eClerx

eClerx/SECD/SE/2024/112

August 16, 2024

BSE Limited Corporate Relationship Department, Phiroze Jeejeebhoy Towers, 25th Floor, Dalal Street, Fort, Mumbai - 400 001	**National Stock Exchange of India Limited** Exchange Plaza, Plot No. C/1, Block G, Bandra - Kurla Complex Bandra (East), Mumbai – 400 051

Dear Sir/Madam,

Sub: Shareholders Communication - Deduction of tax at source on dividend

Scrip Code: BSE - 532927
NSE – ECLERX

In terms of the provisions of the Income-tax Act, 1961, as amended by the Finance Act, 2020, dividend paid or distributed by a Company on or after April 1, 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 the final dividend of Re. 1/- per equity share as recommended by the Board of Directors at its meeting held on May 16, 2024, if approved, at the ensuing 24th Annual General Meeting.

In this regard, please find attached communication regarding deduction of tax at source on dividend which has been sent to those shareholders whose email addresses are registered with the Company/Depositories.

The said communication is also available on the website of the Company viz. www.eclerx.com.

This is for your information and records.

Thanking you,

Yours faithfully
For **eClerx Services Limited**

PRATIK RAMESHBHAI BHANUSHALI
Digitally signed by PRATIK RAMESHBHAI BHANUSHALI
Date: 2024.08.16 16:39:57 +05'30'

eClerx Services Limited Mumbai

Pratik Bhanushali
VP-Legal & Company Secretary
F8538

Encl: As above

August 16, 2024

Dear Shareholder,

Subject: eClerx Services Limited - Information Required on Deduction of tax at source on dividend

The final dividend of Re. 1/- per equity share as recommended by the Board at its meeting held on May 16, 2024, if approved at the ensuing 24th Annual General Meeting, will be paid to the shareholders whose names are registered in the Register of Members of the Company as on September 6, 2024 in case of shares held in physical form. In case of shares held in dematerialized form, the dividend thereon shall be paid to the Beneficial Owners as at the end of the business hours on September 6, 2024, as per lists to be provided by the Depositories for the said purpose.

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 1, 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 the above referred dividend.

All the shareholders are requested to ensure that their details with reference to valid Permanent Account Number ("PAN"), residential status as per the Act i.e. Resident or Non-Resident, category of their account as per PAN, email/postal address including Bank Account details, etc., as applicable, are complete and updated in their account maintained with Depository Participant (in case shares are held in dematerialized form) or with RTA (in case shares are held in physical form).

TDS rates may vary depending on the residential status of the shareholder and the documents submitted to and accepted by the Company under the provisions of the Act.

In this regard, kindly note the following:

A. For Resident shareholders:

<u>Individuals:</u> 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 resident individuals, TDS would not apply if the aggregate of total dividend paid/payable to them by the Company during FY 2023-24 does not exceed Rs. 5,000. Tax deduction will be subject to the below requirements:

Where, the Permanent Account Number (PAN) is available being valid/operative and where shareholders have registered such valid PAN as per the provisions Section 194 of the Act, tax shall be deducted at source from the dividend amount @10% and @20% for cases where the shareholders do not have PAN/have not registered their valid PAN. Further, where Aadhar is not linked with PAN, the PAN shall be treated as invalid in accordance with the proviso to Section 139AA(2) of the Act and TDS shall get attracted accordingly.

No tax shall be deducted in the case of a resident shareholder if the shareholder provides duly signed Form 15G (applicable to any person other than a Company or a Firm) or Form 15H (applicable to an individual above the age of 60 years), provided that all the prescribed eligibility conditions are met (declaration form is annexed in the below link).

<u>Non-Individuals</u>: NIL / lower tax shall be deducted on the final dividend payable to the following categories of resident shareholders subject to furnishing of self-certified documents (as per formats attached) as below:

i. **Insurance companies:** Documentary evidence that the provisions of Section 194 of the Act are not applicable to them (self-attested by the competent authority with affixed stamp);

ii. **Mutual Funds:** Documentary evidence (self-attested registration certificate) that the mutual fund is a mutual fund specified under clause (23D) of Section 10 of the Act;

iii. **Alternative Investment Fund (AIF)** established in India: Self - declaration that its dividend income is not chargeable under the head 'Profit and Gains of Business or Profession' and exempt under Section 10(23FBA) of the Act and they are established as Category I or Category II AIF under the SEBI Regulations along with self-attested copy of registration documents.

iv. **Entities Exempt under Section 10 of the Act:** In case of resident non-individual shareholders, if the income is exempt under the Act, the authorized signatory shall submit the self-declaration duly signed with stamp affixed for the purpose of claiming exemption from tax deduction at source;

v. **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 - Documentary evidence that the person is covered under Section 196 of the Act;

vi. **New Pension System Trust**: Self - declaration that it qualifies as NPS trust regulated by the provisions of the Indian Trusts Act, 1882 and its dividend income is eligible for exemption under section 10(44) of the Act.

