

STATEMENT OF SPECIAL TAX BENEFITS

STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO TOLINS TYRES LIMITED ("THE COMPANY"), AND THE SHAREHOLDERS OF THE COMPANY UNDER THE APPLICABLE DIRECT AND INDIRECT TAX LAWS IN INDIA.

To,
The Board of Directors
Tolins Tyres Limited
No. 1/47
M C Road, Kalay
Ernakulam, Aluva
Kerala
India -683574

Subject: Statement of Possible Special Tax Benefits available to the Company, and its shareholders under the direct and indirect tax laws.

Dear Sirs,

We Krishnan Retna & Associates (Chartered Accountants), the statutory auditors of the Company refer to the proposed initial public offering of equity shares of face value ₹ 5 ("Equity Shares" and such offering the "Offer"). We enclose herewith the statement (the "Annexure") showing the possible special tax benefits under direct and indirect tax laws presently in force in India available to the Company, and its shareholders, including under the Income Tax Act 1961, the Central Goods and Services Tax Act, 2017, the Integrated Goods and Services Tax Act, 2017, the Union Territory Goods and Services Tax Act, 2017, respective State Goods and Services Tax Act, 2017, Customs Act, 1962, the Customs Tariff Act, 1975 and the Foreign Trade Policy 2015-20 (collectively the "Taxation Laws"), and the rules, regulations, circulars and notifications issued in connection with the Taxation Laws which are applicable to the assessment year 2025-26 relevant to the financial year 2024-25.

Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the relevant Taxation Laws. Hence, the ability of the Company or its shareholders to derive these direct and indirect tax benefits is dependent upon their fulfilling such conditions which, based on business imperatives the Company and its shareholders face in the future, the Company and its shareholders may or may not choose to fulfil.

The benefits discussed in the enclosed Annexure are neither exhaustive nor conclusive. This statement is only intended to provide general information to guide 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 specific tax implications arising out of their participation in the Offer. We are neither suggesting nor are we advising any investor to invest in the Offer based on this statement.

We do not express any opinion or provide any assurance whether :

* The Company or its shareholders will continue to obtain these benefits in future;

- * The Company, its Material Subsidiaries or its shareholders will continue to obtain these benefits in future;
- * The revenue authorities/courts will concur with the views expressed herein;
- * The conditions prescribed for availing the benefits have been/would be met;

We also consent to the references to us as “Experts” as defined under Section 2(38) of the Companies Act, 2013 (the “CA, 2013”), read with Section 26(5) of the CA, 2013 to the extent of the certification provided hereunder and included in the updated draft red herring prospectus, red herring prospectus, prospectus or in any other documents in connection with the Offer (together, the “Offer Documents”).

We hereby give our consent to include this statement of possible special tax benefits along with the Annexure in the Offer Documents.

This certificate is issued for the sole purpose of the Offer, and can be used, in full or part, for inclusion in the Offer Documents, and for the submission of this certificate as may be necessary, to any regulatory / statutory authority, stock exchanges, any other authority as may be required and/or for the records to be maintained by the Book Running Lead Managers in connection with the Offer and in accordance with applicable law, and for the purpose of any define the Book Running Lead Managers may wish to advance in any claim or proceeding in connection with the contents of the Offer Documents.

This certificate may be relied on by the Book Running Lead Managers, their affiliates and legal counsel in relation to the Offer.

We undertake to update you in writing of any changes in the abovementioned position until the date the Equity Shares issued pursuant to the Offer commence trading on the stock exchanges. In the absence of any communication from us till the Equity Shares commence trading on the stock exchanges, you may assume that there is no change in respect of the matters covered in this certificate.

LIMITATIONS

Our views expressed in the enclosed Annexure are based on the facts and assumptions indicated above. 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. Reliance on the Annexure is on the express understanding that we do not assume responsibility towards the investors and third parties who may or may not invest in the proposed Offer relying on the Annexure.

