



Independent Chartered Accountant Certificate on Taxation

Date: November 01, 2025

To,
The Board of Directors
GHCL Limited
GHCL House, Opp Punjabi Hall navrangpura,
Ahmedabad, Gujarat, India, 380009

THE SUMMARY OF THE INCOME-TAX CONSIDERATION IN THIS SECTION ARE BASED ON THE CURRENT PROVISIONS OF THE 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. IN VIEW OF THE COMPLEXITY AND THE SUBJECTIVITY INVOLVED IN THE TAX CONSEQUENCES OF AN BUYBACK TRANSACTION, ELIGIBLE SHAREHOLDERS ARE REQUIRED TO CONSULT THEIR TAX ADVISORS FOR THE APPLICABLE TAX PROVISIONS 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 IF ANY ACTION IS TAKEN BY THE ELIGIBLE 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.

General:

The Indian tax year runs from April 1 to March 31. The chargeability of income tax in India depends on the residential status of the taxpayer during the tax year:

- **Resident taxpayers** are liable to tax on their worldwide income, subject to certain exemptions under the Income Tax Act, 1961 ("ITA").
- **Non-resident taxpayers** are generally liable to tax only on income sourced in India or received in India.
- **Deemed residents** (Indian citizens not liable to tax in any other country and with total income, excluding foreign-sourced income, exceeding INR 15,00,000) are taxed only on Indian-sourced income or income from businesses/professions controlled or set up in India as per section 6(1A) of ITA.

For shares of a company, the source of income is determined by the situs of the shares, which, as per judicial precedents, is generally where the company is incorporated and where its shares can be transferred. Since the Company is incorporated in India, the situs of its shares is in India, and any gains from the transfer of such shares by non-residents are taxable in India under the ITA, subject to specific exemptions.



Non-residents may avail beneficial tax treatment under the relevant Double Tax Avoidance Agreement (“DTAA”), as modified by the Multilateral Instrument (“MLI”), if applicable, provided they satisfy conditions such as non-applicability of the General Anti-Avoidance Rule (“GAAR”), and provide necessary documentation (e.g., Form 10F, Tax Residency Certificate (TRC), no Permanent Establishment (PE) declaration, PAN if available, and declaration of beneficial ownership) as well as satisfying the relevant conditions under the respective DTAA including anti-abuse measures under the MLI, if applicable.

Classification of Shareholders

Shareholders must confirm their residential status as per Section 6 of the ITA and the provisions of the relevant DTAA, if applicable. Shareholders are broadly classified as:

1. Resident Shareholders:

- o Individuals
- o Hindu Undivided Family (HUF)
- o Association of Persons (AOP) and Body of Individuals (BOI)
- o Company
- o Firm (including Limited Liability Partnership)
- o Local authority
- o Artificial Juridical Person

2. Deemed Resident Shareholders:

- o Indian citizens not liable tax in any other country, with total income (excluding foreign-sourced income) exceeding INR 15,00,000 during the tax year.

3. Non-Resident Shareholders:

- o Non-Resident Indians (NRIs)
- o Foreign Institutional Investors (FIIs)/ Foreign Portfolio Investors (FPIs)
- o Others:
 - Company
 - Other than Company

Income Tax Provisions on Buyback of Shares

Buyback Transactions up to September 30, 2024

For buyback transactions occurring until September 30, 2024, the tax was governed by Section 115QA of the ITA:

- The Company undertaking the buyback was liable to pay tax at an effective rate of 23.296% (20% tax + 12% surcharge + 4% cess) on the distributed income (difference between the buyback price and the issue price of the shares).
- Income received by shareholders was exempt from tax under Section 10(34A) of the ITA.

Provisions Effective from October 1, 2024

The Finance (No. 2) Act, 2024, has introduced amendments effective from October 1, 2024, shifting the tax liability from the company to the shareholders (whether resident or non-resident):



- Section 115QA no longer applies to buybacks occurring on or after October 1, 2024. The company is not required to pay tax on distributed income.
- Under Section 2(22)(f) of the ITA, the entire amount paid by a domestic company for the buyback of its shares is treated as dividend income in the hands of shareholders (resident or non-resident), taxable under the head Income from Other Sources.
- As per Section 57(i) of the ITA, no deductions (e.g., cost of acquisition) are allowed against this dividend income.
- For capital gains purposes, under Section 46A of the ITA, the consideration received from the buyback is deemed to be nil. The cost of acquisition of the shares which have been bought back shall be treated as a capital loss in the hands of the shareholder. This loss can be set off against current or future eligible capital gains and carried forward for up to eight years as per the ITA provisions.

Securities Transaction Tax ("STT")

Since the Buyback of shares shall take place through the settlement mechanism of the Stock Exchange, Securities

Transaction Tax at 0.10% of the value of the transaction will be applicable.

Tax Deduction at Source ("TDS")

Resident Shareholders

- As per Section 194 of the ITA, the Company is required to deduct TDS on the buyback proceeds treated as
- dividend income at the following rates:
 - o 10% if the shareholder provides a valid and operative PAN.
 - o 20% if PAN is not provided or inoperative, as per Section 206AA of the ITA.
- **Exemption:** NTDS is deducted for resident individual shareholders if the buyback and dividend proceeds paid or likely to be paid during the financial year does not exceed INR 10,000. Additionally, no TDS is deducted if resident individuals submit:
 - o **Form 15G** (under Section 197A(1)) for individuals below 60 years, or
 - o **Form 15H** (under Section 197A(1C)) for individuals aged 60 years or more, declaring that their total income, including buyback proceeds, is below the taxable threshold.
- **Lower TDS Certificate:** If a shareholder provides a valid certificate under Section 197(1) of the ITA, TDS will be deducted at the rate specified in the certificate.
- **Adequacy of Documents:** The application of a TDS rate lower than 10% depends on the Company's satisfaction with the adequacy and completeness of the documents submitted by the resident shareholder.

Non-Resident Shareholders

- The Company shall deduct TDS on buyback proceeds paid to non-resident shareholders at the following rates, unless a valid nil/lower rate deduction certificate under Section 195(3) or Section 197(1) is provided:
 - o 30% (plus applicable surcharge and cess) for non-resident shareholders who are tax residents of a Notified Jurisdictional Area under Section 94A(1) of the ITA.
 - o 20% (plus applicable surcharge and cess) for other non-resident shareholders under Section 195 of the ITA.



- **DTAA Benefits:** Non-resident shareholders may opt for lower tax rates under the applicable DTAA, subject to providing required documents to the Company (e.g., Form 10F, TRC, no Permanent Establishment declaration, PAN if available, and beneficial ownership declaration) and satisfying DTAA conditions, including MLI anti abuse measures.

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. The note 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. There can be no liability on the Company if any action is taken by the shareholder solely based on this tax summary.

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.

Place: New Delhi

Date: 01.11.2025

For S A S & CO.

Chartered Accountants

ICAI Firm Registration No.:020025N



(Ankleshwar Nanchahal)

Partner

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