

Dear Unitholder,

Subject: Deduction of tax at source on distributions under relevant sections of the Income-tax Act, 1961

This is to notify the Unitholders regarding the applicable rates of Tax Deduction at Source ('TDS') or withholding tax ('WHT') rates under the Income Tax Act, 1961 ('the Act') for financial year ('FY') 2021-22, in respect of distributions to be made by POWERGRID Infrastructure Investment Trust ('PGInvIT')

In this regard, please note that as per the details maintained in the Register of Beneficial Ownership ('Benpos') by the Depositories (National Securities Depositories Ltd 'NSDL'/ Central Depositories Services India Ltd 'CDSL') or Registrar and Transfer Agent (Kfin Technologies Private Limited, we understand that your residential status for Income Tax purpose is '**Non-Resident**'. In case of any change in tax residential status for FY 2021-22, the Unitholders are requested to intimate the same to PGInvIT in writing on or before **8th November 2021**.

We have tabulated below a brief summary on the WHT implications applicable in case of Non-Resident Unitholders for your reference:

Nature of income distributed	Tax implications on distributions
Interest income	Tax will be deducted at 5% (plus applicable surcharge and cess) under the provisions of section 194LBA of the Act for FY 2021-22
Dividend income	<u>Exempt dividend:</u> No tax is deductible on dividend paid as per the provisions of section 194LBA of the Act, where dividend has been received by PGInvIT from an SPV (which has not opted for the tax regime under section 115BAA of the Act) and distributed to the unitholders. <u>Taxable dividend:</u> Tax is deductible at 10% (plus applicable surcharge and cess) under the provisions of Section 194LBA of the Act, where dividend has been received by PGInvIT from an SPV (which has opted for the tax regime under section 115BAA of the Act) and distributed to the unitholders.

As per the provisions of the Act, in case of Non-Resident Unitholders, withholding rate of 5% (plus applicable surcharge and cess) on interest and 10% (plus applicable surcharge and cess) on taxable dividend is applicable under section 194LBA on distributions made by PGInvIT during FY 2021-22. The same is applicable provided Permanent Account Number ('PAN') is available as per the records of Depositories. Where PAN is not available or is invalid, withholding shall be done at higher rate of 20% as per section 206AA of the Act.

Further, in light of the recently introduced Section 206AB of the Act, applicable with effect from 1 July 2021, taxes are deductible at the higher of the following rates where unitholder is a 'specified person'¹:

¹ As per provisions of section 206AB of the Act, 'Specified person' means a person who has:

- a) not filed the return of income for preceding two previous years, immediately prior to previous year 2021-22, for which the time limit for filing return of income under section 139(1) of the Act has expired; and
- b) subjected to tax deduction/ collection at source in aggregate amounting to INR 50,000 or more in each of the two aforesaid previous years; and
- c) a permanent establishment in India in case of a non-resident.

- twice the rate specified in Section 194LBA of the Act; or
- twice the rate or rates in force; or
- 5%

In accordance with the Circular No. 11 of 2021, determination of a unitholder as 'specified persons' shall be undertaken based on the new functionality on the income tax portal of Central Board of Direct Taxes viz. "Compliance Check for Sections 206AB and 206CCA". The check shall be undertaken on the record date. Accordingly, in case a non-resident unitholder qualifies as a 'specified person' basis the aforesaid functionality read with declaration submitted in **Appendix 1**, withholding shall be made in accordance with provisions of Section 206AB of the Act.

Rate of applicable surcharge shall be determined based on estimated total income² of a Non-Resident Unitholder in India for the relevant financial year and therefore the Non-Resident Unitholders are required to provide declaration of income for the relevant financial year as per declaration format attached as **Appendix 1** so that taxes may be withheld appropriately. In case no income declaration is made, taxes would be deducted at the highest applicable surcharge rate for the particular category under which such Non-resident unitholder falls. Surcharge rates applicable for different categories for Non-Resident Unitholders are as under:

