



HFCL Limited

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HFCL/SEC/2024-25

June 12, 2024

The BSE Ltd. 1 st Floor, New Trading Wing, Rotunda Building Phiroze Jeejeebhoy Towers, Dalal Street, Fort Mumbai – 400001 corp.relations@bseindia.com Security Code No.: 500183	The National Stock Exchange of India Ltd. Exchange Plaza, 5 th Floor, C – 1, Block G Bandra – Kurla Complex, Bandra (E) Mumbai – 400051 cmist@nse.co.in Security Code No.: HFCL
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Subject: Intimation to Shareholders on Tax Deduction on Dividend

Dear Sir(s)/ Madam,

Pursuant to the changes introduced by the Finance Act, 2020, the Dividend Distribution Tax has been abolished with effect from 1st April, 2020 and the Dividend income has become taxable in the hands of the shareholders.

In this regard, please find enclosed herewith an e-mail communication which has been sent to all the shareholders, whose email addresses are registered with the Company/Depositories, inter-alia, indicating the process and documentation required for claiming tax exemption on dividend.

The above information is also available on the website of the Company at www.hfcl.com.

Kindly take the same on your records.

Thanking you

Yours faithfully,
For **HFCL Limited**

(Manoj Baid)
President & Company Secretary

Encl. as above



HFCL LIMITED

(Corporate Identity Number: L64200HP1987PLC007466)

Regd. Office: 8, Electronics Complex, Chambaghat, Solan-173213 (Himachal Pradesh)

Tel: +91-1792-230644; **Fax:** +91-1792-231902; **Website:** www.hfcl.com; **E-mail:** secretarial@hfcl.com

THIS COMMUNICATION REQUIRES YOUR IMMEDIATE ATTENTION

Dear Shareholder,

We are pleased to inform you that the Board of Directors of your Company at its meeting held on May 03, 2024 has recommended a dividend @20%, i.e. Re.0.20 per equity share of face value of Re.1/-, for the financial year 2023-24, which shall be paid within 30 days of its declaration of the same by the shareholders of the Company at the ensuing Annual General Meeting (AGM).

As you are aware, as per the Income-tax Act, 1961 (the "Act"), as amended by the Finance Act, 2020, dividends paid or distributed by a company on or after 1st April 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 making the payment of the dividend, if approved, at the ensuing AGM of the Company.

This communication provides a brief overview of the applicable Tax Deduction at Source (TDS) provisions under the Act for resident and non-resident shareholder categories.

I. For Shareholders, who are Resident in India -

Tax is required to be deducted at source under Section 194 of the Act, at the rate of 10% on the amount of dividend where shareholders have registered their valid Permanent Account Number (PAN). In case, shareholders do not have PAN / have not registered their valid PAN details in their account, TDS at the rate of 20% shall be deducted under Section 206AA of the Act.

a. Resident Individuals:

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

- i. The amount of such dividend or, as the case may be, the aggregate of the amounts of such dividend distributed or paid or likely to be distributed or paid during the financial year 2024-25, to the shareholder, does not exceed Rs.5,000/-; or
- ii. The shareholder provides valid Form 15G [applicable to an individual (other than Senior Citizen) or a person (not being a company or a firm)] / Form 15H (applicable to an Individual who is of the age of 60 years or more at any time during the financial year 2024-25), provided that all the required eligibility conditions are met. Please note that all **the applicable** fields are mandatory to be filled up **in respective forms** and the Company will reject incomplete forms. If the recipient makes a declaration without his / her valid PAN, TDS would be deducted @ 20% as per Section 206AA of the Act.

Subject to above, Form 15G/15H needs to be furnished only if dividend amount exceeds Rs.5,000/-. Considering that the Company has declared dividend of Rs.0.20 per share, need for submitting Form 15G/15H will arise only **if your shareholding exceeds 25000 shares.**

You can access FORM 15G and 15H by clicking on the below link:

[Form 15G and Form 15H](#)

- iii. Exemption certificate is issued by the Income-tax Department, if any.

Note:

1. **Shareholders are requested to ensure their Aadhar number is linked with PAN, as per the timelines prescribed. In case of failure of linking Aadhar with PAN within the prescribed timelines, PAN shall be considered inoperative, and in such scenario, tax shall be deducted at higher rate of 20%. The Company will be using functionality of the Income-tax department for the above purpose.**
2. **Recording of the PAN for the registered Folio/DP ID-Client ID is mandatory. In the absence of valid PAN, tax will be deducted at a higher rate of 20%, as per Section 206AA of the Act.**

b. Non-Individuals, who are resident in India:

No tax shall be deducted on the dividend payable to the following non-individuals, who are resident in India, where they provide details and documents:

i. **Insurance Companies:** Self declaration that it qualifies as 'Insurer' as per Section 2(7A) of the Insurance Act, 1938 and has full beneficial interest with respect to the Equity shares owned by it along with self-attested copy of PAN card and certificate of registration with Insurance Regulatory and Development Authority (IRDA)/ LIC/ GIC.

ii. **Mutual Funds:** Self-declaration that it is registered with SEBI and is notified under Section 10 (23D) of the Act along with self-attested copy of PAN card and certificate of registration with SEBI.

