

Information of tax on Dividend 2019-20

Dividend

The Board of Directors at their Meeting held on 12th June, 2020 have recommended Dividend of Rs. 2.35 per Equity Share of the face value of Rs. 5/- each for the financial year ended 31st March 2020. The Dividend, subject to the approval of Members at the AGM on Friday, 7th August, 2020, will be paid after Friday, 7th August, 2020.

As per the Income Tax Act, 1961, as amended by the Finance Act, 2020, dividends paid or distributed by the Company on or after 1st April, 2020 shall be taxable in the hands of the Shareholders. The Company shall therefore be required to deduct tax at source (TDS) at the time of making payment of the said Dividend after obtaining the approval of Shareholders in the AGM.

Details regarding TDS on Dividend

All Shareholders are requested to ensure that the details such as PAN, residential status, category of Shareholder (e.g. Domestic Company, Foreign Company, Individual, Firm, LLP, HUF, Foreign Portfolio Investors (FPI)/Foreign Institutional Investors (FII), Government, Trust, Alternate Investment Fund - Category I, II or III, etc.), email id and address are updated, in their respective demat account(s) maintained with the Depository Participants. Please note that these details as available on Book Closure Date in the Register of Members will be relied upon by the Company, for the purpose of complying with the applicable withholding tax provisions.

For Resident Shareholders, tax shall be deducted at source under Section 194 of the Income Tax Act, 1961 at 7.5% on the amount of Dividend declared and paid by the company during FY 2020-21 if PAN is provided by the Shareholder. If PAN is not submitted, TDS would be deducted @ 20% as per Section 206AA of the Income Tax Act, 1961.

However, no TDS shall be deducted on the Dividend payable to a Resident Individual if the total dividend to be received by them during FY 2020-21 does not exceed Rs 5,000. Please note that this includes the future dividends if any which may be declared by the Board of Directors of the Company in the financial year 2020-21.

Separately, in cases where the Shareholder provides 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), no tax at source shall be deducted provided that the eligibility conditions are being met. Needless to say, Permanent Account Number (PAN) is mandatory.

[Click here to download Form 15G](#)

[Click here to download Form 15H](#)

For Non-resident Shareholders, taxes are required to be withheld in accordance with the provisions of Section 195 of the Income tax Act, 1961 at the applicable rates in force. As per the relevant provisions of section 195 of the said Act, the withholding tax shall be at the rate of 20% (plus applicable surcharge and cess) on the amount of Dividend payable to them. In case of GDRs and FII/FPIs, the withholding tax shall be as per the rates specified in Section 196C and 196D of the Act respectively plus applicable surcharge and cess on the amount of Dividend payable to them.

However, as per Section 90 read with Section 195 of the Income tax Act, the non-resident Shareholder has the option to be governed by the provisions of the Double Tax Avoidance Agreement (DTAA) between India and the country of tax residence of the Shareholder, if they are more beneficial to them. For this purpose, i.e. to avail the Tax Treaty benefits, the non-resident Shareholder will have to provide the following:

- Self-attested true copy of Tax Residency Certificate (TRC) obtained from the tax authorities of the country of which the Shareholder is resident for the Financial Year 2020-21;
- Self declaration in Form 10F ([Click here to download Form 10F](#));
- Self-attested true copy of the Permanent Account Number (PAN Card) if allotted by the Indian Income Tax authorities;
- Self-declaration in the format ([Click here to download the self-declaration format](#)), certifying the following points:
 - i. Shareholder is and will continue to remain a tax resident of the country of its residence during the Financial Year 2020-21;
 - ii. Shareholder is eligible to claim the beneficial DTAA rate for the purposes of tax withholding on dividend declared by the Company;
 - iii. Shareholder has no reason to believe that its claim for the benefits of the DTAA is impaired in any manner;
 - iv. Shareholder does not have a taxable presence or a Permanent Establishment (PE) in India during the Financial Year 2020-21. In any case, the amounts paid/payable to the Shareholder are not attributable or effectively connected to the PE or fixed base, if any, which may have got constituted otherwise;
 - v. Shareholder is the ultimate beneficial owner of its shareholding in the Company and dividend receivable from the Company; and
 - vi. Non-resident Shareholder is satisfying the Principle Purpose Test as per the respective tax treaty effective 1st April, 2020 (if applicable).

Please note that the Company is not obligated to apply the beneficial DTAA rates at the time of tax deduction/withholding on dividend amounts. 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.

Kindly note that the aforementioned documents are required to be submitted on or before 17th July, 2020 in order to enable the Company to determine and deduct appropriate TDS/withholding tax rate. No communication on the tax determination/deduction shall be entertained post 17th July, 2020. It may be further noted that in case the tax on said dividend is deducted at a higher rate in absence of receipt of the aforementioned details/ documents from the Shareholder or incomplete documents, there would still be an option available with the Shareholder to file the return of income and claim an appropriate refund, if eligible.

[Click here to submit the Tax Exemption Forms online](#)

The Company shall arrange to email the soft copy of TDS certificate to the Shareholders at the registered email ID in due course, post payment of the said Dividend.

In case of any queries, the Shareholders may write to us at investors@mahindra.com or einward.ris@kfintech.com.