

FAQs on Tax to be deducted at Source (TDS) on Dividend for Tax Year (2026-27)

Background

Finance Act 2020 has introduced the new tax regime for taxing the dividend income in the hands of shareholders. Prior to April 01, 2020, dividend distribution was subject to Dividend distribution tax (DDT) in the hands of the company and such dividend income was exempt in the hands of shareholders.

However, w.e.f. April 01, 2020, DDT has been abolished and Dividend income is now taxable in the hands of the shareholders, which needs to be deducted by the company at the time of payment of dividend. Taxability of the dividend shall depend upon class of the shareholder(s), quantum of dividend and country of their residence.

The objective of this FAQ is to bring clarity on the possible concerns of the shareholders.

Note: This FAQ shall not be construed as a legal advice and the shareholders should consult their tax advisors for any further clarity.

I. RESIDENT SHAREHOLDERS

01. I am a resident shareholder. Will my dividend be subject to TDS?

Effective April 01, 2020, Dividend is taxable in the hands of shareholders and therefore TDS will be deducted as per the provisions in the Income-tax Act, 2025 (the Act).

02. I am a resident shareholder (i.e. Individual, HUF, BOI, AOP, Partnership Firms, Corporations). At what rate TDS will be deducted?

TDS will be deducted @10% of dividend paid during the TY 2026-27.

However, where the dividend payout does not exceed Rs. 10,000 **in case of resident individuals**, no TDS shall be deducted.

For all other categories of shareholders (including individuals deriving dividend in excess of Rs. 10,000), availability of Permanent Account Number (PAN) with the depository/ Transfer Agent is mandatory, else tax rate of 20% would be applied considering it as Inoperative PAN as per section 397 of the Act. Accordingly, shareholders are advised to immediately update their Permanent Account Number (PAN) with the depository/ Transfer Agent.

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

For resident shareholders, the rate of TDS would not be increased by surcharge and cess. For non-resident shareholders, the rate of TDS would be increased by applicable surcharge and cess where relevant **Tax Treaty benefit is not available**.

04. Whether there is any threshold while deducting TDS payment on dividend distribution?

Yes, if the dividend distributed to a **resident individual** shareholder does not exceed Rs 10,000 in a TY, then no tax will be deducted. However, no such threshold is applicable for payment to shareholders other than the resident individual.

05. I am a resident individual and my dividend receipt is subject to TDS. However, tax on my estimated total income for the TY 2026-27 after including this dividend income on which tax is to be deducted, will be NIL. Can I then request the Company not to deduct tax at source and to pay the amount without deduction of tax at source?

Yes, in case you are **resident Individual** and your total income is not exceeding the income chargeable to tax in India as per the Act, then you can submit *Form 121 immediately to the Company along with copy of self-attested PAN card. Please note Form 121, if applicable, is to be filed every TY preferably in the month of April (beginning of the TY). Please ensure that your correct PAN card details are already updated in your demat account /physical folio as the case may be before applying so.*

- User manual of Form 121 is available at [Form 121 User Manual | Income Tax Department](#)

06. Where does the shareholder need to update the PAN?

Demat Shareholding:

If the shares are held in Demat form, the PAN needs to be updated with the Depository.

Physical Shareholding:

If the shares are held in physical form, the PAN needs to be updated with the Company's Registrar and Transfer Agents - M/s Alankit Assignments Limited, Alankit House, 4E/2, Jhandewalan Extension, New Delhi -110055

If the PAN is already updated, no further action is required

Please refer Q. No. 12 for sending documents.

07. Are there any Indian entities exempted from deduction of TDS on Dividend?

Yes, there are following entities which are exempt from TDS on dividend

- **Insurance entities (LIC, GIC, etc.):** TDS is not applicable on payment of dividend to these insurance entities which are given exemption under 393(4) Table Serial No. 10 of the Act. Such Insurance entities should provide a self-declaration that they are engaged in insurance business

with a self-attested copy of PAN card and registration certificate with Insurance Regulatory and Development Authority of India (IRDAI).

