

Frequently Asked Questions on Taxation of Dividend

1. What is the new tax regime as per the Finance Act, 2020?

The Finance Act, 2020 has removed the levy of Dividend Distribution Tax and adopted the classical system of dividend taxation under which Corporates would not be required to pay Dividend Distribution Tax. The dividend shall be taxed only in the hands of the shareholders. However, companies are required to deduct tax at source ('TDS') on the dividend income at prescribed rates for all shareholders i.e. resident/non-resident/FII/FPI.

2. What is the date of applicability of the new tax regime?

The new tax regime is applicable w.e.f. April 1, 2020.

3. I am a resident individual shareholder. At what rate my dividend will be subjected to TDS?

In case of resident shareholders whose PAN is registered with Corporation/Depository Participant, tax @ 10% on dividend income will be deducted at source. In absence of registration of PAN, TDS rate of 20% will apply.

4. Where can a shareholder find the rate of applicable TDS?

Kindly refer the below table for easy reference.

Particulars	Resident Shareholders	Non Resident Shareholders - other than FIIs/FPIs	FII/FPIs
Applicable section	194	195	196D
Threshold	Rs. 5000 (Applicable only to Individual Shareholders)	Nil	Nil
Form 15G / 15H	Can be submitted only by Individual shareholders	Not applicable	Not applicable
DTAA benefit	Not applicable	Subject to furnishing mandatory documents as prescribed under the Income tax Act, 1961 (I-T Act)	Subject to furnishing mandatory documents as prescribed under the I-T Act

TDS rates	10%	20% (plus applicable surcharge and education cess) subject to applicable DTAA rates	20% (plus applicable surcharge and education cess) subject to applicable DTAA rates
Nil/ Lower withholding certificate under Section 195/ 197 of the I-T Act	As per the rates specified in the Nil/ lower withholding certificate issued by the Income Tax Authority as per the provisions of Section 195/ 197 of the I-T Act.		

Kindly refer the Corporation's website at <https://www.hdfc.com/investor-services#dividend> for complete details.

5. How can a shareholder update his/her PAN?

- Shares are held in demat form – please update with your Depository Participant.
- Shares held in physical form – please update PAN with the Corporation by sending a request letter along with self-attested copy of PAN to the Investor Services Department of the Corporation at below address.

Investor Services Department
5th Floor, Ramon House
H.T. Parekh Marg,
169, Backbay Reclamation
Churchgate, Mumbai- 400 020

6. Can a shareholder submit Form no. 15G/ 15H for non deduction of tax at source?

Resident shareholder, being an individual, whose total dividend income in a financial year from the Corporation exceeds ₹5,000 and who wish to receive dividend without deduction of tax at source may submit a declaration in Form No. 15G. In case if a resident shareholder is aged 60 years or more, he/she may submit Form No. 15H.

7. I hold shares of the Corporation under the Hindu Undivided Family (HUF) category. Can I submit Form no. 15G/Form no. 15H?

No. Kindly note that the threshold of Rs. 5,000 or option to file Form 15G / Form 15H is not applicable to Resident HUF shareholders and the Corporation would deduct TDS in respect of such shareholders, as specified under Section 194 in full.

8. From where a shareholder can obtain Form 15G/ 15H?

For the convenience of shareholders, template of Form No. 15G/15H has been made available on the website of the Corporation at <https://www.hdfc.com/investor-services#dividend>.

A shareholder may also obtain the same by writing an email to investorcare@hdfc.com.

9. What is the procedure to submit Form no.15G/ 15H online?

Click on the link https://investorservices.hdfc.com/isd_form15gh

Enter PAN

- PAN will search entire database.
- If found, system will allow shareholders to proceed further.
- If not found, system will prompt “PAN does not exist. Kindly contact Investor Services Dept.”

Enter Date of Birth

- After entering the date of Birth, system will allow to proceed further with due verification of DD-MON-YYYY (Eg. 01-JAN-1990).

