

STATEMENT OF TAX BENEFITS

STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO EIH LIMITED ("THE COMPANY"), ITS CERTAIN MATERIAL SUBSIDIARIES (NAMELY, "MUMTAZ HOTELS LIMITED AND MASHOBRA RESORT LIMITED") AND THE SHAREHOLDERS OF THE COMPANY UNDER THE APPLICABLE TAX LAWS IN INDIA

September 21, 2020

To
The Board of Directors
EIH Limited,
4, Mangoe Lane
Kolkata - 700 001
West Bengal, India

Subject: Statement of Special tax benefits ("the Statement") available to EIH LIMITED ("the Company"), its certain Material Subsidiaries (Namely, "MUMTAZ HOTELS LIMITED and MASHOBRA RESORT LIMITED") and the shareholders of the Company in connection with the proposed rights issue of equity shares of the Company under Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) 2018, as amended ("Regulations")

Dear Sirs,

We have been requested by the Company to issue a report on the special tax benefits available to the Company, its certain material subsidiaries (as defined under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended) namely, (i) MUMTAZ HOTELS LIMITED and (ii) MASHOBRA RESORT LIMITED (collectively, "Certain Material Subsidiaries") and its shareholders attached for inclusion in the Letter of Offer in connection with the proposed rights issue of equity shares of the Company (the "Issue"). The Statement has been prepared by the management of the Company and stamped by us for identification purpose only.

The statement showing the current position of special tax benefits available to the Company, its Certain Material Subsidiaries and the shareholders of the Company as per the provisions of Income-tax Act 1961 ("IT Act") and Indirect Tax Regulations (which are defined in Annexure I, together, the "Tax laws") as amended by Finance Act, 2020, i.e. applicable for the assessment year AY 2021-22 relevant to the financial year 2020-21 for inclusion in the Letter of Offer ("LOF") for the issue of rights shares is annexed herewith.

These possible special tax benefits are dependent on the Company, its Certain Material Subsidiaries and the shareholders of the Company fulfilling the conditions prescribed under the relevant provisions of the corresponding Tax laws. Hence, the ability of the Company, its Certain Material Subsidiaries and the shareholders of the Company to derive these possible special tax benefits is dependent upon their fulfilling such conditions, which is based on business imperatives, the Company and its Certain Material Subsidiaries may face in the future and accordingly, the Company, its Certain Material Subsidiaries and the shareholders of the Company may or may not choose to fulfill. Further, certain tax benefits

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may be optional and it would be at the discretion of the Company or its Certain Material Subsidiaries or the shareholders of the Company to exercise the option by fulfilling the conditions prescribed under the Tax laws.

The benefits discussed in the enclosed statement are neither exhaustive nor conclusive. The contents stated in the Annexure II are based on the information and explanations obtained from the Company and its Certain Material Subsidiaries. This statement is only intended to provide general information to guide 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 their own tax consultant with respect to the specific tax implications arising out of their participation in the offer. We are neither suggesting nor are we advising the investor to invest money or not to invest money based on this statement.

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

- (i) The Company or its Certain Material Subsidiaries or the shareholders of the Company will continue to obtain these benefits in future;
- (ii) The conditions prescribed for availing the benefits have been/would be met;
- (iii) The revenue authorities/courts will concur with the views expressed herein.

The statement is intended solely for information and the inclusion in the Letter of Offer in connection with the rights issue of equity shares of the Company and is not be used, referred to or distributed for any other purpose, without our prior consent, provided the below statement of limitation is included in the Offer Letter.

Limitation

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 its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. We shall not be liable to the Company and/or its certain material subsidiaries for any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith or intentional misconduct. We will not be liable to the Company, its Certain Material Subsidiaries and any other person in respect of this Statement, except as per applicable law.

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)



Alka Chadha
Partner

(Membership No. 93474)
(UDIN: 20093474AAAABW3685)

Place: Gurugram

Date: September 21, 2020

ANNEXURE I

LIST OF INDIRECT TAX REGULATIONS

S. No.	Details of Tax Laws
1.	Central Goods and Services Tax Act, 2017 and Rules framed thereunder
2.	Integrated Goods and Services Tax Act, 2017 and Rules framed thereunder
3.	Foreign Trade Policy and Handbook of Procedures
4.	Customs Act, 1962
5.	State Industrial Incentive Policies



Annexure – II

STATEMENT OF TAX

The information provided below sets out the possible direct and indirect tax benefits in the hands of EIH Limited ("EIH" or "the Company"), its certain material subsidiaries namely, (i) MUMTAZ HOTELS LIMITED and (ii) MASHOBRA RESORT LIMITED (collectively, "Certain Material Subsidiaries") and the shareholders of the Company in a summary manner only and is not a complete analysis or listing of all potential tax benefits, under the current tax laws presently in force in India. Several of these benefits are dependent upon their fulfilling the conditions prescribed under the relevant direct and indirect tax laws. Hence, the ability of the Company, its Certain Material Subsidiaries and the shareholders of the Company to derive the direct and indirect tax benefits is dependent upon their fulfilling such conditions, which is based on business imperatives the Company or its Certain Material Subsidiaries may face in the future and accordingly, the Company, its Certain Material Subsidiaries and the shareholders of the Company may or may not choose to fulfill. Further, certain tax benefits may be optional and it would be at the discretion of the Company or its certain material subsidiaries or the shareholders of the Company to exercise the option by fulfilling the conditions prescribed under the Tax 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 benefits, which an investor can avail.

