

STATEMENT OF SPECIAL TAX BENEFITS

To,

The Board of Directors
Bharti Hexacom Limited
Bharti Crescent, 1, Nelson Mandela Road,
Vasant Kunj, Phase - II,
New Delhi 110070, India

Dear Sir/Madam,

Sub: Statement of special tax benefits available to Bharti Hexacom Limited ("Company") and its shareholders in accordance with the requirement under Schedule VI-A Part A – Clause (9)(L) of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("ICDR Regulations"), under direct and indirect tax laws ("Statement of Possible Special Tax Benefits").

We refer to the proposed initial public offering of the equity shares ("**Offer**") of the Company. In this regard, we enclose herewith the statement ("**Annexure**") showing the current position of special tax benefits available to the Company and its shareholders as per the provisions of the Indian direct and indirect tax laws including the Income-tax Act, 1961 read with Income Tax Rules, 1962, circulars, notifications as amended by the Finance Act 2023 as presently in force, the Central Goods and Services Tax Act, 2017, the Integrated Goods and Services Tax Act, 2017, the State Goods and Services Tax Act as passed by respective State Governments from where the Company and its shareholders operate and applicable to the Company and its shareholders, Customs Act 1962, the Customs Tariff Act, 1975 and Foreign Trade Policy 2023 (as extended) including the rules, regulations, circulars and notifications issued there under (collectively referred as "Taxation Laws")), relevant to the Financial Year ("FY") 2023-24 relevant to the Assessment Year ("AY") 2024-25 presently in force in India for inclusion in the Draft Red Herring Prospectus ("DRHP") for the proposed initial public offering of equity shares of the Company, as required under ICDR Regulations.

Several of these benefits are dependent on the Company and its shareholders fulfilling the conditions prescribed under the relevant provisions of the Taxation Laws. Hence, the ability of the Company and its shareholders to derive these special direct and indirect tax benefits is dependent upon their fulfilling such conditions which is based on business imperatives that the Company and its shareholders may face in the near future and accordingly, the Company and its shareholders may or may not choose to fulfil.

The special tax benefits discussed in the enclosed Annexure are neither exhaustive nor conclusive. The contents stated in the Annexure are based on the information and explanations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company. This statement is only intended to provide general information to guide the investors and is neither designed nor intended to

be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult their own tax consultants, with respect to the specific tax implications arising out of their participation in the proposed initial public offering of equity shares by the Company (the "Offer"). We are neither suggesting nor are advising the investor to invest money or not to invest money based on this statement.

We do not express any opinion or provide any assurance whether:

- The Company and its shareholders will continue to obtain these special tax benefits in future; and
- The conditions prescribed for availing the special tax benefits have been/would be met.

We hereby give our consent to include this report and the enclosed Annexure regarding the special tax benefits available to the Company and its shareholders in the DRHP in relation to the Offer, which the Company intends to file with the Securities and Exchange Board of India and the stock exchange(s) (National Stock Exchange of India Limited and BSE Limited) where the equity shares of the Company are proposed to be listed, as applicable, provided that the below statement of limitation is included in the DRHP.

LIMITATIONS

Our views expressed in the enclosed Annexure are based on the facts and assumptions indicated above. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of tax laws in force in India and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. Reliance on the Annexure is on the express understanding that we do not assume responsibility towards the investors and third parties who may or may not invest in the proposed initial public offer relying on the Annexure. This statement has been prepared solely in connection with the proposed initial public offering of equity shares by the Company, as required under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended.

**For DELOITTE HASKINS & SELLS LLP
Chartered Accountants**

(Firm Registration Number: 117366W/W-100018)

Nilesh H. Lahoti

Partner

(Membership No130054)

(UDIN: 24130054BKFRIZ3520)



Place: Gurugram

Date: January 19, 2024

**STATEMENT OF POSSIBLE SPECIAL TAX BENEFITS AVAILABLE TO BHARTI
HEXACOM LIMITED AND ITS SHAREHOLDERS**

The information provided below sets out the possible special direct tax benefits available to Bharti Hexacom Limited ("Company") and its shareholders in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the subscription, ownership, and disposal of equity shares of the Company, under the Income-tax Act, 1961 (as amended by the Finance Act 2023) read with Income Tax Rules, 1962, circulars, notifications, the Central Goods and Services Tax Act, 2017, the Integrated Goods and Services Tax Act, 2017, the State Goods and Services Tax Act as passed by respective State Governments from where the Company and its shareholders operate and applicable to the Company and its shareholders, Customs Act 1962 and Foreign Trade Policy 2023 (as extended) including the rules, regulations, circulars and notifications issued there under (collectively referred as "Taxation Laws") presently in force in India.

