Frequently Asked Questions (‘FAQs’) on Taxation of Dividend

A. Resident Shareholders

1. I am a resident individual shareholder. Will my dividend be subject to TDS? If yes, are there any exceptions?

Rate of TDS on dividend payment to resident individual shareholders:

With effect from 1 April 2020, dividend income is taxable in the hands of the shareholders at applicable rates of tax. The Company is required to deduct tax at source under section 194 of the Income-tax Act, 1961 (‘the Act’) at the rate of 10%, subject to the following:

<table>
<thead>
<tr>
<th>Sr No</th>
<th>Particulars</th>
<th>Rate of TDS applicable</th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>PAN is not available/ Invalid PAN</td>
<td>20%</td>
<td>206AA of the Act</td>
</tr>
<tr>
<td>2</td>
<td>Non-filing of return of income tax for the financial year (i.e., FY 2020-21/ FY 2021-22 as the case may be); and TDS as well as TCS deduction in each of this year in case of the shareholder is Rs 50,000 or more (refer note 1 and 2)</td>
<td>20%</td>
<td>206AB of the Act</td>
</tr>
</tbody>
</table>

Note 1: Vide Finance Act, 2022 the provisions of section 206AB of the Act are amended such that the requirement of income tax return filing compliance of two financial years has now been reduced to one financial year. Thus, if a person does not file his return of income for previous one financial year, then tax shall be deducted at higher rates as specified in section 206AB of the Act.

Note 2: As regards compliance with section 206AB of the Act, the Company would rely on the details available on the online portal of the Income-tax Department and shall accordingly determine the applicable TDS rate.

Exceptions:

► No tax shall be deducted at source on the dividend payable to a resident Individual if the total dividend to be received from the Company during a financial year does not exceed Rs. 5,000; or if an eligible resident shareholder provides a valid declaration in Form 15G/ 15H to the Company.

► Further, if a shareholder has obtained a lower or nil withholding tax certificate from the tax authorities and provides a copy of the same to the Company, tax shall be deducted on the dividend payable to such shareholder at the rate specified in the said certificate.
2. I am a non-individual resident shareholder. Will the dividend be subject to TDS? If yes, are there any exceptions?

Rate of TDS on dividend payment to resident non-individual shareholders:

► With effect from 1 April 2020, TDS is deductible on the dividend payable to the shareholders under section 194 of the Act @ 10%, provided:

a) PAN is registered by the shareholder with the Depository. If the same is not registered, then tax would be deducted at source @ 20% as per section 206AA of the Act.

b) Return of income is filed by the shareholder for the preceding financial year within the timeline prescribed under section 139 of the Act. If the return for the preceding year is not filed within such timeline, then tax would be deducted at source @ 20% as per section 206AB of the Act unless the aggregate of tax deducted at source and tax collected at source is less than Rs. 50,000 in such previous year.

c) As regards compliance with section 206AB of the Act as above, the Company would rely on the details available on the online portal of the Income-tax Department and shall accordingly determine the applicable TDS rate.

Exceptions (subject to submission of documents):

► No tax shall be deducted at source on the dividend payable to the following resident non-individual shareholders on submission of certain documents as mentioned below:

a) Insurance Companies (Public & Other Insurance Companies): Self-attested copy of registration certificate issued by authorities and PAN card. Also, a declaration that you are an Insurance Company as defined under the second proviso to section 194 of the Act.

b) Mutual Funds: Declaration by Mutual Fund shareholder eligible for exemption u/s 10(23D) of the Act along with self-attested copy of registration documents issued by authorities and PAN card.

c) Category I / Category II Alternative Investment Fund: Self-attested certificate of registration/ declaration evidencing that you are a Category I/ Category II Alternative Investment Fund, as defined under Section 10(23FBA) and clause (a) of Explanation 1 to Section 115UB of the Act [covered by Notification No. 51/2015 dated June 25, 2015].

d) National Pension Scheme Trust: Self-attested 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.