For Krishnan Retna & Associates
Chartered Accountants
Firm's Registration No: 001536S

Nikhil R Kumar
Partner
Membership No. 231162

Date : 26 July, 2024
Place : Thiruvananthapuram
UDIN : 24231162BKESVB3505

**ANNEXURE TO THE STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO
TOLINS TYRES LIMITED ("THE COMPANY"), AND ITS SHAREHOLDERS**

The information provided below sets out the possible special 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. 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 commercial imperatives a shareholder faces, may or may not

choose to fulfil. 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 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 AND CONSEQUENCES OF PURCHASING,
OWNING AND DISPOSING OF EQUITY SHARES IN THEIR PARTICULAR
SITUATION.**

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

A. SPECIAL DIRECT TAX BENEFITS AVAILABLE TO THE COMPANY

Under the Income Tax Act, 1961 (the Act) :

i) 80JJAA: Deduction in respect of employment of new employees :

Subject to the fulfilment of prescribed conditions, the Company is entitled to claim deduction of an amount equal to thirty per cent of additional employee cost (relating to specified category of employees) incurred in the course of business in the previous year, for three assessment years including the assessment year relevant to the previous year in which such employment is provided under section 80JJAA of the Act. This deduction is available to the company.

ii) 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. 1 April 2020 (AY 2020-21). Section 115BAA of the Act 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 22 percent (plus applicable surcharge and education cess³). 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

of the Act. 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.

iii) Lower tax rate for dividend received from foreign companies :

As per section 115BBD of the Act, the dividend received from a company outside India (i.e. where Indian company holds 26 percent or more of the equity share capital) is taxable at the rate of 15 percent plus applicable surcharge and cess under the Act. However, no deduction is allowable in respect of any income in the form of dividend covered under the ambit of this section.

In view of the above, considering that the Company holds more than 26 percent of equity share capital of the foreign companies, dividend, if any, shall be subject to tax at the rate of 15 percent plus applicable surcharge and cess under the Act. Further, credit for the taxes paid / withheld in overseas jurisdiction may be available to the Company (upto the maximum of tax paid on dividends in India

iv) Deduction in respect of inter-corporate dividends – section 80M of the Act :

Up to 31 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 1 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. Subject to the fulfilment of prescribed conditions, 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 SHAREHOLDERS :

i) 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 discussed above).

ii) Section 112A of the Act provides for concessional tax rate of 10% (plus applicable surcharge and cess) on long-term capital gains (exceeding Rs. 1,00,000) arising from the transfer of equity shares or units of an equity-oriented fund or units of a business trust if Security Transaction Tax ('STT') has been paid on both acquisition and transfer of such shares / units and subject to fulfilment of other prescribed conditions (including Notification No. 60/2018/F.No.370142/9/2017-TPL dated 1 October 2018). The benefit of foreign currency exchange difference and indexation, as provided under the first and second proviso to section 48 of the Act, shall not be applicable for computing long-term capital gains taxable under section 112A of the Act.

iii) Section 112 of the Act provides for taxation of long-term capital gains, resulting on transfer of inter-alia, listed shares of the company (other than those covered under section 112A), which shall be lower of the following :

- a. 20 percent (plus applicable surcharge and cess) with indexation benefit; or
- b. 10 percent (plus applicable surcharge and cess) without indexation benefit

iv) As per the provisions of section 111A of the Act, short term capital gain arising from transfer of equity share in the Company through a recognized stock exchange and subject to STT shall be taxable at a concessional rate of 15 percent (plus applicable surcharge and cess if any).

v) In respect of non-resident shareholders, the tax rates and the consequent taxation shall be further subject to benefits, if any, available under the applicable Double Taxation Avoidance Agreement, if any, between India and the country in which the non-resident has fiscal domicile. As per provisions of Section 90(2) of the Act, non-resident shareholders can opt to be taxed in India as per the provisions of the Act or the double taxation avoidance agreement entered into by the Government of India with the country of residence of the non-resident shareholder, whichever is more beneficial.

vi) Where the gains arising on transfer of shares of the Company are included in the business income of a shareholder and assessable under the head "Profits and Gains from Business or Profession" and on such transfer is subjected to STT, then such STT shall be a deductible expense from the business income as per the provisions of section 36(1)(xv) of the Act.

vii) As regards the shareholders that are Mutual Funds, under section 10(23D) of the Act, any income earned by a Mutual Fund registered under the Securities and Exchange Board of India Act, 1992, or a Mutual Fund set up by a public sector bank or a public financial institution, or a Mutual Fund authorised by the Reserve Bank of India would be exempt from income-tax, subject to such conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

viii) Resident as well as non-resident buyers should independently evaluate their obligations to withhold tax on transaction involving sale of shares by the shareholders of the company in light of the provisions of section 194Q/ section 195 and other provisions of the Act.

