

2023-24 / MML / TAK / 37

**Statement of Special Tax Benefits**

To,

The Board of Directors

**Muthoot Microfin Limited**

13<sup>th</sup> Floor

Parinee Crescenzo

Bandra Kurla Complex

Bandra East, Mumbai 400 051

Maharashtra, India

**ICICI Securities Limited**

ICICI Venture House

Appasaheb Marathe Marg

Prabhadevi, Mumbai 400 025

Maharashtra, India

**Axis Capital Limited**

1<sup>st</sup> Floor, Axis House,

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**JM Financial Limited**

7<sup>th</sup> Floor, Cnergy

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Mumbai 400 025

Maharashtra, India

**SBI Capital Markets Limited**

1501, 15th Floor, Parinee Crescenzo,

G Block, Bandra Kurla Complex, Bandra (East),

Mumbai- 400051

Maharashtra, India

(Collectively with any other book running lead managers that may be appointed in connection with the Offer, the "**Book Running Lead Managers**")

**Re: Proposed initial public offering of equity shares of ₹ 10 each (the "Equity Shares") of Muthoot Microfin Limited (the "Company") and such offer (the "Offer").**



**Assurance Consulting GRC ITax**

Ahmedabad | Bengaluru | Chennai | Coimbatore | Delhi | Goa | Mumbai | Pune | Vadodara

Dear Sir/Madam,

We, Sharp & Tannan Associates, Chartered Accountants, (Firm registration number: 109983W), Statutory Auditor of the Company, have received a request from the Company to certify the special tax benefits, available to the Company, and its shareholders, under the direct and indirect tax laws presently in force in India, as on the date of this certificate (the "Statement").

#### **Management's responsibility**

The preparation of the statement annexed to this certificate is the responsibility of the management of the Company including the preparation and maintenance of all accounting and other records supporting its contents. This responsibility includes the design, implementation of internal control relevant to the preparation and presentation of the statement and applying an appropriate basis of preparation and making estimates that are reasonable in the circumstances.

The Management is also responsible for ensuring compliance with the requirements of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("ICDR Regulations") and Income-tax Act, 1961.

#### **Auditor's responsibility**

We have performed the following procedures: -

1. Obtained and reviewed the details stated in Annexure prepared by the management of the Company.
2. Obtained and reviewed the Income Tax returns and Income Tax forms filed by the Company to avail the stated special tax benefits.
3. Obtained and reviewed the annual returns and relevant workings for Goods and Services Tax ("GST").

The contents of the enclosed statement are based on information, explanations, and representations provided by the Company and on the basis of our understanding of the business activities and operations of the Company.

We also consent to the references to us as "Experts" as defined under Section 2(38) of the Companies Act, 2013, read with Section 26(5) of the Companies Act, 2013 to the extent of the certification provided hereunder and included in the red herring prospectus of the Company or in any other documents in connection with the Offer.

We have conducted our examination in accordance with the 'Guidance Note on Audit Reports and Certificates for Special Purposes (Revised 2016)' issued by the Institute of Chartered Accountants of India.



We hereby confirm that while providing this certificate we have complied with the Code of Ethics and the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements, issued by the Institute of Chartered Accountants of India.

### **Opinion**

We report that the enclosed statement in the Annexure, states the special tax benefits, available to the Company, and its shareholders, under the direct and indirect tax laws presently in force in India, as on the date of this certificate. Several of these special tax benefits are dependent on the Company, and its shareholders, fulfilling the conditions prescribed under the relevant provisions of the laws. Hence, the ability of the Company, or its shareholders to derive the special tax benefits is dependent upon their fulfilling such conditions, which based on business imperatives the Company, or its shareholders face in the future, the Company and its shareholders may or may not choose to fulfill.

We confirm that there are no subsidiaries of the Company, either incorporated in India or abroad.

The special tax benefits discussed in the enclosed Annexure are not exhaustive. 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 own tax consultant with respect to the specific tax implications arising out of their participation in the Offer. We are neither suggesting nor advising the investor to invest in the Offer based on this statement.

We do not express any opinion or provide any assurance as to whether:

- (i) the Company, and its shareholders will continue to obtain these special tax benefits in future;  
or
- (ii) the conditions prescribed for availing the special tax benefits have been/would be met with.

