

Applicable Tax Deduction at Source (TDS) provisions under the Income Tax Act, 1961 ('the IT Act') for Resident and Non-Resident shareholder categories (Individual/Non-Individual)

I. For Resident Shareholders -

Tax is required to be deducted at source under Section 194 of the IT Act at the rate of 10% on the amount of dividend where shareholder(s) have registered their valid Permanent Account Number (PAN) and at a rate of 20% for cases wherein:

- a) the shareholder(s) do not have PAN / have not registered their valid PAN details in their account.
- b) the shareholder(s) who are specified person in terms of Section 206AB of the IT Act. The Finance Act, 2022 has further reduced the above period of consideration for non-filing of returns as well as for exceeding the TDS threshold prescribed to 1 year. The Company is accordingly required to deduct TDS twice the rate specified under the Act in respect of payment of dividend to such persons/shareholders.

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

a. Resident Individuals:

No tax shall be deducted on the dividend payable to resident individuals if –

- ❖ Total amount of dividend to be received during the Financial Year 2022-23 does not exceed Rs. 5,000/-
- ❖ The shareholder provides Form 15G (applicable to Individuals) / Form 15H (applicable to an Individual above the age of 60 years), provided that all the required eligibility conditions are met. These forms can be accessed at the link provided in this communication mentioned below.

Please note that all fields are mandatory to be filled up and Company may at its sole discretion reject the form if it does not fulfil the requirement of law.

- ❖ Exemption certificate is issued by the Income-tax Department, if any.

b. Resident Non-Individuals:

Are requested to provide –

- ❖ **Insurance Companies:** For Public & Other Insurance companies, a declaration that it has full beneficial interest with respect to the shares owned by it along with self-attested copy of PAN and certificate of registration with Insurance Regulatory and Development Authority (IRDA)/ LIC/ GIC.
- ❖ **Mutual Funds:** Self-declaration that they are specified in Section 10 (23D) of the IT Act along with self-attested copy of the PAN card and SEBI registration certificate
- ❖ **Alternative Investment Fund (AIF):** AIF established/incorporated in India - Self-declaration that its income is exempt under Section 10 (23FBA) of the IT Act and they are governed by SEBI regulations as Category I or Category II AIF along with self-attested copy of the PAN card and SEBI registration certificate.

- ❖ **New Pension System (NPS) Trust:** Self-declaration that it qualifies as NPS trust and income is eligible for exemption under section 10(44) of the Act and being regulated by the provisions of the Indian Trusts Act, 1882 along with self-attested copy of the PAN card.
- ❖ **Other Non-Individual shareholders:** Documentary evidence along with an attested copy of the PAN for Shareholders who are exempted from deduction of tax under Section 194 of the IT Act, and categories covered u/s 196 of the IT Act.
- c. In case where the shareholders provide certificate under Section 197 of the IT Act for lower / NIL withholding of taxes, rate specified in the said certificate shall be considered based on submission of self-attested copy of the same.

II. For Non-resident Shareholders –

- a. Taxes are required to be withheld in accordance with the provisions of Section 195 or Section 196D of the IT Act as per the rates in force. As per the relevant provisions of the IT Act, the withholding tax shall be at the rate of 20% (plus applicable surcharge and cess) on the amount of dividend payable to them. In case, certificate issued under Section 197/195 of the IT Act is given by non-resident shareholders for lower/ Nil withholding of taxes, rate specified in the said certificate shall be considered based on submission of self-attested copy of the same.
- b. Further, as per Section 90 of the IT Act, the non-resident shareholder has the option to be governed by the provisions of the Double Tax Avoidance Treaty between India and their country of residence, 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:
 - ❖ Self-attested copy of the PAN Card allotted by the Indian Income Tax authorities. If the PAN is not available, the non-resident shareholder shall furnish name, email address, contact number, tax identification number allotted in the country of residence and address in country of residence
 - ❖ Self-attested copy of Tax Residency Certificate (TRC) (of FY 2022-23) obtained from the tax authorities of the country of which the shareholder is resident
 - ❖ Self-declaration in Form 10F if all the details required in this form are not mentioned in the TRC
 - ❖ Self-declaration by the non-resident shareholder of having no Permanent Establishment in India in accordance with the applicable Tax Treaty (of FY 2022-23 or later)
 - ❖ Self-declaration of Beneficial ownership (of FY 2022-23 or later) by the non-resident shareholder.
 - ❖ In case of shareholder being tax resident of Singapore proof of satisfying requirement of Article 24
 - Limitation of Relief should be provided.