Enter Folio No. or Client ID

- Field 1 for Folio no. - 8 character alpha numeric
- Field 2 for client ID with NSDL -8 character only numeric
- Field 3 for client if with CDSL -16 character only numeric
- Folio No. or Client ID will search entire database.
- If found, system will allow to proceed further.
- If not found, system will prompt “Does not exist. Kindly contact Investor Services Dept.”

Generate OTP

- If found Folio No. or Client ID, system will generate OTP.
- This OTP will be sent to Mobile No. as well as email address
- System prompts “OTP sent successfully on your Mobile or Email or on both”

Enter OTP

- Shareholder to put any one OTP (i.e. either from Mobile or Email)

Display Form 15-G or 15-H on the screen

- After verification of OTP, system will display prefilled Form 15G or 15H
- Sr. No. 1 to 14 and 19 will be prefilled in Form 15G
- Sr. No. 1 to 13 and 18 will be prefilled in Form 15H
- Sr. No. 15 to 18 to be filled by the Shareholder in Form 15G.
- Sr. No. 14 to 17 to be filled by the Shareholder in Form 15H.

System will allow to submit the Form.

- In case any field is blank, the system will not allow to submit the Form.

10. What is the procedure to submit physical Form no.15G/ Form no. 15H?

Form No. 15G/ Form No. 15H should be submitted in original to the Corporation at its Registered Office at Ramon House, H T Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai 400 020.

Kindly note that the said forms (online/physical) will be accepted till June 30, 2021.

11. Which other documents are required to be submitted along with physical Form no. 15G/Form no. 15H?

No other documents are required to be submitted along with Form no. 15G/ Form no. 15H. However, kindly ensure that your PAN is registered with your Depository Participant in case you are holding shares in demat form and with the Corporation in case you are holding shares in physical holding.

12. What if I do not submit Form no. 15G/Form no. 15H?

In case you do not submit Form no. 15G or Form no. 15H, the Corporation would deduct tax at applicable rates in case your total dividend income from the Corporation in a financial year exceeds Rs. 5000. However, you may claim refund of the tax by submitting the relevant documents at the time of filing of your income tax return with the Income Tax Authorities.

13. If Form no. 15G/Form no. 15H are submitted online, then whether submitting the physical copy is compulsory?

No, if it is submitted online, then submission of physical copy is not required.

14. What is the amount of dividend which is exempt from TDS?

Total dividend income in a financial year for resident individual shareholders not exceeding Rs. 5,000 is exempt from TDS. TDS may also be exempt in the following cases:

- Insurance companies covered by the provisions of section 194 of the I-T Act (provided they share the copy of the registration certificate as issued by the IRDAI);
- Mutual Funds specified under clause (23D) of section 10 of the I-T Act and covered under clause (iv) of Section 196 of the I-T Act (provided they share documents substantiating that they are covered under clause (23D) of section 10 of the I-T Act);
- Category I and Category II, Alternative Investment Fund (AIF) established in India (provided they share the copy of the registration with respect to category as per SEBI regulations and a self-declaration that its dividend income is not chargeable under the head 'Profit and Gains of Business or Profession' and exempt under section 10(23FBA) of the I-T Act;

- Corporation established by or under a Central Act (covered under Section 196 of the I-T Act);

15. What is the TDS rate for Non-resident shareholders?

Non-resident shareholders may visit the website of the Corporation at <https://www.hdfc.com/investor-services#dividend> wherein rates of TDS have been provided category wise.