e) Entities unconditionally exempt under section 10: Documentary evidence and self-declaration substantiating that you are an entity covered by Circular No. 18 of 2017 issued by the Central Board of Direct Tax and your income is unconditionally exempt under section 10 of the Act and you are not statutorily required to file your return of income.
Frequently Asked Questions (‘FAQs’) on Taxation of Dividend

f) **Government**: Documentary evidence and self-declaration that it is a Corporation set up under specific legislation whose income is exempt and can be considered as a ‘Government’ and qualifies for exemption under section 196 of the Act.

g) **Where lower/ nil withholding certificate is submitted**: If a shareholder has obtained a lower or Nil withholding tax certificate from the tax authorities and provides a copy of the same to the Company, tax shall be deducted on the dividend payable to such shareholder at the rate specified in the said certificate.

3. **Is there any limit on the amount of dividend upto which no tax will be withheld in respect of resident shareholders?**

   ► As stated above, no tax shall be deducted at source on the dividend payable to a **resident Individual** if the total dividend to be received from the Company during a financial year does not exceed Rs. 5,000.

   ► It may be noted that there is no such limit provided under the Act for resident non-individual shareholders, and hence the dividend shall be subject to TDS.

4. **Is the above rate of 10% or 20% as the case may be, to be increased by surcharge and cess?**

   ► In case of resident shareholders (both individual and non-individual), the rate of TDS would not be increased by surcharge and cess.

5. **I am a resident individual, and my dividend receipt is subject to TDS but tax on my estimated total income of the year after including this dividend income will be Nil. Can I request the company not to deduct tax at source and to pay the entire dividend amount without deduction of tax at source?**

   ► Yes, in such a case you can approach the company for non-deduction of tax at source. You will have to furnish a declaration in 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), as the case may be, to the effect that the tax on his estimated total income of the year after including the dividend income on which tax is to be deducted will be nil.

   ► In his regard, it may be noted that all fields mentioned in the said Forms are mandatory and the Company reserves the right to reject the forms submitted, if they do not fulfil the requirement of the law.

6. **If Form 15G/ 15H are submitted online, then whether submitting a physical copy is compulsory?**

   ► No. If Form 15G/ 15H are duly executed and submitted online, then submission of physical copy is not required.
Frequently Asked Questions (‘FAQs’) on Taxation of Dividend

7. What if I do not submit Form 15G/ Form 15H?

► In case you do not submit Form 15G or Form 15H, the Company would deduct tax at applicable rates in case your total dividend income from the Company exceeds Rs. 5,000 in a financial year. However, you may file your return of income and claim appropriate refund, if eligible.

8. What is the due date to submit the documents/ declarations mentioned above?

The documents/ valid declarations mentioned above are required to be submitted to the Registrar and Transfer Agent (‘RTA’) by uploading/ providing with the Registrar and Transfer Agent at https://ris.kfintech.com/form15/forms.aspx?q=0 or on email to Einward.ris@kfintech.com by the following date:

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Date of shareholding</th>
<th>Last date to submit details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Shareholders holding shares as at the close of business hours on 23.08.2022</td>
<td>25.08.2022</td>
</tr>
</tbody>
</table>

B. Non-resident Shareholders

9. What is the rate of TDS on the dividend declared and paid to non-resident shareholders?

► For non-resident shareholders, the rate of TDS is 20% (plus applicable surcharge and cess) as per section 195 of the Act. However, where a non-resident shareholder is eligible to claim benefit under the Double Taxation Avoidance Agreement (DTAA) read with applicable Multilateral Instrument (MLI), and the tax rate provided in the respective DTAA is more beneficial than the rate provided in the Act, then the rate as per the DTAA would be applied. In order to avail the DTAA benefit, non-resident shareholders would be required to submit certain documents as mentioned in Annexure A below. Kindly note that extending the benefit of DTAA would depend on the completeness of documents submitted and is at the discretion of the Company.