It is recommended that shareholders should independently satisfy its eligibility to claim Double Tax Avoidance Treaty benefit including meeting of all conditions laid down by Double Tax Avoidance Treaty.

Kindly note that the Company is not obligated to apply beneficial tax treaty rates at the time of tax deduction / withholding on dividend amounts. Application of beneficial rate of tax treaty for the purpose of withholding taxes shall depend upon completeness and satisfactory review by the Company of the documents submitted by the non-resident shareholder.



The exemption forms viz – **Form 15H/Form 15G/Form 10F and format of Declaration** as required to be provided by Resident/Non Resident shareholders can be **accessed and downloaded** from the website of the Company at <http://yogloans.com/Forms-for-TDS-on-Dividend.aspx>

Accordingly, in order to enable us to determine the appropriate TDS / withholding tax rate applicable, **we request you to provide these details and documents as mentioned above on or before Sept 24, 2022.**

Kindly note that the scan copy aforementioned documents properly filled and signed are required to be emailed to dividendtax@yogloans.com

The Finance Act, 2021, has *inter alia* inserted the provisions of Section 206AB of the Act with effect from July 1, 2021. The provisions of Section 206AB of the Act require the deductor to deduct tax at higher of the following rates from amount paid/ credited to 'specified person':

- i. At twice the rate specified in the relevant provision of the Act; or
- ii. At twice the rates or rates in force; or
- iii. At the rate of 5%

As per Central Board of Direct Taxes vide Circular No. 11 of 2021 dated 21st June 2021, for determining TDS rate on Dividend, the Company will be using functionality of the Income-tax department to determine the applicability of Section 206AB of the Act. Rate of 20% will be applied for shareholders who are determined as specified person in Income tax department portal.

The said dividend for FY 2021-22 will be paid during FY 2022-23 after deducting the tax at source as under:

- i. **Nil** - for resident shareholders in case aggregate dividend payout is less than Rs. 5,000 during FY 2022-23 or in cases Form 15G / Form 15H (as applicable) along with self-attested copy of the PAN is submitted, if not registered against the demat account. Lower/ NIL withholding tax rate on submission of self-attested copy of the certificate issued under Section 197 of the Income Tax Act, 1961.
- ii. **10%** - for resident shareholders in case PAN is provided / available.
- iii. **20%** - for resident shareholders in case PAN is not provided / not available.
- iv. Beneficial tax treaty rate (based on tax treaty with India) for non-resident shareholders, as applicable will be applied on the basis of documents submitted by the non-resident shareholders. (**Note:** Application of beneficial Tax Treaty Rate shall depend upon the completeness of the documents submitted by the Non-Resident shareholder and review to the satisfaction of the Company)

TDS/withholding tax at 20% plus applicable surcharge and cess shall apply for non-resident shareholders in case the aforementioned documents are not submitted (including FII/FPI). Shareholders holding shares under multiple accounts under different status/category and single PAN, may note that, a higher rate of the tax as applicable to the status in which shares held under a PAN will be considered on their entire holding in different accounts.

In the event of any income tax demand (including interest, penalty, etc.) arising from any misrepresentation, inaccuracy or omission of information provided by the Shareholder/s, such Shareholder/s will be responsible to indemnify the Company and also, provide the Company with all information/documents and co-operation in any appellate proceedings.

UPDATION OF BANK ACCOUNT DETAILS:

Shareholders are requested to ensure that their bank account details in their respective demat accounts are updated, to enable the Company to make timely credit of dividend in their bank accounts.

In terms of Rule 37BA of Income Tax Rules 1962, if dividend income on which tax has been deducted at source is assessable in the hands of a person other than the deductee, then deductee should file a declaration with Company in manner prescribed by Rules, format of which is available on the website of the Company at <http://yogloans.com/Forms-for-TDS-on-Dividend.aspx>

Disclaimer: This communication shall not be treated as an advice from the Company or its affiliates. Shareholders should obtain the tax advice related to their tax matters from a tax professional.