

Dated: 16.07.2024

Dear Unitholder,

Subject: Deduction of tax at source on distributions under relevant sections of the Income-tax Act, 1961 (as amended by the Finance Act, 2024)

This is to notify the Unitholders regarding the applicable Tax Deduction at Source ('TDS') rates or withholding tax ('WHT') rates under the Income Tax Act, 1961 ('the Act') for Financial Year ('FY') 2024-25, 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 Limited), we understand that your residential status for Income Tax purpose is '**Resident**'. In case of any change in tax residential status for FY 2024-25, the Unitholders are requested to intimate the same to PGInvIT in writing on or before **28.07.2024**.

We have tabulated below a brief summary on the WHT implications applicable in case of Resident Unitholders on the different streams of income distributed by PGInvIT:

| Nature of income distributed | Tax implications on distribution |
|---|---|
| Interest income | Tax will be deducted at 10% under the provisions of section 194LBA of the Act |
| 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% 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. |
| Other Income | No tax is deductible on any other income earned by PGInvIT, and which is taxable in the hands of PGInvIT, i.e., Treasury Income (such as interest on fixed deposits mutual funds, capital gains etc.) |
| Specified sum (refer note 1 and 2 below) | No withholding obligation on PGInvIT |

Note 1: Distributions by PGInvIT in the nature of Repayment of SPV debt can be considered as specified sum for the purpose of section 56(2)(xii) of the Act

Note 2: Computation of "specified sum" shall be the result of 'A-B-C' where:

'A' = Cumulative distribution made by trust till date excluding the amount distributed in the nature of dividend, interest or rental income or any amount taxed/taxable in the hands of PGInvIT

'B' = Issue price of such units

'C' = Amount charged to tax under this provision in earlier years

Specified sum shall be deemed to be zero if 'A-B-C' results in negative value.

As per the provisions of the Act, in case of Resident Unitholders, WHT rate of 10% is applicable under section 194LBA on the amount of interest as well as taxable dividend distributed by PGInvIT provided Permanent Account Number ('PAN') of the Unitholder 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, as per the provisions of Section 206AB of the Act, taxes are deductible at higher of the following rates where unitholder is a 'specified person'¹:

- 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 issued by the Central Board of Direct Taxes ('CBDT'), determination of a Unitholder as 'specified persons' shall be undertaken based on the new functionality on the income tax portal of CBDT viz. "Compliance Check for Sections 206AB and 206CCA". The check shall be undertaken on the record date. Accordingly, in case a unitholder qualifies as a 'specified person' basis the aforesaid functionality, withholding of tax shall be made in accordance with provisions of Section 206AB of the Act.

In case of Individual Unitholder, if there is a change in the tax residential status from Resident to Non-Resident during the financial year 2024-25, the Individual Unitholder shall submit declaration of tax residency as per the format attached as **Appendix 1** to avail the lower withholding tax @ 5% (plus applicable surcharge and cess and subject to Section 206AA and Section 206AB of the Act) on interest distribution and withholding tax at 10% (plus applicable surcharge and education cess and subject to Section 206AA and Section 206AB of the Act) on distribution of taxable dividend on or before **28.07.2024**.

Note: It is informed that in case a unitholder submits declaration stating that their tax residential status has changed from Resident to Non-Resident during the FY 2024-25, TDS on Specified Sum (as per section 56(2)(xii) of the Act), if distributed by PGINvIT, will be deducted at tax rates applicable to such non-resident unitholder (inclusive of applicable surcharge and cess and subject to Section 206AA and Section 206AB of the Act).

In case of certain categories of Resident Unitholders, income of the unitholder may be subject to certain specific exemption provided under the Act and accordingly, NIL rate of tax shall be applied for withholding purposes provided relevant declarations along with supporting documentary evidence (as specified below), to the satisfaction of PGINvIT, is provided to PGINvIT on or before **28.07.2024**.