Several of these benefits are dependent on fulfilling the conditions prescribed under the relevant Taxation Laws. Hence, the ability of the Company and its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business / commercial imperatives any of them face, may or may not choose to fulfill. We do not express any opinion or provide any assurance as to whether the Company and its shareholders will continue to obtain these benefits in future. The following overview is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. In view of the individual nature of the tax consequences and the changing Taxation Laws, each investor is advised to consult their own tax consultant with respect to the specific tax implications arising out of their participation in the issue. We are neither suggesting nor are we advising the investor to invest money or not to invest money based on this statement.

INVESTORS ARE ADVISED TO CONSULT THEIR OWN TAX CONSULTANT WITH RESPECT TO THE TAX IMPLICATIONS OF AN INVESTMENT AND CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF EQUITY SHARES IN THE SECURITIES, PARTICULARLY IN VIEW OF THE FACT THAT CERTAIN RECENTLY ENACTED LEGISLATION MAY NOT HAVE A DIRECT LEGAL PRECEDENT OR MAY HAVE A DIFFERENT INTERPRETATION ON THE BENEFITS, WHICH AN INVESTOR CAN AVAIL IN THEIR PARTICULAR SITUATION.

**STATEMENT OF POSSIBLE SPECIAL DIRECT TAX BENEFITS AVAILABLE TO THE
COMPANY AND ITS SHARE HOLDERS**

I. Special Direct tax benefits available to the Company under the Income tax Act, 1961

The Statement of possible tax benefits enumerated below is as per the Income Tax Act 1961 ("ITA") as amended from time to time and as applicable for Financial Year ("FY") 2023-24 relevant to Assessment Year ("AY") 2024-25.

1) Lower corporate tax rate under Section 115BAA of the ITA

Section 115BAA inserted w.e.f. 1 April 2020 (AY 2020-21), provides an option to a domestic company to pay corporate tax at a reduced rate of 22% (plus applicable surcharge and education cess¹).

¹Surcharge at 10% on the tax liability and further, enhanced by an education cess at 4% of the total tax liability and surcharge



In case the Company opts for the concessional income tax rate as prescribed under Section 115BAA of the ITA, it will not be allowed to claim any of the following deductions/ exemptions:

- Deduction under the provisions of Section 10AA (deduction for units in Special Economic Zone);
- Deduction under clause (iia) of sub-section (1) of Section 32 (Additional depreciation);
- Deduction under Section 32AD or Section 33AB or Section 33ABA (Investment allowance in backward areas, Investment deposit account, site restoration fund);
- Deduction under sub-clause (ii) or sub-clause (iia) or sub-clause (iii) of sub-section (1) or sub-section (2AA) or sub-section (2AB) of Section 35 (Expenditure on scientific research);
- Deduction under Section 35AD or Section 35CCC (Deduction for specified business, agricultural extension project);
- Deduction under Section 35CCD (Expenditure on skill development);
- Deduction under any provisions of Chapter VI-A other than the provisions of Section 80JJAA (Deduction in respect of employment of new employees) and 80M (Deduction in respect of certain inter-corporate dividends);
- No set-off of any loss carried forward or depreciation from any earlier assessment year, if such loss or depreciation is attributable to any of the deductions referred above;
- No set-off of any loss or allowance for unabsorbed depreciation deemed so under Section 72A, if such loss or depreciation is attributable to any of the deductions referred above.

The provisions of Section 115JB regarding Minimum Alternate Tax ("MAT") are not applicable if the Company opts for the concessional income tax rate as prescribed under Section 115BAA of the ITA. Consequently, the Company will not be entitled to claim tax credit relating to MAT.

The Company has opted for the concessional rate of tax for the first time in the return of income filed for FY 2021-22 for which declaration in specified form (i.e., Form 10-IC) has been filed with the ITA.