10. Is the above rate of 20% (as per the Act) to be increased by surcharge and cess?

► Yes. In case of non-resident shareholders, the TDS rate of 20% would be increased by applicable surcharge and health & education cess based on the status of the non-resident. However, in case TDS is deducted as per the beneficial rate provided in the DTAA (subject to submission of documents/ declaration), then the rate as prescribed in the DTAA would not be further increased by surcharge and cess.
Frequently Asked Questions (‘FAQs’) on Taxation of Dividend

11. What is the applicable rate of surcharge and cess for non-resident shareholders [including Foreign Institutional Investors (FIIs)/ Foreign Portfolio Investors (FPIs)]?

► The rate of surcharge depends upon the status of the non-resident and its income.

For non-resident shareholders being foreign companies (including FIIs/ FPIs being companies):

<table>
<thead>
<tr>
<th>Dividend income during the financial year</th>
<th>Surcharge Rate</th>
<th>Effective TDS rate (including applicable surcharge and cess)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not exceeding Rs.1,00,00,000</td>
<td>NIL</td>
<td>20.80%</td>
</tr>
<tr>
<td>Exceeding Rs.1,00,00,000 but not exceeding Rs.10,00,00,000</td>
<td>2%</td>
<td>21.216%</td>
</tr>
<tr>
<td>Exceeding Rs. 10,00,00,000</td>
<td>5%</td>
<td>21.84%</td>
</tr>
</tbody>
</table>

For non-resident shareholders being firms (including FIIs/ FPIs being firms):

<table>
<thead>
<tr>
<th>Dividend income during the financial year</th>
<th>Surcharge Rate</th>
<th>Effective TDS rate (including applicable surcharge and cess)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not exceeding Rs.1,00,00,000</td>
<td>NIL</td>
<td>20.80%</td>
</tr>
<tr>
<td>Exceeding Rs. 1,00,00,000</td>
<td>12%</td>
<td>23.296%</td>
</tr>
</tbody>
</table>

For other categories of non-resident shareholders, including FIIs/ FPIs:

<table>
<thead>
<tr>
<th>Dividend income during the financial year</th>
<th>Surcharge Rate</th>
<th>Effective TDS rate (including applicable surcharge and cess)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not exceeding Rs.50,00,00,000</td>
<td>NIL</td>
<td>20.80%</td>
</tr>
<tr>
<td>Exceeding Rs.50,00,00,000 but not exceeding Rs.1,00,00,000</td>
<td>10%</td>
<td>22.88%</td>
</tr>
<tr>
<td>Exceeding Rs.1,00,00,000</td>
<td>15%</td>
<td>23.92%</td>
</tr>
</tbody>
</table>

► The rate of health & education cess shall be 4% on the amount of tax liability and applicable surcharge.

12. Is there any limit on the amount of dividend upto which no tax will be withheld in respect of non-resident shareholders?

► There is no such limit provided under the Act for non-resident shareholders, and hence the entire dividend is subject to TDS.
Frequently Asked Questions (‘FAQs’) on Taxation of Dividend

13. When are the documents for claiming concessional rate benefit under the DTAA required to be submitted?

► The documents/ valid declarations mentioned above are required to be submitted to the Registrar and Transfer Agent (‘RTA’) by uploading/ providing with the Registrar and Transfer Agent at https://ris.kfintech.com/form15/forms.aspx?q=0 or on email to Einward.ris@kfintech.com by the following date:

<table>
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<tr>
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<td>25.08.2022</td>
</tr>
</tbody>
</table>

C. Common FAQs – for resident as well as non-resident shareholders:

14. Am I required to update the PAN? If yes, where should it be updated?

► Yes, shareholders are required to update their PAN. In case the shares are held in demat form, then the PAN needs to be updated with your Depository Participant; and in case shares are held in physical form, then the PAN needs to be updated with RTA.