| Sl. No. | Class of Unitholder | Document(s) to be furnished for non-deduction of tax |
|---------|---|---|
| 1 | Mutual Funds | Declaration to be provided as per attached Appendix 2 that they are eligible for exemption under section 10(23D) of the Act along with supporting documents. |
| 2 | Alternative Investment Fund ('AIF') established/ incorporated in India | Declaration to be provided as per attached Appendix 3 that its income is exempt under section 10(23FBA) of the Act and they are governed by Securities and Exchange Board of India ('SEBI') regulations as Category I or Category II AIF along with copy of registration certificate issued by SEBI. |
| 3. | Other Exempted Resident unitholders | Any unitholders who are exempt from the provisions of TDS to submit self-declaration as per attached Appendix 4 along with self-attested copy of PAN and documentary evidence for claiming the TDS exemption. |
| 4. | A corporation established by or under a Central Act which is, under any law | Declaration to be provided as per attached Appendix 5 that income from PGINvIT shall be exempt along with registration/ exemption certificate issued by the regulating authority. |

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

- (i) has not furnished the return of income for the previous year immediately preceding the previous year in which the tax is required to be deducted, for which time-limit of furnishing the return of income u/s 139(1) has expired; and
- (ii) the aggregate of tax deducted at source and tax collected at source in his case is INR 50,000 or more in the said previous year

The above provisions shall not be applicable in case of –

- (i) a non-resident not having a permanent establishment in India; or.
- (ii) a person who is not required to furnish the return of income for the assessment year relevant to the said previous year and is notified by the Central Government in the Official Gazette in this behalf.

| Sl. No. | Class of Unitholder | Document(s) to be furnished for non-deduction of tax |
|---------|---|--|
| | for time being in force, exempt from income-tax on its income | |

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 **28.07.2024**. Please note that in case the aforementioned declarations (including supporting documentary evidence) are not received as per the given timeline, withholding shall be done at 10% for distributions (as interest and taxable dividend) made by PGINVIT, subject to Section 206AA and 206AB of the Act.

The declarations (if any) provided for current distribution shall be considered as valid for all subsequent distributions to be made by PGINVIT during the financial year 2024-25 unless a revised declaration is provided by the Unitholder at the time of subsequent distribution(s). Any 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.

Where no declaration is submitted by the unitholder, 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.

Form 15G/15H

As per section 197A read with Rule 29C, Form 15G and 15H declaration is applicable *inter alia* when tax is deductible under section 194 or 194A (Interest other than interest on securities). Since the tax is deductible under section 194LBA of the Act, Form 15G and 15H is not applicable. Unitholders are requested NOT to furnish 15G/ 15H in respect of any distribution by PGINVIT.

Withholding tax certificates under section 197

PGINVIT may consider nil/ lower WHT certificate obtained in accordance with provisions of section 197 of the Act which are valid for distributions from 1 April 2024 to 31 March 2025, while determining WHT liability for distributions made by PGINVIT.

Unitholders are requested to furnish Nil/ lower WHT certificates as may be applicable in respect of any distribution by PGINVIT.

Transfer of credit of taxes deducted to any other person(s) in whose hands income is assessable

As per section 199 of the Act, credit for tax, deducted at source and paid to the Central Government in accordance with the provisions of the Act, shall be given to the registered unitholder based on details of deduction of tax by PGINVIT as furnished to the income-tax authority.

Where, under any provisions of the Act, the whole or any part of the income on which tax has been deducted at source is assessable in the hands of a person other than the deductee, the credit of whole or any part of TDS, as the case may be shall be given in name of the other person based on declaration furnished by the registered unitholder to this effect. This is provided as per Rule 37BA(2) of the Income Tax Rules, 1962.

Accordingly, in case the unitholder is holding the units of the PGINVIT on behalf of another person ('Declared Person') in whose hands the income is assessable, then the unitholder must provide the following to enable PGINVIT to report the tax deduction in the name of such other person:

- Declaration to be given as per **Appendix 6**; and
- Attested copy of PAN of the Unitholder and the Declared Person to whom credit for taxes is to be provided.

The check for compliance with section 206AB of the Act shall be undertaken with respect to the PAN of Declared Person. Declaration shared on or after **28.07.2024** shall not be taken into consideration for transfer of credit of taxes deducted.

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 unitholders will be payable **in Indian Rupees only** and will be net of bank charges and/ or commission, if any.

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/ Direct Credit etc. We also request you to get your email addresses registered/ updated with your respective depository participant for further communication, such that all the notices, documents, etc. can be sent to your respective email address.

Frequently Asked Questions

A compilation of Frequently Asked Questions ('FAQs') on the Income-tax treatment on distribution of income by PGINVIT in the hands of the Unitholders under the Income- tax Act, 1961 is available on the PGINVIT's website <https://www.pginvit.in/faq.aspx>.

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.