

## **Deduction of Tax at Source on Dividend payable for FY 2021-22**

### **A. Deductibility of TDS on Dividend**

In accordance with the provisions of the Income-tax Act, 1961 (“Act”), as amended by the Finance Act, 2020, with effect from April 1, 2020, dividend declared and paid by a company is taxable in the hands of the shareholders, and, accordingly, the company is required to deduct tax at source (TDS) thereon at the rates prescribed by the Act.

No TDS shall, however, be deductible on dividend payable to a resident individual shareholder if the amount of such dividend, or, as the case may be, the aggregate of the amounts of such dividend, paid during the relevant financial year (i.e., FY 2021-22) does not exceed Rs. 5,000. TDS is also not required to be deducted on dividend payable to-

- (i) the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956, in respect of any shares owned by it or in which it has full beneficial interest;
- (ii) the General Insurance Corporation of India (Corporation) or to any of the four companies, formed by virtue of the schemes framed under sub-section (1) of Section 16 of the General Insurance Business (Nationalization) Act, 1972, in respect of any shares owned by the Corporation or such company or in which the Corporation or such company has full beneficial interest;
- (iii) any other insurer in respect of any shares owned by it or in which it has full beneficial interest;
- (iv) the Government;
- (v) the Reserve Bank of India;
- (vi) a Corporation established by or under a Central Act which is under any law for the time being in force exempt from income tax on its income; or
- (vii) a mutual fund specified u/s. 10(23D) of the Act.

### **B1. Applicable rates of TDS on Dividend**

In the cases of resident shareholders, the applicable TDS rate on dividend as prescribed by the Act is 10%. However, if the shareholder does not furnish its Permanent Account Number (PAN), TDS would be deductible at the rate of 20% (being higher than 10%) as per the provisions of section 206AA of the Act.

Hence, the shareholders are advised to update their PAN with the Depository Participant (if shares are held in DEMAT form), and with the Registrar and Share Transfer Agent of the Company (if shares are held in physical form).

In the cases of non-resident shareholders including Foreign Institutional Investors ('FIIs') and Foreign Portfolio Investors (“FPIs”), TDS on dividend would be applicable at the rate of 20% (plus applicable surcharge and health and education cess).

### **Suratwala Business Group Limited**

( Formerly known as Suratwala Business Group Pvt. Ltd. & Suratwala Housing Pvt. Ltd.)

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CIN : L45200PN2008PLC131361



## **B2. Applicable TDS rates in the cases of non-filers of Return of Income**

As per the provisions of Section 206AB of the Act, inserted by Finance Act, 2021, if any TDS is deductible from a “specified person”, then, TDS would be deducted at higher of the following rates-

- (a) at twice the rate specified in the relevant provision of the Act;
- (b) at twice the rate or rates in force;
- (c) at the rate of 5%.

For the above purpose, “specified person” means a person, being a resident or a non-resident having a Permanent Establishment (PE) in India,-

- (i) who has not filed Return of Income for two consecutive assessment years relevant to the financial years immediately preceding the financial year in which TDS is deductible (for which time limit for filing Return of Income has expired); and
- (ii) the aggregate of TDS deducted and TCS collected in the case of such person is Rs. 50,000 or more in each of the aforesaid two financial years.

Accordingly, if, at the time of deducting TDS, the status of a resident shareholder or a non-resident shareholder (having a PE in India), as shown by the system of the Income-tax Department, is “specified person”, TDS would be deductible at twice the normally applicable rate or 5%, whichever is higher.

Further, if owing to non-availability of PAN of a shareholder who is a “specified person” under section 206AB of the Act, the provisions of section 206AA are also applicable, TDS would be deductible at the rate applicable under section 206AA or under section 206AB of the Act, whichever is higher.

In the cases of resident shareholders, if PAN of a shareholder is not updated, it shall be assumed that the shareholder is a “specified person” for the purpose of section 206AB of the Act and TDS would be regulated accordingly.

