

**STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS UNDER THE APPLICABLE LAWS IN INDIA**

The Board of Directors  
Ethos Limited  
Kamla Centre  
SCO: 88-89, Sector 8-C,  
Chandigarh, 160009  
India

Dear Sirs,

**Statement of Special Tax Benefits available to Ethos Limited ("the Company") and its shareholders under the Indian tax laws**

1. We hereby confirm that the enclosed Annexures, prepared by Ethos Limited ('the Company') provides the special tax benefits available to the Company and its shareholders as stated in Annexure 1 and 2, under the provisions of the Income-tax Act, 1961 ('the Act') as amended by the Finance Act, 2022 read with the Income-tax Rules, 1962, i.e. applicable for the Financial Year 2022-23 relevant to the assessment year 2023-24, the Central Goods and Services Tax Act, 2017, the Integrated Goods and Services Tax Act, 2017, relevant State Goods and Services Tax Act (SGST) read with rules, circulars, and notifications ("GST law"), the Customs Act, 1962, the Customs Tariff Act, 1975 ("Customs law") and Foreign Trade Policy 2015-2020 ("FTP") as amended by the Finance Act 2022, i.e., applicable for the Financial Year 2022-23, presently in force in India (together referred to as 'the Tax Laws'). Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the Tax Laws. Hence, the ability of the Company and / or its shareholders to derive the special tax benefits is dependent upon their fulfilling such conditions which, based on business imperatives the Company faces in the future, the Company or its shareholders may or may not choose to fulfil.
2. The benefits discussed in the enclosed Annexures cover only special tax benefits available to the Company and to the shareholders of the Company and do not cover any general tax benefits available to the Company and to the shareholders of the Company.
3. The benefits discussed in the enclosed Annexures are not exhaustive and the preparation of the contents stated in the Annexures is the responsibility of the Company's management. We are informed that 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 and the changing Tax Laws, each investor is advised to consult his or her tax consultant with respect to the specific tax implications arising out of their participation in the proposed initial public offer of the equity shares of the Company ("Offer").
4. We do not express any opinion or provide any assurance as to whether:
  - the Company or its shareholders will obtain/ continue to obtain these special tax benefits in future;
  - the conditions prescribed for availing the special tax benefits have been / would be met with; or
  - the revenue authorities/courts will concur with the views expressed herein.

We assume no obligation to update the Annexures on any events subsequent to this date, which may have a material effect on the discussions herein.

5. The contents of the enclosed Annexures are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.



## ***S.R. BATLIBOI & Co. LLP***

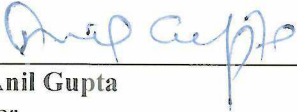
Chartered Accountants

6. This statement is prepared solely in connection with the offering and is not to be used, referred to or distributed for any other purpose.

**For S.R. BATLIBOI & Co. LLP**

Chartered Accountants

**ICAI Firm registration number:** 301003E/E300005

  
per Anil Gupta  
Partner

Membership No.: 87921



UDIN: 22087921AHUVCK8998

Place: New Delhi

Date: April 26, 2022



ANNEXURE I TO THE STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO ETHOS LIMITED ('THE COMPANY') AND ITS SHAREHOLDERS

STATEMENT OF SPECIAL DIRECT TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS

- I. Under the Income Tax Act, 1961 (herein after referred to as 'the Act'), applicable for the Financial Year ('FY') 2022-23 relevant to Assessment Year ('AY') 2023-24

1. Special tax benefits available to the Company under the Act

A. Lower corporate tax rate under Section 115BAA of the Act

A new Section 115BAA had been inserted by the Taxation Laws (Amendment) Act, 2019 ("the Amendment Act, 2019") w.e.f. FY 2019-20 granting an option to domestic companies to compute corporate tax at a reduced rate of 25.17% (22% plus surcharge of 10% and cess of 4%), provided such companies do not avail specified exemptions/ incentives.

