



## SONATA SOFTWARE LIMITED

(CIN No.L72200MH1994PLC082110)

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October 29, 2020

Ref: Folio / DP Id & Client Id No:

Name of Shareholder :

### **Sub: Communication of deduction of Tax at Source on Dividend, if any, declared during 2020-21**

Dear Shareholder,

We hope this communicate finds you safe and in good health.

Pursuant to the amendments introduced in the Income-tax Act, 1961 ('the Act') vide Finance Act, 2020, w.e.f. April 1, 2020, the Company will be required to withhold taxes at the prescribed rates on the dividend paid to its shareholders. **No tax will be deducted on payment of dividend to the resident individual shareholders if the total dividend, paid during Financial year ('FY') 2020-21, does not exceed**

**INR** **5,000/-**

The withholding tax rate would vary depending on the residential status, category of the shareholder and is subject to provision of requisite declarations / documents to the Company.

#### **A. RESIDENT SHAREHOLDERS:**

A.1 Tax deductible at source for Resident Shareholders (other than resident individual shareholders receiving dividend not exceeding INR 5,000 during the FY 2020-21)

S No.	Particular	Withholding tax rate	Declaration / documents required
1	Valid PAN updated with the Registrar and Transfer Agent ('RTA') in case shares are held in dematerialized form; or depository participant in case shares are held in physical form and no exemption sought by Shareholder	7.5%	<ul style="list-style-type: none"><li>Copy of PAN card / Aadhaar Card</li></ul>
2	No / Invalid PAN with the RTA in case shares are held in dematerialized form; or depository participant in case shares are held in physical form and no exemption sought by Shareholder	20%	N.A.
3	Availability of lower/nil tax deduction certificate issued by Income Tax Department u/s 197 of the Act	Rate specified in Lower tax withholding	<ul style="list-style-type: none"><li>Copy of PAN card / Aadhaar Card</li></ul>

		certificate obtained from Income Tax Department	<ul style="list-style-type: none"> <li>• Copy of lower tax withholding certificate obtained from Income Tax Department</li> </ul>
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A.2 Nil Tax Deductible at Source on dividend payment to Resident Shareholders if the Shareholders submit documents mentioned in column no.3 of the below table with the Company/ RTA

S No.	Particular	Declaration / documents required
1	Shareholder (other than a Company or a Firm) submitting Form 15G/ 15H	<ul style="list-style-type: none"> <li>• Copy of PAN card / Aadhaar Card</li> <li>• Declaration in Form No. 15G (applicable to any person other than a company or a firm) / Form 15H (applicable to an Individual who is 60 years and above), fulfilling prescribed conditions.</li> <li>• Link to download the forms <a href="https://ris.kfintech.com/form15/">https://ris.kfintech.com/form15/</a></li> </ul>
2	Shareholders to whom section 194 of the Act does not apply such as LIC, GIC, etc.	<ul style="list-style-type: none"> <li>• Copy of PAN card</li> <li>• Self-declaration (<b>Format enclosed in Annexure 1 given below</b>), along with adequate documentary evidence (e.g, registration certificate), to the effect that the no tax withholding is required as per provisions of section 194 of the Act.</li> </ul>
3	Shareholder covered u/s 196 of the Act such as Government, RBI, Mutual Funds specified u/s 10(23D), corporations established by Central Act and exempt from Income Tax.	<ul style="list-style-type: none"> <li>• Copy of PAN card</li> <li>• Self-declaration (<b>Format enclosed in Annexure 1 given below</b>), along with adequate documentary evidence, substantiating applicability of 196 of the Act.</li> </ul>
4	Category I and II Alternative Investment Fund (AIF)	<ul style="list-style-type: none"> <li>• Copy of PAN card</li> <li>• Self-declaration (<b>Format enclosed in Annexure 1 given below</b>) that AIF's income is exempt under Section 10 (23FBA) of the Act and they are governed by SEBI regulations as applicable to</li> </ul>

		Category I or Category II AIFs, along with copy of registration certificate.
5	Any other entity exempt from withholding tax under the provisions of section 197A of the Act (including those mentioned in Circular No. 18/2017 issued by CBDT)	<ul style="list-style-type: none"> <li>• Copy of PAN card</li> <li>• Self-declaration <b>(Format enclosed in Annexure 1 and 2 given below)</b> along with adequate documentary evidence, substantiating the nature of the entity</li> </ul>

## B. NON-RESIDENT SHAREHOLDERS:

Tax deductible at source for non-resident shareholders.

