

V SAHAI TRIPATHI & CO

CHARTERED ACCOUNTANTS

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To,

The Board of Directors,
KAMA Holdings Limited,

The Galleria, DLF Mayur Vihar,
Unit No. 236 & 237 2nd Floor,
Mayur Palace, Mayur Vihar Phase I Extn.,
Delhi 110091

Corporate Office: Block C, Sector 45, Gurugram, Haryana- 122003

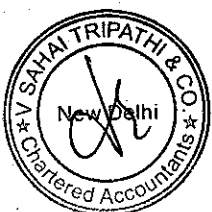
Dear Sir/Madam,

Sub: Statutory Auditor's certificate on taxation on Buyback of equity shares - Buyback of 34,500 equity shares of face value of Rs. 10/- each of KAMA Holdings Limited ('Company') in terms of Securities and Exchange Board of India (Buy Back of Securities) Regulations 2018 ('Buyback Regulations'), as amended, through Tender Offer.

General-

The Indian tax year runs from April 1 to March 31 of subsequent year. 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 ("ITA"). 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 in India upon triggering of certain conditions. Deemed residents would be liable to pay tax in India only on their Indian sourced income or income from business or professional controlled in India.

In case of shares of a company, the source of income from shares would depend on the "situs" of the shares. As per ITA 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 ITA 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. The above benefit may be available subject to satisfying relevant conditions prescribed under ITA 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 ITA as well as satisfying the relevant conditions under the respective DTAA including anti-abuse measures under the MLI, if applicable.

Classification of Shareholders-

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

A. Resident Shareholders being:

- Individuals, Hindu Undivided Family (“HUF”), Association of Persons (“AOP”) and Body of Individuals (“BOI”), Firm, Limited Liability Partnership (“LLP”)
- Others (corporate bodies):
 - Company
 - Other than Company

B. Deemed Resident Shareholder –an 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 INR 15 lakhs during the tax year.

C. Non-Resident Shareholders being:

- NRIs
- FIIs/FPIs
- Others:
 - Foreign Company
 - Foreign non-corporate shareholders

Buy-back of Shares-

Section 115QA of the ITA introduced w.e.f. June 1, 2013 contains provisions for taxation of a domestic company in respect of buy-back of shares (within the meaning of Section 68 of the Act). In effect, the incidence of tax stands shifted completely to the Company and not the recipient of the buyback proceeds.

Before the enactment of Finance Act (No. 2), 2019, this section was not applicable to shares listed on a recognized stock exchange. The Finance Act (No. 2), 2019 has amended section 115QA of the ITA with effect from July 5, 2019 extending its provisions to cover distributed income on buy-back of equity shares of a company listed on a recognized stock exchange as well.

Section 10(34A) of the ITA provided for tax exemption to a shareholder in respect of income arising from buy-back of shares w.e.f. April 1, 2014 (i.e. Assessment year 2014-15). The Finance Act (No. 2), 2019 has also made consequential changes to section 10(34A) of the ITA extending the benefit of tax exemption on income from buy-back to shareholders in respect of shares listed on recognized stock exchange as well.

Thus, the Tax Implications in respect of Buyback of shares listed on Recognised Stock Exchange are as under:



- A. As per Section 115QA of ITA, listed companies making public announcements of buyback of shares on or after July 5, 2019 are required to pay an additional Income tax @ 20%, plus Surcharge @ 12%, plus Health & Education Cess @ 4% on the distributed income.

Distributed Income is defined in explanation to Section 115QA(1) to include 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 in Rule 40BB of Income Tax Rules, 1962.

- B. 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 paid.
- C. 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.
- D. Section 10(34A) of the ITA provided for exemption to a shareholder in respect of income arising from buyback of shares w.e.f. April 1, 2014 (i.e., Assessment year 2014-15). The Finance Act (No. 2), 2019 has also made consequential changes to section 10(34A) of the ITA extending the benefit of exemption of income from buy-back to shareholders in respect of shares listed on recognized stock exchange as well.

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 buy-back of shares as referred to in section 115QA of the ITA is exempt from tax under the provisions of the amended section 10(34A) of the ITA with effect from July 5, 2019.

B. Non-Resident Shareholders

While the income arising to the shareholder on account of buy back of shares as referred to in Section 115QA of the ITA 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 buy-back tax paid by the company in view of Section 115QA (4) and (5) of the ITA. Non-resident shareholders need to consult their tax advisors with regard to availability of such a tax credit.



Tax Deduction at Source-

In absence of any specific provision under the current Income Tax Act, the Company is not required to deduct tax at source on the consideration payable to resident shareholders pursuant to the Buyback.

Securities Transaction Tax on account of Buyback of Shares-

Since the Buyback of shares shall take place through the settlement mechanism of the Stock Exchange, Securities Transaction Tax at 0.1% of the value of the transaction will be applicable.

Caveat-

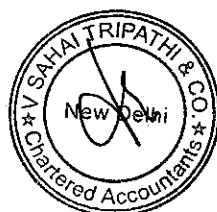
The summary of the tax considerations as above is based on the current provisions of the tax laws of India, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.

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 contrary to the comments mentioned herein.

Restriction on Use-

1. This report has been provided by us at the request of the company and is solely for the information of the manager to the buyback to assist them in conducting and documenting their investigations of the affairs of the company in connection with buyback and in any other material issued in connection with the buyback. This certificate is not intended for general circulation or publication and is not to be reproduced or used for any other purpose without prior consent. We hereby consent to the extracts of this certificate, in full or part, being used in the public announcement of the company or in any other documents in connection with buyback. We also provide our consent for the reference to this certificate in the due diligence certificate to be filed with SEBI by the manager to the buyback in relation to buyback. We undertake to inform you promptly, in writing of any changes to the above information that are brought to our attention by the management until the completion of the buyback. In the absence of any such communication from us, the above information should be considered as updated information until the completion of the buyback.

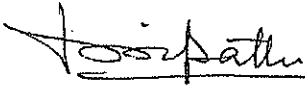


2. This certificate can be relied on by the manager to buyback in relation to the Buyback of shares.

For V SAHAI TRIPATHI & CO

Chartered Accountants

Firm Registration No. 000262N



(Vishwas Tripathi)

Partner

Membership No. 086897

Place: Gurugram, Haryana

Date: 12th December, 2022

UDIN: 22086897BFKQEN6911