

To,  
The Board of Directors  
**Tracxn Technologies Limited**  
L-248, 2nd Floor, 17th Cross, Sector 6,  
H.S.R. Layout, Bengaluru,  
Karnataka 560102, India

Dear Sirs,

**Sub: Tax implications to the shareholders under the Buy-back Offer made by your Company**

**THE SUMMARY OF THE INCOME-TAX CONSIDERATION IN THIS SECTION ARE BASED ON 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 TAX IMPLICATIONS.**

**IN VIEW OF THE PARTICULARISED NATURE OF TAX CONSEQUENCES, SHAREHOLDERS ARE REQUIRED TO CONSULT THEIR TAX ADVISORS FOR THE APPLICABLE TAX PROVISIONS INCLUDING THE TREATMENT THAT MAY BE GIVEN BY THEIR RESPECTIVE TAX OFFICERS IN THEIR CASE, AND THE APPROPRIATE COURSE OF ACTION THAT THEY SHOULD TAKE.**

**THE COMPANY DOES NOT ACCEPT ANY RESPONSIBILITY FOR THE ACCURACY OR OTHERWISE OF THIS TAX SUMMARY AND THERE CAN BE NO LIABILITY ON THE COMPANY IF ANY ACTION IS TAKEN BY THE SHAREHOLDER SOLELY BASED ON THIS TAX SUMMARY. THEREFORE, SHAREHOLDERS CANNOT 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 SET OUT BELOW SHOULD BE TREATED AS INDICATIVE AND FOR GUIDANCE PURPOSES ONLY.**

**APPLICABLE PROVISIONS UNDER INCOME TAX ACT 1961 IN RELATION OF BUY BACK OF LISTED EQUITY SHARES**

**1.1 General**

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 Indian Income Tax Act 1961 ("ITA").

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. Certain non-resident individuals, being a citizen of India 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 professional controlled in India.

In the 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.

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.

## 1.2 Classification of shareholders

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

### A. Resident Shareholders being:

- Individuals, Hindu Undivided Family ("**HUF**"), Association of Persons ("**AOP**") and Body of Individuals ("**BOI**"), Firm, LLP
- Others (corporate bodies): Company, Other than Company

### B. Deemed Resident Shareholder –

- A non-resident 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:

- Non-Resident Indians (NRIs)
- Foreign Institutional Investors (FIIs) / Foreign Portfolio Investors (FPIs)
- Others: Company, Other than Company

## 1.3 Income tax provisions in respect of Buyback of Equity Shares

- a) With respect to buy-back transactions that occurred till 30 September 2024, tax on buy-back of shares was governed by the provisions of Section 115QA of ITA, wherein the Company making the buy-back was liable to pay tax on the distributed income and the income arising to the shareholders on such buyback was exempt from tax under section 10(34A) of the ITA.

Provisions w.e.f.1 October 2024

- b) Finance (No.2) Act, 2024 has made amendments in relation to buy-back of shares w.e.f. October 01, 2024, shifting the tax liability in the hands of the shareholders (whether resident or non-resident) and the Company is not required to pay tax on the distributed income.

- c) The sum paid by a domestic company for purchase of its own shares shall be treated as dividend in the hands of shareholders. No deduction is allowed against such dividend while computing the income from other sources.
- d) The cost of acquisition of the shares which has been bought back by the company shall be treated as capital loss in the hands of the shareholder and allowed to be carried forward and set off against capital gains as per the provisions of the ITA.

#### **1.4 Tax deduction at source**

##### Resident Shareholders

The company is required to deduct tax at source at 10% under section 194 of the ITA in respect of the consideration payable to Resident shareholders on buy-back of the shares (Individuals, HUFs, firms, LLPs, companies, trusts, etc.).

Provided as per the provisions of the Income Tax Act, the Company is not required to deduct Tax at source on consideration payable to Individual Shareholder, if :-

- a) The amount of consideration for the buyback and dividend payable by the company in aggregate during the financial year does not exceed ₹10,000; or
- b) If the income is below the taxable limit and declaration in Form 15G (for individuals up to age of 60 years) or in Form 15H (for individuals above the age of 60 years) is received.

In case the shareholder furnishes a valid certificate under Section 197(1) of the ITA applicable to the income from buyback, then TDS shall be applied at the rate specified in such certificate.

##### PAN not available / Invalid / Inoperative PAN (Aadhaar Not Linked)

- a) If a shareholder's PAN is not available, invalid or inoperative (e.g. due to Aadhaar non-linking), it is treated as non-availability of PAN, and TDS shall be withheld at the rate of 20%.
- b) In the above cases as mentioned in the header, TDS shall be deducted at 20% even though Form 15G/15H is submitted by the shareholder

##### Non-Resident Shareholders

In respect of consideration payable to Non-resident shareholders, tax shall be withheld at the rate of 20% (plus applicable surcharge and health & education cess) as per the ITA or as per the rate in the respective Tax Treaty, whichever is beneficial subject to submission of prescribed documents by such non-residents to the Company. Kindly note that extending the benefit of tax treaty would depend on the documents submitted and is at the sole discretion of the Company.

Tax treaty benefits may be availed if the shareholder provides:

- a) Valid Tax Residency Certificate (TRC)
- b) Electronically filed Form 10F
- c) Self-declaration confirming beneficial ownership, absence of permanent establishment in India, and eligibility under tax treaty
- d) Copy of Permanent Account Number (PAN) as issued by Indian Income Tax Department
- e) Supporting ID/registration documents

## **1.5 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.

### **Caveat:**

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.

Shareholders, who are non-residents in India, in respect of tax consequence (including capital gain tax, if any) in their state of residence, 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.

The note 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 the Company if any action is taken by the shareholder solely based on this tax summary. Therefore, shareholders cannot 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.

**For MDA & Co.,  
Chartered Accountants  
ICAI Firm Registration No: 012023S**

**Gururaja S**  
Partner  
Membership No: 210910

UDIN: 25210910BMHZCP9686

Place: Bangalore  
Date: 02-07-2025