FAQs on Tax deducted at Source (TDS) on Dividend

In accordance with the provisions of the Income Tax Act, 2025 [Erstwhile Income Tax Act,1961] ("the Act"), dividend declared and paid by a company is taxable in the hands of the shareholders. Accordingly, the company declaring/paying dividend is required to deduct TDS from such dividend at the rates prescribed by the Act.

1. TDS applicable to a resident individual shareholder with valid PAN:

- The rate of TDS applicable on dividend paid to any resident individual shareholder is @10% under section 393(1) SI-7 [Erstwhile Section 194 of the Income Tax Act, 1961] 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 paid to a resident individual shareholder does not exceed ₹10,000 during the relevant financial year (i.e. FY 2026-27), no TDS is applicable.

- If the resident individual shareholder provides a declaration in Form 121 [Erstwhile Form 15G/ Form 15H], no TDS is applicable.

2. TDS applicable 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 higher of the Following: -

i. 10% (Rate specified for the dividend)
ii. Rate in force for the HUF/Firm/AOP/BOI/Company
iii. 20%

3. Applicable TDS rates in cases where PAN is not linked with AADHAAR:

As per Section 262(6) [Erstwhile Section 139AA] of the Income Tax Act, every person who has been allotted a PAN and who is eligible to obtain AADHAR, shall be required to link the PAN with AADHAR.

In case of failure to comply with this, the PAN allotted shall be deemed to be invalid / inoperative and tax shall be deducted at the rate of 20% as per the provisions of section 397(2) [Erstwhile Section 206AA] of the Act.

4. TDS applicable to insurance companies:

TDS is not applicable on the dividend paid to Insurance companies (Viz. LIC, GIC or any other insurer) in case it provides a self-declaration that the shares are owned by it or it has full beneficial interest in the shares, along with a self-attested PAN and copy of the registration certificate issued by IRDAI.

5. TDS applicable to mutual funds:

TDS is not applicable on the dividend paid to a Mutual Fund specified as per Schedule VII read with Section 11(3) of Income Tax Act, 2025 [Erstwhile clause (23D) of section10].

Such Mutual Fund should provide a self-declaration that they are specified in Schedule VII read with Section 11(3) of Income Tax Act, 2025 along with a self-attested copy of PAN card and registration certificate.

6. TDS applicable to New Pension System Trust:

TDS is not applicable on the dividend paid to any person for, or on behalf of, the New Pension System Trust referred to in Schedule VII read with Section 11(3) of Income Tax Act, 2025 [Erstwhile clause (44) of section 10 of Income Tax Act, 1961]. Such person to provide a self-declaration that they are specified in Schedule VII read with Section 11(3) of Income Tax Act, 2025

7. TDS on Dividend to Government and Reserve Bank of India:

No TDS shall be applicable on payment of dividend to the Government and Reserve Bank of India.

8. TDS applicable 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 provision under Section 393(2) SI-15 [Erstwhile section 196D of the Act].

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

9. TDS applicable 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 Indian Income- tax Act, 2025. 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:

i. Tax Residency Certificate for FY 2026-27, the year in which the dividend is received (to be obtained from the Revenue / Tax authorities of the country of which the shareholder is resident)
ii. Electronically file Form 41[Erstwhile Form10F] as per the format specified under Income Tax Act, 2025
iii. Copy of PAN Card attested (If any)
iv. Self-declaration of beneficial ownership and not having a PE in India

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% including surcharge and cess.

10. Transferring TDS credit to the beneficial owner

In cases where the shareholder is merely a custodian of the shares and, accordingly, not the beneficial owner of the dividend payable in respect thereof, then, in order to transfer the credit of TDS to the beneficial owner of dividend income, the custodian may provide a declaration prescribed by Rule 203 of Income Tax Rules, 2026 [Erstwhile 37BA of the Income-tax Rules, 1962]. The aforesaid declaration shall contain the following:

1) Name, address, PAN and residential status of the person to whom credit is to be given.

2) Payment in relation to which credit is to be given; and

3) The reason for giving credit to such person.

11. Update of 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.

12. Submission of application for non/lower deduction of TDS

In case a resident shareholder obtains a Certificate issued by prescribed authority under Section 395(1) of Income Tax Act,2025 [Erstwhile Section 197 of the Act] for non/lower deduction of TDS on dividend, the relevant TAN No. to be used for this purpose is – MRTO00453F.

Non-resident shareholders may also submit Certificate obtained from prescribed authority under section 395(2) of Income Tax Act, 2025 [Erstwhile Section 197/195 of the Act]. The relevant TAN No. to be used for this purpose is – MRTO00453F.

13. Timeline to submit the documents:

All the above-mentioned documents should be uploaded on the link provided at RTA webpage i.e. https://ris.kfintech.com/clientservices/investors/taxforms.aspx else higher applicable TDS as mentioned in the above paragraphs will be deducted.

14. Information on tax deducted:

The amount of TDS deducted from dividend can be viewed and checked by shareholders from Form 168 [Erstwhile Form 26AS] and Annual Information System by logging on to the e-filing portal of income tax https://eportal.incometax.gov.in/iec/foservices/#/login

Please note, the credit in Form 26AS 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.

15. Misrepresentation etc:

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, such shareholder will be responsible to indemnify the Company and provide all information/documents to the Company & cooperate in any relevant proceedings that may arise.