The Amendment Act, 2019 further provided that domestic companies availing such option will not be required to pay Minimum Alternate Tax ("MAT") under Section 115JB. The CBDT had further issued Circular 29/2019 dated October 02, 2019 clarifying that since the MAT provisions under Section 115JB itself would not apply where a domestic company exercises option of lower tax rate under Section 115BAA, MAT credit would not be available.

The Company has opted for the beneficial tax rate under Section 115BAA of the Act from FY 2019-20 onwards. As the Company has opted for the beneficial tax rate introduced by the ordinance, they are not eligible to avail the exemptions/ incentives as specified under Section 115BAA of the Act. Further, the option once exercised by the Company cannot be subsequently withdrawn for the same or any other FY.

B. Deductions from Gross Total Income

• Section 80JJAA: Deduction in respect of employment of new employees

Subject to fulfilment of prescribed conditions, the Company is entitled to claim deduction, under the provisions of Section 80JJAA of the Act, 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.

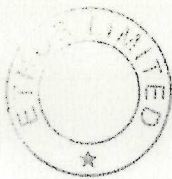
The deduction u/s 80JJAA of the Act shall be applicable even if the Company avails the benefits of the special rate u/s 115BAA of the Act

• Section 80M of the Act: Deduction in respect of inter-corporate dividends

A new Section 80M had been inserted by the Finance Act, 2020 w.e.f. FY 2020-21 providing for deduction from gross total income of a domestic company, of an amount equal to dividends received by such company from another domestic company or a foreign company or a business trust as does not exceed the amount of dividend distributed by it on or before one month prior to the date of filing its tax return as prescribed under Section 139(1) of the Act.

Where the Company receives any such dividend during a FY and also, distributes dividend to its shareholders before the aforesaid date, as may be relevant to the said FY, it shall be entitled to the deduction under Section 80M of the Act. The deduction u/s 80M of the Act shall be applicable for the Company availing the benefits of the special rate u/s 115BAA of the Act.

26 April 2022





2. Special tax benefits available to the Shareholders

A. Higher cost of acquisition benefit in relation to long term capital asset being shares of a Company referred to in section 112A of the Act

A new section 55(2)(ac) of the Act has been inserted to provide grandfathering of gains on the specified assets (as defined u/s 112A of the Act) acquired prior to 1 February 2018. The Cost of acquisition would be higher of:-

- a) Cost of acquisition and
- b) Lower of
  - Fair market value\* of such shares
  - Full value of consideration received or accruing as result of transfer of capital asset

\*'fair market value' means,—

In a case where the capital asset is an equity share in a company which is not listed on a recognised stock exchange as on the 31st day of January, 2018 but listed on such exchange on the date of transfer, an amount which bears to the cost of acquisition the same proportion as Cost Inflation Index for the financial year 2017-18 bears to the Cost Inflation Index for the first year in which the asset was held by the assessee or for the year beginning on the first day of April, 2001, whichever is later.

B. Tax on capital gains

- As per the provisions of section 111A of the Act, short term capital gain arising from transfer of equity shares in the Company through a recognized stock exchange and subject to STT shall be taxable at a concessional rate of 15% (plus applicable surcharge and cess if any).
- 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 DTAA between India and the country in which the non-resident has fiscal domicile.

C. No interest on deferment of advance tax instalment with respect to dividend income

The Finance Act 2020 amended the manner of taxation of dividend income by abolishing dividend distribution tax and restoring classical system of dividend taxation (i.e. taxation of dividend income in the hands of the shareholders). Considering the nature of income, it is not possible for taxpayer to accurately determine the advance tax liability on dividend income and therefore, the proviso to Section 234C(1) of the Act provides that no interest shall be levied under Section 234C of the Act, if the shortfall in payment of advance tax instalment is on account of underestimation or failure to estimate dividend. The amendment was introduced by Finance Act 2021 and is applicable from 1 April 2021.

D. Other benefits

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.