Our views expressed herein are based on the facts and assumptions indicated to us. 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 the tax laws and their interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. We confirm that the information in this certificate is true and correct and is in accordance with the requirements of Schedule VI of ICDR Regulations, including Para (9)(L) of Part A thereof, Ind AS 12- Income Taxes issued by Institute of Chartered Accountants of India (the "ICAI") and the Taxation Laws (as defined in the Annexure), and there is no untrue statement or omission, which would render the contents of this certificate misleading in any material aspect. The information in this certificate is adequate to enable investors to make a well- informed decision, to the extent that such information with respect to us is relevant to the prospective investor to make a well-informed decision.



## Restriction on use

We hereby give consent to include this statement of special tax benefits in the red herring prospectus, and in any other material used in connection with the Offer.

This certificate is for information and for inclusion (in part or full) in the red herring prospectus ("**RHP**") and the prospectus ("**Prospectus**") filed in relation to the Offer (collectively, the "**Offer Documents**") or any other Offer-related material, and may be relied upon by the Company, the Book Running Lead Managers and the legal advisors appointed by the Company and the Book Running Lead Managers in relation to the Offer. We hereby consent to the submission of this certificate as may be necessary to SEBI, the Registrar of Companies, Maharashtra at Mumbai ("**RoC**"), the relevant stock exchanges, any other regulatory authority and/or for the records to be maintained by the Book Running Lead Managers and in accordance with applicable law. We hereby consent to this certificate being disclosed by the Book Running Lead Managers, if required (i) by reason of any law, regulation or order of a court or by any governmental or competent regulatory authority, or (ii) in seeking to establish a defence in connection with, or to avoid, any actual, potential or threatened legal, arbitral or regulatory proceeding or investigation.

We undertake to inform the Book Running Lead Managers promptly, in writing of any changes, intimated to us by the management of the Company in writing, to the above information until the Equity Shares commence trading on the relevant stock exchanges, pursuant to the Offer. In the absence of any such communication from us, the above information should be considered as updated information until the Equity Shares commence trading on the stock exchanges, pursuant to the Offer.

We also consent to the inclusion of this certificate as a part of "Material Contracts and Documents for Inspection" in connection with this Offer, which will be available for public for inspection.

All capitalized terms used herein and not specifically defined shall have the same meaning as ascribed to them in the Offer Documents.

Yours faithfully,

For **Sharp & Tannan Associates,**  
Chartered Accountants  
ICAI Firm Registration No: 109983W



**Tirtharaj Khot**  
**Partner**

Membership No.: 037457  
Mumbai, December 11, 2023  
UDIN: 23037457BGYROZ5199



**Encl: As above**

Cc:

**Cyril Amarchand Mangaldas**

3<sup>rd</sup> Floor, Prestige Falcon Tower  
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## Annexure

### **STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO MUTHOOT MICROFIN LIMITED AND ITS SHAREHOLDERS UNDER THE APPLICABLE DIRECT AND INDIRECT TAXES ("TAX LAWS")**

The information provided below sets out the special direct and indirect tax benefits in the hands of Muthoot Microfin Limited and its shareholders in a summary manner only and is not a complete analysis or listing of all potential tax benefits, under the current Income-tax Act, 1961 ("**IT Act**"), the Central Goods and Services Tax Act, 2017 / the Integrated Goods and Services Tax Act, 2017 ("**GST Act**"), the Customs Act, 1962 ("**Customs Act**") and the Customs Tariff Act, 1975 ("**Tariff Act**") (collectively the "**Taxation Laws**") presently in force in India.

Several of these special tax benefits are dependent on the fulfilling the conditions prescribed under the relevant Taxation Laws. Hence, the ability of the Company and / or its shareholders to derive the special tax benefits is dependent upon fulfilling such conditions, which, based on business imperatives any of them face, they may or may not choose to fulfill. Further, certain special tax benefits may be optional and it would be at the discretion of the Company or its shareholders to exercise the option by fulfilling the conditions prescribed under the relevant Taxation Laws. The following overview is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. Investors are advised to consult their own tax consultant with respect to the tax implications of an investment in the shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the special tax benefits, which an investor can avail. The statement below covers only relevant Taxation Laws benefits and does not cover any benefit under any other law.

