

1. What is the change in dividend taxation from 1 April 2020?

Prior to 1 April 2020, companies were required to pay Dividend Distribution Tax ('DDT') on dividends declared to shareholders. The said dividend was not taxable in the hands of the shareholder.

Effective 1 April 2020, DDT was abolished, and the dividend will now become taxable in the hands of the shareholders. Therefore, as per the Income Tax Act, 1961 ('Act'), companies are required to withhold tax on the dividend payout to the shareholders.

Withholding tax will be generally creditable in the hands of resident shareholders against their normal income (subject to certain conditions being fulfilled). Further, non-resident shareholders may also be eligible to claim the credit in their home jurisdiction, subject to the provisions in their domestic laws.

2. What will be the applicable withholding tax if I am a resident individual with a valid PAN?

If you are a resident individual shareholder and the total amount of dividend due to you by Hexaware Technologies Limited ('HTL'/'Company') does not exceed Rs. 5,000 in a particular Financial year ('FY') (say FY 2020-21) the entire dividend will not be subject to withholding tax. Otherwise it will be subject to withholding tax at the rate of 10% (however till 31st March 2021 rate of 7.5% is applicable). For the purpose of estimating the dividend income to be paid to you for determining the eligibility of the exemption, we will be considering dividend paid per share by our Company in FY 2020 i.e. Rs 10.5 per share (Rs. 8.5 per share in FY 2019).

If you provide duly executed Form 15G, Form 15H to the company within the timeline provided on the company website then no withholding tax will be applicable for the dividends issued by the company during the relevant FY.

Further, if you possess a valid 'Lower' or 'NIL' withholding tax certificate issued by the tax authorities and you provide the same to the company within the timeline provided on the company website then withholding tax will be applicable as per the said certificate read with the provisions of the Act for the dividends issued by the company during the relevant FY.

The above is subject to the condition that you have updated your valid Permanent Account Number (PAN) with the depository/ Registrar and Transfer Agent (RTA). Otherwise the withholding tax rate will be 20%.

3. What will be applicable withholding tax if we are a Mutual Fund?

Withholding tax is not applicable on the dividend paid to a Mutual Fund specified under Section 10(23D) of the Act. We will rely on the category records available with the depository participant.

4. What will be applicable withholding tax if we are an Insurance company?

Withholding tax is not applicable for dividend paid to an Insurance Company as per the provision of Section 194 of the Act. We will rely on the category records available with the depository participant.

5. What will be applicable withholding tax if we are an Alternate Investment Fund ('AIF')?

Withholding tax is not applicable for dividend paid to AIF if the AIF is registered with SEBI and their income is exempt under Section 10(23FBA) of the Act. We request shareholder to share the SEBI registration certificate with us for the purpose of determining the category of AIF.

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6. What will be applicable withholding tax if we are a Resident and non-individual shareholder?

If dividend payable to you is exempted from TDS under the provisions of the Act, then you are required to submit documentary evidence in relation to the said exemption to the company within the timeline provided on the company website. Otherwise withholding tax at the rate of 10% (however till 31st March 2021 rate of 7.5% is applicable) will be applicable on the dividend paid to you by the company.

7. What will be the applicable withholding tax if I am a resident shareholder without a PAN or PAN with depository is invalid?

If you are resident shareholder and you have not updated PAN or have provided an invalid PAN to the depository/ RTA, then tax will be deducted at 20%.

8. What will be the applicable withholding tax if I am/ we are an FII / FPI?

Tax will be withheld at the rate of 20% plus applicable surcharge and cess as per Section 196D of the Act or rate as per Tax Treaty whichever is more beneficial, subject to provision of as mentioned in FAQ 9 below.

Surcharge rates for FII/ FPI who is / which is an individual, HUF, BOI, Trust, AOP

Aggregate Dividend Income in a FY	Rate
Up to Rs 50 lakhs	NIL
Income exceeds Rs 50 lakhs but does not exceed Rs 1 crore	10%
Income exceeds Rs 1 crore but does not exceed Rs 2 crores	15%
Income exceeds Rs 2 crores but does not exceed Rs 5 crores	25%
Income exceeds Rs 5 crores	37%

Surcharge rates for FII/ FPI which a Foreign Company

Aggregate Dividend Income in a FY	Rate
Income exceeds Rs 1 crore but does not exceed Rs 10 crores	2%
Income exceeds Rs 10 crores	5%

Health and Education Cess of 4% is applicable for all the above categories of FII/ FPI.

For the purpose of estimating the dividend income to be paid to you for determining surcharge rate, we will be considering dividend paid per share by our Company in FY 2020 i.e. Rs 10.5 per share (Rs. 8.5 per share in FY 2019).

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9. What will be the applicable withholding tax if I am/ we are non-resident shareholder other than FII and FPI?

