

Instructions on TDS on the Proposed Dividend for FY 2020-21

1. Members may note that the Income-tax Act, 1961, ("the IT Act") as amended by the Finance Act, 2020, mandates that dividends paid or distributed by a company after April 1, 2020 shall be taxable in the hands of members. Upon declaration of dividend by the members at the AGM, the Bank shall therefore be required to deduct tax at source ("TDS") at the time of making the payment of dividend. The Bank shall, therefore, is required to deduct tax at source at the time of making the payment of the said Dividend, if approved by the shareholders at the e-AGM. In such a case, the Dividend will be paid after deducting the tax at source as follows:

Resident Shareholders:

It may be noted that tax would not be deducted at source on payment of dividend to a "**resident Individual shareholder**", if the total dividend amount to be paid in a financial year does not exceed Rs. 5,000.

Tax to be deducted at source for FY 2021-22, wherever applicable, would be as under

Particulars	Applicable Rate	Documents required (if any)
Shareholders having the PAN	10%	Update the PAN, and the residential status as per Income Tax Act, 1961 if not already done, with the depositories (in case of shares held in demat mode) and with the Company's Registrar and Transfer Agent (in case of shares held in physical mode).
	NIL	Form 15G (applicable to any person other than a Company or a Firm)/Form 15H (applicable to an Individual above the age of 60 years), provided that all the required eligibility conditions are met, and a copy of PAN is furnished.
Shareholders not having PAN/ PAN is Invalid	20%	-
Shareholders submitting the Order under Section 197 of the Income Tax Act, 1961 (Act)	Rate provided in the Order	Lower/NIL withholding tax certificate obtained from tax authority along with a copy of PAN.
Shareholders for whom Section 194 of the Act is not applicable	NIL	Declaration that it has full beneficial interest with respect to the shares owned by it along with PAN.
Shareholders, being Alternative Investment Funds	NIL	A declaration that the AIFs are registered under SEBI as per SEBI Regulations.

(AIFs) (Category I & Category II)		
Shareholders covered under Section 196 of the Act (e.g. Mutual Funds, Govt.)	NIL	Certificate of registration u/s 10(23D) issued by the appropriate authority along with PAN, documentary evidence that the person is covered under said Section 196 of the Act.

The Resident individual shareholders are requested to ensure that Aadhar Number is linked with PAN within the prescribed timelines. In case of failure to link, PAN shall be considered as inoperative/invalid and hence, tax at 20% shall be deducted in such cases.

TDS to be deducted at higher rate in case of non-filers of Return of Income:

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 said section require the Company 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 Income Tax Act; or
- ii. At twice the rate(s) in force; or
- iii. At the rate of 5%.

The 'specified person' means a person who has:

- (a) not filed return of income for both of the two assessment years relevant to the two previous years immediately prior to the previous year in which tax is required to be deducted, for which the time limit of filing return of income under sub-section (1) of section 139 has expired; and
- (b) subjected to tax deduction/collection at source in aggregate amounting to Rs. 50,000 or more in each of such two immediate previous years.

In case Government provides any guidelines to comply with the provisions of section 206AB, Bank will deduct tax in accordance with said guidelines. Tax deducted in accordance with said guidelines will be final and the Bank shall not refund/adjust said amount subsequently. The Bank might also seek necessary declarations from such shareholders to comply with the provisions of this section. The non-resident who does not have a permanent establishment is excluded from the scope of a specified person. As such a non resident is required to submit a no permanent establishment declaration to be excluded from the scope of a specified person

Non - Resident Shareholders:

As per Section 90 of the Income Tax Act, the non-resident shareholder has the option of being governed by the provisions of the Double Tax Avoidance Treaty between India and the country of tax residence of the shareholder, if they are

more beneficial to them. Please refer to the below table for details of documents to avail Tax Treaty benefits.

