

CERTIFICATE ON NOTE ON TAXATION

To,
The Board of Directors
TeamLease Services Limited
Salarpuria Ascent, Koramangala Industrial Layout,
Jyoti Nivas College Road, Koramangala,
Bangalore – 560095, India

Dear Sir,

Sub: Tax implications to the shareholders under the Buyback Offer made by your 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.

IN VIEW OF THE COMPLEXITY AND THE SUBJECTIVITY INVOLVED IN THE TAX CONSEQUENCES OF A BUY BACK TRANSACTION, ELIGIBLE SHAREHOLDERS ARE REQUIRED TO CONSULT THEIR TAX ADVISORS FOR THE TAX TREATMENT IN THEIR HANDS CONSIDERING THE RELEVANT TAX PROVISIONS, FACTS AND CIRCUMSTANCES OF THEIR CASE.

WE DO NOT ACCEPT ANY RESPONSIBILITY FOR THE ACCURACY OR OTHERWISE OF THIS TAX SUMMARY AND EXPLICITLY DISOWNS ANY LIABILITY ARISING OUT OF ANY ACTION INCLUDING A TAX POSITION TAKEN BY THE ELIGIBLE SHAREHOLDER BY RELYING ON THIS SUMMARY. THE SUMMARY OF TAX CONSIDERATIONS RELATING TO BUY BACK OF EQUITY SHARES LISTED ON THE STOCK EXCHANGE SET OUT BELOW SHOULD BE TREATED AS INDICATIVE AND FOR GENERAL GUIDANCE PURPOSES ONLY.

1. GENERAL:

- 1.1 The Indian tax year runs from April 1 to March 31. The 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").
- 1.2 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 profession controlled in India.
- 1.3 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 "situs" of the shares of the Company would be 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") 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 non-resident shareholder is tax resident 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 as well as satisfying the relevant conditions under the respective DTAA including anti-abuse measures under the MLI, if applicable.

- 1.4 The summary of direct 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 memorandum refer to equity shares listed on the stock exchanges in India unless stated otherwise. The residential status of an assessee would be determined in terms of Section 6 of the ITA.

2. CLASSIFICATION OF SHAREHOLDERS

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

- a. Resident Shareholders being:**
- i.** Individuals, Hindu Undivided Family (HUF), Association of Persons (AOP) and Body of Individuals (BOI), Firm, LLP
 - ii.** 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 Rs. 15 lakhs during the tax year.**
- c. Non-Resident Shareholders being:**
- i.** Non-Resident Indians (NRIs)
 - ii.** Foreign Institutional Investors (FIIs) / Foreign Portfolio Investors (FPIs)
 - iii.** Others:
 - Company
 - Other than Company

3. INCOME TAX PROVISIONS IN RESPECT OF BUY BACK OF SHARES LISTED ON THE RECOGNISED STOCK EXCHANGE

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

b. Non-Resident Shareholders

The income arising to the shareholder on account of buy-back of equity shares as referred to in section 115QA of the ITA is exempt from tax under the provisions of the section 10(34A) with effect from July 5, 2019 (as amended) in the hands of a Non-resident as well, the same may be subject to tax in the hands of the shareholder as per the provisions of the tax laws of country of residence. 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 subsection (4) and (5) of Section 115QA of the ITA. Non-resident shareholders need to consult their tax advisors with regard to availability of such a tax credit in their home country.

4. TAX DEDUCTION AT SOURCE ("TDS")

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.

5. SECURITIES TRANSACTION TAX

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.

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. There can be no liability on us if any action is taken by the shareholder solely based on this tax summary. Therefore, shareholders cannot solely 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.

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.

Yours faithfully,

For and on behalf of Manian & Rao
Chartered Accountants
Firm Registration No: 0019835

Paresh Daga
Partner
Membership No.: 211468
UDIN: 23211468BGXVTO9268

Place: Bangalore
Date: 16-03-2023