



**CIN : L24111UR1985PLC015063**

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**Name-**

**Folio No. / DP ID & Client ID-**

Dear Shareholder,

**Sub: Communication in respect of deduction of tax at source on Final Dividend 2020-21**

We are pleased to inform you that the Final Dividend of Rs. 1.90 (Rupees One and Ninety paisa only) per share on the equity shares of the Company for the financial year 2020-21 is recommended by the Board at its meeting held on 18th May, 2021. If dividend on Equity Shares, as recommended by the Board, is declared at the forthcoming Annual General Meeting to be held on 27<sup>th</sup> September, 2021, the Payment of such dividend will be made before 25th October, 2021 to those member whose names are recorded in the Register of Members or in the Register of Beneficial Owners maintained by Depositories at the end of business hours on 20th September, 2021.

In accordance with the provisions of the Income Tax Act, 1961 ('the Act'), dividend paid on or after 1<sup>st</sup> April 2020, is taxable in the hands of shareholders and the Company is required to deduct tax at source ('TDS') from dividend paid to the shareholders at the applicable rates.

TDS rates that are applicable to shareholders depend upon their residential status and classification as per the provisions of the Act. The Company will therefore deduct tax at source at the time of payment of dividend, at rates based on the category of shareholders and subject to fulfilment of conditions as provided herein below:

**For Resident Shareholders:-**

Tax will be deducted at source 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 Individuals, TDS would not apply if the aggregate of total dividend paid to them by the Company during the financial year does not exceed Rs. 5,000.

No TDS will be deducted in cases where a shareholder provides Form 15G (applicable to individual) / Form 15H (applicable to an individual above the age of 60 years), provided that the eligibility conditions as prescribed under the Act are met. (Form 15G and 15H format given as **Annexure-A and Annexure-B** respectively). Please note 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.

NIL/lower tax will be deducted on dividend payable to the following categories of resident shareholders, on submission of self-declaration. (Format given as **Annexure C**):

- i. **Insurance companies:** 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;
- ii. **Mutual Funds:** Documentary evidence to prove that the mutual fund is a mutual fund specified under clause (23D) of section 10 of the Act and is eligible for exemption, along with self-attested copy of the registration documents and PAN card;
- iii. **Alternative Investment Fund (AIF) established in India:** Documentary evidence to prove that AIF is a fund eligible for exemption u/s 10(23FBA) of the Act and that they are established as Category I or Category II AIF under the Securities and Exchange Board of India (Alternative Investment Fund) Regulations, 2012, made under the Securities and Exchange Board of India Act, 1992 (15 of 1992). Copy of self-attested registration documents and PAN card should also be provided;
- iv. **National Pension System Trust & other Shareholders:** Declaration along with self-attested copy of documentary evidence supporting the exemption and self-attested copy of PAN card;
- v. Shareholders who have provided a valid certificate issued u/s 197 of the Act for lower / nil rate of deduction or an exemption certificate issued by the Income Tax authorities.

***Please also note that where tax is deductible under the provisions of the Act and the PAN of the shareholder is either not available or PAN available in records of the Company is invalid/ inoperative, tax shall be deducted @ 20% as per section 206AA of the Act.***

**For Non-Resident Shareholders (including Foreign Institutional Investors and Foreign Portfolio Investors):-**

1. Tax is required to be withheld in accordance with the provisions of Sections 195 and 196D of the Act @ 20% (plus applicable surcharge and cess) on the amount of dividend payable.
2. 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 provide the following documents:-
  - a. Self-attested copy of PAN, if any, allotted by the Indian tax authorities. In case of non-availability of PAN, declaration (Format given as **Annexure D**) is to be submitted;
  - b. Self-attested copy of valid 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;
  - c. Completed and duly signed self-declaration in Form 10F (Format given as Annexure

E)

d. Self-declaration (Format given as **Annexure F**) certifying the following points:-

- i. Shareholder is and will continue to remain a tax resident of the country of its residence during FY 2021-22 (i.e. 01.04.2021 to 31.03.2022);
- ii. Shareholder is the beneficial owner of the shares and is entitled to the dividend receivable from the Company;
- iii. Shareholder qualifies as 'person' as per DTAA and is eligible to claim benefits as per DTAA for the purposes of tax withholding on dividend declared by the Company;
- iv. Shareholder has no permanent establishment / business connection / place of effective management in India;

OR

Dividend income is not attributable/effectively connected to any Permanent Establishment (PE) or Fixed Base in India;

- v. Shareholder has no reason to believe that its claim for the benefits of the DTAA is impaired in any manner.

e. 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.

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 and meeting the requirements of the Act, read with the applicable DTAA. In absence of the same, the Company will not be able to apply the beneficial DTAA rates at the time of deducting tax on dividend.

