

Deduction of tax at source on Dividend

Dear Members,

We wish to inform you that the Board of Directors of your Company have at their meeting held on May 11, 2023 recommended a final dividend of Rs. 10/- per equity share having nominal value of Rs.10/- each for the financial year 2022-23. The final dividend as recommended by the Board of Directors, if approved by the members, at the AGM, will be paid on and from August 11, 2023, to those members whose names shall appear on the Company's Register of Members on July 11, 2023.

As you may be aware, in terms of the provisions of the Income-tax Act, 1961, ("the Act") as amended by the Finance Act, 2020, dividend paid or distributed by a Company on or after 1st April, 2020 shall be taxable in the hands of the members. The Company shall therefore be required to deduct tax at source at the time of payment of dividend.

For resident members: Tax will be deducted at source ("TDS") under Section 194 of the Act @ 10% on the amount of dividend payable unless exempt under any of the provisions of the Act. However, in case of individuals who have valid PAN Nos., TDS would not apply if the aggregate of total dividend distributed to them by the Company during FY 2022-23 does not exceed Rs. 5,000/-.

Tax at source will not be deducted in cases where a member provides Form 15G (applicable to any person other than a Company or a Firm) / Form 15H (applicable to an individual above the age of 60 years), provided that the eligibility conditions are being met. Blank Form 15G and 15H can also be downloaded from the link given at the end of this communication.

Needless to mention, the Permanent Account Number (PAN) will be mandatorily required.

In order to provide exemption from withholding of tax, the following organisations must provide a self-declaration as listed below:

- **Insurance companies:** A declaration that they are beneficial owners of shares held.
- **Mutual Funds:** A declaration that they are governed by the provisions of section 10(23D) of the Act along with copy of registration documents (self-attested).
- **Alternative Investment Fund (AIF) established in India:** A declaration that its income is exempt under section 10(23FBA) of the Act and they are established as Category I or Category II AIF under the SEBI regulations. Copy of registration documents (self-attested) should be provided.



- **Other Non-Individual shareholders:** Self-attested copy of documentary evidence supporting the exemption along with self-attested copy of PAN card.

In case, Shareholders (both individuals and non-individuals) provide certificate under Section 197 of the Act, for lower / NIL withholding of taxes, rate specified in the said certificate shall be considered, on submission of self-attested copy of the same.

For non-resident members: Tax is required to be withheld in accordance with the provisions of Section 195 of the Act at applicable rates in force. As per the relevant provisions of the Act, the tax shall be withheld @ 20% (plus applicable surcharge and cess) on the amount of dividend payable. However, as per Section 90 of the Act, a non-resident member has the option to be governed by the provisions of the Double Tax Avoidance Agreement ("DTAA") between India and the country of tax residence of the member, if they are more beneficial to the member. For this purpose, i.e. to avail the Tax Treaty benefits, the non-resident member will have to provide the following:

- i. Self-attested copy of Permanent Account Number (PAN Card), if any, 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 member is resident;
- iii. Self-declaration in Form 10F, if all the details required in this form are not mentioned in the TRC;
- iv. Self-declaration by the non-resident member of having no permanent establishment in India in accordance with the applicable Tax Treaty;
- v. Self-declaration of beneficial ownership by the non-resident member.
- vi. In case of Foreign Institutional Investors and Foreign Portfolio Investors copy of SEBI registration certificate.
- vii. In case of Shareholder being tax resident of Singapore, please furnish the letter issued by the competent authority or any other evidences demonstrating the non-applicability of Article 24-Limitation of Relief under India-Singapore DTAA.

The documents referred to in point nos. (iii) to (vii) can be downloaded from the link given at the end of this communication.

Please note that the Company is not obligated to apply the beneficial DTAA rates at the time of tax deduction/withholding on dividend amounts. Application of beneficial DTAA rate shall depend upon the completeness and satisfactory review by the Company, of the documents submitted by non-resident member.

Notwithstanding the above, tax shall be deducted at source @ 20% (plus applicable surcharge and cess) on dividend paid to Foreign Institutional Investors and Foreign Portfolio Investors under section 196D of the Income Tax Act, 1961. Such TDS rate shall not be reduced on account of the application of the Lower DTAA rate, if any.



To enable us to determine the appropriate TDS/withholding tax rate applicable, we request you to provide the above details and documents not later than July 18, 2023.

Dividend will be paid after deducting the tax at source as under:

- NIL for resident individual members receiving dividend upto Rs.5,000 or in case Form 15G/Form 15H (as applicable) along with self-attested copy of the PAN is submitted.
- 10% for resident members in case PAN is provided/available and not covered above.
- 20% for resident members, if PAN is not provided/not available.
- Lower/NIL TDS on submission of self-attested copy of the certificate issued under section 197 of the Income Tax Act, 1961.
- 20% plus applicable surcharge and cess for non-resident members in case the aforementioned documents are not submitted
- Tax will be assessed on the basis of documents submitted by the non-resident members.

Declaration under Rule 37BA: In terms of Rule 37BA of the Income-tax Rules, 1962, if dividend income on which tax has been deducted at source is assessable in the hands of a person other than the deductee, then such deductee should file declaration with Company in the manner prescribed in the Rules.

Kindly note that the aforementioned documents shall be emailed to inward.ris@kfintech.com and ir@neulandlabs.com. No communication on the tax determination/deduction shall be entertained after **July 18, 2023**.

In order to download the blank forms 15H, 15G, 10F and self-declarations, you can click at <https://www.neulandlabs.com/investors/shareholder-information/shares/TDS-related-Information-on-Dividend>

In terms of Rule 37BA of Income Tax Rules, 1962, if dividend income on which tax has been deducted at source is assessable in the hands of a person other than the deductee, then deductee should file declaration with Company in manner prescribed by Rules.

In case tax on dividend is deducted at a higher rate in the absence of receipt of the aforementioned details/documents, you would still have the option of claiming refund of the excess tax paid at the time of filing your income tax return. No claim shall lie against the Company for such taxes deducted.

While on the subject, we request you to submit/update your bank account details with your Depository Participant, in case you are holding shares in the electronic form. In case your shareholding is in the physical form, you will have to submit a scanned copy of a covering letter, duly signed by the first shareholder/member, along with a cancelled cheque leaf with your name and bank account details and a copy of your PAN card, duly self-attested, with KFin. This will facilitate receipt of dividend directly into your bank accounts. In case the cancelled cheque leaf does not bear the members name, please attach a copy of the bank pass-book statement, duly self-attested. We also request you to register your email IDs and mobile numbers with the Company or the RTA at the abovementioned emails.



Incomplete and/or unsigned forms and declarations will not be considered by the Company. No communication on the tax determination/ deduction shall be considered post 11.59 pm (IST) July 18, 2023.

This is for your information and records.

Thanking you,

Yours Sincerely,

For Neuland Laboratories Limited

**Sd/-
Sarada Bhamidipati
Company Secretary**