Particulars	Applicable Rate	Documents required (if any)
Shareholders, being Foreign Institutional Investors (FIIs) / Foreign Portfolio Investors (FPIs)	20% (plus applicable surcharge and cess) as per Section 196D of Income Tax Act, 1961 OR Tax Treaty Rate (whichever is lower)	a) Self-attested copy of the Permanent Account Number (PAN Card) allotted by the Indian Income Tax authorities. b) Self-attested copy of Tax Residency Certificate (TRC) obtained from the tax authorities of the country of which the shareholder is resident, valid for FY 21-22. c) Self-declaration in Form 10F. d) Self-declaration by the non-resident shareholder about having no Permanent Establishment in India in accordance with the applicable Tax Treaty. e) Self-declaration of Beneficial ownership by the non-resident shareholder.
Other Non-resident shareholders	20% (plus applicable surcharge and cess) OR Tax Treaty Rate (whichever is lower)	a) Self-attested copy of the Permanent Account Number (PAN Card) allotted by the Indian Income Tax authorities. b) Self-attested copy of Tax Residency Certificate (TRC) obtained from the tax authorities of the country of which the shareholder is resident, valid for FY 21-22. c) Self-declaration in Form 10F. d) Self-declaration by the non-resident shareholder about having no Permanent Establishment in India in accordance with the applicable Tax Treaty. e) Self-declaration of Beneficial ownership by the non-resident shareholder.
Shareholders submitting the Order under Section 197 of	Rate provided in the Order	Lower/NIL withholding tax certificate obtained from tax authority.

Particulars	Applicable Rate	Documents required (if any)
the Income Tax Act		

In case, PAN is not available, the non-resident shareholder (other than a company) shall furnish (a) name, (b) email id, (c) contact number, (d) address in residency country, (f) Tax Identification Number of the residency country.

It is recommended that shareholders should independently satisfy their eligibility to claim DTAA benefit including meeting of all conditions laid down by DTAA.

Kindly note that the Company is not obligated to apply beneficial DTAA rates at the time of tax deduction / withholding on dividend amounts. Application of beneficial rate as per DTAA 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.

Soft copies of following documents may be downloaded from the link <https://www.integratedindia.in/ExemptionFormSubmission.aspx>

- (1) Form 15G.
- (2) Form 15H.
- (3) Form 10F.
- (4) Declaration from residents.
- (5) Declaration from non-residents.
- (6) Declaration under Rule 37BC from non-residents (other than companies) not having PAN.

Duly filled and signed aforesaid documents, as applicable, should be uploaded at the website of RTA at <https://www.integratedindia.in/ExemptionFormSubmission.aspx> on or before August 25, 2021, 11.59 PM (IST), to enable the Company to determine the appropriate TDS/withholding tax rate applicable.

No communication on the tax determination/deduction received post the aforesaid date and time shall be considered for payment of Dividend.

No other mode of submission of the documents would be entertained and the same needs to be uploaded only on the website of the RTA at the weblink said above. If the documents are submitted to any other email id or through post etc., no claim shall lie against the Bank or the RTA.

Similarly, if the tax on said Dividend is deducted at a higher rate due to non-receipt of or satisfactory completeness of the afore-mentioned details/documents as said above the shareholder may claim an appropriate refund in the return of income filed with their respective tax authorities and **no claim shall lie against the Bank for such taxes deducted.**

For shareholders having multiple accounts under different status/category:

Shareholders holding Ordinary shares under multiple accounts under different status / category and single PAN, may note that, higher 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.

Beneficial Interest:

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 declaration with Company in manner prescribed by Rules.

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:

In view of the ongoing COVID-19 pandemic, shareholders are requested to ensure that their bank account details in their respective demat accounts/folios are updated, to enable the Company to make timely credit of dividend to their bank accounts.

2. The members may write to irg@integratedindia.in for any clarifications on this subject (please write in the subject matter as "KBL Dividend TDS" for easy identification and prompt redressal).

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