



PNB Gilts Ltd.

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CIN : L74899DL1996PLC077120

Deduction of tax at source on dividend

We wish to inform you that the Board of Directors (the "**Board**") of your Company have, at their meeting held on June 22, 2021 recommended Final Dividend of Rs. 4/- per equity share subject to Shareholder approval having nominal value of Rs.10 each for the financial year ending March 31, 2021.

The Final Dividend, if declared at AGM will be paid to the shareholders holding equity shares of the Company, either in electronic or in physical form as on the record date i.e. September 4, 2021 fixed for determining eligibility of shareholders to receive dividend).

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 April 01, 2020 shall be taxable in the hands of the shareholders. The Company shall therefore be required to deduct tax at source at the time of payment of dividend.

The applicable Tax Deduction at Source (TDS) provisions under the Income Tax Act, 1961 for Resident and Non-Resident shareholder categories are as follows:

For all Members - Details that should be completed and /or updated, as applicable

All Members are requested to ensure that the below details are completed and/or updated, as applicable, in their respective demat account/s maintained with the Depository Participant/s; or in case of shares held in physical form, with the Company, by 4th September, 2021. Please note that these details as available on Record Date in the Register of Members/ Register of Beneficial Ownership will be relied upon by the Company, for the purpose of complying with the applicable TDS provisions:

- I. Valid Permanent Account Number (PAN).
- II. Residential status as per the Act i.e., Resident or Non-Resident for FY 2021-22.
- III. Category of the Member.
- IV. Email Address.
- V. Address.

For resident shareholders:

For resident shareholders, generally, the tax will be deducted at source (TDS) under Section 194 of the Income Tax Act, 1961 @ 10% on the amount of dividend declared and paid by the Company during FY 2021-22 provided Permanent Account Number (PAN) is provided by the shareholder. If PAN is not submitted, TDS would be deducted @ 20% as per Section 206AA of the Income Tax Act, 1961.

a. Resident individual shareholders:

No tax shall be deducted on the dividend payable to resident individuals if -

- i. Total dividend to be paid to them during the Financial Year 2021-22 does not exceed Rs. 5,000/-

- ii. The shareholder provides a written declaration in prescribed Form 15G (applicable to individuals, with no tax liability on total income and income not exceeding maximum amount which is not chargeable to tax) / Form 15H (applicable to an Individual above the age of 60 years), subject to eligibility conditions being met.

Blank Form 15G and 15H can be downloaded from the link given at the end of this communication or from the website of the Company viz. www.pnbgilts.com

b. Resident Shareholders other than individuals:

In case of a certain class of resident shareholders other than individuals who are covered under provisions of Section 194 or Section 196 or Section 197A of the Income-tax Act, 1961, no tax shall be deducted at source ('nil rate') provided sufficient documentary evidence thereof, to the satisfaction of the Company, is submitted. This illustratively includes providing the following:

- i. **Insurance Companies:** Public & Other Insurance Companies, a Self-declaration that it has a full beneficial interest with respect to the shares owned by it along with PAN.
- ii. **Mutual Funds:** Self-declaration that they are specified and covered under section 10 (23D) of the Income Tax Act, 1961 along with a self-attested copy of PAN card and registration certificate.
- iii. **Corporation established by or under a Central Act which is, under any law for the time being in force, exempt from income-tax on its income:** Self-declaration specifying the specific Central Act under which such corporation is established and that their income is exempt under the provisions of Income Tax Act, 1961 along with a self-attested copy of the PAN card and registration certificate.
- iv. **Alternate Investment Fund (AIF) established/incorporated in India:** Self-declaration that income is exempt under Section 10(23FBA) of the Income Tax Act, 1961 and that they are governed by SEBI Regulations as Category I or Category II AIF along with a self-attested copy of PAN card and registration certificate.
- v. **Other Resident Non Individual Shareholders:** Shareholders who are exempted from the provisions of TDS as per Section 194 of the Income Tax Act, 1961 and who are covered u/s 196 of the Income Tax Act, 1961 shall also not be subjected to any TDS, provided they submit an attested copy of the PAN along with the documentary evidence in relation to the same.
- vi. **Declaration under section 199:** In case the shareholder is holding the shares of the Company on behalf of another person in whose hands the income is assessable, then the shareholder must provide the following to enable the company to report the tax deduction in the name of such other person:
 - Declaration under section 199; and
 - Attested copy of PAN of the shareholder and the other person to whom credit for taxes is to be provided.

As per Finance Bill 2021, TDS is proposed to be deducted at twice the applicable rates, if Income Tax Return is not filed by the resident shareholders for preceding two financial years, for which the time limit for filing has expired. Post implementation clarity by CBDT and Finance Act 2021, if any additional documents are required by the Company, the Company will separately intimate such resident shareholders.