iii. **Alternative Investment Fund (AIF):** Self-declaration that its income is exempt under Section 10 (23FBA) of the Act and they are registered with SEBI as Category I or Category II AIF along with self-attested copy of the PAN card and certificate of AIF registration with SEBI.

iv **Sovereign Wealth funds and Pension funds:** Self-Declaration that the conditions specified in section 10(23FE) of the Act have been duly complied with.

iv. **New Pension System (NPS) Trust:** Self-declaration that it qualifies as NPS trust and income is eligible for exemption under Section 10(44) of the Act and being regulated by the provisions of the Indian Trusts Act, 1882 along with self-attested copy of the PAN card.

v. **Other Non-Individual shareholders:** Shareholders who are exempted from the provisions of TDS as per Section 194 of the Act and who are covered under Section 196 of the Act shall also not be subjected to any TDS, provided they submit an attested copy of the PAN along with the documentary evidence.

You can access Declaration by Resident Non Individuals by clicking on the below link:

[Declaration by Insurance Companies, Mutual Funds and AIFs](#)
[Declarations by funds notified by Central Government u/s 10\(23FE\) of the IT Act](#)

c. 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.

II. For Non-resident Shareholders -

a. Taxes are required to be withheld in accordance with the provisions of Section 195 and Section 196D of the Act, as per the rates as applicable. As per the relevant provisions of the Act, the withholding tax shall be at the rate of 20% (plus applicable surcharge and cess) on the amount of dividend payable to them. In case, non-resident shareholders provide a certificate issued under Section 197/195 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.

b. Further, as per Section 90 of the Act, the non-resident shareholder has the option to be governed by the provisions of the Double Taxation Avoidance Agreement (DTAA) between India and the country of tax residence of the shareholder, if they are more beneficial to them. For this purpose, i.e. to avail DTAA benefits, the non-resident shareholders are required to provide the following:

1. Self-attested copy of the PAN card allotted by the Indian Income Tax authorities. In case, PAN is not available, the non-resident shareholder shall furnish:

- (i) name, e-mail id, contact number;
- (ii) address in the country or specified territory outside India of which the shareholder is a resident;
- (iii) a certificate of his being resident in any country or specified territory outside India from the Government of that country or specified territory if the law of that country or specified territory provides for issuance of such certificate;
- (iv) Tax Identification Number of the shareholder in the country or specified territory of his residence and in case no such number is available, then a unique number on the basis of which the shareholder is identified by the Government of that country or the specified territory of which he claims to be a resident.

2. Self-attested copy of Tax Residency Certificate (TRC) (valid for the period April 2024 to March 2025 or later) obtained from the tax authorities of the country of which the shareholder is a resident.

You can access Tax Residency Disclosure by clicking on the below link:

[Disclosure of Tax Residency Certificate \("TRC"\)](#)

Note: In case, the TRC is furnished in a language other than English, the said TRC would have to be translated from such other language to English language and thereafter duly notarized and apostilled copy of the TRC would have to be provided.

3. Form 10F to be furnished electronically at income tax e-filing portal as per Notification no. 03/2022 dated 16th July, 2022 to avail benefit of DTAA. The copy of acknowledgement generated from income tax portal should be submitted to the Company.

You can access Form 10F by clicking on the below link:

[Form 10F](#)

4. Self-declaration for No PE (Permanent Establishment) in India – Shareholders are required to declare that they do not have Permanent Establishment (PE) in India.

5. Self-declaration by shareholder of meeting DTAA read with MLI eligibility requirement and satisfying beneficial ownership requirement. (for the period April 2024 to March 2025).

You can access Non Resident Tax Declaration by clicking on the below link:

[Non Resident Tax Declaration](#)

6. In case of Foreign Institutional Investors and Foreign Portfolio Investors, copy of SEBI registration certificate.

7. In case of shareholder being tax resident of Singapore, please furnish the letter issued by the competent authority or any other evidence demonstrating the non-applicability of Article 24 - Limitation of Relief under India-Singapore Double Taxation Avoidance Agreement (DTAA).

Kindly note that the Company is not obligated to apply beneficial DTAA rates at the time of tax deduction / withholding on dividend amounts. Application of beneficial rate as per DTAA for the purpose of withholding taxes shall depend upon completeness and satisfactory review by the Company of the documents submitted by the non-resident shareholder.

Accordingly, in order to enable us to determine the appropriate withholding tax rate applicable, **we request you to provide these details and documents as mentioned above, on or before August 07, 2024 (cut off period)**. Any documents submitted after cut-off period will be accepted at the sole discretion of the Company.

The Resident Non-Individual Members i.e. Insurance companies, Mutual Funds and Alternative Investment Fund (AIF) established in India and Non-Resident Non-Individual Members i.e. Foreign Institutional Investors and Foreign Portfolio Investors may alternatively submit the relevant forms / declarations / documents through their respective custodian who is registered on National Securities Depository Limited ("NSDL") platform, on or before the aforesaid timelines

III. Tax resident of any notified jurisdictional area- Where any shareholder is a tax resident of any country or territory notified as a notified jurisdictional area under Section 94A(1) of the Act, tax will be deducted at source at the rate of 30% or at the rate specified in the relevant provision of the Act or at the rates in force, whichever is higher, from the dividend payable to such shareholder in accordance with Section 94A(5) of the Act. Notwithstanding anything contained above, in case the shareholders provide a certificate under Section 197 of the Act 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.