Tax will be withheld at the rate of 20% plus applicable surcharge and cess.

Surcharge rates for Non-resident individual, HUF, BOI, Trust, AOP:

Aggregate Dividend Income in a FY	Rate
Up to Rs 50 lakhs	NIL
Income exceeds Rs 50 lakhs but does not exceed Rs 1 crore	10%
Income exceeds Rs 1 crore	15%

Surcharge rates for Non-resident who is a firm or co-operative society registered under applicable Indian law:

Aggregate Dividend Income in a FY	Rate
Income exceeds Rs 1 crore	12%

Foreign Company:

Aggregate Dividend Income in a FY	Rate
Income exceeds Rs 1 crore but does not exceed Rs 10 crores	2%
Income exceeds Rs 10 crores	5%

Health and Education Cess of 4% is applicable for all the above categories of non-residents.

For the purpose of estimating the dividend income to be paid to you for determining surcharge rate, we will be considering dividend paid per share by our Company in FY 2020 i.e. Rs 10.5 per share (Rs. 8.5 per share in FY 2019).

As per the provisions of Section 195 of the Act read with Section 90 of the Act, for dividend payments made to non-residents, tax can be deducted as per the provisions of the Act or as per the provisions of the applicable Double Tax Avoidance Agreement ('DTAA') / Tax Treaty with the country of residence of the shareholder, whichever is more beneficial.

In order to be eligible for the benefit of the applicable DTAA while determining the withholding tax rate, the non-resident shareholder will be required to furnish the following documents to the Company:

- Copy of PAN card allotted by the Indian Tax Authorities duly attested by the shareholder

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- Valid Tax Residency Certificate ('TRC') issued by the relevant authority of the Country of Residence issued for the Financial Year ('FY') 2021-22 duly attested by the shareholder. In case, the TRC is issued in a foreign language (i.e. other than English), then please provide the certified translated copy of the same.
- Copy of the duly filled & signed Form 10F in the format prescribed by Government of India for FY 2021-22
- Copy of the duly filled & signed Undertaking, the copy of which is available on our website. No changes to the said form will be accepted.
- Board Resolution authorizing representative(s) to sign the above document in case of corporate entities

The said documents should be sent through email to the id provided on the company website within the timelines specified on the website of the company.

Please note that the Company is not obligated to apply the beneficial DTAA rates at the time of tax deduction/withholding on the dividend amount. Application of beneficial DTAA Rate shall depend upon the completeness and satisfactory review by the Company, of the documents submitted by the non- resident shareholder.

If the documents are not provided or are insufficient to apply the beneficial DTAA rates, then tax will be deducted at 20% including surcharge and cess @ 4%.

Further, apart from the above, if shareholder has a valid 'lower tax withholding certificate' issued u/s 197 of the Act, withholding tax will be deducted at the rate prescribed in the said certificate if the same is provided to the company within the timelines mentioned on the company website.

10. Is Tax Treaty Benefit available to Foreign Institutional Investors (FII) & Foreign Portfolio Investors (FPI)

In respect of dividends paid on or after 01st April 2021, FII & FPI can avail the benefit of lower tax rate under the Double Taxation Avoidance Agreement (Tax Treaty) subject to provision of information/documents in FAQ 9 above and their successful validation by Hexaware.

11. Are there any other points to be aware of?

- In case, the dividend income is assessable to tax in the hands of a person other than the registered Member as on the Book Closure Date, the registered Member is required to furnish a declaration containing the name, address, PAN of the person to whom TDS credit is to be given and reasons for giving credit to such person.
- Application of withholding tax rate is subject to necessary due diligence and verification by the Company of the shareholder details as available in register of Members on the Book Closure Date, documents, information available in public domain, etc. In case of ambiguous, incomplete or conflicting information, or the valid information/documents not being provided, the Company will arrange to deduct tax at the maximum applicable rate.

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- In case withholding tax is deducted at a higher rate, an option is still available with the shareholder to file the return of income and claim an appropriate refund, if eligible.
- **In the event of any income tax demand (including interest, penalty, etc.) arising from any misrepresentation, inaccuracy or omission of information provided / to be provided by the Member/s, such Member/s will be responsible to indemnify the Company and also, provide the Company with all information / documents and co-operation in any appellate proceedings.**
- **This communication on TDS sets out the provisions of law in a summary manner only and does not purport to be a complete analysis or listing of all potential tax consequences. Shareholders should consult with their own tax advisors for the tax provisions applicable to their circumstances.**
- Rates mentioned above are as per the rates defined in the Act as on the date of issue of the FAQ i.e. 16 March 2021.

12. When will the company provide withholding tax certificates?

Company will provide the withholding tax certificates in due course of time. We will notify the mechanism and timelines to provide the same shortly.
