

COMMUNICATION ON TAX DEDUCTION AT SOURCE (TDS) ON DIVIDEND DISTRIBUTION

Dear Shareholder,

We are pleased to inform you that the Board of Directors at their Meeting held on May 7, 2020, have recommended Final Dividend of Rs.6.75 per Equity Share of face value of Rs.5 per share for the financial year ended March 31, 2020. The said dividend will be payable to those shareholders whose names appear in the Register of Members of the company or in the records of the Depositories as beneficial owners of the shares as at the close of business hours on Tuesday, August 4, 2020.

As you may be aware as per the Income-tax Act, 1961 ("the Act") as amended by the Finance Act, 2020, dividends paid or distributed by a Company after April 1, 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 the payment of the said Final Dividend on or before September 10, 2020.

This communication summarizes the applicable TDS provisions, as per the Act for Resident and Non-Resident shareholder categories.

For Resident Shareholders,

1. Where, the Permanent Account Number (PAN) is available and is valid,
 - a) Tax shall be deducted at source u/s 194 of the Act read with Central Board of Direct Taxes Press Release dated May 13, 2020 at the rate of 7.5 % on the amount of dividend.

TDS shall be deducted at the rate prescribed in the lower tax withholding certificate issued u/s 197 of the Act, if a valid certificate is provided.
 - b) No tax shall be deducted in the case of a resident individual shareholder, if:
 - I. The aggregate amount of dividend paid or likely to be paid during the financial year 2020-21 does not exceed INR 5,000; OR
 - II. The shareholder provides duly signed Form 15G (for individuals, with no tax liability on total income and income not exceeding maximum amount which is not chargeable to tax) or Form 15H (for individuals above the age of 60 years with no tax liability on total income) provided that all the prescribed eligibility conditions are met.
2. Where the PAN is either not available or is invalid, tax shall be deducted u/s 206AA of the Act at the rate of 20% on the amount of dividend.
3. In case of Mutual Fund specified u/s 10(23D) of Act, no TDS shall be deducted as per section 196(iv) of the Act subject to specified conditions. Self-attested copy of valid SEBI registration certificate needs to be submitted.

4. In case of Insurance companies, no TDS shall be deducted under section 194 of the Act subject to specified conditions. Self-attested copy of valid IRDA registration certificate needs to be submitted.
5. Any other entity entitled to exemption from TDS, valid self-attested documentary evidence (e.g. relevant copy of registration, notification, order etc.) in support of the entity being entitled to exemption from TDS needs to be submitted.

For Non-resident Shareholders,

1. FPI and FII – TDS shall be deducted at the rate of 20% (plus applicable surcharge and cess) u/s 196D of the Act.
2. Other Non-Resident Shareholders:

Tax shall be deducted u/s 195 of the Act at the rate of 20% (plus applicable surcharge and cess) on the amount of dividend.

As per the provisions of the Income Tax Act, the non-resident shareholder has the option to be governed by the provisions of the Double Tax Avoidance Treaty (DTAA) between India and the country of tax residence of the shareholder, if such DTAA provisions are more beneficial to them. For this purpose, the non-resident shareholder will have to provide the following:

- I. Self-attested copy of the PAN Card allotted by the Indian Income Tax authorities
- II. Self-attested copy of Tax Residency Certificate (TRC) obtained from the tax authorities of the country of which the shareholder is resident for FY 2020-21
- III. Duly signed Self declaration in Form 10F.
- IV. Self-declaration of having no Permanent Establishment in India, Beneficial ownership of shares and eligibility to claim treaty benefits

TDS shall be deducted at the rate prescribed in the lower tax withholding certificate issued u/s 197 of the Act, if valid certificate is provided.

6. Any other entity entitled to exemption from TDS, valid self-attested documentary evidence (e.g. relevant copy of registration, notification, order etc.) in support of the entity being entitled to exemption from TDS needs to be submitted.

Application of beneficial DTAA Rate, if any, shall depend upon the completeness and satisfactory review by the Company, of the documents submitted by Non- Resident shareholder.

Kindly note that the aforementioned documents are required to be sent through registered email of the member with PAN being mentioned in the subject of the email to inward.ris@kfintech.com or upload at <https://ris.kfintech.com/form15/> on or before **August 4, 2020** in order to enable the Company to determine and deduct appropriate TDS /

withholding tax rate. Company shall consider the communication on the tax determination/deduction received on or before **August 4, 2020** only.

We shall arrange to email the soft copy of TDS certificate to you at your registered email ID in due course, post payment of the said Dividend.

The above communication on TDS sets out the provisions of law in a summary manner only and does not support to be a complete analysis or listing of all potential tax consequences. Shareholders should consult with their own tax advisors for the tax provisions applicable to their particular circumstances.

For the abovementioned forms and declarations shareholders may visit <https://ris.kfintech.com/form15/>

Please let us know in case any clarification is required.