

REMITTANCE

TECHNOLOGY ENABLED COMPLIANCE FOR DIVIDEND DISTRIBUTION



NEW REGIME FOR TAXATION OF DIVIDEND INCOME

The Finance Act 2020 has abolished DDT payable by Indian companies, thus the dividend income, which was hitherto tax-exempt in the hands of shareholders has now become fully taxable in their hands. Consequently, any Indian company distributing dividend on or after 01 April 2020, would be required to undertake additional tax compliance.

ADDITIONAL COMPLIANCES

Indian companies paying dividends to resident shareholders would be required to deduct tax at source @ 10% (plus applicable surcharge and cess), in cases where the dividend amount exceeds INR 5,000.

Whereas, for dividend paid to non-resident shareholders, Indian companies are required to deduct tax at 20% (plus applicable surcharge and cess) prior to remitting such dividends. However, this rate could be lower if the benefit under the tax treaty is availed by the non-resident shareholder, subject to submission of certain documents. Furthermore, as per the prevailing provisions of law while making foreign remittances, the remitter is required to obtain a remittance certificate in Form 15CB issued by a Chartered Accountant ('CA'). The said certificate is required by the AD Bank to ensure appropriate taxes have been paid by the

remitter, wherever required, before making any remittance. The Company is also required to file Form 15CA on the designated portal of the Income Tax Department

The Company withholding taxes would also be required to file withholding tax (TDS) returns and issue TDS certificates within the stipulated due dates.

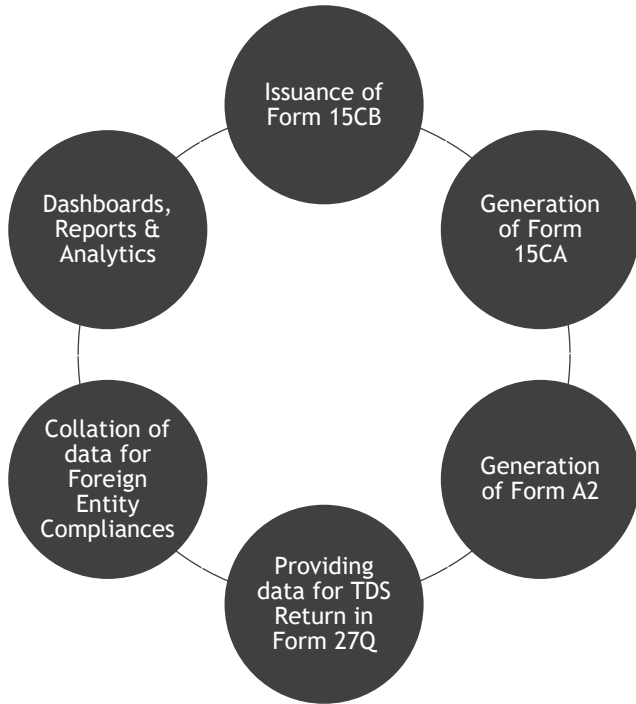
CURRENT CHALLENGES FACED BY LISTED COMPANIES

A listed Indian company with large shareholder base would likely have many non-resident shareholders. While paying dividends to such non-resident shareholders, the Company would be required to determine the residency of the shareholder and whether he is the beneficial owner of the shares.

The Company would also be required to determine the rate at which taxes should be deducted after analysing provisions of the Income-tax Act, 1961, applicable Double Tax Avoidance Agreement (DTAA) and multilateral instruments, if any. In order to discharge the withholding tax obligation, the Company would be required to verify relevant documents and seek necessary declarations for each such non-resident shareholder. All this would need to be done within the short window available prior to paying/remitting dividends to such non-resident shareholders.