- **Mutual Funds**: In terms of section 393 of the Act, TDS is not applicable on payment of dividend to Mutual Funds covered at schedule VII (Serial No. 20 or 21) of the Act. Such Mutual Funds should provide a self-declaration that they are covered under schedule VII (Serial No. 20 or 21) of the Act, with a self-attested copy of PAN card and registration certificate.
- **Indian Government entities**: In terms of section 393 of the Act, TDS is not applicable on payment of dividend to Government entities (Central or State). Such Government entities should provide a documentary evidence for the same. **It may be noted that Public Sector Undertakings (PSUs) do not characterize as Government and TDS would apply in the same manner as applicable to any other company.**
- **Corporation established by or under a Central Act which is exempt from income-tax on its income**: In terms of section 393 of the Act, TDS is not applicable on payment of dividend to a corporation established by or under a Central Act which is exempt from income-tax on its income. Such corporations should provide a documentary evidence for the aforesaid.
- **Alternate investment fund (category – I & II)**: TDS is not applicable on payment of dividend to Alternate investment fund (category – I & II), covered by Notification No. 51/2015 dated June 25, 2015, where dividend is exempt under schedule V (Serial No. 1) and this entity is regulated under the Securities and Exchange Board of India (Alternative Investment Fund) Regulations, 2012. Such entities should provide a self-attested copy certificate of registration as a Category I or a Category II Alternative Investment Fund with PAN.
- **Persons who have obtained a certificate under section 395 of the Act**: TDS would be done as per the lower or nil rate that may be mentioned in the certificate under section 395 of the Act. The certificate furnished to the Company should specifically mention the nature of income as dividend, amount expected and the payer as NIIT Learning Systems Limited.
- **Other persons who may be exempt under any other provisions under the Act**: The Company, in absence of any express dispensation in the statute, would generally deduct TDS on dividend payments to such persons so as to comply the provisions of the Act and avoid getting into any litigation. However, in a case where a shareholder furnishes - a) relevant documentation to suggest that it is exempt from tax; and b) a specific notification/ circular issued by the CBDT stating that TDS should not be done on payments to such a shareholder, the Company, basis the advise from its tax team, would decide whether tax deduction is required or not.

II. NON-RESIDENT SHAREHOLDERS

08. What is the WHT rate applicable for shareholders being Foreign Institutional Investors (FIIs)/Foreign Portfolio Investors (FPIs), not being corporates?

In view of specific provision under section 393 of the Act, WHT shall be deducted @ 20%* (plus applicable surcharge and cess) on dividend paid to Foreign Institutional Investors (“FIIs”) /Foreign Portfolio Investors (“FPIs”). Rates of WHT/TDS including surcharge and cess are tabulated given below:

** In case, the FIIs/FPIs desire to avail a tax treaty benefits and furnish the relevant documentation for doing so, the beneficial tax rate as per the relevant tax treaty would apply. Please refer to Q. No. 9 below.*

FII/ FPI making investment under FPI route) in form of trusts/AOP (assuming treaty benefit not availed)

S.No.	Range of Dividend Income	WHT/TDS Rate	Surcharge	Education Cess	Rate of WHT/TDS including surcharge and cess
1	Upto ₹ 50 Lacs	20%	NIL	4%	20.80%
2	Above ₹ 50 Lacs but not exceeding ₹ 1 Crore	20%	10%	4%	22.88%
3	Above ₹ 1 Crore	20%	15%	4%	23.92%

FII/ FPI (making investment under FPI route) in form of Company (assuming treaty benefit not availed)

S.No.	Range of Dividend Income	WHT/ TDS Rate	Surcharge	Education Cess	Rate of WHT/TDS including surcharge and Cess
1	Upto ₹ 1 Crore	20%	NIL	4%	20.8%
2	Above ₹ 1 Crore but not	20%	2%	4%	21.216%

	exceeding ₹ 10 Crore				
3	Above ₹ 10 Crores	20%	5%	4%	21.84%

FII/ FPI (making investment under FPI route) in form of Firm (*assuming treaty benefit not availed*)

S.No.	Range of Dividend Income	WHT/TDS Rate	Surcharge	Education Cess	Rate of WHT/TDS including surcharge and cess
1	Upto ₹ 1 Crore	20%	NIL	4%	20.80%
2	Above ₹ 1 Crore	20%	12%	4%	23.296%

09. What is WHT/ TDS rate 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).
- 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.**
- Rates of TDS (for non-resident individuals, HUF, AOP, BOI) including surcharge and cess (assuming tax treaty benefit is not availed) are tabulated given below:

S.No.	Range of Dividend Income	TDS Rate	Surcharge	Education Cess	Rate of TDS including surcharge and cess
1	Upto ₹ 50 Lacs	20%	NIL	4%	20.80%
2	Above ₹ 50 Lacs but not exceeding ₹ 1 Crore	20%	10%	4%	22.88%
3	Above ₹ 1 Crore	20%	15%	4%	23.92%

