



STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO SOBHAGYA MERCANTILE LIMITED (THE “COMPANY”), AND ITS SHAREHOLDERS UNDER THE APPLICABLE TAX LAWS

To,
The Board of Directors
Sobhagya Mercantile Limited
B-61, Floor 6, Plot No: 210
B-Wing Mittal Tower,
Free Press Journal Marg, Nariman Point,
Mumbai 400 021, Maharashtra

Dear Sirs / Madam,

Subject: Statement of possible special tax benefits available to SOBHAGYA MERCANTILE LIMITED and its shareholders under the Indian tax laws.

1. We hereby confirm that the enclosed Annexure-A prepared by the Company, provides the special tax benefits available to the Company and to the shareholders of the Company as stated in those Annexure-A under:
 - the Income-tax Act, 1961 (the “Act”) as amended by the Finance Act, 2022 applicable for the Financial Year 2022-23 relevant to the Assessment Year 2023-24, presently in force in India; and
 - the Central Goods and Services Tax Act, 2017, the Integrated Goods and Services Tax Act, 2017 and the applicable State / Union Territory Goods and Services Tax Act, 2017 (“GST Acts”), as amended from time to time, the Customs Act, 1962 (“Customs Act”) and the Customs Tariff Act, 1975 (“Tariff Act”), as amended by the Finance Act 2022 applicable for the Financial Year 2022-23.

The Act, the GST Acts, Customs Act and Tariff Act, as defined above, are collectively referred to as the “Relevant Acts”
2. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the Relevant Acts. Hence, the ability of the Company and/or its shareholders to derive the tax benefits is dependent upon their fulfilling of such conditions which, based on business imperatives the Company face in the future, the Company or its shareholders may or may not choose to fulfil.
3. The benefits discussed in the enclosed Annexure-A are not exhaustive and the preparation of the contents stated in the Annexure-A is the responsibility of the management of the Company. We are informed that these Annexure-A are 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 and the changing tax 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 right issue by the company.
4. We do not express any opinion or provide any assurance as to whether:
 - the Company or its shareholders will continue to obtain these benefits in future;
 - the conditions prescribed for availing the benefits have been / would be met with; and
 - the revenue authorities/courts will concur with the views expressed herein.



JOSHI & SHAH
CHARTERED ACCOUNTANTS

5. The contents of the enclosed Annexure-A are based on information, explanations and representations obtained from the Company and on the basis of their understanding of the business activities and operations of the Company.
6. This Statement is issued solely in connection with the proposed right issue of face value Re 10/- each of the Company and is not to be used, referred to or distributed for any other purpose.

For Joshi & Shah
Chartered Accountants
Firm Registration No. - 144627W



Jaydip Joshi
Partner
Membership No. - 170300
UDIN: 23170300BGYCBL6185

Place: Mumbai
Date: 12th October, 2023



ANNEXURE-A TO THE STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO SOBHAGYA MERCANTILE LIMITED (THE “COMPANY”) AND THE SHAREHOLDERS OF THE COMPANY (“SHAREHOLDERS”)

The information provided below sets out the possible special direct and indirect tax benefits available to the Company and the shareholders of the Company 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 current tax laws presently in force in India. Several of these benefits are dependent on the shareholders fulfilling the conditions prescribed under the relevant Tax Laws. Hence, the ability of the shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which, based on business / commercial imperatives a shareholder faces, may or may not choose to fulfil. We do not express any opinion or provide any assurance as to whether the Company or 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 tax 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.

The statement below covers only relevant special direct and indirect tax law benefits and does not cover benefits under any other law.

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 SHAREHOLDERS OF THE COMPANY

I. STATEMENT OF POSSIBLE SPECIAL DIRECT TAX BENEFITS AVAILABLE TO THE COMPANY AND SHAREHOLDERS OF THE COMPANY:

The statement of tax benefits outlined below is as per the Income-tax Act, 1961 read with Income Tax Rules, circulars, notifications (“Income Tax Law”), as amended from time to time and applicable for financial year 2021-22 relevant to assessment year 2022-23. These special tax benefits are dependent on the Company fulfilling the conditions prescribed under the Income Tax Law. Hence, the ability of the Company to derive the special tax benefits is dependent upon fulfilling such conditions, which are based on business imperatives it faces in the future, it may or may not choose to fulfil.

(a) Lower corporate tax rate under Section 115BAA of the Income-tax Act, 1961 (“the Act”)

As per Section 115BAA of the Act, with effect from Financial Year 2019-20 (i.e. AY 2020-21), a domestic company has an option to pay income tax in respect of its total income at a concessional tax rate of 22% (plus surcharge of 10% and cess) subject to satisfaction of certain conditions.

In case a company opts for Section 115BAA of the Act, provisions of Minimum Alternate Tax (MAT) under Section 115JB of the Act would not be applicable as per clarification issued by CBDT vide Circular 29/2019 dated 2 October 2019. Additionally, such company will not be entitled to claim tax credit relating to MAT.



The option needs to be exercised on or before the due date of filing the tax return in prescribed manner. Option once exercised, cannot be subsequently withdrawn for the same or any other tax year and therefore, shall apply to subsequent assessment years.

SOBHAGYA MERCANTILE LIMITED has opted for the provisions of Sec 115BAA of the IT Act from assessment year 2021-22.