Except for the above, the Shareholders of the Company are not entitled to any other special tax benefits under the Act.

Notes to the above :

1. We have not considered general tax benefits available to the Company or shareholders of the Company. The above statement covers only certain special tax benefits under the Act, read with the relevant rules, circulars and notifications and does not cover any benefit under any other law in force in India. This statement also does not discuss any tax consequences, in the country outside India, of an investment in the shares of an Indian company.

2. The above statement of special tax benefits sets out the provisions of Indian corporate tax laws 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.
3. In respect of non-residents, the tax rates and consequent taxation mentioned above will be further subject to any benefits available under the relevant Double Taxation Avoidance Agreement, if any, entered into between India and the country in which the non-resident has fiscal domicile.
4. 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 proposed offer.
5. 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. We shall not be liable to 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 any other person in respect of this statement.

C. SPECIAL INDIRECT TAX BENEFITS AVAILABLE TO THE COMPANY

I. Under Goods and Services Tax Act (the Act) :

i) Goods and Services Tax (GST) is a destination-based tax which is levied on supply of goods or services. Brief framework is as below -

- a. A taxable supply includes all forms of supply of goods or services or both such as sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made for a consideration in the course or furtherance of business. Such supply is chargeable to tax at applicable rates with the standard rate being 18%.
- b. GST is not chargeable on exempt supplies. Exempt supplies are those which either attract NIL tax rate or have been made exempt by way of notification. Taxpayers are not entitled to claim Input Tax Credit on exempt supplies.
- c. Exports of goods or services are zero-rated supplies. As per Section 2(6) of the IGST Act, the services shall qualify as 'export of services' when:
 - i. the supplier of service is located in India;
 - ii. the recipient of service is located outside India;
 - iii. the place of supply of service is outside India;
 - iv. the payment for such service has been received by the supplier of service in convertible foreign exchange or in Indian rupees wherever permitted by the Reserve Bank of India; and
 - v. the supplier of service and the recipient of service are not merely establishments of a distinct person in accordance with Explanation 1 in section 8

Further, the exporter has the option to –

- i. supply goods or services under bond or Letter of Undertaking (LUT) without payment of tax and claim refund of unutilized ITC; or
 - ii. supply goods or services on payment of tax and claim refund of such tax paid.
- d. The Company has opted to export the goods without payment of Integrated GST under a Letter of Undertaking for FY 23-24 and is entitled to claim refund of accumulated ITC on such exports in terms of GST law.

II. In Foreign Trade Policy(FTP) :

The Company is availing export incentives under following schemes as prescribed in the FTP and Customs laws:

- a. Duty Drawback (DBK) scheme which allows refund of import duty of inputs directly used in manufacturing of exported goods. Remissions of Duties and Taxes on Exported Products(RoDTEP) scheme which provides for rebate of all Central, State, and Local duties/taxes/levies on the goods exported which have not been refunded under any other existing scheme.
- b. Export incentives under Foreign Trade Policy 2023 with respect to duty free (including IGST) import of inputs under Advance Authorization scheme and duty-free import of capital goods in FY 23-24 under Export Promotion Capital Goods scheme, subject to fulfilment of Export Obligation and other conditions prescribed in the relevant Customs and FTP policy/notifications.

D. SPECIAL INDIRECT TAX BENEFITS AVAILABLE TO THE SHAREHOLDERS

There are no special Indirect Tax benefits available to the shareholders of the Company.

Notes to the above:

1. We have not considered general tax benefits available to the Company. The above Statement covers only certain special tax benefits under the Act, read with the relevant rules, circulars and notifications and does not cover any benefit under any other law in force in India. This Statement also does not discuss any tax consequences, in the country outside India, of an investment in the shares of an Indian company.
2. The above Statement of special tax benefits sets out the provisions of Indian Indirect tax laws 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.
3. 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 proposed offer.
4. 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. We shall not be liable to

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 any other person in respect of this Statement.