



STATEMENT OF POSSIBLE SPECIAL TAX BENEFITS

To,
The Board of Directors
Deepak Builders & Engineers India Limited
Ludhiana

Dear Sir,

Statement of Special Tax Benefits available to Deepak Builders & Engineers India Limited ("the Company") and its Shareholders under the Indian Tax Laws

1. We refer to the proposed initial public offering of equity shares (the "Offer") of the company. We hereby confirm that the enclosed **Annexure I and II**, prepared by the company, provides the Special Tax Benefits available to the Company and to the Shareholders of the Company under the Income-tax Act, 1961 ("the Act") as amended by the Finance Act 2024, read with the Income-tax Rules, 1962, i.e. applicable for the Financial Year 2024-25 relevant to the Assessment Year 2025-26, as amended and presently in force in India (together, the "Direct Tax Laws"), the Central Goods and Services Tax Act, 2017, the Integrated Goods and Services Tax Act, 2017, relevant State Goods and Services Tax Act, 2017, read with Rules, Circulars, and Notifications ("GST Law"), the Customs Act, 1962, Customs Tariff Act, 1975 ("Customs Law") as amended, the rules and regulations there under, and Foreign Trade Policy, as amended and presently in force in India (collectively referred as "Indirect Tax Laws") and along with the Direct Tax Laws, (collectively, the Direct Tax Laws and the Indirect Tax Laws will be referred as "Tax Laws"). Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the Tax Laws. Hence, the ability of the Company or its shareholders to derive the special tax benefits is dependent upon their fulfilling such conditions which, based on business imperatives the Company faces in the future and accordingly, the Company or its shareholders may or may not choose to fulfil.
2. The benefits discussed in the enclosed Annexures cover only special tax benefits available to the Company and to the shareholders of the Company and do not cover any general tax benefits available to the Company and to the shareholders of the Company. We wish to highlight that the distinction between 'general' and 'special' tax benefits is not clear as the said terms have not been defined under the ICDR Regulations. Accordingly, we have provided comments on those tax benefits, the availability of which is contingent to fulfilment of certain conditions as per the applicable Tax Laws.
3. The benefits discussed in the enclosed Annexure are not exhaustive and the preparation of the contents stated is the responsibility of the Company's management. We are informed that 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 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 proposed Offer. Further, any benefits available under any other laws within or outside India have not been examined and covered by this Statement.
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.
5. The contents of the enclosed Statement are based on the information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and





PARMOD G. GUPTA & ASSOCIATES
CHARTERED ACCOUNTANTS
(A Peer Reviewed Firm)

operations of the Company.

6. This statement is prepared solely in connection with the Offer and is not to be used, referred to or distributed for any other purpose.

For Parmod G Gupta & Associates

Chartered Accountants

Firm Registration Number - 018870N

Parmod Gupta

Parmod Gupta

Partner

M. No. - 096109

UDIN - 24096109BKDSGD3531



Ludhiana

September 26, 2024

ANNEXURE – I

THE STATEMENT OF SPECIAL DIRECT TAX BENEFITS AVAILABLE TO THE DEEPAK BUILDERS & ENGINEERS INDIA LIMITED ("THE COMPANY") AND ITS SHAREHOLDERS

The information provided below sets out the possible special direct tax benefits available to Deepak Builders & Engineers India Limited ("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 Taxation Laws presently in force in India.

Several of these benefits are dependent on the shareholders fulfilling the conditions prescribed under the relevant Taxation 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 tax law benefits and does not cover benefits under any other law.

The statement outlined below is based on the provisions of the Act presently in force in India.

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

Outlined below are the special tax benefits available to the Company and its Shareholders under the Income-tax Act, 1961 ('the Act') as amended by the Finance Act 2024, read with the Income-tax Rules, 1962, i.e., applicable for the Financial Year 2024-25 relevant to the Assessment Year 2025-26, as amended and presently in force in India (together, the "Direct Tax Laws").

A. SPECIAL DIRECT TAX BENEFITS AVAILABLE TO THE COMPANY

• Lower corporate tax rate under section 115BAA of the Act

A new section 115BAA has been inserted in the Act by the Taxation Laws (Amendment) Act, 2019 ("the Amendment Act, 2019") w.e.f. April 1, 2020 (A.Y. 2020-21). Section 115BAA grants an option to a domestic company to be governed by the section from a particular assessment year. If a company opts for section 115BAA of the Act, it can pay corporate tax at a reduced rate of 25.168% (22% plus surcharge of 10% and education cess of 4%). Section 115BAA of the Act further provides that domestic companies



availing the option will not be required to pay Minimum Alternate Tax (MAT) on their 'book profits' under section 115JB of the Act.