► In addition to the above, all shareholders are requested to ensure that the below details are submitted and/or updated, as applicable, in their respective demat account(s) maintained with the Depository participant(s); or in case of shares held in physical form, with the Company / RTA for the purpose of complying with the applicable TDS provisions:
  a) Valid Permanent Account Number (PAN);
  b) Residential status as per the Act, i.e. Resident or Non-Resident for FY 2022-23 (i.e. from 1 April 2022 to 31 March 2023);
  d) Email Address;
  e) Mobile Number;
  f) Bank account details; and
  g) Address with PIN Code (including country)

Kindly note that for the purpose of deduction of tax at source, the Company would be relying on the data shared by RTA. In case the above details are not updated by the record date, then the Company will rely on the details as on the record date, as received from RTA.
Frequently Asked Questions ('FAQs') on Taxation of Dividend

15. How can a shareholder know the quantum of tax deducted from his dividend income by the company?

► To know the quantum of the tax deducted, the Company shall arrange to email the soft copy of the TDS certificate to shareholders at the registered email ID by 15 November 2022, post payment of the said dividend, if declared in the AGM. Shareholders can also check Form 26AS from their e-filing account at https://incometax.gov.in

► You can also use the “View Your Tax Credit” facility available at www.incometax.gov.in. Please note the credit in Form 26AS shall be reflected after the TDS statement filed by company on a quarterly basis is processed by the tax authority.

16. Where can I find a consolidated list of documents/declarations that are required to be submitted by me? What is the due date for submission of these documents/declarations?

► A consolidated list of documents/declarations is provided in Annexure A below. The documents/declarations, as applicable to you, are required to be submitted to the Company latest by the dates mentioned above. Any document/declaration submitted post the dates provided above will not be considered by the Company while deducting tax at source.

17. What if TDS is deducted at a higher rate in absence of submission of details/valid documents within the prescribed time?

► In case TDS is deducted at a higher rate in absence of receipt of details/valid documents from shareholders by the prescribed due date, the shareholders may consider filing their return of income and claiming an appropriate refund, if eligible.

18. Any other query?

► In case you have any other queries, please feel free to send those queries to Einward.ris@kfintech.com or investorrelations@narayanahealth.org
Frequently Asked Questions (‘FAQs’) on Taxation of Dividend

ANNEXURE - A

List of documents to be submitted for applicability of appropriate rate of deduction of Tax at Source

Part 1 - Resident Shareholders

Individual Resident Shareholders

- Lower or Nil Withholding tax Certificate under section 197 of the Act, if any.
- Form 15G/ 15H [as prescribed under sections 197A(1) and 197A(1C) of the Act, respectively]. Click here for the format of Form 15G and click here for 15H.
- Declaration under Rule 37BA of the Income Tax Rules, 1962 (the Rules) in case of Joint shareholders, Minor shareholders, etc. Click here for the format of the declaration.

Note: No tax shall be deducted on the dividend payable to a resident Individual if the total dividend to be received during a financial year does not exceed Rs. 5,000.

Non-individual Resident Shareholders

- Lower or Withholding tax Certificate under section 197 of the Act, if any
- Form 15G [as prescribed under sections 197A(1) of the Act] applicable in case of HUF. Click here for the format of Form 15G.

Additionally, for special category shareholders, please refer the documents at FAQ 2

Part 2 - Non-Resident Individuals/ Foreign Nationals/ Foreign Corporate Bodies, Foreign Banks, OCBs, FPI/ FIIs

- Lower or Nil Withholding tax Certificate under section 197 of the Act, if any.

**OR**

- Copy of the PAN Card (duly attested) allotted by the Indian Income Tax authorities.
- Copy of Tax Residence Certificate (TRC) (of FY 2021-22 or calendar years 2022 and 2023, valid as on record date) obtained from the tax authorities of the country of which the shareholder is resident. In case, the TRC is furnished in a language other than English, the said TRC would have to be translated from such other language to English language and thereafter, duly notarized and apostilled copy of the TRC would have to be provided;
- Self-declaration by the non-resident shareholder in the prescribed format. Click here for the format of the self-declaration.
- Self-declaration in Form 10F*. Click here for the format of Form 10F.
- Self-Declaration to be provide under Rule 37BC(2) of the Rules. Click here for the format of the self-declaration. Click here for the format of the self-declaration.
- Declaration under Rule 37BA of the Rules - In case of Joint shareholders, Minor shareholders etc. Click here for the format of the self-declaration.

*Please note that as per Notification No. 3/2022 dated 16 July 2022, non-residents are now required to upload the Form 10F online.

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