It may be noted that, the provisions of Section 206AB shall not be applicable in the cases of non-resident shareholders not having a PE in India. For this purpose, the expression PE (i.e., permanent establishment) includes a fixed place of business through which the business of the non-resident is wholly or partly carried on.

Thus, if a non-resident shareholder, who is otherwise liable for higher TDS under Section 206AB, submits a duly signed and verified declaration confirming that he/she does not have a PE in India, the provisions of Section 206AB would not come into play and TDS would be deductible at the normally applicable rate. In absence of such a declaration, TDS would be regulated as per the provisions of section 206AB of the Act.

### C. Transferring credit to the beneficial owner

In cases where the shareholder is merely a custodian of the shares and, accordingly, not the beneficial owner of the dividend payable in respect thereof, then, in order to transfer the credit of TDS to the beneficial owner of dividend income, the shareholder may provide a declaration prescribed by Rule 37BA of the Income-tax Rules, 1962. The aforesaid declaration shall contain (i) name, address, PAN and residential status of the person to whom credit is to be given; (ii) payment in relation to which credit is to be given; and (iii) the reason for giving credit to such person.

The above declaration must be provided on or before 22nd September, 2021, in order to enable the Company to determine and deduct appropriate TDS/ withholding tax. Please note that no application under Rule 37BA would be considered in absence of the aforesaid details.

### D. Applications for non/lower deduction of TDS

The shareholders have an option to apply to the Company for non-deduction of TDS or deduction of TDS at a lower rate by providing the necessary documents to the Company prescribed as under –

#### (a) Resident Shareholders

Category of shareholder	Documentation requirement
Mutual Fund	Documentary evidence that the person is covered under the provisions of Section 196 of the Act along with self-attested copy of PAN card and registration certificate.
Insurance Company	Self-declaration that the shareholder has full beneficial interest with respect to the shares owned by it along with self-attested copy of PAN card and copy of registration certificate issued by the IRDAI.
Alternative Investment Fund (AIF)	Self-declaration that the person is covered by Notification No. 51/2015 dated 25 <sup>th</sup> June 2015 and established as Category I or Category II AIF under the SEBI regulations along with self-attested copy of PAN card and registration certificate issued by SEBI.
Government (Central/State)	Documentary evidence that the person, being a Government) is covered under Section 196 of the Act.
Any other entity entitled to exemption from TDS	Valid self-attested documentary evidence (e.g., copy of the relevant registration, notification, order, etc.) in support of the entity being entitled to TDS exemption.
Other resident shareholder	- Duly verified Form 15G ( <b>Annexure-1</b> ) or Form 15H ( <b>Annexure-2</b> ) along with the copy of self-attested PAN.  - Certificate obtained from prescribed authority under Section 197 of the Act. (TAN to be used for this purpose - <b>PNES23252F</b> )

**(b) Non-resident shareholders**

Category of shareholder	Documentation requirement
FPIs and FIIs	Update/Verify the PAN and legal entity status as per the Act, if not already done, with the depositories. Provide declaration whether the investment in shares has been made under the general FDI route or under the FPI route.
Any entity entitled to exemption from TDS	Valid self-attested documentary evidence (e.g., copy of the relevant registration, notification, order, etc. by Indian tax authorities) in support of the entity being entitled to exemption from TDS.
Other non-resident shareholders	<p>- Self-attested copy of the PAN allotted by the Indian Income-tax authorities, if any;</p> <p>As per Section 90 of the Act, the non-resident shareholder has the option to be governed by the provisions of the Double Tax Avoidance Treaty between India and the country of tax residence of the shareholder, if they are more beneficial to them. For this purpose, i.e., to avail Tax Treaty benefits, the non-resident shareholders will have to provide the following-</p> <p>-Self-attested copy of valid Tax Residency Certificate (TRC) obtained from the tax authorities of the country of which the shareholder is a resident;</p> <p>- Self-declaration in Form 10F (<b>Annexure-3</b>);</p> <p>-Self-declaration from non-resident, primarily covering the following: -</p> <ul style="list-style-type: none"> <li>(i) The non-resident is eligible to claim the benefit of respective Tax Treaty;</li> <li>(ii) The non-resident receiving the dividend income is the beneficial owner of such income;</li> <li>(iii) Dividend income is not attributable/effectively connected to any Permanent Establishment (PE) or Fixed Base in India, if any, of the non-resident;</li> <li>(iv) The non-resident complies with any other condition prescribed in the relevant Tax Treaty and provisions under the Multilateral Instrument ('MLI');</li> <li>(v) The non-resident does not have a place of effective management in India.</li> <li>(vi) Application of the beneficial rate of Tax Treaty for TDS is at the discretion of the company and shall depend upon completeness of the documentation and review of the same by the Company.</li> </ul>

