

M.L.SHARMA & ASSOCIATES
CHARTERED ACCOUNTANTS

To,

Mayur Uniquoters Limited
Village: Jaitpura, Jaipur-Sikar Road,
Tehsil: Chomu, District: Jaipur-303 704

In connection with the Buyback of equity shares of the Mayur Uniquoters Limited ('the Company') approved by the Company in its board meeting held on August 08, 2024, We, M/s. **M.L. Sharma & Associates**, Chartered Accountants, have received a request from the Company to provide necessary information on taxation law applicable for Buy-back of equity shares. We are giving following note on taxation for Buyback of Shares applicable for the company:

Note on Taxation for Buyback of Shares

THE SUMMARY OF THE TAX CONSIDERATIONS IN THIS SECTION ARE BASED ON THE CURRENT PROVISIONS OF THE INCOME TAX LAWS OF INDIA AND THE REGULATIONS THEREUNDER, THE JUDICIAL AND THE ADMINISTRATIVE INTERPRETATIONS THEREOF, WHICH ARE SUBJECT TO CHANGE OR MODIFICATION BY SUBSEQUENT LEGISLATIVE, REGULATORY, ADMINISTRATIVE OR JUDICIAL DECISIONS. ANY SUCH CHANGES COULD HAVE DIFFERENT TAX IMPLICATIONS ON THESE TAX CONSIDERATIONS.

IN VIEW OF THE PARTICULARIZED NATURE OF TAX CONSEQUENCES, SHAREHOLDERS ARE REQUIRED TO CONSULT THEIR TAX ADVISORS FOR THE APPLICABLE TAX PROVISIONS INCLUDING THE TREATMENT THAT MAY BE GIVEN BY THEIR RESPECTIVE TAX OFFICERS IN THEIR CASE, AND THE APPROPRIATE COURSE OF ACTION THAT THEY SHOULD TAKE.

THE COMPANY DOES NOT ACCEPT ANY RESPONSIBILITY FOR THE ACCURACY OR OTHERWISE OF THIS TAX SUMMARY AND THERE CAN BE NO LIABILITY ON THE COMPANY or SIGNING FIRM IF ANY ACTION IS TAKEN BY THE SHAREHOLDER SOLELY BASED ON THIS TAX SUMMARY. THEREFORE, SHAREHOLDERS CANNOT RELY ON THIS ADVICE AND THE SUMMARY TAX IMPLICATIONS RELATING TO THE TREATMENT OF INCOME TAX IN THE CASE OF BUYBACK OF EQUITY SHARES LISTED ON THE STOCK EXCHANGE SET OUT BELOW SHOULD BE TREATED AS INDICATIVE AND FOR GUIDANCE PURPOSES ONLY.

1. GENERAL

- (i) The Indian tax year runs from April 1 to March 31. The basis of charge of Indian income-tax depends upon the residential status of the taxpayer during a tax year. A person who is a tax resident of India is liable to taxation in India on his worldwide income, subject to certain prescribed tax exemptions provided under the Income Tax Act, 1961 ("IT Act").
- (ii) A person who is treated as a non-resident for Indian tax purposes is generally liable to tax in India only on his / her Indian sourced income or income received by such person in India. Vide Finance Act, 2020, certain non-resident individuals are deemed to be resident would be liable to pay tax in India only on their Indian sourced income or income from business or professional controlled in India.

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- (iii) In case of shares of a company the source of income from shares would depend on the "situs" of the shares. As per the IT Act and Judicial precedents, generally the "situs" of the shares is where company is "incorporated" and where its shares can be transferred. Accordingly, since the Company is incorporated in India, the shares of the Company would be "situated" in India and any gains arising to a non-resident on transfer of such shares should be taxable in India under the IT Act subject to any specific exemption in this regard. Further, the non-resident can avail the beneficial tax treatment prescribed under the Double Taxation Avoidance Agreement ("DTAA"), as modified by the Multilateral Instrument ("MLI") if the same is applicable to the relevant DTAA between India and the respective country of which the said shareholder is tax resident.
- (iv) The above benefit may be available subject to satisfying relevant conditions prescribed under the IT Act including but not limited to availability of Tax Residency Certificate, non-applicability of General Anti-Avoidance Rule ("GAAR") and providing and maintaining necessary information and documents as prescribed under the IT Act as well as satisfying the relevant conditions under the respective DTAA including anti-abuse measures under the MLI, if applicable.

