



## **OIL AND NATURAL GAS CORPORATION LIMITED**

**Corporate Identity Number:** L74899DL1993GOI054155

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### **Sub.: Deduction of Tax on 2<sup>nd</sup> Interim Dividend at Source in FY 2022-23**

Dear Shareholder(s),

We are pleased to inform you that, the Board of Directors of Oil and Natural Gas Corporation Limited has, at its 362<sup>nd</sup> Meeting held on 14<sup>th</sup>, February 2023, recommended 2<sup>nd</sup> Interim dividend of Rs.4/- per equity share of Rs. 5/- each, (i.e., 80%) for FY 2022-23, which will be paid based on your shareholding as on the record date 24<sup>th</sup> February, 2023, fixed for this purpose.

As you are aware, dividend payable to a shareholder is taxable in its hands and is subject to Deduction of Tax at Source (TDS) as per the provisions of the Income-tax Act, 1961 ('Act'). Statutory provisions in this regard and the documents/information desired from the shareholders have been brought out as under-

#### **A. Deductibility of TDS on Dividend**

In accordance with the provisions of the Act, dividend declared and paid by a company is taxable in the hands of the shareholders, and, accordingly, the company is required to deduct TDS thereon at the rates prescribed by the Act.

No TDS shall, however, be deductible on dividend payable to a resident individual shareholder if the amount of such dividend, or, as the case may be, the aggregate of the amounts of such dividend, paid during the relevant financial year (i.e., FY 2022-23) does not exceed Rs. 5,000. TDS is also not required to be deducted on dividend payable to-

- (i) The Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956, in respect of any shares owned by it or in which it has full beneficial interest;
- (ii) The General Insurance Corporation of India (Corporation) or to any of the four companies, formed by virtue of the schemes framed under sub-section (1) of Section 16 of the General Insurance Business (Nationalization) Act, 1972, in respect of any shares owned by the Corporation or such company or in which the Corporation or such company has full beneficial interest;
- (iii) Any other insurer in respect of any shares owned by it or in which it has full beneficial interest;
- (iv) The Government;
- (v) The Reserve Bank of India;
- (vi) A 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; or
- (vii) A mutual fund specified u/s. 10(23D) of the Act.

**B1. Applicable rates of TDS on Dividend**

In the cases of resident shareholders, the applicable TDS rate on dividend as prescribed by the Act is 10%. However, if the shareholder does not furnish its Permanent Account Number (PAN), TDS would be deductible at the rate of 20% (being higher than 10%) as per the provisions of section 206AA of the Act.

Hence, the shareholders are advised to update their PAN with the Depository Participant (if shares are held in DEMAT form), and with the Registrar and Share Transfer Agent of the Company (if shares are held in physical form).

In the cases of non-resident shareholders including Foreign Institutional Investors ('FIIs') and Foreign Portfolio Investors ("FPIs"), TDS on dividend would be applicable at the rate of 20% (plus applicable surcharge and health and education cess).

## **B2. Applicable TDS rates in the cases of non-filers of Return of Income**

As per the provisions of Section 206AB of the Act, if any TDS is deductible from a “specified person”, then, TDS would be deducted at **higher** of the following rates-

- (a) Twice the rate specified in the relevant provision of the Act;
- (b) Twice the rate or rates in force;
- (c) At the rate of 5%.

For the above purpose, “specified person” means a person, being a resident or a non-resident having a Permanent Establishment (PE) in India,-

- (i) Who has 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 this purpose, the assessment year would be reckoned to be the one for which time limit for filing Return of Income under sub-section (1) of section 139 has expired; and
- (ii) The aggregate of TDS/TCS deducted/collected in the case of such person is Rs. 50,000 or more in the above referred previous year.

Accordingly, if, at the time of deducting TDS, the status of a resident shareholder or a non-resident shareholder (having a PE in India), as shown by the system of the Income-tax Department, is a “specified person”, TDS would be deductible at twice the normally applicable rate or 5%, whichever is higher.

Further, if owing to non-availability of PAN of a shareholder who is a “specified person” under section 206AB of the Act, the provisions of section 206AA are also applicable, TDS would be deductible at the rate applicable under section 206AA or under section 206AB of the Act, whichever is higher.

In the cases of resident shareholders, if PAN of a shareholder is not updated, it shall be assumed that the shareholder is a “specified person” for the purpose of section 206AB of the Act and TDS would be regulated accordingly.

It may be noted that, the provisions of Section 206AB shall not be applicable in the cases of non-resident shareholders not having a PE in India. For this purpose, the expression PE (i.e., permanent establishment) includes a fixed place of business through which the business of the non-resident is wholly or partly carried on.