The non-resident shareholders may also submit Certificate obtained from prescribed authority under section 195/197 of the Indian Income Tax Act (TAN to be used for this purpose – **PNES23252F**).

The above referred documents, duly completed and signed are required to be sent to the Company at the Registered office or email at [cs@suratwala.co.in](mailto:cs@suratwala.co.in) by quoting your Name, Folio number/DEMAT Account No. (DP and Client ID both), Number of shares and PAN details on or before 22<sup>nd</sup> September, 2021 for Final Dividend for the FY 2020-21 in order to enable the Company to determine and deduct appropriate TDS/withholding tax.

Hence, to enable us to deduct TDS on Dividend at the rate lower than the prescribed rate, in FY 2021-22, the above documents should be submitted on or before 22<sup>nd</sup> September, 2021. No communication on the tax determination/ deduction shall be entertained in respect of the dividend declared after the above time limit.

## E. Summary

To sum up, dividend will be paid after deducting TDS at the following rates: -

Sl. No.	Category of shareholder	Rate of TDS
(i)	Resident individual shareholder receiving dividend up to Rs.5,000/- (during a financial year) or in case where duly signed Form 15G/Form 15H (as applicable) along with self-attested copy of the PAN card is submitted by the shareholder.	Nil
(ii)	Resident shareholder (not covered under (i) above) who is not a "specified person" as per section 206AB having a valid PAN.	10%
(iii)	Resident shareholder (not covered under (i) above) not having a valid PAN or is a "specified person" as per section 206AB.	20%
(iv)	Non-resident shareholder who is not a "specified person" as per section 206AB.	20% (plus applicable surcharge and health and education cess)
(v)	Non-resident shareholder who is a "specified person" as per section 206AB.	40% (plus applicable surcharge and health and education cess)
(vi)	A resident shareholder who submits a certificate under Section 197 or non-resident shareholder who submits a certificate under Section 195/197 of the Act.	As per the directions of the certificate

All communications/ queries in this respect should be addressed and sent to our email address mentioned above.

Shareholders may note that, in case the tax on dividend is deducted at a higher rate in absence of receipt or insufficiency of the aforementioned details/ documents, refund of such excess TDS can be claimed by filing Return of Income for the relevant assessment year under the provisions of the Act.

**Disclaimer: The above information does not constitute tax or legal advice. In view of the individual nature of the tax implications, each investor is advised to consult his or her own tax advisors with respect to the specific tax implications.**

# INCOME-TAX RULES, 1962

## FORM NO. 15G

[See section 197A(1), 197A(1A) and rule 29C]

### Declaration under section 197A(1) and section 197A(1A) to be made by an individual or a person (not being a company or firm) claiming certain incomes without deduction of tax