26 April 2022





subject to such conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

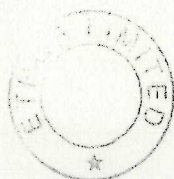
E. Surcharge on all long-term capital gains capped at 15%

The Finance Act 2022 capped the surcharge on LTCG on sale of unlisted equity shares to 15% from erstwhile graded surcharge up to 37%, resulting in reduction in highest slab (where income > Rs 5 crores) of effective LTCG tax rate from 28.50% to 23.92%.

NOTES:

1. The above statement of possible special tax benefits sets out the provisions of 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.
2. 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. The above are based on the existing provisions of the tax laws and its interpretations, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions. Any such change, which could also be retrospective, could have an effect on the validity of the above.
3. The above statement of possible special tax benefits is as per the current direct tax laws relevant for the assessment year 2023-24. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the Tax Laws.
4. 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.
5. This statement is intended only 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 tax consequences, each investor is advised to consult his or her tax advisor with respect to specific tax consequences of his/her investment in the shares of the Company.
6. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. The 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.

26 April 2022



ANNEXURE 2 TO THE STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO ETHIOS  
LIMITED ("THE COMPANY") AND ITS SHAREHOLDERS

STATEMENT OF SPECIAL INDIRECT TAX BENEFITS AVAILABLE TO THE COMPANY AND  
ITS SHAREHOLDERS

- I. Under the Central Goods and Services Tax Act, 2017 / the Integrated Goods and Services Tax Act, 2017 / relevant State Goods and Services Tax Act (SGST) read with rules, circulars, and notifications ("GST law"), the Customs Act, 1962 and the Customs Tariff Act, 1975 ("Customs law") and Foreign Trade Policy 2015-20 (FTP) (*herein collectively referred as "indirect tax laws"*)

I. Special tax benefits available to the Company

- A. Authorized Economic Operator (AEO) is a programme under the aegis of the World Customs Organization (WCO) SAFE Framework of Standards to secure and enhance international supply chain security and facilitate movement of legitimate goods across international borders.

The Indian customs AEO programme is administered by the Central Board of Indirect taxes and Customs ("CBIC"). India AEO programme is a voluntary programme that applies to all business entities participating in the global supply chain.

AEO seeks to provide tangible benefits in the form of faster Customs clearances and simplified Customs procedures (*inter-alia* including deferred payment of customs duty) to the Operators who offer a high degree of security guarantees in respect of their role in the supply chain.

Since the Company is engaged in regular import transactions, therefore, it is eligible to obtain AEO status. The AEO status and benefits are provided subject to prescribed conditions.

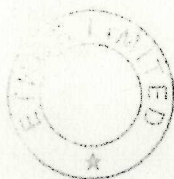
- B. GST law provides for refund of accumulated input tax credit arising on account of exports without payment of tax i.e. under Letter of Undertaking (LUT).
- C. The Company is eligible to avail the benefits provided under Manufacturing and Other Operations in a Warehouse (MOOWR). The scheme allows the importers to import the raw materials & capital goods and deposit them in a private warehouse, by way of filing a bill of entry for warehousing without payment of duties of customs and IGST. The benefits under the scheme is available to a trader or any other person who is removing the goods 'as such' subject to payment of applicable interest for warehousing goods beyond a specified time limit. Accordingly, the company may explore the option of MOOWR applicable to it and avail the benefit of tax deferment.

2. Special tax benefits available to the Shareholders of the Company

There are no special tax benefits available to the shareholders for investing in the shares of the Company.

Notes:

26 April 2022





1. The above statement of special tax benefits is based on the best understanding of Company's business landscape and tax benefits available to the Company and its shareholders under the current tax laws presently in force in India.
2. 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 issue.
3. This statement does not discuss any tax consequences in the country outside India of an investment in the Shares. The subscribers of the Shares in the country other than India are urged to consult their own professional advisers regarding possible indirect-tax consequences that apply to them.
4. The above statement covers only above-mentioned tax laws benefits and does not cover any income tax law benefits or benefit under any other law.
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 interpretations, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such change.

26 April 2022