- Rates of TDS for non-resident companies including surcharge and cess are tabulated given below:

S.No.	Range of Dividend Income	TDS Rate	Surcharge	Education Cess	Rate of TDS including surcharge and cess
1	Upto ₹ 1 Crore	20%	NIL	4%	20.80%
2	Above ₹ 1 Crore but not exceeding ₹ 10 Crores	20%	2%	4%	21.216%
3	Above ₹ 10 Crores	20%	5%	4%	21.84%

- **Non-residents who have obtained a certificate under section 395 of the Act:**
TDS would be done as per the lower or nil rate that may be mentioned in the certificate under section 395 of the Act. The certificate furnished to the Company should specifically mention the nature of income as dividend, amount expected and the payer as NIIT Learning Systems Limited.

10. What are the documents required to be furnished by a non-resident shareholder, whether or not a FII/FPI, to avail tax treaty benefit?

- In order to avail tax treaty benefits, non-resident shareholders would be required to submit **the following** documents:
 - a. Tax Residency Certificate (TRC) for TY 2026-27. TRC can be obtained from the Revenue / Tax authorities of the country of which the shareholder is resident.
 - b. Copy of duly filled Self-declaration in Form 41 on Indian Income tax Portal filled and signed. This form has to be filed on the Indian Income Tax Portal by registering through below mentioned link (for registration PAN is not mandatory)

Link:

<https://eportal.incometax.gov.in/iec/foservices/#!/pre-login/register>
 - c. Copy of PAN Card, if available.
 - d. Self-declaration *inter-alia* of beneficial ownership, not having a PE in India, etc.

- *Please note that the Company is not obligated to apply the beneficial treaty rates at the time of tax deduction of TDS on dividend. Application of beneficial treaty 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 not complete in order to provide the beneficial treaty rates, then tax will be deducted at 20% plus applicable surcharge and cess.*

III. RESIDENT AND NON-RESIDENT SHAREHOLDERS

11. Deduction of TDS by lower/NIL rate:

If you have obtained lower/NIL deduction certificate under section 395 from income tax department kindly share copy of the same with us latest by _____ to apply lower/NIL TDS rate as mentioned in such certificate.

_____ has been fixed as Record Date for determining entitlement of members to the dividend for the financial year ended March 31, _____, if approved at the AGM.

12. What is the timeline to submit all of above-mentioned Annexures or any other relevant document?

- All documents duly signed/certified must reach on/before _____ to Company and/or its Registrar & Share Transfer Agent:

— NIIT Learning Systems Limited
Investor Services
8, Balaji Estate, First Floor,
Guru Ravi Das Marg, Kalkaji, New Delhi - 110 019
E-Mail: investors@niitmts.com

— KFin Technologies Limited (Registrar and Share Transfer Agent)
Selenium Tower B, Plot No. 31 & 32, Gachibowli, Financial District,
Nanakramguda, Hyderabad – 500032, Telangana, India
Email: cinward.ris@kfintech.com

- Failure to do so, will attract higher TDS rates as mentioned in the above paragraphs. Request and copy of documents to be sent through your registered email to the abovementioned email of Company and /or RTA. Otherwise copies of document be sent to the Company's abovementioned registered office address.
- If the tax on dividend is deducted at a higher rate in absence of receipt of or satisfactory completeness of the afore-mentioned details/documents, then the shareholder may claim an appropriate refund in their return of income filed with their respective Tax authorities.

13. How can I get Information on tax deducted on my dividend income?

- The Company will arrange to email a soft copy of the TDS certificate (Form 131) at the shareholders registered email ID in due course. Please ensure your correct email Id is updated in your demat account /physical folio. If not, please get it updated as soon as possible as prescribed above for PAN card updation.

- Shareholders will also be able to see the credit of TDS in Form 168, which can be downloaded from their income tax e-filing accounts at by following below process:-

- i. Login your tax account with user id and Password
<https://eportal.incometax.gov.in/iec/foervices/#/login>
- ii. Go to e-file -> Income Tax Returns -> View Form 168
- iii. Now click on View/Download Form 168
- iv. Select Tax Year 2026-27 and select view as download PDF
- v. You will get your Form 168 where you can see your TDS credit on dividend.

- Please note, TDS 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.

14. For your queries:

- In case of any other query (if any), please write to us at investors@niitmts.com.