FAQs on Tax deducted at Source (TDS) on Dividend

1. Is the dividend payable by the Company subject to tax deduction at source (TDS)?

In accordance with the provisions of the Income-tax Act, 2025 ('the IT Act'), dividend declared and paid by the Company during a tax year (e.g., tax year 2026-27 covering the period from 1 April 2026 to 31 March 2027) is taxable in hands of shareholders. The Company shall, therefore, be required to deduct Tax at Source ('TDS') at the applicable rates on dividend payable to its shareholders prescribed under the IT Act, read with applicable Double Taxation Avoidance Agreements (‘Tax Treaties’), wherever applicable. The rate of TDS will vary depending on the residential status of the shareholder and the documents submitted and duly accepted by the Company.

2. Applicability of TDS to a resident individual shareholder with valid PAN:

- If any resident individual shareholder is in receipt of dividend exceeding Rs. 10,000 in a tax year (e.g., tax year 2026-27 covering the period from 1 April 2026 to 31 March 2027), the 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). Otherwise the TDS rate will be 20%.
- If the dividend to a resident individual shareholder does not exceed Rs 10,000 in a tax year (1 April 2026 to 31 March 2027), no TDS is applicable.
- If the resident individual shareholder provides declaration in Form 121, no TDS is applicable. Form 121 forms is available at- TDS Documents

Note: With the Income-tax Act, 2025 (‘New IT Act’) and the Income-tax Rules, 2026 (‘New IT Rules’) coming into effect from April 1, 2026, a single form, Form 121, has been prescribed in place of the erstwhile Forms 15G and 15H. Accordingly, individual shareholders are requested to submit Form 121 for the tax year 2026–27. Please note that any declaration submitted in the erstwhile Forms 15G/15H will not be accepted for the tax year 2026–27 as per the provisions of the New IT Act

3. Applicability of TDS to a resident individual shareholder without PAN or an 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%.

4. **Applicability of TDS 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%.

5. **Applicability of TDS to insurance companies:**

   TDS is not applicable on the dividend paid to the insurance companies specified under section 393(4) (Table: Sl. No. 10), in case it provides a self-declaration that the shares are owned by it and it has full beneficial interest along with a self-attested PAN.

6. **Applicability of TDS to mutual funds:**

   TDS is not applicable on the dividend paid to a Mutual Fund specified under Schedule VII (Table: Sl. Nos. 20 or 21) of the Income-tax Act, 2025. Such Mutual Fund should provide a self-declaration that they are specified in Schedule VII (Table: Sl. Nos. 20 or 21) of the Income-tax Act, 2025, self-attested copy of PAN card, registration certificate and copy of the notification issued by the Central Government, if applicable.

7. **Applicability of TDS to Foreign Institutional Investors (FIIs) and Foreign Portfolio Investors (FPIs):**

   Tax shall be deducted at source @ 20% (plus applicable surcharge and cess) on dividend paid to Foreign Institutional Investors ("FIIs") and Foreign Portfolio Investors ("FPIs") in view of specific provision under section 393(2) (Table: Sl. No. 15) of the Income-tax Act, 2025.

   Please note that there is no threshold provided for which no tax will be withheld. Entire dividend is subject to withholding of tax.

   The rate of Surcharge would depend on the status of the member (Company, Firm, etc.) and the amount of dividend

   Cess shall be applicable at 4 % on the tax and surcharge.

8. Applicability of TDS to non-resident shareholders other than FIIs/ FPIs:

For non-resident shareholders, the rate of withholding tax is 20% (plus applicable surcharge and cess) as per the Income-tax Act, 2025 (Indian Income Tax Act). 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 submit ALL the below documents:

- Tax Residency Certificate for the tax year (e.g., for Tax Year 2026-27 covering the period from April 1, 2026 to March 31, 2027), to be obtained from the Revenue / Tax authorities of the country of which the shareholder is resident
- Electronically generated Form 41 from the link https://eportal.incometax.gov.in
- Copy of PAN Card attested
- Self-declaration of beneficial ownership and not having a PE (Permanent Establishment) in India in the format available at - TDS Documents

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

If the documents are not provided or are insufficient to apply the beneficial DTAA rates, then tax will be deducted at 20% (plus applicable surcharge and cess @ 4%).

9. How can a shareholder update his/her PAN ?

- If the shares are held in Demat form, the PAN needs to be updated with the Depository.
- If the shares are held in physical form, the PAN needs to be updated with the Company's Registrar and Transfer Agents by writing to einward.ris@kfintech.com
- If the PAN is already updated, no further action is required.

10. What is the timeline to submit the documents ?

All the above-mentioned documents should be uploaded in the below link
https://ris.kfintech.com/form15/ on or before 16th July, 2026.
Failure to do so will attract higher TDS rates as mentioned in the above paragraphs.

11. **Where is the Information on tax deducted available ?**

Shareholders can check Form 168 (earlier, Form 26AS) from their e-filing accounts at https://www.incometax.gov.in/iec/foportal/. Please note, the credit in Form 168 would be reflected after the TDS Return is filed on a quarterly basis by the Company, and the same is processed by the Income-tax department.

12. **Please send your queries, if any, on Tax on Dividend to** Investor@sonata-software.com.