

## FAQs on Tax deducted at Source (TDS) on Dividend

### **1. TDS applicable to a resident individual shareholder with valid PAN:**

- Effective April 1, 2020, as per the Income Tax Act, 1961, the dividend income is taxable in the hands of shareholders. Accordingly, if any resident individual shareholder is in receipt of dividend exceeding Rs. 5,000 in a fiscal year, entire dividend will be subject to TDS @ 10%. The rate of 10% is applicable provided the shareholder has updated his/her Permanent Account Number (PAN) with the depository/ Registrar and Transfer Agent (RTA). Otherwise the TDS rate will be 20%.
- If the dividend to a resident individual shareholder does not exceed Rs 5,000 in a fiscal year, no TDS is applicable.
- If the resident individual shareholder provides declaration in Form 15G/ Form 15H, no TDS is applicable. Forms are available under Investor Information tab of [www.nrail.com](http://www.nrail.com).

### **2. TDS applicable to a resident individual shareholder without or invalid PAN:**

If the resident individual shareholder has not updated the PAN or has provided an invalid PAN to the depository/ RTA or has not linked PAN to Aadhaar number, then TDS will be made at 20%.

### **3. TDS applicable to a resident non-individual shareholder (HUF, Firm, AOP, BOI, Company):**

The entire dividend will be subject to TDS for non-individual resident shareholders without any threshold limit. The tax deduction rate will be 10% provided a valid PAN is updated with the company or the depository/ RTA. Otherwise, the TDS rate will be 20%.

### **4. TDS applicable to insurance companies:**

TDS is not applicable on the dividend paid to the insurance companies in case it provides a self-declaration that the shares are owned by it and it has full beneficial interest along with a self-attested PAN.

### **5. 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 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.

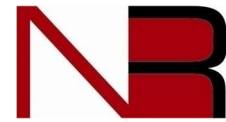
### **6. Deduction of Tax at Higher rates in case of Non-filers of returns (Section 206AB)**

With effective from July 1, 2021, new section is introduced, and the tax shall be deductible at the higher rates prescribed under this provision if the following conditions are satisfied:

email: [admin@nrail.com](mailto:admin@nrail.com), website: [www.nrail.com](http://www.nrail.com)

CIN: L22210MH1993PLC133365

502-A/501-B, FORTUNE TERRACES, 5TH FLOOR, OPP. CITY MALL, NEW LINK ROAD,  
ANDHERI (W), MUMBAI – 400 053. TEL: +91 22 67317500, FAX: +91 22 26730227



- A. Deductee (shareholder) has not filed the return of income for 2 assessment years relevant to the previous years immediately prior to the previous year in which tax is required to be deducted.
- B. The due date to file such return of income, as prescribed under section 139(1), has expired; and
- C. The aggregate amount of tax deducted and collected at source is Rs. 50,000 or more in each of these 2 previous years

### **Rate of TDS:**

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
- C. 5%

*As per the above, for Resident shareholders who have not filed the return of income for FY 2019-20 and FY 2018-19 and whose total TDS/ TCS during these years exceed Rs. 50,000, TDS will be made at 20%.*

If case of No PAN/ Invalid PAN, including non-linking to Aadhaar number, the total TDS shall be deducted at the rate of 40% under section 206AA (20%) and 206AB (20%)

In summary, this section provides for deduction of tax at higher rates if the deductee/ shareholder has not furnished the return of income for the specified period, irrespective of the fact that whether he was required to furnish it or not. Only exclusion is that the aggregate amount of tax deducted and collected at source has not crossed Rs. 50,000 in each of these 2 previous years (FY 2019-20 and FY 2018-19).

This section is applicable only for Resident shareholders and does not apply to Non-resident shareholders who do not have permanent establishment in India.

### **7. Benefit under Rule 37BA:**

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.

### **TDS applicable to non-resident shareholders:**

For non-resident shareholders, the rate of withholding tax is 20% (plus applicable surcharge and cess) as per Indian Income- tax Act, 1961. 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 for FY 2021-22, 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)
- Form 10F as per the format specified under Income Tax Act, 1961 (Annexure - 3)
- Copy of PAN Card attested
- Self-declaration of beneficial ownership and not having a PE in India (For Foreign companies - Annexure – 4; For individual non-residents – Annexure – 5)

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 Rate shall depend upon the completeness and satisfactory review by the Company, of the documents submitted by the non-resident shareholder.

If the documents are not provided or are insufficient to apply the beneficial DTAA rates, then tax will be deducted at 20% including surcharge and cess @ 4%.

#### Rates of surcharge for non-resident individuals, HUF, AOP, BOI:

Dividend amount	Rate of Surcharge
Above Rs. 50 Lacs but not exceeding Rs. 1 Crore	10%
Above Rs. 1 Crore	15%

#### Rates of surcharge for non-resident companies:

Dividend amount	Rate of Surcharge
Above Rs. 1 Crore but not exceeding Rs. 10 Crores	2%



Dividend amount	Rate of Surcharge
Above Rs. 10 Crores	5%

**8. Update of PAN:**

If the shares are held in Demat form, the PAN needs to be updated with the Depository. If the shares are held in physical form, the PAN needs to be updated with the Company's Registrar and Transfer Agents (<https://linkintime.co.in/formsreg/submission-of-form-15g-15h.html>).

**9. Timeline to submit the documents:**

All the above-mentioned documents should be uploaded in this link <https://linkintime.co.in/formsreg/submission-of-form-15g-15h.html> on or before September 15, 2021. Failure to do so, will attract higher TDS rates as mentioned in the above paragraphs.

**10. Information on tax deducted:**

Shareholders can check Form 26AS from their e-filing accounts at <https://incometaxindiaefiling.gov.in>. Shareholders can also use the "View Your Tax Credit" facility available at [www.incometaxindia.gov.in](http://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.

Thanking you,

Yours faithfully,

For **N R AGARWAL INDUSTRIES LIMITED,**

**Sd/-**

**Pooja Daftary**

**Company Secretary & Compliance Officer**