

Dividend received from shares and MF is taxable; Here's how to reduce your tax outgo from dividend income in your ITR

As per Neeraj Agarwala, Partner, Nangia & Co LLP, "It is important to note that this threshold of Rs 5,000 is considered for each distributing company separately, not in aggregate for the total dividends received from multiple companies." So, there is a scope that there will not be any TDS deduction if you receive dividends below Rs 5000 from multiple stocks or mutual funds.

Agarwala explains the concept with an example. "For example, if A receives a dividend of say Rs 2,500 from Company X and Rs 6,000 from Company Y, Company Y will deduct TDS since the threshold of Rs 5,000 is exceeded. In contrast, Company X will not deduct TDS unless it is likely to distribute additional dividends that would cause the total dividend payment to exceed the Rs 5,000 threshold during the financial year," he says.