In such a case, these company will not be allowed to claim any of the following deductions/exemptions under the Act:

1. Deductions under the provisions of the Sec 10AA (Deductions for units in Special Economic Zone)
2. Deductions under clause (iia) of sub-section (1) of Sec 32 (Additional Depreciation)
3. Deductions under Sec 32AD or Sec 33AB or Sec 33ABA (Investment allowance in backward areas, Investment deposit account, Site restoration fund)
4. Deductions under sub-clause (ii) or sub-clause (iia) or sub-clause (iii) of sub-section (1) or (2AA) or subsection (2AB) of Sec 35 (Expenditure on scientific research)
5. Deduction under Sec 35AD or Sec 35CCC (Deduction for specified business, agricultural extension project).
6. Deduction under Sec 35CCD (Expenditure on Skill Development)
7. Deduction under any provisions of Chapter VI-A other than provisions of Sec 80JJAA or Sec 80M
8. Deduction under Sec 80LA other than deduction applicable to a Unit in the International Financial Services Centre as referred to in sub-section (1A) of Sec 80LA of the Act.
9. 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 from clause 1) to 8) above
10. No set off of any loss or allowance for unabsorbed depreciation deemed or under Sec 72A, if such losses or depreciation is attributable to any of the deductions referred from clause 1) to 8) above and
11. Or any other deductions/exemptions as not mentioned herein above but cannot be claimed as per the Act.

(b) Section 80JJAA of the Act: Deduction in respect of employment of new employees

- In accordance with and subject to the conditions specified under Section 80JJAA of the Act, a company is entitled to a deduction of an amount equal to 30% of additional employee cost incurred in the course of business in a financial year, for 3 consecutive assessment years including the assessment year relevant to the financial year in which such additional employment cost is incurred.

- Additional employee cost means the total emoluments paid or payable to additional employees employed in the financial year. The deduction under section 80JJAA would continue to be available to the company even where the company opts for the lower effective tax rate of 25.168% as per the provisions of section 115BAA of the Act (as discussed above).

- The company should be eligible to claim this deduction in case it incurs additional employee cost within the meaning of Explanation (i) to sub-section (2) of section 80JJAA of the Act and satisfies the conditions as mentioned in the said section.



II. Special Tax benefits available to the shareholders under the Act

Pursuant to the amendment made by the Finance Act, 2020 dividend received by the shareholder/s on or after April 1, 2020 is liable to tax in the hands of the shareholder/s.

As per Sec 112A, any long-term capital gains over and above Rs. 1,00,000/- arising from transfer of an equity share, or a unit of an equity-oriented fund or unit of a business trust shall be taxed at 10% (without indexation) or at 20% (with indexation) of such capital gains subject to fulfilment of prescribed conditions at the option of the assessee company/shareholder/s as beneficial to them under the Act.

There are no special tax benefits available to the shareholders (other than resident corporate shareholder/s) of the company under the provision of the Act.

With respect to a resident corporate shareholder, a new Sec 80M is inserted by the Finance Act, 2020 to remove the cascading effect of taxes on inter-corporate dividends during the financial year 2020-21 and thereafter. The section provides that where the gross total income of the domestic company in any previous year includes any income by way of dividends from any other domestic company or a foreign company or a business trust, there shall, in accordance with and subject to the provisions of this section be allowed in computing the total income of such domestic company, a deduction of an amount equal to so much of the amount of income by way of dividends received from such other domestic company or foreign company or business trust as does not exceed the amount of dividend distributed by it on or before the due date. The "due date" means the date one month prior to the date for furnishing the return of income under sub-section (1) of Sec 139 of the Act.

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

Outlined below are the possible tax benefits available to the Company and its shareholders under the Indirect tax laws in force in India. This Statement is as per the Central Goods and Services Tax Act, 2017 / the Integrated Goods and Services Tax Act, 2017 and applicable State Goods and Services Tax Act, 2017 ("GST Acts"), as amended by the Finance Act 2021 including the relevant rules, notifications and circulars issued there under, to the extent applicable & available to the company and shareholders of the company.

UNDER THE INDIRECT TAX BENEFITS TO THE COMPANY UNDER VARIOUS INDIRECT TAX LAWS:

1. Special tax benefits available to the Company

- (i) The Company has one GSTIN operating in India
- (ii) We understand that the Company is into a Non-Banking Finance Company Financial Services. In the purview of Sub-Section (4) of Section 17, Non-Banking Financial Companies will benefit credit of tax paid regarding services & inputs.



2. Special Tax Benefits available to the Shareholders of the Company

- (i) The shareholders of the Company are not required to discharge any GST on transaction insecurities of the Company. Securities are excluded from the definition of Goods as defined u/s 2(52) of the Central Goods and Services Tax Act, 2017 as well from the definition of Services as defined u/s 2(102) of the Central Goods and Services Tax Act, 2017.
- (ii) Apart from above, the shareholders of the Company are not eligible to special tax benefits under the provisions of the Customs Tariff Act, 1975 and / or Central Goods and Services Tax Act, 2017, Integrated Goods and Services Tax Act, 2017, respective Union Territory Goods and Services Tax Act, 2017 respective State Goods and Services Tax Act, 2017, Goods and Services Tax (Compensation to States) Act, 2017 including the relevant rules, notifications and circulars issued there under.

Notes:

- 1. This Statement covers only certain Indirect tax law benefits considered relevant to the company and does not cover any other benefit under any other law.
- 2. These tax benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the applicable provisions of the relevant statute. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives, the Company or its shareholders may or may not choose to fulfil/comply.
- 3. The tax benefits discussed in the Statement are not exhaustive and is only intended to provide general information to the investors and hence, 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 his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.
- 4. The Statement is prepared on the basis of information available with the management of the Company and there is no assurance that:
 - i. the Company or its shareholders will continue to obtain these benefits in future;
 - ii. the conditions prescribed for availing the benefits have been/ would be met with; and
 - iii. the revenue authorities/courts will concur with the view expressed herein.

The above views are based on the existing provisions of laws 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.