



CHAMBAL FERTILISERS AND CHEMICALS LIMITED

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Subject: Documents required in respect of deduction of tax at source on payment of interim dividend

The Board of Directors of the Company at its meeting held on Tuesday, February 07, 2023 have declared interim dividend of Rs. 4.50 per Equity Share of Rs. 10 each. The interim dividend will be paid to shareholders subject to deduction of tax at source at the applicable rates as per the Income Tax Act, 1961 ("the IT Act"). The record date fixed for determining the eligibility of shareholders for payment of interim dividend is Thursday, February 16, 2023.

As per the provisions of the IT Act, dividends paid or distributed by a company shall be taxable in the hands of members. The Company shall therefore be required to deduct tax at source at the time of making the payment of interim dividend to the shareholders.

The rates of tax deduction shall be applicable on the basis of residential status, category of member, status of return filing and the documents / declarations submitted to the Company in accordance with the provisions of the IT Act. Accordingly, members are requested to update the Permanent Account Number ("PAN"), residential status and category in their respective Demat accounts, if the shareholding is in demat form, with their depositories or with the Company's Share Transfer Agent i.e., Zuari Finserv Limited, if the shares are held in physical form.

The applicable provisions for deduction of tax at source under the IT Act are as follows:

I. RESIDENT SHAREHOLDERS

For Resident Shareholders, tax shall be deducted at source under Section 194 of the IT Act @ 10% on the amount of dividend declared and paid by the company, in case a valid PAN is provided by the shareholder.

Tax will be deducted @ 20%, which is twice the applicable rate of tax deduction, from the amount of dividend payable in case the resident shareholder:

- a) has not updated valid PAN in the company's Register of Members; or
- b) is a "Specified Person" under Section 206AB of IT Act.

'Specified Person' for the above purpose means a person who has:

- a) 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 sub-section (1) of Section 139 has expired; and
- b) been subjected to tax deduction / collection at source aggregating to Rs. 50,000/- or more in the said previous year.

The Central Board of Direct Taxes ("CBDT") has prescribed the functionality for determining whether a person fulfils the conditions of being a 'specified person' or not.

Accordingly, the Company will verify from the above functionality provided by CBDT whether any shareholder of the Company qualifies as a 'specified person' prior to applying the relevant rate of tax deduction.

No tax will be deducted from dividend payable to Resident Individual, if:

- a) Total dividend received/ to be received by the shareholder including this interim dividend during the Financial Year 2022-23 does not exceed Rs. 5,000/-; or
- b) The shareholder provides Form 15G (applicable to an Individual below the age of 60 years)/ Form 15H (applicable to an Individual who is of the age of 60 years or more), provided that all the required eligibility conditions are met.

[Click to download Form 15G](#)

[Click to download Form 15H](#)

Form 15G/15H can also be downloaded from the website of the Company viz www.chambalfertilisers.com under the section Download Library. It may please be noted that all fields mentioned in the forms are mandatory and the Company will not be able to accept the forms submitted, if not filled correctly.

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

- **Insurance Company:** Self-declaration that it has full beneficial interest with respect to the shares owned by it and documentary evidence to prove that the Insurance company qualify as Insurer in terms of the provisions of Section 2(7A) of the Insurance Act, 1938 along with self-attested copy of PAN card.
- **Mutual Fund:** Self-declaration that they are governed by the provisions of Section 10 (23D) of the IT Act along with self-attested copy of PAN card and self-attested registration certificate issued by the Securities and Exchange Board of India.
- **Alternative Investment Fund (AIF) established in India:** Self declaration that its income is exempt under Section 10(23FBA) of the IT Act and they are established as Category I or Category II AIF under the regulations issued by Securities and Exchange Board of India along with a self-attested copy of the PAN card and registration certificate.
- **New Pension System Trust:** Self declaration that they are governed by the provisions of Section 10(44) [sub-section 1E to Section 197A] of the IT Act and copy of self-attested registration and PAN card.
- **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 IT Act, along with a self-attested copy of the PAN card and registration certificate and the self-attested documentary evidence that the person is covered under Section 196 of the IT Act.
- **Other Resident Non Individual Shareholders:** Shareholders who are exempted from the provisions of tax deduction at source as per Section 194 of the IT Act and who are covered u/s 196 of the IT 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.

