Eligible individuals can submit Form 15G, Form 15H too

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From April 1, 2020, dividend received on shares of a domestic company and/or from mutual fund schemes is taxable in the hands of an individual at the tax rate applicable to his/her income. So this year, individuals should remember to submit Form 15G or 15H, as applicable, to the payer to avoid TDS if they are eligible to do so.

This is because tax will be deducted from the dividend at the time of payment by the company/mutual fund house if the total amount of dividend being paid to the individual during the financial year is more than Rs 5,000. Tax on the dividend will be deducted at the rate of 10 per cent.

Homi Mistry, Partner, Deloitte India says, "A resident individual can submit Form 15G (in case of non-senior citizens) and Form 15H (incase of senior citizens) for nil deduction of taxes (TDS) from the dividend income in case the tax on his estimated total income for that Financial year is nil."

There are certain conditions that one must satisfy in order to be eligible for submitting Form 15G or Form 15H to avoid TDS on dividend income. Further, rules regarding submission of Form 15G and Form 15H are different.

Rules regarding submission of Form 15G

Chartered Accountant Naveen Wadhwa, DGM, Taxmann.com says, "A resident individual can furnish Form 15G for non-deduction of tax from the dividend to company and/or mutual fund. Such declaration can be filed by the individual if total dividend income does not exceed the maximum exemption limit and tax on the estimated total income for the financial year in which such income is to be included is nil."

This means that:

a)You must be a resident individual.
b) Age should be below 60 years.
c) Total dividend income estimated to be received during the financial year should be less than the basic exemption limit of Rs.2.5 lakh.
d) Total estimated tax liability in the financial year should be nil If you satisfy the above mentioned conditions, then you are eligible to submit Form 15G to the company and/or mutual fund house.

An HUF can also submit Form 15G to avoid TDS on dividend income. Aarti Raote, Partner, Deloitte India says, "An HUF can invest in shares of a company and in mutual funds through a Karta. The karta of the HUF is permitted to submit Form 15G to the company to

Avoid tax withholding from dividend from shares and mutual funds."

While submitting Form 15G by a Karta of an HUF, it must be ensured that total dividend income should be below the basic exemption limit i.e. Rs.2.5 lakh and estimated tax payable on total income for the relevant financial year should be nil.

Rules regarding submission of Form 15H A senior citizen (age 60 years and above) can submit Form 15H to the company and/or mutual fund house if the following conditions are satisfied:

a) Senior citizen must be a resident individual.
b) Estimated tax payable on your total income for the relevant financial year should be nil.

Abhishek Soni, CEO & Founder, Tax2win.in says, "Senior citizens can submit the Form 15H to the company and/or mutual fund even if the estimated total dividend income to be received by them in a financial year is more than the basic exempt level. However, total tax liability in the financial year should be zero."

Remember from FY 2020-21, if a senior citizen (aged 60 years and above but below 80 years of age) opts for the existing tax regime, then the basic exemption limit applicable will be Rs.3 lakh. In case of a super senior citizen (aged 80 years and above), the basic exemption limit will be Rs.5 lakh. However, if the senior citizen or super senior citizen decides to opt for the new tax regime, then the basic exemption limit applicable will be Rs.2.5 lakh.

Wadhwa adds, "In the financial year 2020-21, the basic exemption limit for a senior citizen will depend on whether he/she opts for the old tax regime or new tax regime. However, for the purpose of submitting Form 15H, the basic exemption limit will be ignored."

Can I submit Form 15G/Form 15H if taxable income does not exceed Rs.5 lakh?
As per the current income tax laws, irrespective of whether the individual opts for the new or existing tax regime, no tax is payable if the taxable income does not exceed Rs.5 lakh in the financial year.

An individual is eligible for tax rebate of a maximum up to Rs.12, 500 under section 87A if the taxable income does not exceed Rs.5 lakh in the financial year. Soni says, "An individual can submit Form 15G/Form 15H to avoid TDS if the net taxable income in the financial year does not exceed Rs.5 lakh, irrespective whether an individual opts for the new tax regime or existing one. However, in case of HUF section 87A is not applicable."

Therefore, in case of HUF, the total taxable income including the dividend income must not exceed the basic exemption limit of Rs.2.5 lakh. Remember, new tax regime does not allow an individual to claim any tax exemptions and deductions (except for section 80CCD (2)), to reduce their taxable income. On the other hand, the existing tax regime allows an individual to reduce their taxable income by availing tax exemptions and deductions.