#### PART I

1. Name of Assessee (Declarant)		2. PAN of the Assessee <sup>1</sup>		
3. Status <sup>2</sup>	4. Previous year(P.Y.) <sup>3</sup> (for which declaration is being made)		5. Residential Status <sup>4</sup>	
6. Flat/Door/Block No.	7. Name of Premises	8. Road/Street/Lane	9. Area/Locality	
10. Town/City/District	11. State	12. PIN	13. Email	
14. Telephone No. (with STD Code) and Mobile No.		15 (a) Whether assessed to tax under the Income-tax Act, 1961 <sup>5</sup> :  (b) If yes, latest assessment year for which assessed		
		Yes	No	
		<input type="checkbox"/>	<input type="checkbox"/>	
16. Estimated income for which this declaration is made		17. Estimated total income of the P.Y. in which income mentioned in column 16 to be included <sup>6</sup>		
18. Details of Form No. 15G other than this form filed during the previous year, if any <sup>7</sup>				
Total No. of Form No. 15G filed		Aggregate amount of income for which Form No.15G filed		
19. Details of income for which the declaration is filed				
Sl. No.	Identification number of relevant investment/ account, etc. <sup>8</sup>	Nature of income	Section under which tax is deductible	Amount of income

.....  
*Signature of the Declarant*<sup>9</sup>

#### **Declaration/Verification**<sup>10</sup>

\*I/We..... do hereby declare that to the best of \*my/our knowledge and belief what is stated above is correct, complete and is truly stated. \*I/We declare that the incomes referred to in this form are not includible in the total income of any other person under sections 60 to 64 of the Income-tax Act, 1961. \*I/We further declare that the tax \*on my/our estimated total income including \*income/incomes referred to in column 16 \*and aggregate amount of \*income/incomes referred to in column 18 computed in accordance with the provisions of the Income-tax Act, 1961, for the previous year ending on ..... relevant to the assessment year ..... will be *nil*. \*I/We also declare that \*my/our \*income/incomes referred to in column 16 \*and the aggregate amount of \*income/incomes referred to in column 18 for the previous year ending on ..... relevant to the assessment year ..... will not exceed the maximum amount which is not chargeable to income-tax.

Place: .....

Date: .....

.....  
*Signature of the Declarant*<sup>9</sup>

1. Substituted by IT (Fourteenth Amdt.) Rules 2015, w.e.f. **1-10-2015**. Earlier Form No. 15G was inserted by the IT (Fifth Amdt.) Rules, 1982, w.e.f. 21-6-1982 and later on amended by the IT (Fifth Amdt.) Rules, 1989, w.r.e.f. 1-4-1988, IT (Fourteenth Amdt.) Rules, 1990, w.e.f. 20-11-1990 and IT (Twelfth Amdt.) Rules, 2002, w.e.f. 21-6-2002 and substituted by the IT (Eighth Amdt.) Rules, 2003, w.e.f. 9-6-2003 and IT (Second Amdt.) Rules, 2013, w.e.f. 19-2-2013.



**<sup>1</sup>FORM NO. 15H**

[See section 197A(1C) and rule 29C]

**Declaration under section 197A(1C) to be made by an individual who is of the age of sixty years or more claiming certain incomes without deduction of tax.****PART I**

1. Name of Assessee (Declarant)		2. Permanent Account Number or Aadhaar Number of the Assessee <sup>1</sup>		3. Date of Birth <sup>2</sup> (DD/MM/YYYY)	
4. Previous year(P.Y.) <sup>3</sup> (for which declaration is being made)		5. Flat/Door/Block No.		6. Name of Premises	
7. Road/Street/Lane		8. Area/Locality		9. Town/City/District	
				10. State	
11. PIN	12. Email		13. Telephone No. (with STD Code) and Mobile No.		
14 (a) Whether assessed to tax <sup>4</sup> :				Yes	No
(b) If yes, latest assessment year for which assessed					
15. Estimated income for which this declaration is made					
16. Estimated total income of the P.Y. in which income mentioned in column 15 to be included <sup>5</sup>					
17. Details of Form No.15H other than this form filed for the previous year, if any <sup>6</sup>					
Total No. of Form No.15H filed		Aggregate amount of income for which Form No.15H filed			
18. Details of income for which the declaration is filed					
Sl. No.	Identification number of relevant investment/account, etc. <sup>7</sup>	Nature of income	Section under which tax is deductible	Amount of income	