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

### **Section 206AB of the Act**

Rate of TDS @ 10% u/s 194 of the Act is subject to provisions of Section 206AB of the Act (effective from 1<sup>st</sup> July, 2021) which introduces special provisions for TDS in respect of taxpayers who have not filed their income-tax returns (referred to as 'Specified Persons'). Under section 206AB of the Act, tax is to be deducted at higher of the following rates in case of payments to the specified persons:

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

'Specified person' as defined under section 206AB(3) is someone who satisfies the following conditions:

- A person who has not filed income tax return for two previous years immediately prior to the previous year in which tax is required to be deducted, for which the time limit of filing of return of income under section 139(1) of the Act has expired; and

- The aggregate of TDS and TCS in whose case is Rs. 50,000 or more in each of these two previous years

Non-resident shareholders who do not have permanent establishment in India are excluded from the scope of a 'specified person'.

In cases where Sections 206AA and 206AB are applicable i.e. the shareholder has not submitted PAN as well as not filed the return, tax will be deducted at higher of the rates prescribed in these sections.

The Central Board of Direct Taxes vide Circular No. 11 of 2021 dated 21st June 2021 has clarified that new functionality will be issued for compliance check under Section 206AB of the Act. Accordingly, for determining TDS rate on Dividend, the Company will be using said functionality to determine the applicability of Section 206AB of the Act.

**To summarise, dividend will be paid after deducting tax at source as under:**

- i. NIL for resident individual shareholders receiving dividend upto Rs.5,000
- ii. Nil for resident individual shareholders in cases where duly filled up and signed Form 15G / Form 15H (as applicable) along with self-attested copy of the PAN card is submitted.
- iii. 10% for other resident shareholders in case copy of valid PAN is provided/available.
- iv. 20% for resident shareholders if copy of PAN is not provided / not available.
- v. TDS rate will be determined on the basis of documents submitted by the non-resident shareholders.
- vi. 20% (plus applicable surcharge and cess) for non-resident shareholders in case the relevant documents are not submitted.
- vii. Lower/ NIL TDS on submission of self-attested copy of the valid certificate issued under Section 197 of the Act.

The above mentioned rates will be subject to applicability of Section 206AB of the Act.

In terms of **Rule 37BA of the Income Tax Rules 1962**, if dividend income on which tax has been deducted at source is assessable in the hands of a person other than the deductee, then such deductee should file declaration with Company in the manner prescribed in the Rules (Refer **Annexure C attached**).

**For all Shareholders:-**

Shareholders are requested to note that in case their PAN is not registered, the tax will be deducted at a higher rate as prescribed under the Income Tax, Act. The shareholders are requested to update their Permanent Account Number (PAN) with the Company/ Registrar and Transfer Agent (in case of shares held in physical mode) and depositories (in case of shares held in demat mode) latest by 17<sup>th</sup> September, 2021.

Incomplete and/or unsigned forms and declarations will not be considered by the Company. Application of TDS rate is subject to necessary verification by the Company of the shareholder details as available in Register of Members as on the Record Date, and other documents available with the Company/ Registrar and Transfer Agent. It may further be noted that in case the tax on said dividend is deducted at a higher rate, there would still be an option available with the shareholders to file the return of income and claim an appropriate refund, if eligible. No claim shall lie against the Company for such taxes deducted. This Communication is not exhaustive and does not purport to be a complete analysis or listing of all potential tax compliances and consequences in the matter of dividend payment. Shareholders should consult their tax advisors for requisite action to be taken by them. 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.

For determination of the appropriate TDS / withholding tax rate applicability, the aforementioned documents are required to be submitted by the shareholders latest by 17<sup>th</sup> September, 2021 via email at [info@masserv.com](mailto:info@masserv.com) and hard copies (in original) to Registrar and Transfer Agent viz Mas Services Limited at T-34, Okhla Industrial Area, Phase-II, New Delhi-110020. Any communication/document as stated aforesaid received after 17<sup>th</sup> September, 2021 shall not be considered for the purpose of tax deduction. In case of any query regarding this, the Shareholders may contact to Registrar and Transfer Agent viz Mas Services Limited at T-34, Okhla Industrial Area, Phase-II, New Delhi-110020; Email id – [info@masserv.com](mailto:info@masserv.com).

Annexures referred above can be accessed by clicking the link [Annexures](#). However for latest updates in the formats of the Annexure, please refer the website [www.incometaxindia.gov.in](http://www.incometaxindia.gov.in)

We request your kind cooperation in this regard.

Thanking you,  
**For Ester Industries Limited**

**Sd/-**  
**Diwaker Dinesh**  
**Head – Legal & Company Secretary**

**Place – Gurugram**

***Note: Please don't reply to this email, as this email id is not monitored.***