S No.	Particular	Withholding tax rate	Declaration / documents required
1	Foreign Institutional Investors (FIIs) / Foreign Portfolio Investors (FPIs)	20% (plus applicable surcharge and cess)	<ul style="list-style-type: none"> <li>• Copy of PAN card (if available)</li> <li>• Self-declaration <b>(Format enclosed in Annexure 3 given below)</b> along with adequate documentary evidence substantiating the nature of the entity</li> </ul>
2	Alternative Investment Fund - Category III located in International Financial Services Centre	10% (plus applicable surcharge and cess)#	<ul style="list-style-type: none"> <li>• Copy of PAN card (if available)</li> <li>• Self-declaration <b>(Format enclosed in Annexure 4 given below)</b> along with adequate documentary evidence substantiating the nature of the entity</li> </ul>
3	Other Non-resident shareholders (except those who are tax residents of Notified Jurisdictional Area)	20% (plus applicable surcharge and cess) or tax treaty rate whichever is beneficial	<p>To avail beneficial rate of tax treaty following tax documents would be required:</p> <ol style="list-style-type: none"> <li>1. Copy of PAN card (if available)</li> <li>2. Copy of Tax Residency certificate issued by revenue authority of country of residence of shareholder for the financial year 2020-21 (covering the period from April 1, 2020 to March 31, 2021)</li> </ol>

			<p>3. Self-Declaration in Form 10F <b>(Format enclosed in Annexure 5 given below)</b></p> <p>Self-declaration for no permanent establishment / fixed base / business connection in India, place of effective management, beneficial ownership and eligibility to avail tax treaty benefit [on shareholder's letterhead] <b>(Format enclosed in Annexure 6 given below).</b></p> <p>(Note: Application of beneficial Tax Treaty Rate shall depend upon the completeness and satisfactory review by the Company of the documents submitted by the non-resident shareholders. In case the documents are found to be incomplete, the Company reserves the right to not consider the tax rate prescribed under the tax treaty).</p>
4	Non-Resident Shareholders who are tax residents of Notified Jurisdictional Area as defined u/s 94A(1) of the Act	30%	NA
5	Sovereign Wealth funds and Pension funds notified by Central Government u/s 10(23FE) of the Act	NIL	Copy of the notification substantiating the applicability of section 10(23FE) of the Act issued by the Government of India
6	Subsidiary of Abu Dhabi Investment Authority (ADIA) as prescribed under section 10(23FE) of the Act	NIL	Self-Declaration <b>(Format enclosed in Annexure 7)</b> substantiating the fulfillment of conditions prescribed under section 10(23FE) of the Act
7	Availability of Lower/NIL tax deduction certificate issued by Income Tax Department u/s 195 or 197 of the Act	Rate specified in Lower tax withholding certificate obtained from Income Tax Department	Copy of the lower tax withholding certificate obtained from Income Tax Department

In case PAN is not updated with the Company's RTA or depository; or PAN is not available; and information sought in the declaration are not provided, higher rate of withholding tax as per section 206AA shall be applied.

Please **CLICK** on the following links to download the forms.

**1. [Annexure 1](#)**

**2. [Annexure 2](#)**

**3. [Annexure 3](#)**

**4. [Annexure 4](#)**

**5. [Annexure 5](#)**

**6. [Annexure 6](#)**

**7. [Annexure 7](#)**

**Notes:**

- i. The aforesaid documents such as Form 15G/ 15H, documents under section 196, 197A, FPI Registration Certificate, Tax Residency Certificate, Lower Tax certificate etc. can be uploaded on the link <https://ris.kfintech.com/form15/> on or before **16<sup>th</sup> November, 2020** to enable the **Company to determine the appropriate withholding tax rate applicable at the time of declaration of dividend, if any**, during 2020-21.. In case where copy of documents (such as, PAN card, Aadhaar Card, Registration certificate, etc.) is provided, the copy should be self-attested by the Shareholder or its authorized signatory. Any communication in relation to tax rate determination/deduction received post **16<sup>th</sup> November, 2020** shall not be considered.
- ii. Determination of withholding tax rate is subject to necessary verification by the Company of the shareholder details as available with the RTA in case shares are held in dematerialized form; or depository participant in case shares are held in physical form as on the Record Date, and other documents available with the Company / RTA. Shareholders holding shares under multiple accounts under different residential status / category and single PAN, may note that, higher of the tax rate as applicable to different residential status/ category will be considered for their entire shareholding under different accounts.
- iii. The Company will issue soft copy of the TDS certificate to its shareholders through email registered with the Company / RTA post payment of the dividend. Shareholders will be able to download the tax credit statement from the Income Tax Department's website <https://incometaxindiaefiling.gov.in> (refer to Form 26AS).
- iv. In case withholding tax is deducted at a higher rate, an option is still available with the shareholder to file the return of income and claim an appropriate refund. No claim shall lie against Company for any taxes deducted by the Company.
- v. 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, the shareholder will be responsible to indemnify the Company and also, provide the Company with all information / documents and co-operation in any tax proceedings.
- vi. This Communication is not exhaustive and does not purport to be a complete analysis or listing of all potential tax consequences in the matter of dividend payment. Shareholders should consult their tax advisors for requisite action to be taken by them.

- vii. We request all shareholders to share their email ids for effective communication. The aforementioned details are also available on the website of the Company.
- viii. Please send your queries, if any, on Tax on Dividend to [Investor@sonata-software.com](mailto:Investor@sonata-software.com).

Thanking you,

Yours faithfully,  
For **Sonata Software Limited**

**Mangal Kulkarni**  
**Company Secretary & Compliance Officer and Head-Legal**