

## Dividend Distribution Tax

Dear Shareholders,

Kindly note that the Income Tax Act, 1961, ("the IT Act") as amended by the Finance Act, 2020, mandates that dividends paid or distributed by a company after April 01, 2020 shall be taxable in the hands of members. The Company shall therefore be required to deduct tax at source (TDS) at the time of making the payment of Dividend. In order to enable us to determine the appropriate TDS rate as applicable, members are requested to upload the required documents in accordance with the provisions of the IT Act by accessing <https://ris.kfintech.com/form15/default.aspx>

For Resident shareholders, taxes shall be deducted at source (on Dividend distributed during financial year 2020- 21 only) under Section 194 of the IT Act as follows :

- Members having valid PAN: 7.5% ^ or as notified by the Government of India\*
- Members not having PAN / valid PAN : 20% or as notified by the Government of India\*

(^) As per Notification dated May 13, 2020, this is rate, as reduced by 25%

(\*) However, no tax shall be deducted on the dividend payable to a resident individual if the total dividend to be received by him/her during the financial year 2020-21 does not exceed Rs. 5,000.

Furthermore, no tax shall be deducted in cases where members provide Form 15G / Form 15H (applicable to individuals aged 60 years or more) subject to conditions specified in the IT Act.

Resident shareholders / member may also submit any other document as prescribed under the IT Act to claim a lower / Nil withholding tax. PAN is mandatory for members providing Form 15G / 15H or any other document as mentioned above.

For Non-resident shareholders, taxes are required to be withheld in accordance with the provisions of Section 195 and other applicable Sections of the IT Act, at the rates in force.

The withholding tax shall be at the rate of 20% (plus applicable surcharge and cess) or as notified by the Government of India on the amount of dividend payable.

However, as per Section 90 of the IT Act, non-resident shareholders have the option to be governed by the provisions of the Double Tax Avoidance Agreement (DTAA) between India and the country of tax residence of the member, if they are more beneficial to them. For this purpose, i.e. to avail the benefits under the DTAA, non-resident shareholders will have to provide the following:

- Copy of the PAN card allotted by the Indian Income Tax authorities duly attested by the member.
- Copy of Tax Residency Certificate (TRC) for the financial year 2020-21 obtained from the revenue authorities of the country of tax residence, duly attested by member.
- Self-declaration in Form 10F.

- Self-declaration by the shareholder of having no permanent establishment in India in accordance with the applicable tax treaty (read with the applicable multilateral instrument).
- Self-declaration of beneficial ownership by the non-resident shareholder.
- Any other documents as prescribed under the IT Act for lower withholding of taxes if applicable, duly attested by member.

In case of Foreign Institutional Investors / Foreign Portfolio Investors, tax will be deducted under Section 196D of the IT Act @ 20% (plus applicable surcharge and cess).

The aforesaid declarations and documents need to be submitted by the shareholders on or before Monday, November 23, 2020 being the record date fixed for payment of interim dividend 2020-21. No communication would be accepted from members after November 23, 2020 regarding the tax withholding matters.