

Date: November 9, 2020

To,
The Board of Directors
Ajanta Pharma Limited
'Ajanta House', 98 Govt. Industrial Area,
Charkop, Kandivli (West),
Mumbai - 400 067

and

IndusInd Bank Ltd
11th Floor, Tower 1, One World Centre,
SenapatiBapat Marg, Elphinstone Road,
Mumbai - 400 013, Maharashtra, India

(of the above, IndusInd Bank are referred to as the "Manager to the BuybackOffer")

Dear Sir / Madam,

Sub: Note on taxation for inclusion in offer document for the proposed buyback of Equity Shares on a proportionate basis (the "Buyback") of Ajanta Pharma Limited (the 'Company'), from the Eligible Shareholders by way of a tender offer through the stock exchange mechanism

With reference to the captioned subject, given below is a broad summarization of the applicable sections of the Income Tax Act, 1961 relating to treatment of income-tax in case of buyback of listed equity shares on the stock exchange, which shall form part of the disclosure in the Draft Letter of Offer, Letter of Offer or any other document in relation to the Buyback of the Company.

The following summary of the tax considerations is based on the reading of 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 implications on these tax considerations.

Finance (No. 2) bill 2019 introduced in Lok Sabha has already been passed by the parliament and received the assent of Hon'ble President of India on 1st August 2019, converting the Bill into the Act. This Act has changed the provisions of section 115QA of the Income Tax Act, 1961 by omitting the words "not being shares listed on a recognised stock exchange". The effect of this omission is that the provisions of section 115QA relating to the buyback of the shares, which were hitherto not applicable to the buyback of shares which were listed on a recognised stock exchange, have now become applicable even to the buyback of shares listed on a recognised stock exchange. Section 115QA has been further amended by Taxation Laws (Amendment) Ordinance, 2019. The amended provisions of section 115QA are applicable in respect of all the buyback of shares listed on a recognised stock exchange whose public announcement has been made on or after 5 July 2019.

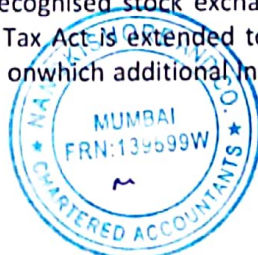


1. General

- A. The Indian tax year runs from 1st April to 31st March. 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 ("Income Tax Act" or "ITA").
- B. A person who is treated as a non-resident for Indian tax purposes is generally liable to tax in India only on his/her India sourced income or income received by such person 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 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 relevant Double Tax Avoidance Agreement ("DTAA") subject to satisfaction of the relevant conditions including non-applicability of General Anti-Avoidance Rule ("GAAR") and providing and maintaining necessary information and documents as prescribed under the ITA.
- C. The summary of tax implications on buyback of equity shares listed on the stock exchanges in India is set out below. All references to equity shares in this note refer to equity shares listed on the stock exchanges in India unless stated otherwise.

2. INCOME TAX PROVISIONS IN RESPECT OF BUY BACK OF EQUITY SHARES LISTED ON THE RECOGNISED STOCK EXCHANGE (BUY BACK WHOSE PUBLIC ACCOUNCEMENT HAS BEEN MADE AFTER-5TH JULY 2019) CONSIDERING RELEVANT AMENDMENTS UNDER THE FINANCE (NO. 2) ACT, 2019) AND TAXATION LAWS (AMENDMENT) ACT, 2019

- A. Section 115QA of the Income Tax Act provides for the levy of additional Income-tax at the rate of twenty per cent (excluding surcharge and Health and Education cess, as applicable) of the distributed income on account of buyback of unlisted shares by the Company. In order to curb such tax avoidance practice adopted by the listed companies, the existing anti-abuse provision under Section 115QA of the Income Tax Act, pertaining to buyback of shares from shareholders by companies not listed on a recognised stock exchange, is extended to all companies including companies listed on recognised stock exchange. Thus, any buyback of shares from a shareholder by a company listed on a recognised stock exchange, on or after 5th July 2019, shall also be covered by the provision of section 115QA of the Act.
- B. As additional income-tax at the rate of twenty per cent (excluding surcharge and Health and Education cess, as applicable) of the distributed income on account of buyback of unlisted shares by the company has been levied at the level of company under Section 115QA of the Income Tax Act, the consequential income arising in the hands of shareholders has been exempted from tax under sub-clause (34A) of section 10 of the Income Tax Act. With the amendment in the Income Tax Act, extending the provisions of Section 115QA of the Income Tax Act to companies listed on recognised stock exchange, exemption under sub-clause (34A) of section 10 of the Income Tax Act is extended to shareholders of the listed company on account of buyback of shares on which additional income-tax has been paid by the Company.



- C. The consequential income will be exempted in the hands of the shareholder irrespective of the class/residential status of the shareholder and purpose for which shares are held (i.e. as "Investments" or "Stock in Trade") under sub-clause (34A) of Section 10 of the Act.

Tax Deducted at Source:

The Consequential income arising in the hands of shareholder will be exempted by virtue of sub clause (34A) of Section 10 of the Act. Therefore, no TDS/WHT will be deductible on the said income.

While the income arising to the shareholder on account of buy back of shares as referred to in section 115QA is exempt from tax under the provisions of the amended section 10(34A), the same may be subject to tax in the country of residence for non-resident shareholders as per the tax laws of that country subject to provisions of Double Taxation Avoidance Agreement, if any.

We hereby consent to inclusion of the extracts of this certificate in the Draft letter of offer, Letter of Offer and any other documents in relation to the Buyback of equity shares of the Company to be sent to the shareholders of the Company or submit to the Registrar of Companies, Securities and Exchange Board of India, Stock Exchanges and any other regulatory authority as per applicable laws.

This certificate may be relied by the Manager to the Buyback Offer viz. IndusInd Bank Limited.

Yours faithfully,

For Nandkishore and Co
Chartered Accountants

Firm Regn. No.: 139699W

Sign: 

Name: CA Nandkishore Agarwal
Designation: Partner



Membership no.: 159232

UDIN: **20159232AAAADS8420**

Place: Mumbai

Date: November 09, 2020