Application of Nil rate at the time of tax deduction / withholding on dividend amounts will depend upon the completeness and satisfactory review by the Company, of the documents submitted by such shareholders.

For Non-resident shareholders or foreign companies ('non-resident payee')

Tax is required to be withheld in accordance with the provisions of Section 195 of the Income Tax Act, 1961 at applicable rates in force. As per the said provisions, the tax shall be withheld @ 20% plus applicable surcharge and cess on the amount of dividend payable. However, as per Section 90 of the Income Tax Act, 1961, a non-resident payee 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 shareholder, if they are more beneficial to the shareholder. For this purpose, i.e. to avail the DTAA benefits, the non-resident shareholder will have to provide the following:

- Self-attested copy of Permanent Account Number (PAN Card), if any allotted by the Indian Income Tax authorities;
- Self-attested copy of Tax Residency Certificate (TRC) obtained from the tax authorities of the country of which the shareholder is resident;
- Self-declaration in Form 10F (Please download from the link given at the end of this communication or from the Company's website viz. www.pnbgilts.com, if all the details required in this form are not mentioned in the TRC;
- Self-declaration by the non-resident payee containing such particulars/ confirmation as would be imperative to be governed by and/ or avail benefits, if any, under the applicable DTAA (draft format attached herewith can be downloaded from the link given at the end of this communication or from the website of the Company viz. www.pnbgilts.com)

Application of beneficial DTAA rates at the time of tax deduction / withholding on dividend amounts will depend upon the completeness and satisfactory review by the Company, of the documents submitted by the non-resident payee.

Notwithstanding as mentioned above, tax shall be deducted at source @ 20% (plus applicable surcharge and cess) on dividend paid to Foreign Institutional Investors ("FII") and Foreign Portfolio Investors ("FPI"). Such TDS rate shall not be reduced on account of the application of favourable DTAA rate, if any.

Notwithstanding anything contained herein, where any shareholder is a tax resident of any country or territory notified as a notified jurisdictional area under Section 94A(1) of the Income Tax Act, tax will be deducted at source at the rate of 30% or at the rate specified in the relevant provision of the Income-tax Act, 1961 or at the rates in force, whichever is higher, from the dividend payable to such shareholder in accordance with Section 94A of the Income Tax Act, 1961.

For Resident as well as non-resident shareholders

Notwithstanding anything contained above, in the case where the shareholders provide a certificate under Section 197 of the Income Tax Act, 1961 for lower / NIL withholding of taxes, the rate specified in the said certificate shall be considered based on submission of self-attested copy of the same.

Shareholders holding shares in physical form are requested to update their PAN details with the Company.

For Shareholders having multiple accounts under different status / category:

Shareholders holding shares under multiple accounts under different status / category and single PAN, may note that, higher of the tax as applicable to the status in which shares held under a PAN will be considered on their entire holding in different accounts.

Summary of TDS Rates

Subject to what is stated above, the rate at which taxes are to be deducted at source based on the category of shareholders, are as under:

Category of shareholder	Rate of TDS
Resident Shareholder	
Shareholders providing Form 15G/15H#	Nil
If Dividend income < Rs. 5,000	Nil
If Dividend income > Rs. 5,000	<ul style="list-style-type: none">• 10% in case where valid PAN is provided / available• 20%, in other cases where PAN is not provided / not available / invalid
Dividend payment to – <ul style="list-style-type: none">• the Government• the Reserve Bank of India a Corporation established by or under a Central Act, which is, under any law for the time being in force, exempt from income tax on its income a Mutual Fund specified under Section 10(23D) of the Income Tax Act, 1961	Nil
Non - resident shareholders	
FPI/FII Shareholders	*20%
Other Non-resident Shareholders	*20% or lower rate as mentioned in tax treaty, if the applicable details / documents are satisfactorily provided as aforementioned

*All the above referred tax rates shall be duly enhanced by the applicable surcharge and cess.

Kindly note that Form 15G/15H should be filed again for interim dividend for the enhanced amount to dividend income receivable from the company.

Kindly note that the aforementioned documents should be emailed to MCS Share Transfer Agent Limited, the Share Transfer Agent ("STA") of the Company, at m.kochar@pnbgilts.com with a copy marked to admin@mcsregistrars.com. No communication on the tax determination / deduction shall be entertained after 11th September, 2021.

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 taxes so deducted at higher rate.

Copies of the TDS certificate will be emailed to you at your registered email ID in due course, post payment of dividend.

Download 15H - <https://www.pnbgilts.com/data/shareholder/1630988005.pdf>

Download 15G- <https://www.pnbgilts.com/data/shareholder/1630987987.pdf>

Download 10F- <https://www.pnbgilts.com/data/shareholder/1630987967.pdf>

Download Self Declaration- <https://www.pnbgilts.com/data/shareholder/1630988021.pdf>