However, such a company will no longer be eligible to avail specified exemptions/ incentives under the Act and will also need to comply with the other conditions specified in section 115BAA. Also, if a company opts for section 115BAA, the tax credit (under section 115JAA), if any, which it is entitled to on account of MAT paid in earlier years, will no longer be available. Further, it shall not be allowed to claim set-off of any brought forward loss arising to it on account of additional depreciation and other specified incentives.

The Company has decided to opt for the lower corporate tax rate of 25.168% (prescribed under section 115BAA of the Act) with effect from FY 2020-21.

As per the Finance Act, 2020, the deduction shall be available only if the total income of the company shall be computed-

- (i) without considering any deduction under the provisions of section 10AA or clause (iia) of sub-section (1) of section 32 or section 32AD or section 33AB or section 33ABA or subclause (ii) or sub-clause (iia) or sub-clause (iii) of sub-section (1) or sub-section (2AA) or sub-section (2AB) of section 35 or section 35AD or section 35CCC or section 35CCD or under any provisions of Chapter VI-A other than the provisions of section 80JJAA or 80M.
- (ii) without 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 to in clause (i);
- (iii) without 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 to in clause (i); and
- (iv) by claiming the depreciation, if any, under any provision of section 32, except clause (iia) of sub-section (1) of the said section, determined in such manner as may be prescribed.
- (v) The loss and depreciation referred to in clause (ii) and clause (iii) shall be deemed to have been given full effect to and no further deduction for such loss or depreciation shall be allowed for any subsequent year.

• **Deductions from Gross Total Income**

➤ **Deduction in respect of employment of new employee - Section 80JJAA of the Act**

As per section 80JJAA of the Act, while computing income under the head business and profession in case of an assessee to whom section 44AB (i.e. Audit under Income Tax Act, 1961 referred to as "Tax Audit") applies, a deduction of an amount equal to 30% of additional employee cost incurred in the course of such business in the FY, shall be allowed for three AYs including the AY relevant to the FY in which such employment is provided. The Company is entitled to claim such deduction subject to fulfilment of conditions specified under section 80JJAA of the Act. Further, where the Company wishes to claim such possible tax benefit, it shall obtain necessary certification from Chartered Accountant on fulfilment of the conditions under the extant provisions of the Act.

➤ **Deduction in respect of inter-corporate dividends – Section 80M of the Act**

Up to 31st March, 2020, any dividend paid to a shareholder by a company was liable to Dividend Distribution Tax ("DDT"), and the recipient shareholder was exempt from tax. Pursuant to the amendment made by the Finance Act, 2020, DDT stands abolished and dividend received by a shareholder on or after 1st April, 2020 is liable to tax in the hands of the shareholder. The



Company is required to deduct Tax Deducted at Source (“TDS”) at applicable rate specified under the Act read with applicable Double Taxation Avoidance Agreement (if any).

With respect to a resident corporate shareholder, a new section 80M has been inserted in the Act to remove the cascading effect of taxes on inter-corporate dividends during FY 2020-21 and thereafter. The section provides that where the gross total income of a 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 section 139 of the Act.

B. SPECIAL DIRECT TAX BENEFITS AVAILABLE TO THE SHAREHOLDERS

- Dividend income earned by the shareholders would be taxable in their hands at the applicable rates. However, in case of domestic corporate shareholders, deduction under Section 80M of the Act would be available on fulfilling the conditions as specified. Further, in case of shareholders who are individuals, Hindu Undivided Family, Association of Persons, Body of Individuals, whether incorporated or not, surcharge would be restricted to 15%, irrespective of the amount of dividend.
- The Finance Act 2020 amended the manner of taxation of dividend income by abolishing dividend distribution tax and restoring classical system of dividend taxation (i.e. taxation of dividend income in the hands of the shareholders). Considering the nature of income, it is not possible for taxpayer to accurately determine the advance tax liability on dividend income and therefore, the proviso to section 234C(1) of the Act provides that no interest shall be levied under section 234C of the Act, if the shortfall in payment of advance tax instalment is on account of underestimation or failure to estimate dividend. The amendment was introduced by Finance Act 2021 and is applicable from April 1, 2021.
- As per section 194 of the Act, the Company is required to deduct tax at source from the amount of dividend paid to shareholders, except in the case of certain categories of shareholders as specified in the said section which inter alia include individual shareholders receiving dividend not exceeding ₹5,000 (in aggregate during a FY) by any mode other than cash.
- As per Section 112A of the Act, long-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 10% for any transfer which takes place before July 23, 2024 (without Indexation) and taxed at 12.5% (without Indexation) for any transfer which takes place on or after July 23, 2024 of such capital gains subject to fulfilment of prescribed conditions under the Act. It is worthwhile to note that tax shall be levied where such capital gains exceed ₹1,25,000. Further, the benefit of lower rate is extended in case STT is not paid on acquisition / allotment of equity shares through Initial Public Offering.
- A new section 55(2)(ac) of the Act has been inserted to provide grandfathering of gains on the specified assets (as defined u/s 112A of the Act) acquired prior to 1 February 2018. The Cost of acquisition would be higher of –
 - a) Cost of acquisition and
 - b) Lower of -
 - i. Fair market value* of such shares
 - ii. Full value of consideration received or accruing as result of transfer of capital asset



