



M. A. Shah & Co.
Chartered Accountants

TDS ON DIVIDEND

TDS applicability on the payment of Dividend (applicable Sections 194, 195 & 196D of Income Tax Act, 1961)

1) TDS on Dividend paid to a resident individual shareholder with valid PAN:

With Effect from 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 ₹ 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). If the dividend to a resident individual shareholder does not exceed ₹ 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.

2) TDS on Dividend paid 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, then TDS will be made at 20%.

3) TDS on Dividend paid 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 is not applicable in case dividend is paid to:

- Insurance companies
- Business trust" means a trust registered as,—(i) an Infrastructure Investment Trust under SEBI (Infrastructure Investment Trusts) Regulations, 2014 or (ii) a Real Estate Investment Trust under SEBI (Real Estate Investment Trusts) Regulations, 2014
- Mutual Fund specified under clause (23D) of section 10 of Income Tax Act, 1961.
- Government
- The Reserve Bank of India
- 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;

The above entities shall provide a self-declaration that the shares are owned by them and that they have full beneficial interest.

5) TDS on Dividend paid to a non-resident shareholder (including foreign companies)

The entire dividend will be subject to TDS @ 20% (plus surcharge) where it is paid to a non-resident person including Foreign Companies Foreign Institutional Investors (FIIs) and Foreign Portfolio Investors (FPIs). The amount of TDS will have to be increased by levying applicable surcharge as per the following table:

Amount of Dividend	Rate of Surcharge		
	Individual / HUF / AOP / BOI / AJP	FII / FPI	Foreign Companies
Upto ₹ 50 Lakhs	NIL	NIL	NIL
Above ₹ 50 Lakhs and below ₹ 1 Crore	10%	10%	NIL
Above ₹ 1 Crore and below ₹ 2 Crore	15%	15%	2%
Above ₹ 2 Crore and below ₹ 5 Crore	15%	25%	2%
Above ₹ 5 Crore and below ₹ 10 Crore	15%	37%	2%
Above ₹ 10 Crore	15%	37%	5%

After adding applicable Surcharge, the amount shall be further increased by a cess of 4%.

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 give documents as Tax Residency Certificate from the Revenue / Tax authorities of the country of which the shareholder is resident alongwith declaration of beneficial ownership, No Permanent Establishment / No Place of Effective Management in India.

Form 15CA to be filed in case of Dividend remittance to non-resident does not exceed ₹ 5 Lakhs. Remittance exceeding ₹ 5 lakhs will require Form 15CB Certificate from Chartered Accountant along with Form 15CA.

6) As per Section 200(1) read with Rule 30, all sums deducted shall be paid to the credit of the Central Government—

on or before 30th day of April where the income or amount is credited or paid in the month of March; and in any other case, on or before seven days from the end of the month in which the deduction is made or payment is made whichever is earlier.

7) As required by Section 200(3) read with Rule 31A, Person deducting TDS and depositing the same to the Central Government are required to prepare a statement of deduction of tax in :-

- (i) Form No. 27Q where the deductee is a non-resident (not being a company) or a foreign company or person who is a resident but not ordinarily resident; and
- (ii) Form No. 26Q in respect of all other deductees.

8) Statement prepared in Form No. 27Q and Form No. 26Q is required to filed within the due date specified in following Table:

Sl. No.	Statement for Q. E.	Due date
1.	30th June	31st July of the financial year
2.	30th September	31st October of the financial year
3.	31st December	31st January of the financial year
4.	31st March	31st May of the financial year immediately following the financial year in which the deduction is made]

9) As per Rule 31 (3) of Income tax Rule, 1962, Person deducting TDS is required to issue Form 16A to the deductee within fifteen days from the due date for furnishing the statement of tax deducted at source under rule 31A (as stated in point no. 8).

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