
Tax Deducted at Source (TDS) on Dividend Distribution under the Income Tax Act, 1961 (“the Act”) applicable w.e.f. 1st April 2025

A. On Resident Shareholders: -

Type of Shareholder	TDS (Rate) on Dividend
Resident Individual Shareholder receiving dividend upto Rs. 10,000/- during the financial year (As per Section 194 of the Act)	Nil
Resident Individual Shareholders which provides declaration in Form 15G/ Form 15H (as applicable)	Nil
Other Resident Shareholders in case PAN is provided/ available (As per Section 194 of the Act)	10%
Resident Shareholders if PAN not provided/ not available (As per Section 194 read with Section 206AA of the Act)	20%

B. On Non-Resident Shareholders: -

For non-resident shareholders, the rate of withholding tax is @20% (plus applicable surcharge) and cess @4% as per Section 195 and 196D of the Act. However, where a non-resident shareholder is eligible to claim the tax treaty benefit, and the tax rate provided in the respective tax treaty is beneficial to the shareholder, then the rate as per the tax treaty would be applied. In order to avail tax treaty benefits, non-resident shareholders would be required to submit **ALL the below** documents:

- Tax Residency Certificate (TRC) for the year in which the dividend is received (*to be obtained from the Revenue / Tax authorities of the country of which the shareholder is resident*);
- Self-declaration in Form 10F (*mandated to issue electronically/ online on the income tax portal*);
- Self-attested copy of PAN; and
- Self-declaration on letterhead of having no Permanent Establishment in India, Beneficial ownership of shares and eligibility to claim treaty benefits.

Please note that the Company is not obligated to apply the beneficial treaty rates at the time of tax deduction/withholding on the dividend amount. Application of beneficial treaty Rate shall depend upon the completeness and satisfactory review by the Company, of all the above documents submitted by the non- resident shareholder.

If the documents are not provided or are insufficient to apply the beneficial treaty rates, then tax will be deducted @20% (plus applicable surcharge) and Cess @4%.

Applicability of TDS Rates on Non-Resident Shareholders (including FIIs/ FPIs) subject to applicable DTAA rates

- TDS rates for Non-resident Individuals, HUF, AOP, BOI (including FIIs/ FPIs other than Companies/ Firms):-

Dividend amount	Basic	Surcharge	Cess	Effective TDS Rate
Upto Rs. 50 Lakhs	20%	Nil	4%	20.8%
Above Rs. 50 Lakhs but not exceeding Rs. 1 Crore	20%	10%	4%	22.88%
Above Rs. 1 Crore	20%	15%	4%	23.92%

- TDS rates for Non-resident Companies (including FIIs/ FPIs being companies):-

Dividend amount	Basic	Surcharge	Cess	Effective TDS Rate
Upto Rs. 1 Crore	20%	Nil	4%	20.8%
Above Rs. 1 Crore but not exceeding Rs. 10 Crores	20%	2%	4%	21.216%
Above Rs. 10 Crores	20%	5%	4%	21.84%

- TDS rates for Non-resident Firms (including FIIs/ FPIs being firms):-

Dividend amount	Basic	Surcharge	Cess	Effective TDS Rate
Upto Rs. 1 Crore	20%	Nil	4%	20.8%
Above Rs. 1 Crores	20%	12%	4%	23.296%

Note:- Further, it may be noted that there is an additional requirement of filing of Form 15CA and/ or Form 15CB in case of non-resident shareholders.

Benefit under Rule 37BA 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 will have to provide the details of such beneficial shareholders along with self-declaration that the shareholders are the beneficial owners and hence the TDS to be credited to beneficiary PAN.

C. NIL/ Lower tax will be deducted on dividend payable to the following categories of resident shareholders, on submission of self-declaration:-

- **Insurance companies:** No TDS is required to be deducted as per Section 194 of the Act subject to the submission of documentary evidence to prove that the Insurance company qualify as Insurer in terms of the provisions of Section 2(7A) of the Insurance Act, 1938 along with self-attested copy of PAN card;
- **Mutual Funds:** No TDS is required to be deducted as per Section 196(iv) of the Act subject to the submission of documentary evidence to prove that the mutual fund is a specified mutual fund under clause (23D) of section 10 of the Act and is eligible for exemption, along with self-attested copy of the registration documents and PAN card;
- **Alternative Investment Fund (AIF) established in India:** No TDS is required to be deducted subject to submission of documentary evidence to prove that AIF is a fund eligible for exemption u/s 10(23FBA) of the Act and that they are established as Category I or Category II AIF under the Securities and Exchange Board of India (Alternative Investment Fund) Regulations, 2012, made under the Securities and Exchange Board of India Act, 1992 (15 of 1992). Copy of self- attested registration documents and PAN card should also be provided;
- **Recognised Provident Funds:** No TDS is required to be deducted as per Circular No.18/2017 subject to specified conditions. Self-attested copy of a valid order from Commissioner under Rule 3 of Part A of Fourth Schedule to the Income Tax Act, 1961, or self-attested valid documentary evidence (for e.g. relevant copy of registrations, notification, order, etc.) in support of the provident fund being established under a scheme framed under the Employees Provident Funds Act, 1952 needs to be submitted.
- **Approved Superannuation fund:** No TDS is required to be deducted as per Circular No.18/2017 subject to specified conditions. Self-attested copy of valid approval granted by Commissioner under Rule 2 of Part B of Fourth Schedule to the Income Tax Act, 1961 needs to be submitted.
- **Approved Gratuity Fund:** No TDS is required to be deducted as per Circular No.18/2017 subject to specified conditions. Self-attested copy of valid approval granted by Commissioner under Rule 2 of Part C of Fourth Schedule to the Income Tax Act, 1961 needs to be submitted.
- **National Pension Scheme Trust:** No TDS is required to be deducted as per section 197A(1E) of the Act subject to the submission of self- attested copy of registration certificate/ declaration that you qualify as NPS Trust for the purpose of section 197A(1E) of the Act, and that your income is eligible for exemption under section 10(44) of the Act;
- **Dividend payable to Government, Reserve Bank or certain corporations:** No TDS is required to be deducted as per Section 196 of the Act;

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- Shareholders who have provided a valid certificate issued under section 197 of the Act for lower / Nil rate of deduction or an exemption certificate issued by the Income Tax authorities.

Note:-

The above communication on TDS provisions on Dividend sets out the provisions of law in a summary manner only, as on the date of the communication and does not purport to be a complete analysis or listing of all potential tax consequences. Shareholders/ Members should consult with their own tax advisors for the tax provisions applicable to their particular circumstances.