Blank Form in respect of above stated Self declaration may be downloaded from the website of the Registrar and Transfer Agent viz. KFin Technologies Limited ("RTA") at https://ris.kfintech.com/form15

Where a shareholder furnishes lower/nil withholding tax certificate under Section 197, TDS will be deducted as per the rates prescribed in such certificate.

B. For Non-Resident Shareholders:

I. 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 provisions of the Act, the tax shall be withheld @ 20% (plus surcharge and cess, as applicable) on the amount of dividend payable.

II. As per Section 90 of the Act, a non-resident shareholder has an 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 such DTAA provisions are more beneficial to such shareholder. To avail the DTAA benefits, the non-resident shareholder will have to compulsorily provide the following documents:

(a) Copy of Permanent Account Number (PAN), if available.

(b) Self-attested copy of Tax Residency Certificate (TRC) issued by the tax authorities of the country of which shareholder is tax resident, evidencing and certifying shareholder's tax residency status during FY 2023-24.
(c) Completed and duly signed Self-Declaration in Form 10F;
(d) Self-declaration of having no taxable presence, fixed based or permanent establishment in India in accordance with the applicable Tax Treaty and Beneficial ownership by the non-resident shareholder.

The format of the documents referred to in point no. (c) and (d) above can be downloaded from the website of the RTA viz. https://ris.kfintech.com/form15.

Documents should be legible and in PDF/JPEG formats and avoid the password protected documents. In case documents are not clearly visible or there are any password issues, then such documents will be not be considered.

The Company will apply its sole discretion and is not obligated to apply the beneficial DTAA rates for tax deduction on dividend payable to shareholders. Application of beneficial DTAA rate shall depend upon the completeness and satisfactory review by the Company of the documents submitted by the Non- Resident shareholders.

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

IV. Where a shareholder (other than FII and FPI as covered in Para B(III) above) furnishes valid lower/nil withholding tax certificate under Section 197 of the Act, TDS will be deducted as per the rates prescribed in such certificate.

C. For all Shareholders - Special provision for deduction of tax at source for non-filers of income-tax return applicable from July 1, 2021 (Section 206AB of the Act)

In case dividend amount is paid or payable to a specified person, the tax shall be deducted at the higher of the following rates: -

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 five per cent.

The term "specified person" means a person who has:

i. not filed the returns of income for both of the two previous years immediately prior to the previous year in which tax is required to be deducted and the time limit of filing return of income under sub-section (1) of Section 139 has expired; and
ii. the aggregate of tax deducted at source and tax collected at source in his case is Rs. 50,000/- or more in each of these two previous years.

Further if the provisions of Section 206AA is applicable to a specified person, in addition to the provision of this Section (i.e. the person has neither obtained PAN nor filed return of income), the tax shall be deducted at higher of the two rates provided in this Section and in Section 206AA.

Please note that the specified person shall not include a non-resident who does not have a permanent establishment in India. At the time of deduction of Tax, the Company will verify if the person fulfills the conditions of being a specified person, using the new functionality introduced by the Income Tax Department in this respect.

It may please be noted that shareholders holding shares in multiple accounts under different status / category and a single PAN, the highest rate of the tax as applicable to the status in which shares are held under the said PAN will be considered on their entire holding in such different accounts.

The shareholders are requested to upload the aforementioned documents latest by 5:00 p.m., September 5, 2024 on the website of the RTA at https://ris.kfintech.com/form15/ and also email them at einward.ris@kfintech.com in order to enable the Company to determine and deduct appropriate TDS/withholding tax rate. No communication on the tax determination/deduction shall be entertained post September 5, 2024.

Documents received by post or from registered email ID will only be accepted. In case of joint shareholders, the shareholder named first in the Register of Members is required to furnish the requisite documents for claiming any applicable beneficial tax rate.

Shareholders may note that in case the tax on said dividend is deducted at a higher rate in absence of receipt of the aforementioned details/documents from you, option is available to you to file the return of income as per Act and claim for a credit/appropriate refund, if eligible. No claim shall lie against the Company for such taxes deducted. Shareholders, whose valid PAN is updated, will be able to see the credit of TDS in Form 26AS, which can be downloaded from their e-filing account at https://www.incometax.gov.in/iec/foportal/

Above communication on TDS only sets out the provisions of law in a summarized manner and does not purport to be a complete analysis or listing of all potential tax consequences.

The Company shall not be liable to entertain any request from such shareholder and the requisite steps will have to be taken by the shareholder at his/her end in consultation with the Tax Advisor. In event of any demand for income tax (including interest, penalty, etc.) arising from any misrepresentation, inaccuracy or omission of information provided by shareholders, such shareholder will be responsible to indemnify the Company and also provide the Company with all the information/documents and co-operation in any relevant proceedings.

We seek your co-operation in the matter.

Yours faithfully,
For **eClerx Services Limited**

Pratik Bhanushali
VP-Legal & Company Secretary
F8538

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Click here to download - 15G
Click here to download - 10F
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Click here to download - DECLARATION-UNDER- RULE-37BC
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