



Frequently Asked Questions ('FAQs') on Tax Deducted at Source (TDS) on Dividend

In case of Resident Shareholders:

1. I am a resident individual shareholder. Will my dividend be subject to TDS?

With effect from 1st April 2020, as per the Income Tax Act, 1961 (as amended by the Finance Act, 2020), the dividend income is taxable in the hands of shareholders. Accordingly, if any **resident individual shareholder** is in receipt of dividend exceeding ₹ 5,000 in a fiscal year, entire dividend will be subject to **TDS @ 10%** or as notified by the Government of India.

The rate of 10% is applicable provided the shareholder has updated his/her Permanent Account Number (PAN).

In cases where higher rate of TDS is applicable:

- a) In case the PAN is not updated or who does not hold a valid PAN. The entire dividend will be subject to **TDS @ 20%** or as notified by the Government of India.
- b) If Shareholder is defined as Specified Person as per Section 206AB of the Income Tax Act, 1961.

However, no tax shall be deducted on the dividend payable to a resident individual shareholder, if the total dividend to be received by them during the financial year does not exceed ₹ 5,000 and also in case where resident individual shareholder having valid PAN and who is not liable to pay income tax can submit a yearly declaration in Form No. 15G/15H along with PAN copy, to avail the benefit of non-deduction of tax at source, by sending an E-mail to investors@newgensoft.com atleast two (2) days prior to the scheduled Annual General Meeting (AGM).

Beneficial Ownership: In case of equity share(s) held in the Company as a beneficiary; and are not subject to TDS under Section 196 of the Income Tax Act, 1961 the person shall submit self-attested copy of the documentary evidence supporting the exemption status along with self-attested copy of PAN Card.

Benefit under Rule 37BA(2) of the Income-tax Rules, 1962: In case where shares are held by intermediaries/ stock brokers and TDS is to be applied by the Company in the PAN of the beneficial shareholders then intermediaries/ stock brokers and beneficial shareholders will have to provide a declaration under Rule 37BA(2) of the Income-tax Rules, 1962.

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

For resident shareholders, the rate of TDS would not be increased by surcharge and cess.

3. What is the rate of tax for Specified person u/s 206AB of the Income Tax Act, 1961?

The tax shall be deducted at the higher of the following rates:



- a) Twice the rate specified in the relevant provision of the Act (Rate specified u/s 194 is 10%)
- b) Twice the rate or rates in force; or 5%

4. How can I update my PAN?

If the shares are held in Demat form, the PAN needs to be updated with the respective Depository Participant. If the shares are held in physical form, the PAN needs to be updated with the Company's Registrar and Share Transfer Agent, KFin Technologies Limited (KFin Technologies Private Limited) at: inward.ris@kfintech.com.

If the PAN is already updated, no further action is required.

5. I am a resident individual, or a person (other than company or Firm) and my dividend receipt is subject to TDS. However, tax on my estimated total income for that particular Financial Year after including this dividend income on which tax is to be deducted, will be NIL. Can I then request the Company not to deduct tax at source and to pay the amount without deduction of tax at source?

Yes, you can approach the Company for non-deduction of tax at source. You will have to furnish a declaration in Form No. 15G or 15H, to the Company, to the effect that, the tax on the estimated total income of the financial year after including the income on which tax is to be deducted, will be NIL.

6. Where can I find the Forms 15G / 15H required to be submitted for non-deduction of tax?

Forms 15G / 15H are available at <https://www.incometaxindia.gov.in/> which needs to be filled by the shareholders. Thereafter, the same has to be sent at: investors@newgensoft.com at least two (2) days prior to the scheduled Annual General Meeting (AGM).

7. Can I request Company to deduct tax at source at lower rate?

If a shareholder has obtained a lower or Nil withholding tax certificate u/s 197 from the tax authorities and provides a copy of the same to the Company, tax shall be deducted on the dividend payable to such shareholder at the rate specified in the said certificate and subject to the limit mentioned therein.

8. I am a resident non-individual shareholder. Will the dividend be subject to TDS?

Yes, the entire dividend will be subject to TDS for resident non-individual shareholders without any threshold limit. The TDS will be 10% provided PAN is updated with the Company's Registrar and Share Transfer Agent or the Depository Participant. Otherwise, the TDS rate will be 20%.

9. Is TDS applicable to Mutual Funds?

TDS is not applicable on the dividend paid to a Mutual Fund specified under clause (23D) of Section 10 of the 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.