THE REMITTANCE SOLUTION

Over the years of assisting clients on their tax compliances, we at BDO in India have understood the challenges clients face while undertaking foreign remittance compliances. Combining our tax expertise with technology, we have developed **REMITTANCE - a technology enabled solution**, to ensure timely and smooth compliances in respect of foreign remittances. This solution integrates various complex obligations to be undertaken by the Company in relation to remittance of dividend to its non-resident shareholders:



OUR APPROACH

We have a dedicated team of experienced tax professionals to facilitate the issuance of certificates. The solution is designed to:

- Transform tax to a technology enabled function
- Provide an end-to-end solution to the client while making foreign remittances
- Address the challenges faced in the manual process

Challenges faced	The tech approach
Physical maintenance of documents	Complete digitisation and repository of documents
Time consuming process of data compilation and verification	Smart data capture, indexed document upload, inbuilt validations help quicken the entire process
Hidden cost involved in searching for documents during assessment (like following up with consultants)	Mitigation of hidden cost - Availability of necessary remittance documents at one-click
Maintenance of multiple spreadsheets, files resulting in duplication and chances of error	Relational data structure to avoid duplication and mitigate errors/omissions
Manual and spreadsheet assistance to track remittances made	Dynamic dashboards and reports to facilitate efficient tracking
Lack of transparency to the client - to understand the stage at which Form 15CB is pending	Complete transparency - client can log-in to the portal and check the stage at which Form 15CB is pending
Client has to look through multiple files to undertake compliances upon making a foreign remittance	An integrated solution for client to undertake the said compliances

BENEFITS

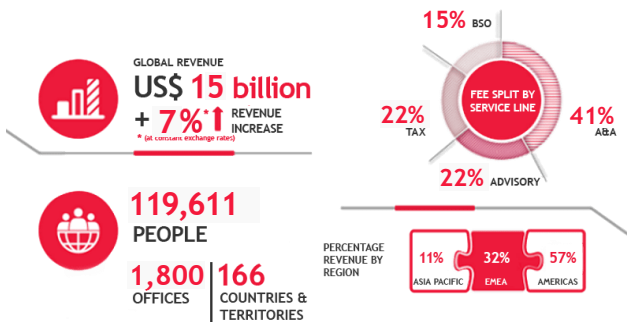
Data Capture	<ul style="list-style-type: none"> Option to input transactional level data either by client or BDO India Provision for maintaining master data of beneficiaries to avoid repetitive data entry
Document Repository	<ul style="list-style-type: none"> Document repository with integrated tagging feature for enhanced searchability Easy extraction of documents (Tax residency certificate, Form 10F, declarations) at any point in time
Reporting	<ul style="list-style-type: none"> Generation of reports (predefined/customisable) as per the client's needs Reports generated at a group entity, company and department level Dashboard to welcome at each log-in
Calendars and Schedulers	<ul style="list-style-type: none"> Custom-defined tasks and activities for timely tracking and monitoring (tracking of expiry of document possible)
Other compliance aspect	<ul style="list-style-type: none"> Facilitation to generate Form 15CA Generation of an auto-filled Form A2 to be submitted to AD Bank Generation of base data file for filing Form 27Q Generation of data for assisting foreign companies to file return of income in India

KEY FEATURES

- Single portal for all requisitions
- Smart cloud-based document repository, that is accessible anytime
- End-to-end control of certificate process, thus ensuring transparency through the process
- Reduced turnaround time for issuance of each certificate
- Robust approval process, ensuring timely issuance of certificates
- Integrated solution enables the client to avail multiple services through one single platform
- Generation of multiple reports, which facilitates clients to undertake various analysis
- Regular updates to customise the solution to specific client requirements

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BDO is an international network of independent public accounting, tax and advisory firms. We support organisations with an unwavering focus on quality, industry expertise, and the innovative use of technology to deliver impactful solutions. Our commitment to people, clients, and communities is at the core of everything we do. With our people-first culture, we foster an environment where diversity thrives, growth is nurtured, and continuous learning drives lasting progress for a sustainable future.



*As of September 2024

ABOUT BDO INDIA

BDO India offers Assurance, Tax, Advisory, Technology Products & Solutions, Digital Transformation, and Managed Services & Outsourcing to domestic and international clients across various industries. Bringing together expertise, innovatively driven and delivered through technology, we empower businesses to navigate their unique challenges with transformative, impactful, client-centric solutions. The team in India comprises over 11,000* professionals, led by more than 350 Partners and Directors, operating out of 20 offices across 14 key cities.



*Includes employees from BDO RISE and BDO EDGE

CONTACT US

To know more about our tech enabled solutions, do visit BDO India's [TaxTech Hub](#)
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