IV. TDS to be deducted at higher rate in case of non-filers of Return of Income:

The Finance Act, 2021, has *inter alia* inserted the provisions of Section 206AB of the Act with effect from 1st July 2021. The provisions of Section 206AB of the Act require the deductor to deduct tax at higher of the following rates from amount paid/ credited to 'Specified Person':

- i. at twice the rate specified in the relevant provision of the Act; or
- ii. at twice the rate or rates in force; or
- iii. at the rate of 5%.

If the provisions of Section 206AA is applicable to a Specified Person, in addition to the provisions of Section 206AB, the tax shall be deducted at higher of the two rates provided in this section and in Section 206AA.

For the purpose of this Section “**Specified Person**” means a person who has not furnished the return of income for the assessment year relevant to the previous year immediately preceding the financial year in which tax is required to be deducted, for which the time limit for furnishing the return of income under Section 139(1) has expired and the aggregate of tax deducted at source and tax collected at source in his case is Rs. 50,000/- or more in the said previous year.

Provided that the specified person shall not include a non-resident who does not have a permanent establishment in India.

For the purpose of this sub-section, the expression “permanent establishment” includes a fixed place of business through which the business of the enterprise is wholly or partly carried on.

As per Central Board of Direct Taxes vide Circular No. 11 of 2021 dated 21st June 2021, for determining TDS rate on Dividend, the Company will be using functionality of the Income-tax department to determine the applicability of Section 206AB of the Act. Rate of 20% will be applied for shareholders who are determined as Specified Person in Income tax department portal.

V. Credit for tax deducted at source for the purpose of Section 199:

As per Rule 37BA of Income Tax Rules 1962, Credit for tax deducted at source and to be paid to the Central Government shall be given to the person to whom payment has been made or credit has been given on the basis of information relating to deduction of tax furnished by the deductor to the income-tax authority or the person authorized by such authority.

Where under any provisions of the Act, the whole or any part of the income on which tax has been deducted at source is assessable in the hands of a person other than the deductee, credit for the whole or any part of the tax deducted at source, as the case may be, shall be given to the other person and not to the deductee:

provided that the deductee files a declaration with the deductor and the deductor reports the tax deduction in the name of the other person in the information relating to deduction of tax referred as above.

The declaration filed by the deductee as above, shall contain the name, address, permanent account number of the person to whom credit is to be given, payment or credit in relation to which credit is to be given and reasons for giving credit to such person.

The deductor shall issue the certificate for deduction of tax at source in the name of the person in whose name credit is shown in the information relating to deduction of tax as above and shall keep the declaration in his safe custody.

You can access Declaration under Rule 37BA by clicking on the below link:

[Declaration under Rule 37BA](#)

Credit for tax deducted at source and paid to the Central Government, shall be given for the assessment year for which such income is assessable. If the income is assessable over a number of years, credit for tax deducted at source shall be allowed across those years in the same proportion in which the income is assessable to tax.

VI. PAYMENT OF DIVIDEND

The dividend on Equity Shares for financial year 2023-24, once approved by the shareholders of the Company at the AGM, will be paid after deducting the tax at source as mentioned above.

VII. FOR SHAREHOLDERS HAVING MULTIPLE ACCOUNTS UNDER DIFFERENT STATUS / CATEGORY: Shareholders holding equity 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.

VIII. It may be further noted that in case the tax on said dividend is deducted at a higher rate in the absence of receipt of the aforementioned details/documents from you, there would still be an option available with you to file the return of income and claim an appropriate refund, if eligible.

SUBMISSION OF TAX RELATED DOCUMENTS:

Kindly note that the aforementioned documents should be emailed at: tdsexm@hfcl.com or admin@mcsregistrars.com or physically sent to the Registrar & Transfer Agent (RTA) of the Company at:

MCS Share Transfer Agent Limited

F-65, 1st Floor, Okhla Industrial Area, Phase - I

New Delhi - 110020

Tel: +91-11-41406149

Fax: +91-11-41709881

Unit: HFCL Limited

UPDATION OF BANK ACCOUNT DETAILS:

All Shareholders are requested to ensure that their bank account details, residential status, registered email address, mobile number, category and other details in their respective demat accounts are updated, to enable the Company to make timely credit of dividend in their bank accounts.

Please note that the Company in its sole and absolute discretion reserves the right to call for any further information and/or to apply domestic law / DTAA for TDS.

Thanking you,
Yours faithfully,
For **HFCL Limited**

(Manoj Baid)

President & Company Secretary

Disclaimer: The information set out herein above is included for general information purposes only and does not constitute legal or tax advice. Since the tax consequences are dependent on facts and circumstances of each case, the investors are advised to consult their own tax consultant with respect to specific tax implications arising out of receipt of dividend.