#### **A. SPECIAL TAX BENEFITS UNDER THE INCOME TAX ACT, 1961 IN THE HANDS OF THE COMPANY AND ITS SHAREHOLDERS:**

The provision of the law stated below is as per the Income-tax Act, 1961 as amended from time to time and applicable for financial year 2023-24 relevant to assessment year 2024-25.

##### **Special tax benefits available to Company under IT Act**

##### **a) Lower corporate tax rate under section 115BAA:**

A new section 115BAA has been inserted in the Act by the Taxation Laws (Amendment) Act, 2019 ("the Amendment Act, 2019") w.e.f. April 1, 2020 (A.Y. 2020-21). Section 115BAA grants an option to a domestic company to be governed by the section from a particular assessment year. If a company opts for section 115BAA, it can pay corporate tax at a reduced rate of 25.17% (22% plus surcharge of 10% and education cess of 4%). Section 115BAA further provides that domestic companies availing the option will not be required to pay Minimum Alternate Tax (MAT) on their 'book profits' under section 115JB of the IT Act.



However, such a company will no longer be eligible to avail specified exemptions/ incentives under the IT Act and will also need to comply with the other conditions specified in section 115BAA. Also, if a company opts for section 115BAA, the tax credit (under section 115JAA), if any, which it is entitled to on account of MAT paid in earlier years, will no longer be available. Further, it shall not be allowed to claim set-off of any brought forward loss arising to it on account of additional depreciation and other specified incentives.

The tax expenses are recognized in the Statement of Profit and Loss of the Company for the six months period ended September 30, 2023, as per the provisions of Income Tax Act, 1961 and by applying the tax rate as prescribed in section 115BAA of the IT Act.

**b) Deductions from Gross Total Income - Section 80JJAA of the IT Act - 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 IT 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.

**c) Accelerated deduction of bad and doubtful debts in terms of provision for bad and doubtful debts up to a specified limit under section 36(1) (viia):**

The Company is a non-deposit taking Non-Banking Financial Company – Micro Finance Institution (NBFC - MFI) and is entitled to accelerated deduction of bad and doubtful debts in terms of provision for bad and doubtful debts up to a specified limit under section 36(1) (viia) of the IT Act in computing its income under the head "Profits and gains of business or profession. As per the provisions of section 36(1) (viia) of the IT Act, the Company could claim a deduction of provision created for bad and doubtful debts in its books of accounts to the extent of five per cent of its total income (computed before making any deduction under this section and Chapter VI-A), subject to certain conditions, while computing its income under the head "Profits and gains of business or profession".

As per first proviso to section 36(1)(vii) of the IT Act, where the Company has claimed deduction under section 36(1) (viia) of the IT Act, then subsequent claim of deduction of actual bad debts under section 36(1)(vii) of the IT Act would be reduced to the extent of deduction already claimed under section 36(1) (viia) of the IT Act.

It must be noted that as per CBDT instruction 17-2008 dated 26 November 2008 amount of deduction claimed by assessee in respect of bad debts under section 36(1)(vii) of the IT Act is required to be reduced by opening balance of provision for bad and doubtful debts created under section 36(1) (viia) of the IT Act



As per section 41(4) of the IT Act, where any deduction has been claimed by the Company in respect of a bad debt under Section 36(1)(vii) of the IT Act, then any amount subsequently recovered on any such debt is greater than the difference between such debt and the amount so allowed as a deduction under section 36(1)(vii) of the IT Act, the excess shall be deemed to be business income of the year in which it is recovered.

As per Section 43D(a) of the IT Act, interest income in relation to certain categories of bad or doubtful debts, shall be chargeable to tax in the previous year in which it is credited to its profit and loss account for that year or actually received, whichever is earlier. This provision is an exception to the accrual system of accounting which is regularly followed by such assessee's for computation of total income. The Company being a systemically important non-deposit taking non-banking financial company as per the provisions of Section 36(1) (vii) of the IT Act can claim benefit of this section by virtue of explanation (h) to Section 43D of the IT Act.

