

## STATEMENT OF SPECIAL TAX BENEFITS

### STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO THE COMPANY, ITS MATERIAL SUBSIDIARY AND ITS SHAREHOLDERS UNDER THE APPLICABLE LAWS IN INDIA

#### **The Board of Directors**

#### **Capri Global Capital Limited**

502, Tower A, Peninsula Business Park  
Senapati Bapat Marg, Lower Parel  
Mumbai – 400 013

Dear Sirs

**Sub: Statement of possible special tax benefits available in connection with proposed rights issue of Equity Shares (the “Rights Issue”) of Capri Global Capital Limited (the “Company”), (the “Statement”).**

1. This report is issued in accordance with the terms of our engagement dated July 15, 2022.
2. We have been requested by the Company to confirm that the enclosed Annexure, prepared by the Company, provides the possible special tax benefits available to the Company, Capri Global Housing Finance Limited (its “Material Subsidiary”) and to the shareholders of the Company under the Income-tax Act, 1961 (‘the IT Act’) as amended, for the Financial Year 2021-22 relevant to the assessment year 2022-23, presently in force in India.

#### **Management responsibility**

3. The Management is responsible for the preparation of enclosed Annexure which provide the possible special tax benefits available to the Company, Material Subsidiary and to the shareholders of the Company under the IT Act as amended, for the Financial Year 2021-22 relevant to the assessment year 2022-23.

#### **Auditor’s responsibility**

4. We performed these procedures in accordance with the Guidance Note on Reports or Certificates for Special Purposes (Revised 2016) (the ‘Guidance Note’) issued by the ICAI. The guidance note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI and in accordance with ‘Guidance Note on Reports in Company Prospectuses’ (Revised 2019). We hereby confirm that while providing this certificate we have complied with the above guidance notes.
5. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that perform Audits and reviews of Historical Financial Information, and Other Assurance and Related Services Engagements, issued by ICAI.
6. Pursuant to the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended and the Companies Act, 2013, it is our responsibility to report whether the Annexure prepared by the Company, presents, in all material respects, the possible special tax benefits available as of February 4, 2023 to the Company, the Material Subsidiary and the shareholders of the Company, in accordance with applicable tax regulations in India as on the date of this certificate.

7. We do not express any opinion or provide any assurance as to whether:

- The Company or its Material Subsidiary 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 view expressed herein.

## **Conclusion**

8. In connection with the Rights Issue by the Company, we hereby confirm that the enclosed Annexure, initialled by us for identification purpose, prepared by the Company, provides the possible special tax benefits available to the Company, Capri Global Housing Finance Limited (its “**Material Subsidiary**”) and to the shareholders of the Company under the Income-tax Act, 1961 (‘the IT Act’) as amended, for the Financial Year 2021-22 relevant to the assessment year 2022-23, presently in force in India. Several of these benefits are dependent on the Company or its shareholders or its Material Subsidiary fulfilling the conditions prescribed under the relevant provisions of the aforesaid tax laws. Hence, the ability of the Company and / or its shareholders and / or its Material Subsidiary to derive the possible special tax benefits is dependent upon their fulfilling such conditions which, based on business imperatives the Company faces in the future, the Company or its shareholders may or may not choose to fulfil. A material subsidiary identified in accordance with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, includes a subsidiary whose income or net worth in the immediately preceding year (i.e. 31 March 2021) exceeds 10% of the consolidated income or consolidated net worth respectively, of the holding company and its subsidiary in the immediate preceding year.
9. 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. This statement is only intended to provide general information to 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 Rights Issue 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. Neither are we suggesting nor are we advising the investor to invest money based on this statement.
10. The benefits discussed in the Statement are only intended to provide the special tax benefits to the Company, Material Subsidiary and the shareholders of the Company in a general and summary manner and does not purport to be a complete analysis or listing of all the provisions or possible tax consequences of the subscription, purchase, ownership or disposal, etc. of the shares. The special tax benefits listed herein are only the possible benefits which may be available under the current tax laws presently in force in India. Several of these benefits are dependent on the Company, the Material Subsidiary or the shareholders of the Company fulfilling the conditions prescribed under the relevant tax laws, which based on business imperative it faces in the future, it may or may not choose to fulfil.
11. The contents of the enclosed statement are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.
12. Our views expressed herein are based on the facts and assumptions indicated to us. 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 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. We shall not be liable to the Company for any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted

primarily from bad faith or intentional misconduct. We will not be liable to the Company and any other person in respect of this Statement.