10. Is TDS applicable to Insurance Companies?



TDS is not applicable on the dividend paid to any insurance company as defined under second proviso to section 194 of the Act. Such Insurance companies shall submit Registration certificate along with declaration that they are an Insurance company as defined above.

11. Is TDS applicable to Category I / Category II Alternative Investment Fund?

Category I / Category II Alternative Investment Fund should submit the declaration evidencing that they 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 Act [covered by Notification No. 51/2015 dated June 25, 2015].

12. Is TDS applicable to National Pension Scheme Trust?

TDS is not applicable on the dividend paid to any person for, or on behalf of, the New Pension System Trust referred to in clause (44) of section 10 of Income Tax Act, 1961. Such person to provide a self-declaration that they are specified in Section 10 (44) of the Income Tax Act, 1961.

13. How can a shareholder know the quantum of tax deducted by the Company from the dividend payment?

To know the quantum of tax deducted, the Company may provide a TDS Certificate in respect of the tax deducted. Shareholders can also check Form 26AS from their e-filing accounts at: <https://www.incometaxindia.gov.in/>

Shareholders can also use the “View Your Tax Credit” facility available at: <https://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.

14. What will be the last date for submission of documents?

All the above-mentioned documents in complete form, should be sent through E-mail at least two (2) days prior to the scheduled Annual General Meeting (AGM) at: investors@newgensoft.com. Failure to do so, will attract higher TDS rates as mentioned herein this FAQs.

In case of Non-resident Shareholders:

- 1. What is the rate of withholding tax on dividend declared & paid to non-resident shareholders? Is there any limit upto which no tax will be withheld?**

For non-resident shareholders, the rate of withholding tax is 20% (plus applicable surcharge and cess) as per the Income Tax Act, 1961.

However, pursuant to the provisions of Section 196D of the Income Tax Act, 1961, 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”).

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

- 2. Is the above rate of 20% increased by surcharge & cess?**

Yes, in case of non-resident shareholders, the rate of 20% would be increased by applicable surcharge based on the status of the non-resident and cess @ 4%.

- 3. What is the applicable rate of surcharge for non-resident shareholders?**

The rate of surcharge depends upon the status of the non-resident and its income.

For other categories of non-resident shareholders, including FIIs/ FPIs:

Income Slab	Rate of Surcharge
Above ₹ 50 Lacs but not exceeding ₹ 1 Crore	10%
Above ₹ 1 Crore	15%

For non-resident shareholders being foreign companies (including FIIs/ FPIs being companies):

Income Slab	Rate of Surcharge
Above ₹ 1 Crore but not exceeding ₹ 10 Crores	2%
Above ₹ 10 Crores	5%

For non-resident shareholders being firms (including FIIs/ FPIs being firms):

Income Slab	Rate of Surcharge
Above ₹ 1 Crore	12%

Cess shall be applicable at 4% on surcharge as above, in all cases.

- 4. Who is eligible for a relief of concessional rate of withholding tax as per the Tax Treaty entered by India with other countries? If eligible, what are the documents required for availing such relief?**

Non-resident shareholders other than FIIs/ FPIs who are tax residents of countries which have signed Double Taxation Avoidance Agreements (DTAAs) with India are eligible for a relief



at the concessional rate of TDS (if any), as per the applicable Tax Treaty.

Following documents are required for availing the concessional rate of withholding tax:

- ✓ Tax Residency Certificate for the financial year in which the dividend is received (to be obtained from the Revenue / Tax authorities of the country of your residence, duly attested.
- ✓ Form 10F as available on <https://www.incometaxindia.gov.in/>.
- ✓ Self-Declaration for the year in which dividend is received, covering the following details:
 - Non-resident is eligible to claim the benefit of the respective tax treaty.
 - Non-resident receiving the dividend income is the beneficial owner of such income.
 - Dividend income is not attributable/effectively connected to any Permanent Establishment (PE) or Fixed Base 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 Rates shall depend upon the completeness and satisfactory review by the Company of the documents submitted by the non-resident shareholder.

5. By when are the documents required for claiming concessional rate benefit under the Treaty, to be submitted?

A non-resident wishing to claim concessional rate benefit under the Treaty should submit the documents at least two (2) days prior to the scheduled Annual General Meeting (AGM).

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. For any queries related to TDS on Dividend you may write to investors@newgensoft.com