Thus, if a non-resident shareholder, who is otherwise liable for higher TDS under Section 206AB, submits a duly signed and verified declaration confirming that he/she does not have a PE in India, the provisions of Section 206AB would not come into play and TDS would be deductible at the normally applicable rate. In absence of such a declaration, TDS would be regulated as per the provisions of section 206AB of the Act.

### **C. Transferring credit to the beneficial owner**

In cases where the shareholder is merely a custodian of the shares and, accordingly, not the beneficial owner of the dividend payable in respect thereof, then, in order to transfer the credit of TDS to the beneficial owner of dividend income, the shareholder may provide a declaration prescribed by Rule 37BA of the Income-tax Rules, 1962. The aforesaid declaration shall contain-

- (i) name, address, PAN and residential status of the person to whom credit is to be given;
- (ii) payment in relation to which credit is to be given; and
- (iii) The reason for giving credit to such person.

The above declaration must be provided on or before 27<sup>th</sup> February, 2023, on link <https://ongc.taxosmart.com/login.jsp>. If some issue is encountered in opening the above link, the declaration may be e-mailed to: **tds\_ongc@ongc.co.in**, in order to enable the Company to determine and deduct appropriate TDS/withholding tax. Please note that no application under Rule 37BA would be considered in absence of the aforesaid details. No communication on the tax determination/ deduction shall be entertained after the above time limit.

### **D. Applications for non/lower deduction of TDS**

The shareholders have an option to apply to the Company for non-deduction of TDS or deduction of TDS at a lower rate by providing the following documentation to the company-

**(a) Resident Shareholders**

<b>Category of shareholder</b>	<b>Documentation requirement</b>
Mutual Fund	Documentary evidence that the person is covered under the provisions of Section 196 of the Act along with self-attested copy of PAN card and registration certificate.
Insurance Company	Self-declaration that the shareholder has full beneficial interest with respect to the shares owned by it along with self-attested copy of PAN card and copy of registration certificate issued by the IRDAI.
Alternative Investment Fund (AIF)	Self-declaration that the person is covered by Notification No. 51/2015 dated 25th June 2015 and established as Category I or Category II AIF under the SEBI regulations along with self-attested copy of PAN card and registration certificate issued by SEBI.
Government (Central/State)	Documentary evidence that the person, being a Government is covered under Section 196 of the Act.
Any other entity entitled to exemption from TDS	Valid self-attested documentary evidence (e.g., copy of the relevant registration, notification, order, etc.) in support of the entity being entitled to TDS exemption.
Other resident shareholder	<ul style="list-style-type: none"><li>- Duly verified Form 15G (<b>Annexure-1</b>) or Form 15H (<b>Annexure-2</b>) along with the copy of self-attested PAN.</li><li>- Certificate obtained from prescribed authority under Section 197 of the Act. (TAN to be used for this purpose – <b>DELO07879E</b>)</li></ul>

**(b) Non-resident shareholders**

<b>Category of shareholder</b>	<b>Documentation requirement</b>
FPIs and FIIs	Update/Verify the PAN and legal entity status as per the Act, if not already done, with the depositories. Provide declaration whether the investment in shares has been made under the general FDI route or under the FPI route.
Any entity entitled to exemption from TDS	Valid self-attested documentary evidence (e.g., copy of the relevant registration, notification, order, etc. by Indian tax authorities) in support of the entity being entitled to exemption from TDS.
Other non-resident shareholders	<p>- Self-attested copy of the PAN allotted by the Indian Income-tax authorities, if any;</p> <p>As per Section 90 of the Act, the non-resident shareholder has the option to be governed by the provisions of the Double Tax Avoidance Treaty between India and the country of tax residence of the shareholder, if they are more beneficial to them. For this purpose, i.e., to avail Tax Treaty benefits, the non-resident shareholders will have to provide the following-</p> <p>-Self-attested copy of valid Tax Residency Certificate (TRC) obtained from the tax authorities of the country of which the shareholder is a resident;</p> <p>-Electronically furnished Form 10F &amp; its acknowledgement from Income Tax portal*.</p> <p>-Self-declaration from non-resident, primarily covering the following: -</p> <p>(i) The non-resident is eligible to claim the benefit of respective Tax Treaty;</p> <p>(ii) The non-resident receiving the dividend income</p>