The shareholder who has provided a Certificate issued under Section 197 of the IT Act for lower/NIL rate of deduction or an exemption certificate issued by the income tax authority, shall receive dividend after withholding tax in accordance with such lower/NIL rate certificate.

Application of NIL/lower rate at the time of tax deduction/withholding on dividend amount will depend upon the completeness and satisfactory review by the Company, of the documents submitted by the shareholder.

II. NON-RESIDENT SHAREHOLDERS:

Tax is required to be withheld in accordance with the provisions of Section 195 of the IT Act at the 'rates in force' for all non-resident shareholders except where payments are covered specifically under other provisions of the IT Act. For such shareholders covered under Section 195 of the IT Act, tax shall be withheld @ 20% (plus applicable surcharge and cess) on the amount of dividend payable to them.

In case of Foreign Portfolio Investors (FPI) and Foreign Institutional Investors (FII), taxes shall be withheld @ 20% plus applicable surcharge and cess in accordance with the provisions of Section 196D of the IT Act.

It may also be noted that as per the provisions of Section 206AB of the IT Act, the tax will be deducted at twice the applicable rates as mentioned above, if the non-resident shareholder is a "Specified Person". However, in case the non-resident shareholder who has been categorised as a Specified Person submits a declaration that it does not have a permanent establishment in India, then the higher rates as per Section 206AB may not apply.

'Specified Person' for the above purpose means a person who has:

- a) 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 sub-section (1) of Section 139 has expired; and
- b) been subjected to tax deduction / collection at source aggregating to Rs. 50,000/- or more in the said previous year.

The Central Board of Direct Taxes ("CBDT") has prescribed the functionality for determining whether a person fulfils the conditions of being a 'Specified Person' or not.

Accordingly, the Company will verify from the above functionality provided by CBDT whether any shareholder of the Company qualifies as a 'Specified Person' prior to applying the relevant rate of tax deduction.

However, as per Section 90 of the IT Act, a non-resident shareholder 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:

- (i) Self-attested copy of the PAN card (if available) allotted by the Indian Income Tax authorities.
- (ii) Self-attested copy of valid Tax Residency Certificate ("TRC") obtained from the tax authorities of the country of which the shareholder is resident. 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. Self-declaration in Form 10F ([Click to download Form 10F](#) or you may also download the same from the website of the Company viz. www.chambalfertilisers.com under the section Download Library) if all the details required in Form 10F are not mentioned in the TRC.

- (iii) Self-declaration by the non-resident payee containing such particulars/confirmations as would be required for availing treaty benefits, if any, under the applicable DTAA ([Click to download Declaration Form for Non-Resident Shareholders](#) or you may download the same from the website of the Company viz www.chambalfertilisers.com under the section Download Library).
- (iv) In case of Foreign Institutional Investors and Foreign Portfolio Investors, self-attested copy of the registration certificate issued by the Securities and Exchange Board of India.

It may please be noted that the Company in its sole discretion reserves the right to apply the beneficial DTAA rates at the time of tax deduction/withholding on dividend amount and to call for any further information/documents. Application of beneficial DTAA rate shall depend upon the completeness and satisfactory review by the Company, of the documents submitted by Non-Resident shareholder.

In case where the non-resident shareholder provides the certificate under Section 197 of the Act for lower/NIL withholding of taxes, rate specified in the said certificate shall be considered based on submission of self-attested copy of the same.

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

In order to enable the Company to determine the appropriate rate of tax deduction / withholding, the shareholder should provide these details and documents as mentioned above on or before February 16, 2023. Members are requested to send all the above-mentioned documents and any other correspondence, in this regard to Zuari Finserv Limited, Plot No. 2, Zamrudpur Community Centre, Kailash Colony Extension, New Delhi - 110 048, Email: isc@chambal.in

Shareholders may note that in case the tax on dividend is deducted at a higher rate in absence of receipt of the aforementioned details / documents, option is available to members to file the return of income as per IT Act and claim an appropriate refund, if eligible.

Disclaimer: This shall not be treated as an advice from the Company. Shareholders should obtain the tax advice related to their tax matters from a tax professional.