Rule 6EA of the Income tax Rules, 1962 specifies certain categories of bad and doubtful debts as covered under Section 43D(a) of the IT Act, the relevant extracts of which are as follows:

*"(e) Debts recoverability whereof has become doubtful on account of shortfalls in value of security, difficulty in enforcing and realising the securities, or inability or unwillingness of the borrower to repay the banks dues, partly or wholly, and such debts have not been included in preceding clauses (a) to (d).*

#### **Special tax benefits available to the shareholders under IT Act:**

There are no special tax benefits available to the shareholders of Company for investing in the shares of the Company. However, such shareholders shall be liable to concessional tax rates on certain incomes under the extant provisions of the IT Act.

- Dividend income earned by the shareholders would be taxable in their hands at the applicable rates. However, in case of domestic corporate shareholders, deduction under Section 80M of the IT Act would be available on fulfilling the conditions (as discussed above). Further, in case of shareholders who are individuals, Hindu Undivided Family, Association of Persons, Body of Individuals, whether incorporated or not and every artificial juridical person, surcharge would be restricted to 15%, irrespective of the amount of dividend.
- As per Section 112A of the IT Act, long-term capital gains arising from transfer of an equity share, or a unit of an equity-oriented fund or a unit of a business trust shall be taxed at 10% (without indexation) of such capital gains subject to fulfillment of prescribed conditions under the IT Act as well as per Notification No. 60/2018/F. No.370142/9/2017-TPL dated 1 October 2018. It is worthwhile to note that tax shall be levied where such capital gains exceed INR 100,000/-.
- As per Section 111A of the IT Act, short term capital gains arising from transfer of an equity share, or a unit of an equity-oriented fund or a unit of a business trust shall be taxed at 15% subject to fulfillment of prescribed conditions under the IT Act.





- In respect of non-resident shareholders, the tax rates and the consequent taxation shall be further subject to any benefits available under the applicable Double Taxation Avoidance Agreement, if any, between India and the country in which the non-resident has fiscal domicile.

## **B. STATEMENT OF SPECIAL INDIRECT TAX BENEFITS AVAILABLE TO THE COMPANY, AND SHAREHOLDERS OF THE COMPANY:**

The Central Goods and Services Tax Act, 2017, the Integrated Goods and Services Tax Act, 2017, the Union Territory Goods and Services Tax Act, 2017, respective State Goods and Services Tax Act, 2017, the Customs Act, 1962 and the Customs Tariff Act, 1975 (collectively referred to as "Indirect tax")

### **Special Indirect Tax Benefits available to the Company**

The Company has been registered as a Non-Banking Financial Company ('NBFC') with the Reserve Bank of India. The Company is primarily engaged in providing services of microfinance as well as lending to Micro Small and Medium Enterprises ('MSMEs'). The main source of income for the Company is Interest on loans, which is exempt from levy of GST as per the relevant exemption notifications issued under Central Goods and Services Tax Act, 2017 and Integrated Goods and Services Tax Act, 2017.

Additionally, the Company also earns income by way of various Fees and Commissions, which attract GST at the prescribed rates.

If the Company exercises the option under Section 17(4) of the Central Goods and Services Tax Act, 2017 and accordingly may avail 50% of the eligible input tax credit. Further, the Company may utilize the said availed input tax credit in compliance with the GST law. Apart from the above, there is no special Indirect tax benefits are available to the Company under the Indirect Tax Regulations in India.

### **Special Tax Benefits available to the Shareholders of the Company**

There are no special Tax Benefits available to the Shareholders of the Company under the GST Act.

#### **Note:**

*Our views expressed in this statement are based on the facts and assumptions as indicated in the statement. 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 interpretation, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such changes. Reliance on this statement is on the express understanding that we do not assume responsibility towards the investors who may or may not invest in the proposed issue relying on this statement.*



*This statement has been prepared solely in connection with the proposed issue under the Companies Act, 2013 and Securities and Exchange Board of India ("SEBI") (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended.*

For **Sharp & Tannan Associates,**  
Chartered Accountants  
Firm registration no: 109983W



**Tirtharaj Khot**  
**Partner**

Membership no.: (F) 037457  
Mumbai, December 11, 2023



For and on behalf of  
**Muthoot Microfin Limited**

**PRAVEEN**  
**THOROPPA**  
**DY**

Digitally signed by  
PRAVEEN  
THOROPPADY  
Date: 2023.12.11  
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**Praveen T.**  
Chief Financial Officer  
Kochi, December 11, 2023