	<p>is the beneficial owner of such income;</p> <p>(iii) Dividend income is not attributable/effectively connected to any Permanent Establishment (PE) or Fixed Base in India, if any, of the non-resident;</p> <p>(iv) The non-resident complies with any other condition prescribed in the relevant Tax Treaty and provisions under the Multilateral Instrument ('MLI');</p> <p>(vi) The non-resident does not have a place of effective management in India.</p> <p>(vii) Application of the beneficial rate of Tax Treaty for TDS is at the discretion of the company and shall depend upon completeness of the documentation and review of the same by the Company.</p>
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\*As per CBDT's recent Notification no 03/2022 dated 16<sup>th</sup> July, 2022, all non-resident shareholders desiring to claim DTAA benefits will need to electronically furnish Form 10F to the revenue authorities at Income-tax Department's e-filing portal. However, CBDT has vide Notification dated 12<sup>th</sup> December, 2022 granted partial relaxation with respect to electronic submission of Form 10F wherein non-resident shareholders not having PAN and not required to have PAN are exempted from electronic filing of Form 10F and shall furnish the same in manual form till 31<sup>st</sup> March, 2023.

The non-resident shareholders may also submit Certificate obtained from prescribed authority under section 195/197 of the Indian Income-tax Act (TAN to be used for this purpose –**DELO07879E**).

The above referred documents, duly completed and signed are required to be sent **on or before the 27<sup>th</sup> February 2023** with link <https://ongc.taxosmart.com/login.jsp> If some issue is encountered in opening the above link, the requisite documentation may be e-mailed to [tds\\_ongc@ongc.co.in](mailto:tds_ongc@ongc.co.in) by quoting your Name, Folio number/DEMAT Account No. (DP and Client ID both), Number of shares and PAN details for 2<sup>nd</sup> Interim Dividend for the FY 2022-23 in order to enable the Company to determine and deduct appropriate TDS / withholding tax.

Hence, to enable us to provide DTAA benefits (wherever available) for the purpose of deduction of TDS on dividend, the above documents should be submitted on or before **27<sup>th</sup> February 2023**. No communication on the tax determination/ deduction shall be entertained in respect of the dividend declared after the above time limit.

#### **E. Summary**

To sum up, dividend will be paid after deducting TDS at the following rates: -

<b>Sl. No.</b>	<b>Category of shareholder</b>	<b>Rate of TDS</b>
(i)	Resident individual shareholder receiving dividend up to Rs.5,000/- (during a financial year) or in case where duly signed Form 15G / Form 15H (as applicable) along with self-attested copy of the PAN card is submitted by the shareholder.	Nil
(ii)	Resident shareholder (not covered under (i) above) who is not a “specified person” as per section 206AB having a valid PAN.	10%
(iii)	Resident shareholder (not covered under (i) above) not having a valid PAN or is a “specified person” as per section 206AB.	20%
(iv)	Non-resident shareholder who is not a “specified person” as per section 206AB.	20% (plus applicable surcharge and health and education cess)
(v)	Non-resident shareholder who is a “specified person” as per section 206AB.	40% (plus applicable surcharge and health and education cess)
(vi)	A resident shareholder who submits a certificate under Section 197 or non-resident shareholder who submits a certificate under Section 195/197 of the Act.	As per the directions of the certificate



All communications/queries in this respect should be addressed and sent through link mentioned above.

Shareholders may kindly update PAN, e-mail ID and other KYC with NSDL or CDSL and demat broker agency in order to determine non PAN /specified person for proper TDS rate determination otherwise higher TDS rate would be deducted as per law even overall TDS received during the year less than threshold limit Rs. 5000/-

Shareholders may note further that, in case the tax on dividend is deducted at a higher rate owing to non-receipt or incompleteness of the aforementioned details/ documents, refund of such excess TDS can be claimed by filing Return of Income for the relevant assessment year under the provisions of the Act.

TDS Certificates in prescribed forms would be issued to the shareholders through e-mails only. Hence, the e-mail IDs may be got updated through brokers to RTA on urgent basis to ensure receipt of TDS certificate(s) in a timely manner.

The amount of TDS deducted from dividend can also be viewed and checked by shareholders from Form 26AS and Annual Information System by logging on to the e-filing portal of the Income-tax Department at <https://www.incometax.gov.in/iec/foportal/>

Regards,

Sd/-

Rajni Kant  
Company Secretary

**Disclaimer: This document does not purport to be an exhaustive document covering all the facets of TDS on dividend nor the same constitutes tax or legal advice. In view of the fact that, TDS/income-tax implication on dividend income in a particular case depends on specific facts of the case, each investor is advised to consult his/her tax advisors in this regard.**