.....  
*Signature of the Declarant*

1. Substituted by the IT (Fourteenth Amdt.) Rules, 2015, w.e.f. **1-10-2015**. Earlier Form No. 15H was amended by the IT (Fifth Amdt.) Rules, 1982, w.e.f. 21-6-1982, IT (Fifth Amdt.) Rules, 1989, w.r.e.f. 1-4-1988, IT (Fourteenth Amdt.) Rules, 1990, w.e.f. 20-11-1990, IT (Twelfth Amdt.) Rules, 1992, w.e.f. 1-6-1992, IT (Seventh Amdt.) Rules, 1995, w.e.f. 1-7-1995, IT (Thirty-second Amdt.) Rules, 1999, w.e.f. 19-11-1999, IT (Twelfth Amdt.) Rules, 2002, w.e.f. 21-6-2002, IT (Eighth Amdt.) Rules, 2003, w.e.f. 9-6-2003, IT (Fourteenth Amdt.) Rules, 2003, w.e.f. 1-8-2003 and IT (Second Amdt.) Rules, 2013, w.e.f. 19-2-2013.



***Declaration/Verification<sup>8</sup>***

I ..... do hereby declare that I am resident in India within the meaning of section 6 of the Income-tax Act, 1961. I also hereby declare that to the best of my knowledge and belief what is stated above is correct, complete and is truly stated and that the incomes referred to in this form are not includible in the total income of any other person under sections 60 to 64 of the Income-tax Act, 1961. I further declare that the tax on my estimated total income including \*income/incomes referred to in column 15 \*and aggregate amount of \*income/incomes referred to in column 17 computed in accordance with the provisions of the Income-tax Act, 1961, for the previous year ending on ..... relevant to the assessment year ..... will be *nil*.

*Place:* .....

.....

*Date:* .....

*Signature of the Declarant*

FORM NO. 10F

[See sub-rule (1) of rule 21AB]

Information to be provided under sub-section (5) of section 90 or  
sub-section (5) of section 90A of the Income-tax Act, 1961

I ..... \*son/daughter of Shri ..... in the  
capacity of ..... (designation) do provide the following information,  
relevant to the previous year ....., \*in my case/in the case of  
..... for the purposes of sub-section (5) of \*section 90/section 90A:—

Sl. No.	Nature of information		Details
(i)	Status (individual, company, firm etc.) of the assessee	:	
(ii)	[Permanent Account Number or Aadhaar Number] of the assessee if allotted	:	
(iii)	Nationality (in the case of an individual) or Country or specified territory of incorporation or registration (in the case of others)	:	
(iv)	Assessee's tax identification number in the country or specified territory of residence and if there is no such number, then, a unique number on the basis of which the person is identified by the Government of the country or the specified territory of which the assessee claims to be a resident	:	
(v)	Period for which the residential status as mentioned in the certificate referred to in sub-section (4) of section 90 or sub-section (4) of section 90A is applicable	:	
(vi)	Address of the assessee in the country or territory outside India during the period for which the certificate, mentioned in (v) above, is applicable	:	

2. I have obtained a certificate referred to in sub-section (4) of section 90 or sub-section (4) of section 90A from the Government of .....  
(name of country or specified territory outside India).

Signature: .....

Name: .....

Address: .....

[Permanent Account Number or Aadhaar Number] : .....

**Verification**

I ..... do hereby declare that to the best of my knowledge and belief what is stated above is correct, complete and is truly stated.

Verified today the ..... day of .....

.....

Place: .....

Signature of the person providing the information

Notes :

1. \*Delete whichever is not applicable.
2. #Write N.A. if the relevant information forms part of the certificate referred to in sub-section (4) of section 90 or sub-section (4) of section 90A.