provided the shareholder has updated his/her Permanent Account Number (PAN) with the depository/ Registrar and Transfer Agent (RTA). Otherwise the TDS rate will be 20%.
- If the dividend to a resident individual shareholder does not exceed INR 5,000 in a fiscal year, no TDS is applicable.
- If the resident individual shareholder provides declaration in Form 15G/ Form 15H, no TDS is applicable.

### 2. **Applicability of TDS provisions to a resident individual shareholder without or invalid PAN:**

If the resident individual shareholder has not updated the PAN or has provided an invalid PAN to the depository/ RTA, then TDS will be made at 20%.

### 3. **Applicability of TDS provisions to a resident non-individual shareholder (HUF, Firm, AOP, BOI, Company):**

The entire dividend will be subject to TDS for non-individual resident shareholders without any threshold limit. The tax deduction rate will be 10% provided a valid PAN is updated with the company or the depository/ RTA. Otherwise the TDS rate will be 20%.

### 4. **Applicability of TDS provisions to insurance companies:**

TDS is not applicable on the dividend paid to the insurance companies in case it provides a self-declaration that the shares are owned by it and it has full beneficial interest along with a self-attested PAN.

### 5. **Applicability of TDS provisions to mutual funds:**

TDS is not applicable on the dividend paid to a Mutual Fund specified under clause (23D) of section 10 of Income Tax Act, 1961. Such Mutual Fund should provide a self-declaration that they are specified in Section 10 (23D) of the Income Tax Act, 1961, self-attested copy of PAN card and registration certificate.

### 6. **Applicability of TDS provisions to Foreign Institutional Investors (FIIs) and Foreign Portfolio Investors (FPIs):**

Tax shall be deducted at source @ 20% (plus applicable surcharge and cess) on dividend paid to Foreign Institutional Investors ("FIIs") and Foreign Portfolio Investors ("FPIs") in view of specific provision under section 196D of the Income tax Act 1961.

Please note that there is no threshold provided for which no tax will be withheld. Entire dividend is subject to withholding of tax.

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Rates of Surcharge are as below:

Dividend amount	Rate of Surcharge (FII/ FPI)
Above ₹ 50 Lacs but not exceeding ₹ 1 Crore	10%
Above ₹ 1 Crore but not exceeding ₹ 2 Crore	15%
Above ₹ 2 Crore but not exceeding ₹ 5 Crore	25%
Above ₹ 5 Crore	37%

Cess shall be applicable at 4 % on surcharge as above

### 7. TDS applicable to non-resident shareholders other than FIIs/ FPIs:

For non-resident shareholders, the rate of withholding tax is 20% (plus applicable surcharge and cess) as per Indian Income- tax Act, 1961. However, where a non-resident shareholder is eligible to claim the tax treaty benefit, and the tax rate provided in the respective tax treaty is beneficial to the shareholder, then the rate as per the tax treaty would be applied. In order to avail tax treaty benefits, non-resident shareholders would be required to submit ALL the below documents:

- Tax Residency Certificate for the year in which the dividend is received (to be obtained from the Revenue / Tax authorities of the country of which the shareholder is resident)
- Form 10F as per the format specified under Income Tax Act, 1961
- Copy of PAN Card attested
- Self-declaration of beneficial ownership and not having a PE in India

Please note that the Company is not obligated to apply the beneficial DTAA rates at the time of tax deduction/withholding on the dividend amount. Application of beneficial DTAA Rate shall depend upon the completeness and satisfactory review by the Company, of the documents submitted by the non- resident shareholder.

If the documents are not provided or are insufficient to apply the beneficial DTAA rates, then tax will be deducted at 20% including surcharge and cess @ 4%.

### Rates of surcharge for non-resident individuals, HUF, AOP, BOI:

Dividend amount	Rate of Surcharge
Above ₹ 50 Lacs but not exceeding ₹ 1 Crore	10%
Above ₹ 1 Crore but not exceeding ₹ 2 Crore	15%
Above ₹ 2 Crore but not exceeding ₹ 5 Crore	15%
Above ₹ 5 Crore	15%

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Rates of surcharge for non-resident companies:

Dividend amount	Rate of Surcharge
Above ₹ 1 Crore but not exceeding ₹ 10 Crores	2%
Above ₹ 10 Crores	5%

### 8. Update of PAN:

If the shares are held in Demat form, the PAN needs to be updated with the Depository. If the shares are held in physical form, the PAN needs to be updated with the Company's Registrar and Transfer Agents

### 9. Information on tax deducted:

Shareholders can check Form 26AS from their e-filing accounts at <https://www.incometax.gov.in/>

Shareholders can also use the "View Your Tax Credit" facility available at [www.incometaxindia.gov.in](http://www.incometaxindia.gov.in). Please note, the credit in Form 26AS would be reflected after the TDS Return is filed on a quarterly basis by the Company, and the same is processed by the Income-tax department.