2) Deduction in respect of employment of new employees under Section 80JJAA of the ITA

As per Section 80JJAA of the ITA, an assessee subject to tax audit under Section 44AB of the ITA, is entitled to claim a deduction of an amount equal to thirty per cent of additional employee cost incurred in the course of business in the previous year, for three assessment years including the assessment year relevant to the previous year in which such employment is provided, subject to the fulfilment of prescribed conditions therein.

The deduction under Section 80JJAA is available even if the Company opts for concessional tax rate under Section 115BAA of the ITA.

3) Deduction in respect of certain inter-corporate dividends under Section 80M of the ITA

As per Section 80M of the ITA, where domestic companies have declared dividend and are also in receipt of the dividend from another domestic company or a foreign



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company or a business trust, deduction is allowed with respect to the dividend received as long as the same is distributed as dividend one month prior to the due date of furnishing the return of income under sub-section (1) of Section 139 of the ITA.

The deduction under Section 80M is available even if domestic company opts for concessional tax rate under Section 115BAA of the ITA.

Though the Company is eligible to avail Section 80M of the ITA, it does not own shares of any domestic company, foreign company or business trust (as on year ended 31 March 2023). Hence, the Company has not availed any deduction under Section 80M of ITA for the AY 2023-24.

4) Allowance of expenditure incurred for obtaining right to use spectrum for telecommunication services under Section 35ABA of the ITA

Section 35ABA of the ITA inserted by the Finance Act 2016 w.e.f. 1 April 2017 (i.e., AY 2017-18), states that capital expenditure incurred for acquiring any right to use spectrum for telecommunication service, shall be amortized over the period for which right to use spectrum is obtained, starting from the year of actual payment. The Company, being engaged in telecommunication business, is eligible under Section 35ABA of the ITA for amortization of such expenditure.

5) Allowance of expenditure incurred for obtaining license to operate telecommunication services under Section 35ABB of the ITA

Section 35ABB of the ITA inserted by the Finance Act 1997 w.r.e.f. 1 April 1996 (i.e., AY 1996-97), states that capital expenditure incurred for acquiring any right to operate telecommunication services, shall be amortized over the un-expired period of license, starting from the year of actual payment. The Company, being engaged in telecommunication business, is eligible under Section 35ABB of the ITA for amortization of telecommunication license fee.

II. Special Direct tax benefits available to shareholders of the Company

There is no special direct tax benefit available to the shareholders of Company for investing in the shares of the Company. However, such shareholders shall be liable to concessional tax rates on certain incomes under the extant provisions of the ITA. Further, it may be noted that these are general tax benefits available to equity shareholders, other shareholders holding any other type of instrument are not covered below.

1) **Dividend Income:** Dividend income earned by the shareholders would be taxable in their hands at the applicable rates. However, in case of shareholders who are individuals, Hindu Undivided Family, Association of Persons, Body of Individuals, whether incorporated or not and every artificial juridical person, maximum rate of surcharge would be restricted to 15%, irrespective of the amount of dividend. Further in case shareholder is a domestic company, deduction under Section 80M of the ITA would be available on fulfilling the conditions as mentioned above.

2) **Tax on Capital gains:** As per Section 112A of the ITA, long-term capital gains arising from transfer of equity shares, or a unit of an equity-oriented fund or a unit of a business trust shall be taxed at 10% (without indexation) of such capital gains subject to payment of securities transaction tax on acquisition and transfer of equity shares and on the transfer of unit of an equity-oriented fund or a unit of a business trust under Chapter VII of Finance (No.2) Act 2004 read with Notification No. 60/2018/4-



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No.370142/9/2017-TPL dated 1 October 2018. However, no tax under the said section shall be levied where such capital gains does not exceed INR 1,00,000 in a financial year.

Further, as per Section 111A of the ITA, short term capital gains arising from transfer of an equity share, or a unit of an equity-oriented fund or a unit of a business trust shall be taxed at 15% subject to fulfillment of prescribed conditions under the ITA.

- 3) **Simplified/New tax regime:** As per Section 115BAC of the ITA, a simplified/new tax regime has been introduced wherein income-tax shall be computed at the rates specified in sub-section 1 of Section 115BAC of the ITA, subject to the assessee not availing specified exemptions and deductions. The said regime was initially applicable for individuals and Hindu Undivided Family.