**Restriction of use**

13. We hereby give our consent to include enclosed statement regarding the special tax benefits available to the Company, its Material Subsidiary and to its shareholder in the Letter of Offer prepared in connection with the proposed Rights Issue of the Company and is not to be used, referred to or distributed for any other purpose.

Yours faithfully,

**For M M Nissim & Co LLP**  
**Chartered Accountants**

**Firm Registration Number: 107122W/W100672**

**Varun P Kothari**  
**Partner**

Membership No. 115089

ICAI UDIN: 23115089BGWJRP5902

Place: Mumbai

Date: February 4, 2023

Encl.: Annexure to the Statement of special tax benefits available to the Company, the Material Subsidiary and the shareholders of the Company under the applicable tax laws in India.

## **ANNEXURE OF SPECIAL TAX BENEFITS AVAILABLE TO CAPRI GLOBAL CAPITAL LIMITED (THE “COMPANY”), ITS MATERIAL SUBSIDIARY AND ITS SHAREHOLDERS UNDER THE APPLICABLE TAX LAWS IN INDIA**

Outlined below are the special tax benefits available to the Company and its shareholders under the Act applicable for the Financial Year 2021-22. These possible special tax benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the Act.

### **I Under the Income -tax Act, 1961 (the IT Act)**

#### **A. Special tax benefits available to the Company and Material Subsidiary**

##### **1. Deduction under section 36(1)(viia) of the IT Act**

The Company is entitled to accelerated deduction in respect of bad and doubtful debts up to the limit specified under section 36(1)(viia) of the Act in computing its income under the head “Profits and gains of business or profession”, to the extent of five per cent (5%) of the gross total income (computed before making any deduction under this section and Chapter VI-A), and subject to satisfaction of prescribed conditions.

As per section 36(1)(vii) of the Act, where the Company has claimed deduction under section 36(1)(viia) of the Act, then the subsequent claim of deduction of actual bad debts under section 36(1)(vii) of the Act shall be reduced to the extent of deduction already claimed under section 36(1)(viia) of the Act.

Further, as per section 41(4) of the Act, where any deduction has been claimed by the Company in respect of a bad debt under Section 36(1)(vii) of the Act, then any amount subsequently recovered on any such debt is greater than the difference between such debt and the amount so allowed as a deduction under section 36(1)(vii) of the Act, the excess shall be deemed to be business income of the year in which it is recovered.

As per provisions of section 43D of the Act, in case of a Systemically Important Non-Deposit taking NBFC or a deposit taking NBFC, the income by way of interest in relation to such categories of bad or doubtful debts (i.e. Non-performing assets) as may be prescribed having regard to the guidelines issued by the Reserve Bank of India in relation to such debts shall be chargeable to tax in the previous year in which it is credited to its profit and loss account or, as the case may be, in the year in which it is actually received by that NBFC, whichever is earlier.

##### **2. Concessional corporate tax rates - Section 115BAA of the IT Act**

The Taxation Laws (Amendment) Act, 2019 introduced section 115BAA wherein domestic companies are entitled to avail a concessional tax rate of 22% (plus applicable surcharge and cess) on fulfilment of certain conditions. The option to apply this tax rate is available from Financial Year (‘FY’) 2019-20 relevant to Assessment Year (‘AY’) 2020-21 and the option once exercised shall apply to subsequent AYs. The concessional rate is subject to a company not availing any of the following deductions under the provisions of the IT Act:

- Section 10AA: Tax holiday available to units in a Special Economic Zone.
- Section 32(1)(iia): Additional depreciation;
- Section 32AD: Investment allowance.
- Section 33AB/33ABA: Tea coffee rubber development expenses/site restoration expenses
- Section 35(1)/35(2AA)/ 35(2AB): Expenditure on scientific research.
- Section 35AD: Deduction for capital expenditure incurred on specified businesses.
- Section 35CCC/35CCD: expenditure on agricultural extension /skill development.
- Chapter VI-A except for the provisions of section 80JJAA and section 80M.