2. CLASSIFICATION OF SHAREHOLDERS

Section 6 of the Income Tax Act, 1961, determines the residential status of an assessee. Accordingly, shareholders can be classified broadly in two categories as below:

- (i) Resident Shareholders being:
 - (a) Individuals, Hindu Undivided Family (HUF), Association of Persons (AOP) and Body of Individuals (BOI), Firm, LLP
 - (b) Others (corporate bodies): Company, Other than Company
- (ii) Deemed Resident Shareholder A non-resident individual being a citizen of India who is not liable to tax in any other country or territory by reason of domicile, residence or any other criteria of similar nature and has total income other than foreign sourced income exceeding Rs. 15 Lakh during the tax year.
- (iii) Non-Resident Shareholders being:
 - (a) Non-Resident Indians (NRIs)
 - (b) Foreign Institutional Investors (FIIs) / Foreign Portfolio Investors (FPIs)
- (iv) Others:
 - (a) Foreign Company
 - (b) Foreign non-corporate shareholders Other than Company

II INCOME TAX PROVISIONS IN RESPECT OF BUYBACK OF EQUITY SHARES LISTED ON RECOGNISED STOCK EXCHANGE

- (i) Section 115QA of the IT Act introduced by the Finance Act, 2013 w.e.f. June 1, 2013 contains provisions for taxation of a domestic company in respect of buyback of shares (within the meaning of Section 68 of the Companies Act, 2013). The Section provides for the levy of additional income-tax at the rate of twenty per cent (as increased by surcharge and health and education cess, as applicable) of the distributed income as defined under the said section on account of buyback of shares of all domestic Indian companies

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- including listed companies i.e. companies whose shares are listed on a recognized stock exchange
- (ii) Distributed Income is defined under section 115QA of the IT Act to mean the consideration paid by the company on buyback of shares as reduced by the amount which was received by the company on issue of such shares, determined in the manner specified under rule 40BB of the Income Tax Rules, 1962 ("the Rules")
 - (iii) It would be noted that Section 115QA of the IT Act start with "notwithstanding anything contained in any other provisions of this Act" Thus, this section overrules all other provisions of the IT Act and has overriding effect on all other provisions of the IT Act

1. Taxability in the hands of the Company

- (i) The tax on the Distributed Income by the company shall be treated as the final payment of tax in respect of the said income and no further credit thereof shall be claimed by the company or by any other person in respect of the amount of tax so paid.
- (ii) No deduction under any other provision of this Act shall be allowed to the company or a shareholder in respect of the income which has been charged to tax

2. Taxability in the hands of the Shareholder

- (i) As additional income-tax has been levied on the company under Section 115QA of the IT Act, the consequential income arising in the hands of shareholders has been exempted from tax under section 10(34A) of the IT Act. Accordingly, any income arising in the hands of shareholder (whether resident or non-resident) on account of buyback of shares shall be exempt from any subsequent tax in India irrespective of the characterization of the shares, i.e. whether long term or short term or held as investment or stock-in-trade.
- (ii) Thus, the tax implications to the following categories of shareholders are as under:

(a) Resident Shareholders or Deemed Resident Shareholders

Income arising to the shareholder on account of buyback of shares as referred to in section 115QA of the IT Act is exempt from tax under the provisions of the amended section 10(34A) of the IT Act with effect from July 5, 2019.

(b) Non-Resident Shareholders

While the income arising to the shareholder on account of buyback of shares as referred to in section 115QA of the IT Act is exempt from tax under the provisions of the amended section 10(34A) with effect from July 5, 2019 in the hands of a Non-resident as well, the same may be subject to tax in the country of residence of the shareholder as per the provisions of the tax laws of that country. The credit of tax may or may not be allowed to such Non-resident shareholder to be claimed in the country of residence in respect of the buyback tax paid by the company in view of Section 115QA (4) and (5) of the IT Act. The Non-resident shareholders need to consult their tax advisors with regard to availability of such a tax credit.