In order to make the simplified tax regime more attractive, Finance Act, 2023 with effect from FY 2023-24 has extended the Section 115BAC to Association of Persons, Body of Individuals, whether incorporated or not and every artificial juridical person. Further, certain additional benefits have been provided which are listed as under:

- Basic exemption limit has increased from INR 250,000 to INR 3,00,000;
- Highest applicable surcharge on income above has been reduced from 37% to 25%;
- Income threshold for the tax rebate available for resident individuals has been increased from INR 5,00,000 to INR 7,00,000;
- Benefit of standard deduction up to INR 50,000 has now been made available on salary / pension income.

It may be noted that the shareholders have the discretion to exercise the simplified tax regime.

- 4) **Double Taxation Avoidance Agreement benefit:** In respect of non-resident shareholders, the tax rates and the consequent taxation shall be further subject to any benefits available under the applicable Double Taxation Avoidance Agreement, if any, between India and the country in which the non-resident has fiscal domicile and fulfillment of other conditions to avail the treaty benefit.

STATEMENT OF POSSIBLE SPECIAL INDIRECT TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS

The Statement of possible tax benefits enumerated below is per the Central Goods and Services Tax Act, 2017 ('CGST Act'), the Integrated Goods and Services Tax Act, 2017 ('IGST Act'), the Union Territory Goods and Services Tax Act, 2017 ('UTGST Act'), respective State Goods and Services Tax Act, 2017 ('SGST Act') (all these legislations collectively referred to as 'GST Legislation'), the Customs Act, 1962, the Customs Tariff Act, 1975 and Foreign Trade Policy 2023 (collectively referred to as "Indirect Tax") as amended from time to time and as applicable for FY 2023-24.

I. Special Indirect tax benefits available to the Company under the Indirect tax laws



Benefits under the Foreign Trade Policy 2023



There are no special indirect tax benefits available to the Company under the Foreign Trade Policy 2023.

ii. Benefits under Customs Act (read with Tariff Act and related rules and regulations)

Benefit of exemption on import of goods under section 25 of the Customs Act

As per section 25 of the Customs Act, the Central Government is empowered to exempt whole or part of customs duty leviable on import of goods. The Company is availing such exemption benefit on import of equipment under below mentioned notifications issued by the Central Government:

- Notification No. 50/2017 – Customs dated 30th June 2017 (as amended)
- Notification No. 57/2017 – Customs dated 30th June 2017 (as amended)
- Notification No. 24/2005 – Customs dated 1st March 2005 (as amended)

iii. Benefits under the Central Goods and Services Tax Act, 2017 (CGST Act), respective State Goods and Services Tax Act, 2017, Integrated Goods and Services Tax Act, 2017 (IGST Act) (read with relevant rules prescribed thereunder)

Export of services under the GST law

Under the GST regime, supplies of goods and services which qualify as export of goods or services are zero-rated. On account of zero rating of supplies, the supplier is entitled to claim Input Tax Credit (ITC) in respect of input and input services used for such supplies and can seek refund of accumulated/ unutilized ITC.

GST law inter-alia allows export of services at zero rate on fulfilment of certain conditions. Exporters can export services under Letter of Undertaking (LUT) without payment of IGST and claim refund of accumulated ITC. There is also an alternative available to export services with payment of IGST and subsequently claim refund thereof, as per the provisions of section 54 of the CGST Act. We understand that the Company is undertaking exports of services without payment of tax under the cover of LUT. However, no refund is applied due to commercial viability.

II. Special indirect tax benefits available to shareholders of the Company under the Indirect tax laws

There are no special indirect tax benefits available to shareholders of the Company by virtue of their investment in the Company.

NOTES:

1. The Company does not have any material subsidiary.
2. The above Statement covers only certain possible special tax benefits under the Taxation Laws, read with the relevant rules, circulars and notifications and does not cover any benefit under any other law in force in India. This Statement also does not discuss any tax consequences, in the country outside India, of an investment in the shares of an Indian company.



3. The above Statement of possible special tax benefits sets out the provisions of Indian tax laws in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of shares.
4. This Statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing taxation laws, each investor is advised to consult their own tax consultant with respect to the specific tax implications arising out of their participation in the proposed offer.
5. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such changes.

For **Bharti Hexacom Limited**


(Authorised signatory)
Date: January 19, 2024

