



Cholamandalam Investment and Finance Company Limited

CIN: L65993TN1978PLC007576

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February 3, 2021

Dear Shareholder,

The Board of Directors of your Company at their meeting held on January 29, 2021, have approved payment of an Interim Dividend of Rs.1.30 per equity share (having a nominal value of Rs.2/- each) for the Financial Year ending March 31, 2021.

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 declared, paid and distributed by a Company on or after 1st April, 2020 shall be taxable in the hands of the shareholders. The Company will, therefore, be required to deduct tax at source at the time of payment of the dividend at the applicable rates as per the provisions of the Act.

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

I. FOR RESIDENT SHAREHOLDERS: For resident shareholders, generally, the tax will be deducted at source under Section 194 of the Act @ 7.5% (Refer note below) on the amount of dividend, provided a valid Permanent Account Number ('PAN') is provided by the shareholder. If PAN is not submitted, tax would be deducted @ 20% as per Section 206AA of the Act.

a. **Resident individual shareholders:** No tax shall be deducted on the dividend payable to resident individuals, if -

- i. The dividend to the shareholder does not exceed Rs.5,000/- during the Financial Year 2020-21.
- ii. The shareholder provides a written declaration in prescribed Form 15G / Form 15H (applicable to an Individual above the age of 60 years), subject to eligibility conditions being met. As per Section 206AA of the Act, the

declaration would not be valid if it does not contain PAN of the person making the declaration. If the recipient makes a declaration without his / her PAN, TDS would be deducted @ 20% as per Section 206AA of the Act.

Proforma of Blank Form 15G and 15H can be downloaded from the link given at the end of this communication.

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 Act, no tax shall be deducted at source ('NIL rate'), provided sufficient documentary evidence thereof, along with exemption notification, if any, as per the relevant provisions of the Act, to the satisfaction of the Company, is submitted. This illustratively includes the following:

- i. **Insurance Companies: Public & other insurance companies:** a declaration that it has a full beneficial interest with respect to the shares owned by it along with a self-attested copy of PAN card.
- ii. **Mutual Funds:** Self-declaration that they are specified and covered under Section 10 (23D) of the Act along with a self-attested copy of PAN card and registration certificate.
- iii. **Alternative Investment Fund ('AIF'):** AIF established/incorporated in India - Self-declaration that its income is exempt under Section 10 (23FBA) of the Act and they are governed by SEBI Regulations as Category I or Category II AIF along with a self-attested copy of the PAN card and registration certificate.
- iv. **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 the Act along with a self-attested copy of the 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 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 card along with the documentary evidence in relation to the same.

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. Notwithstanding anything contained above, in case where 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.

II. NON-RESIDENT SHAREHOLDERS OR FOREIGN COMPANIES ('Non-resident payee')

- a. 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 said provision, 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 payee has the option to be governed by the provisions of the Double Tax Avoidance Agreement ('DTAA') read with Multilateral Instrument ('MLI'), if applicable, 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 read with MLI (if applicable), the non-resident shareholder will have to provide certain documents, namely:
 - i. Self-attested copy of 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 shareholder is resident, valid as on date of payment;
 - iii. Self-declaration in Form 10F (please download from the link given at the end of this communication, if all the details required in this form are not mentioned in the TRC);
 - iv. Self-declaration by the non-resident payee containing such particulars/ confirmation as would be relevant to be governed by and/ or avail benefits, if any, under the applicable DTAA read with MLI (draft format attached herewith) can be downloaded from the link given at the end of this communication.

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. If required, the documents may further be corroborated by supportings such as opinion from an accounting firm or a law firm which categorically confirms the eligibility of the shareholder to obtain DTAA benefits particularly pertaining to the lower rate of taxation of dividends prescribed under the specific article of the DTAA read with MLI.

- a. Dividend paid to Foreign Institutional Investors ("FII") and Foreign Portfolio Investors ("FPI") - The tax shall be deducted at source @ 20% (plus applicable surcharge and cess) on dividend paid to FII and FPI. For the purpose of withholding tax, it may not be possible to consider applicable DTAA benefits, if any, in case of FII and FPI since the provisions of the Act do not provide so;
- b. 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, lower / NIL TDS on submission of self-attested copy of the certificate issued under section 197 of the Income Tax Act, 1961.

III. 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 are held under a PAN will be considered on their entire holding in different accounts.

To enable us to determine the appropriate TDS / withholding tax rate applicability, the aforementioned documents are required to be uploaded at the weblink of the Registrar and Share Transfer Agent viz. KFin Technologies Private Limited ("RTA") at <https://ris.kfintech.com/form15> not later than **February 10, 2021**. No communication on the tax determination / deduction shall be entertained thereafter. TDS certificate for shareholders who provided valid PAN will be sent by email at your registered email ID in due course and for shareholders who have not registered their email ID, the certificate will be sent by post, after filing of TDS return. We also request you to register your email IDs, mobile numbers and update your bank account details with your Depository Participant for receiving electronic credit of dividends directly into your bank accounts, in case you are holding shares in electronic form or with the RTA in case of holding in physical form.

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 directly from IT authorities 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.

Thanking you,

Yours faithfully,

For **Cholamandalam Investment and Finance Company Limited**

Sd/-

P. Sujatha

Company Secretary

Note: As per the Press Release dated May 13, 2020 by Central Board of Direct Taxes, for the dividend distributed or paid to Resident Shareholders between May 14, 2020 to March 31, 2021, reduced rate of TDS of 7.5% shall apply.

[Click Here](#) to download - 15H

[Click Here](#) to download - 15G

[Click Here](#) to download - 10F

[Click Here](#) to download - Self declaration