Category of Non-Resident Unit Holder	Applicable surcharge rate	
	Estimated Total Income ² in India for the relevant financial year (In INR)	Surcharge rate
Trusts, Association of Person 'AOP'	<ul style="list-style-type: none"> ▶ Upto 50 lakhs ▶ exceeds 50 lakhs but does not exceed 1 crore ▶ exceeds 1 crore but does not exceed 2 crores ▶ exceeds 2 crores but does not exceed 5 crores ▶ exceeds 5 crores 	Nil 10% 15% 25% 37%
Firms (including Limited Liability Partnerships, co-operative society)	<ul style="list-style-type: none"> ▶ Upto 1 crore ▶ exceeds 1 crore 	Nil 12%
Companies	<ul style="list-style-type: none"> ▶ Upto 1 crore ▶ exceeds 1 crore but does not exceed 10 crores ▶ exceeds 10 crores 	Nil 2% 5%

Kindly note that the required declarations/ documents, as applicable, are to be emailed to PGINVIT at powergrid.invit@kfintech.com with a copy to tdsdocs@pginvit.in on or before **8th November 2021**. Please note that in case the requisite declarations (including supporting documentary evidence) are not received as per the given timeline, withholding shall be done at 10% (plus highest applicable surcharge and cess) for distributions (as interest and taxable dividend) made by PGINVIT.

The declarations (if any) provided for current distribution shall be considered as valid for all subsequent distributions made by PGINVIT during the FY 2021-22 unless a revised declaration is provided by the unitholder at the time of subsequent distribution(s). Any

² As per Section 5 of the Act

change in details provided in the declaration should be intimated to PGINvIT immediately to enable PGINvIT to withhold taxes appropriately. The revised declaration would replace the former declaration and taxes would be withheld accordingly.

Any shortfall in deduction arising on account of change in details of declaration would be made good in the subsequent quarter(s). In case of any such revision in amount of taxes deposited, revised TDS certificate shall also be issued by PGINvIT (as may be applicable). However, the Unitholder shall indemnify PGINvIT for any tax, interest or penalty arising out of short deduction and shall pay such additional tax, interest or penalty, as the case may be, to PGINvIT.

Further, any excess deduction will not be refunded, and the unitholder may file a return of income and claim a refund for the same.

Unitholders holding units under **multiple accounts** under different status/ category and single PAN, may note that, higher of the tax as applicable to the status in which units held under a PAN will be considered on their entire holding in different accounts.

Nil or lower withholding tax certificates

Unitholders are requested NOT to furnish Nil/ lower WHT certificates in respect of any distribution by PGINvIT as the same shall not be considered for the purpose of withholding under Section 194LBA of the Act.

TDS certificates

Please note that the same will be shared with the Unitholders at their email IDs registered with CDSL/ NSDL or in physical form via courier or can be downloaded from the facility to be provided. In this regard, please note the following:

Quarter in which distributions are made	Due date of filing of TDS return	Timeline for issue of TDS Certificates
April to June	On or before 31 July	On or before 15 August
July to September	On or before 31 October	On or before 15 November
October to December	On or before 31 January	On or before 15 February
January to March	On or before 31 May	On or before 15 June

Mode of payment

Distributions to all Non-Resident unitholders will be payable **in Indian Rupees only** and will be net of bank charges and/ or commission.

In case your bank account details with correct account number, IFSC code etc. are not updated with your respective depository participant, we request you to get the same updated so the distribution amount can be remitted via normal banking channels such as NEFT/ RTGS/ NACH etc. We also request you to get your email addresses registered/ updated with your respective depository participant for further communication, so all the notices, documents can be sent to your respective email address.

Disclaimer

The information provided in this document sets out the tax provisions applicable to the unitholders 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 units, under the

current income tax laws presently in force in India. It is not exhaustive or comprehensive and does not and should not be deemed to constitute legal, financial or tax advice. Investors are advised to consult their own consultants with respect to the tax implications/ consequences/ compliances.

The above addresses aspects only from an Indian income-tax law perspective and we have relied upon the provisions of the Income-tax Act, 1961 and the Income tax Rules, 1962 and applicable notifications/ circulars and administrative interpretations thereof, which are subject to change or modification by subsequent legislation or regulatory changes or administrative pronouncements or judicial decisions.

We look forward to your co-operation.

Thanking You,

Your faithfully,

**For and on behalf of POWERGRID Unchahar Transmission Limited
(in its capacity as Investment Manager to POWERGRID Infrastructure Investment Trust)**

S/d

Authorised Signatory

(This is computer generated statement, hence, does not require signature)

Note: A copy of the above communication is available on the PGInvIT's website www.pginvit.in