

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 Tax Deduction at Source ('TDS') rates or withholding tax ('WHT') rates under the Income Tax Act, 1961 ('the Act') for financial year 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 '**Resident**'.

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:

<b>Nature of income distributed</b>	<b>Tax implications on distributions</b>
<b>Interest income</b>	Tax will be deducted at 10% under the provisions of section 194LBA of the Act
<b>Dividend income</b>	<p><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.</p> <p><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.</p>

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

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

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

- a) not filed the return of income for 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.

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 2021-22, 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) on interest distribution and withholding tax at 10% (plus applicable surcharge and education cess) on distribution of taxable dividend on or before **8<sup>th</sup> November 2021**.

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 **8<sup>th</sup> November 2021**.

Sl. No	Class of Unitholder	Document to be furnished for non-deduction of tax
1	Mutual Funds	Declaration to be provided as per attached <b>Appendix 2</b> 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 <b>Appendix 3</b> 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 <b>Appendix 4</b> 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 for time being in force, exempt from income-tax on its income	Declaration to be provided as per attached <b>Appendix 5</b> that income from PGINVIT shall be exempt along with registration/ exemption certificate issued by the regulating authority.

Kindly note that the required declarations/ documents, as applicable, are to be emailed to PGINVIT at [powergrid.invit@kfintech.com](mailto:powergrid.invit@kfintech.com) with a copy to [tdsdocs@pginvit.in](mailto:tdsdocs@pginvit.in) on or before **8<sup>th</sup> November 2021**. 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 2021-22 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.

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 *interalia* 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**

As per section 197 of the Act, a lower or nil withholding certificate can be obtained in certain specified cases. Given that Section 197 of the Act does not make reference to Section 194LBA of the Act (under which tax is deductible), Unitholders are requested NOT to furnish Nil/ lower WHT certificates in respect of any distribution by PGINVIT.

#### **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:

<b>Quarter in which distributions are made</b>	<b>Due date of filing of TDS return</b>	<b>Timeline for issue of TDS Certificates</b>
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 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.

**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 PGINVT's website [www.pginvit.in](http://www.pginvit.in)*