The total income of a company availing the concessional rate of 25.17% (i.e. 22% along with surcharge and health & education cess) is required to be computed without set-off of any carried forward loss and depreciation attributable to any of the aforesaid deductions/incentives. A company can exercise the option to apply for the concessional tax rate in its return of income filed under section 139(1) of the Act. Further, provisions of Minimum Alternate Tax ('MAT') under section 115JB of the IT Act shall not be applicable to companies availing this reduced tax rate, thus, any carried forward MAT credit also cannot be claimed.

The provisions do not specify any limitation/ condition on account of turnover, nature of business or date of incorporation for opting for the concessional tax rate. Accordingly, all existing as well as new domestic companies are eligible to avail this concessional rate of tax.

Note: The Company has already opted for the concessional tax rate benefit for the FY 2019-20 relevant to the AY 2020-21 as mentioned in the Section 115BAA for which declaration in Form 10-IC has already been filed with the income tax authority.

### 3. Deductions in respect of employment of new employees – Section 80JJAA of the IT Act

As per section 80JJAA of the IT Act, where a company is subject to tax audit under section 44AB of the Act and derives income from business, it shall be allowed to claim a deduction of an amount equal to 30% of additional employee cost incurred in the course of such business in a previous year, for 3 consecutive assessment years including the assessment year relevant to the previous year in which such additional employment cost is incurred.

The eligibility to claim the deduction is subject to fulfilment of prescribed conditions specified in sub- section (2) of section 80JJAA of the IT Act.

### 4. Deduction with respect to inter-corporate dividends – Section 80M of the IT Act

As per the provisions of section 80M of the IT Act, inserted with effect from 1<sup>st</sup> April 2021, a domestic company shall be allowed to claim a deduction of divided income earned from any other domestic company or a foreign company or a business trust. The amount of deduction so claimed should not exceed the amount of dividend distributed by it and is subject to fulfilment of other conditions laid down therein.

## **B. Special tax benefits available to material subsidiary**

As per section 36(1)(viii) of the IT Act, a housing finance company ("HFC") (being a public company formed or registered in India with the main object of carrying on the business of providing long-term finance for construction or purchase of houses in India for residential purposes) is allowed a deduction of an amount not exceeding 20% of the profits derived from eligible business computed under the head "Profits and gains of business or profession" (before making any deduction under the said clause (viii)) carried to any special reserve created and maintained by the HFC.

The term 'eligible business' means the business of providing long-term finance for the construction or purchase of houses in India for residential purposes. Provided that where the aggregate of the amounts carried to such reserve account from time to time exceeds twice the amount of the paid up share capital and of the general reserves of the specified entity, no allowance under section 36(1)(viii) shall be made in respect of such excess.



Capri Global Housing Finance Limited, being a registered HFC, is eligible to claim deduction under section 36(1)(viii), subject to the fulfilment of the conditions mentioned therein.

**C. Special tax benefits available to the shareholders.**

There are no special tax benefits available to the shareholders of the Company under the Act.

**II Indirect tax (Indirect tax regulations)**

The Central Goods and Services Tax Act, 2017, Integrated Goods and Services Tax Act, 2017, respective State Goods and Services Tax Act, 2017, Customs Act, 1962, Customs Tariff Act, 1975 as amended, including the relevant rules, notifications and circulars issued there under, the Foreign Trade (Development and Regulation) Act, 1992 (read with Foreign Trade Policy 2015-20) (collectively referred as "Indirect Tax Regulations")

**A. Special tax benefits available to the Company, Material Subsidiary or Shareholder.**

There are no special tax benefits available to the Company, Material Subsidiary or Shareholder under the Indirect Tax Regulations.

**Notes:**

1. 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.
2. The special 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.
3. The Statement has been prepared on the basis that the shares of the Company are listed on a recognized stock exchange in India and the Company will be issuing shares.
4. The Statement is prepared on the basis of information available with the management of the Company and there is no assurance that:
  - 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 view expressed herein.
5. The above views are based on the existing provisions of law and its interpretation, which are subject to changes from time to time.
6. We do not assume responsibility to update the views consequent to such change.



**Capri Global Capital Limited**

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The above Statement of Special Tax Benefits sets out the provisions of law 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.

For **Capri Global Capital Limited**

**Authorized Signatory**

**Date: 3<sup>rd</sup> February ,2023**



**Capri Global Capital Limited**

(CIN: L65921MH1994PLC173469)

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