16. Who is eligible to claim benefits under Double Taxation Avoidance Agreement?

As per section 90 of the I-T Act, a non-resident shareholder (including FPI and FII) has an option to be governed by the provisions of the Double Taxation Avoidance Agreement ('DTAA') between India and the country of tax residence of the shareholder, if such DTAA provisions are more beneficial to such shareholder. To avail the DTAA benefits, the non-resident shareholder will have to compulsorily provide the following documents:

- a. Copy of Permanent Account Number (PAN), if available. In absence of PAN, the shareholder to provide contact address (of the country where the shareholder is a resident), email address, contact number and Tax identification number of the country in which it is resident to avail the DTAA benefit. In absence of the above details, TDS rate of 20% plus applicable surcharge and health and education cess of 4% will apply.
- b. Self-attested copy of Tax Residency Certificate ('TRC') issued by the revenue tax authorities of the country of which shareholder is tax resident, evidencing and certifying shareholder's tax residency status during FY 2021-22.
- c. Completed and duly signed Self-Declaration in Form 10F.
- d. Self-declaration of having no taxable presence, fixed based or permanent establishment in India in accordance with the applicable Tax Treaty and Beneficial ownership by the non-resident shareholder.

Declaration can be downloaded from <https://www.hdfc.com/investor-services#dividend>

The Corporation will apply its sole discretion and is not obligated to apply the beneficial DTAA rates for tax deduction on dividend payable to shareholders. Application of beneficial DTAA rate shall depend upon the completeness and satisfactory review by the Corporation of the documents submitted by the Non- Resident shareholders.

17. Are DTAA benefits also applicable to FPI/FII shareholders?

Yes. The detailed explanation in this regard is provided below.

The Finance Act, 2021, inserted a proviso to section 196D(1) of the I-T Act to provide that in case of a payee to whom an agreement referred to in section 90(1) or section 90A(1) applies and such payee has furnished the TRC referred to in section 90(4) or section 90A(4) of the I-

T Act, then the tax shall be deducted at the rate of 20% or rate or rates of income-tax provided in such agreement for such income, whichever is lower.

Accordingly, the TDS rates mentioned above will be further subject to any benefits available under the DTAA read with MLI provisions, if any, between India and the country in which such **FPI/FII shareholder** is considered as resident in terms of such DTAA read with MLI.

This amendment is effective on all dividend payments on or after April 1, 2021.

18. How can a shareholder know the quantum of tax deducted by the Corporation from the dividend being paid?

The amount of tax deducted on dividend being paid would be mentioned on the dividend warrant and the e-payment advice.

19. Will TDS deducted be different in case a resident individual shareholder if the PAN-Aadhaar are not linked?

Effective July 1, 2021, if an individual resident shareholder has not linked his PAN and Aadhaar then as per Rule 114AAA of the Income Tax Rules, 1962, PAN of an individual taxpayer shall become inoperative. Once PAN is inoperative, it shall be deemed that the PAN has not been furnished, intimated or quoted and TDS rate of 20% shall apply as per the provisions of Section 206AA of the Act in such cases.

20. Will TDS deducted be different in case a shareholder does not file Income Tax Return?

Effective July 1, 2021, Finance Act, 2021 has inserted section 206AB of the I-T Act on special provision for TDS for non-filers of income-tax return whereby tax has to be deducted at twice the rate specified in the relevant provision of the Act.

Section 206AB(1) of the I-T Act provides that where TDS is required to be deducted under Chapter XVIIIB, other than sections 192, 192A, 194B, 194BB, 194LBC or 194N on any sum or income or amount paid, or payable or credited, by a person to a specified person, the tax shall be deducted at the higher of the below rates:-

- at twice the rate specified in the relevant provision of the Act; or
- at twice the rate or rates in force; or
- at the rate of 5%.

Further, sub section (2) of section 206AB provides that where sections 206AA and 206AB are applicable i.e. the specified person has not submitted the PAN as well as not filed the return; the tax shall be deducted at the higher rate between both the said sections.

21. Who is a specified person?

The term 'specified person' is defined in sub section (3) of section 206AB of I-T Act who satisfies the following conditions:

- A person who has not filed the income tax return for two previous years immediately prior to the previous year in which tax is required to be deducted, for which the time limit of filing of return of income under section 139(1) of the I-T Act has expired; and
- The aggregate of TDS and TCS in his case is Rs. 50,000 or more in each of these two previous years.

The non-resident who does not have the permanent establishment is excluded from the scope of a specified person.