III. TAX DEDUCTION AT SOURCE

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The Company is not required to deduct tax at source on the consideration payable to shareholder (whether resident or non-resident) pursuant to the Buyback

IV. SECURITIES TRANSACTION TAX

Since the Buyback of shares shall take place through the settlement mechanism of the Stock Exchange, Securities Transaction Tax will be applicable at the applicable rate

V. NON-APPLICABILITY OF RECENT AMENDMENTS IN THE FINANCE (NO.2) ACT, 2024

It may be noted that the The Finance (No. 2) Act, 2024 which is enacted on August, 16, 2024 has effected the following amendments with respect to buy back of shares and the extract of the amendments is given below:

- (i) Erstwhile clause (22) of the Section 2 provides the definition of dividend which, inter alia, does not include any payment made by a company on purchase of its own shares from a shareholder in accordance with the provisions of section 77A of the Companies Act, 1956. The said clause (22) is amended so as to insert sub-clause (f) therein and omit item (iv) to provide that dividend, inter alia, include any payment by a company on purchase of its own shares from a shareholder in accordance with the provisions of section 68 of the Companies Act, 2013.
- (ii) In section 46A of the Income-tax Act, the following proviso is inserted before the Explanation, with effect from the 1st day of October, 2024, namely:— "Provided that where the shareholder receives any consideration of the nature referred to in subclause (f) of clause (22) of section 2 from any company, in respect of any buy-back of shares, that takes place on or after the 1st day of October, 2024, then for the purposes of this section, the value of consideration received by the shareholder shall be deemed to be nil."
- (iii) Erstwhile clause (34A) of the Section 10 of the Income Tax Act, provides exemption to any income arising to an assessee, being a shareholder, on account of buy back of shares by the company as referred to in section 115QA. The said clause (34A) is also amended to insert a new proviso to clause (34A) of the said section so as to provide that this clause shall not apply with respect to any buy back of shares by a company on or after the 1st day of October, 2024.

These amendments will take effect from October 1, 2024 and do not have any income tax implication on the proposed Buyback transaction being undertaken by the Company.



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CAVEAT:

THE SUMMARY OF THE TAX CONSIDERATIONS AS ABOVE IS BASED ON THE CURRENT PROVISIONS OF THE TAX LAWS OF INDIA, WHICH ARE SUBJECT TO CHANGE OR MODIFICATION BY SUBSEQUENT LEGISLATIVE, REGULATORY, ADMINISTRATIVE OR JUDICIAL DECISIONS.

IN VIEW OF THE SPECIFIC NATURE OF TAX CONSEQUENCES, SHAREHOLDERS WHO ARE NOT TAX RESIDENTS OF INDIA ARE REQUIRED TO CONSULT THEIR TAX ADVISORS FOR THE APPLICABLE TAX AND THE APPROPRIATE COURSE OF ACTION THAT THEY SHOULD TAKE CONSIDERING THE PROVISIONS OF THE RELEVANT COUNTRY OR STATE TAX LAW AND PROVISIONS OF DTAA WHERE APPLICABLE.

THE ABOVE NOTE ON TAXATION SETS OUT THE PROVISIONS OF LAW IN A SUMMARY MANNER ONLY AND DOES NOT PURPORT TO BE A COMPLETE ANALYSIS OR LISTING OF ALL POTENTIAL TAX CONSEQUENCES OF THE DISPOSAL OF EQUITY SHARES. THIS NOTE IS NEITHER BINDING ON ANY REGULATORS NOR CAN THERE BE ANY ASSURANCE THAT THEY WILL NOT TAKE A POSITION CON-TRARY TO THE COMMENTS MENTIONED HEREIN. THERE CAN BE NO LIABILITY ON THE COMPANY OR SIGNING FIRM IF ANY ACTION IS TAKEN BY THE SHAREHOLDER SOLELY BASED ON THIS TAX SUMMARY. THEREFORE, SHAREHOLDERS CANNOT RELY ON THIS ADVICE AND THE SUMMARY TAX IMPLICATIONS RELATING TO THE TREATMENT OF INCOME TAX IN THE CASE OF BUYBACK OF EQUITY SHARES LISTED ON THE STOCK EXCHANGE AS SET OUT ABOVE.

For M.L Sharma & Associates

Chartered Accountants

FRN – 004496C



(Pramod K Bhatra)

Partner

Membership No.075324

Place: Jaipur

Date: August 21, 2024



CC:

D & A Financial Services (P) Limited

13, Community Centre

East of Kailash

New Delhi-110065

“Manokamna” A-48, 2nd Floor Sahkar Marg, Sudershan Enclave, Jaipur Rajasthan -302006

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