* 'fair market value' means in a case where the capital asset is an equity share in a company which is not listed on a recognised stock exchange as on the 31st day of January, 2018 but listed on such exchange on the date of transfer, an amount which bears to the cost of acquisition the same proportion as Cost Inflation Index for the financial year 2017-18 bears to the Cost Inflation Index for the first year in which the asset was held by the assessee or for the year beginning on the first day of April, 2001, whichever is later.

- In case where the total income includes any income by way of dividend or income under the provisions of section 111A, section 112 and section 112A of the Income-tax Act, the rate of surcharge on the amount of income-tax computed in respect of that part of income shall not exceed 15%.
- The Finance Act 2023 has capped surcharge on total income of individual assesses opting for concessional tax regime under section 115BAC to 25% (instead of earlier surcharge of 37% for individuals having total income exceeding) ₹5 crores.
- Section 112 of the Act provides for taxation of long-term capital gains. In case of a domestic company / resident, the long-term capital gains arising from the transfer of a capital asset shall be taxed at the rate of 20% (With Indexation) for any transfer which takes place before July 23, 2024 and taxed at 12.5% (Without Indexation) for any transfer which takes place on or after July 23, 2024.

In case of non-resident (not being a company) or a foreign company, the amount of income-tax on long-term capital gains arising from the transfer of a capital asset, being unlisted securities or shares of a company not being a company in which the public are substantially interested, as computed without giving effect to the first and second provisos to section 48, calculated on such long-term capital gains at the rate of 10% for any transfer which takes place before July 23, 2024 and taxed at 12.5% (Without Indexation) for any transfer which takes place on or after July 23, 2024.

Further, where the tax payable in respect of any income arising from the transfer of a long-term capital asset which takes place before July 23, 2024, being listed securities (other than a unit) or zero coupon bond, exceeds 10% of the amount of capital gains before giving effect to the provisions of the second proviso to section 48, then, such excess shall be ignored for the purpose of computing the tax payable by the assessee

- As per Section 111A of the Act, 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% on any transfer which takes place before 23.07.2024 and taxed at 20% on any transfer which takes place on or after 23.07.2024 subject to fulfilment of prescribed conditions under the Act.

Notes -

1. The above statement of direct tax benefits ("Statement") sets out the special tax benefits available to the Company and its shareholders under the Direct Tax Laws.
2. 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 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.
3. This Statement does not discuss any tax consequences in the country outside India of an investment in the Shares. The subscribers of the Shares in the country other than India are urged to consult their own professional advisers regarding possible income-tax consequences that apply to them.
4. In respect of non-residents, the tax rates and the consequent taxation mentioned above may 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.
5. The above Statement covers only above-mentioned tax laws benefits and does not cover any



indirect tax law benefits or benefit under any other law.

Our views expressed in this Statement are based on the facts and assumptions as indicated in this Statement. 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 change from time to time. We do not assume responsibility to update the views consequent to such changes.



ANNEXURE – II

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

Outlined below are the special tax benefits available to the Company and its shareholders under the Central Goods and Services Tax Act, 2017, the Integrated Goods and Services Tax Act, 2017, relevant State Goods and Services Tax Act, 2017, read with Rules, Circulars, and Notifications (“GST law”), the Customs Act, 1962, Customs Tariff Act, 1975 (“Customs law”) and Foreign Trade Policy, as amended and presently in force in India (collectively referred as “Indirect Tax Laws”).

A. SPECIAL INDIRECT TAX BENEFITS AVAILABLE TO THE COMPANY

- The Company is not entitled to any special tax benefits under the Indirect Tax Laws.

B. SPECIAL INDIRECT TAX BENEFITS AVAILABLE TO THE SHAREHOLDERS

- The shareholder is not entitled to any special tax benefits under the Indirect Tax Laws.

Notes -

1. The above Statement of Special Indirect Tax Benefits sets out the special tax benefits available to the Company and its shareholders under the Indirect Tax Laws.
2. The above Statement does not cover any special tax law benefits under Direct Tax Laws or benefit under any other law.
3. This Statement is intended only 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 tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her investment in the shares of the Company.

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.