The tax benefits stated below are as per the Income-tax Act, 1961 ("IT Act") as amended from time to time and applicable for financial year 2020-21 relevant to assessment year 2021-22 (AY 2021-22) and Indirect Tax Regulations as amended from time to time and applicable for financial year 2020-21.

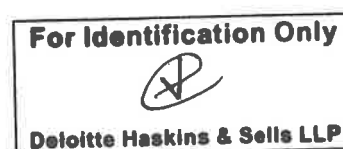
A. SPECIAL TAX BENEFITS UNDER THE IT ACT IN THE HANDS OF EIH LIMITED, ITS CERTAIN MATERIAL SUBSIDIARIES AND THE SHAREHOLDERS OF THE COMPANY

Special tax benefits available to the Company and its Certain Material Subsidiaries under IT Act

(i) Lower corporate tax rate under section 115BAA

A new section 115BAA has been inserted in the IT 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 25.168% (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 115BA, 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 recognised in the Statement of Profit and Loss of EIH Limited and MUMTAZ HOTELS LIMITED, for the year ended March 2020 by applying the tax rate as prescribed in section 115BAA of the IT Act.

MASHOBRA RESORT LIMITED, can, at its discretion, opt to be governed by the concessional tax regime under section 115BBA in the future.

(ii) Donation to Prime Minister's Citizens Assistance and Relief in Emergency Situations Fund ("PM CARES Fund")

Deduction to the extent of 100% of the donation amount is allowed for certain specified contributions/ donations under section 80G.

Keeping in mind the need for having a dedicated national fund with the primary objective of dealing with any kind of emergency or distress situation, like the one posed by the COVID-19 pandemic and to provide relief to the affected, a public charitable trust under the name of 'Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund' (PM CARES FUND)' has been set up.

Donations to PM CARES Fund would qualify for 100% deduction under section 80G, subject to other conditions. The Central Board of Direct Taxes vide notification 35/2020 dated 24-06-2020 has extended the 'due date' for making donations to claim deduction under section 80G to 31st July, 2020 for FY 2019-20 (A.Y. 2020-21).

(iii) CSR expenditure claimed as deduction u/s 80G

The expenditure incurred on account of Corporate Social Responsibility ("CSR") under the mandatory requirement of the Companies Act, 2013 fulfilling the conditions for deduction under section 80G of IT Act is an allowable deduction.

The Company is eligible to exercise the above option.

Special tax benefits available to the shareholders under IT Act

Up to 31st March, 2020, any dividend paid to a shareholder by a company was liable to Dividend Distribution Tax, and the recipient shareholder was exempt from tax. Pursuant to the amendment made by the Finance Act, 2020, dividend received by a shareholder on or after 1st April, 2020 is liable to tax in the hands of the shareholder.

There are no special tax benefits available to the shareholders (other than resident corporate shareholder) of the Company under the provisions of the Act.

With respect to a resident corporate shareholder, a new section 80M is inserted in the Finance Act, 2020, to remove the cascading effect of taxes on inter-corporate dividends during financial year 2020-21 and thereafter. The section provides that where the gross total income of a domestic company in any previous year includes any income by way of dividends from any other domestic company or a foreign company or a business trust, there shall, in accordance with and subject to the provisions of this section, be allowed in computing the total income of such domestic company, a deduction of an amount equal to so much of the amount of income by way of dividends received from such other domestic company or foreign company or business trust as does not exceed the amount of dividend distributed by it on or before the due date. The "due date" means the date one month prior to the date for furnishing the return of income under sub-section (1) of section 139.



B. SPECIAL TAX BENEFITS UNDER THE INDIRECT TAX REGULATIONS IN THE HANDS OF EIH LIMITED AND ITS SHAREHOLDERS

Special tax benefits available to the Company and its subsidiaries under Indirect tax regulations

(i) Export Promotion Capital Goods (EPCG) Scheme

Under the EPCG scheme of the Central Government, a service provider or a manufacturer may import capital goods without payment of Customs duty, subject to the condition that such person fulfills an export obligation equivalent to 6 times of the duties, taxes and cess saved on capital goods, which is to be fulfilled in 6 years from the date of issue of authorisation. Capital goods include any plant, machinery, equipment or accessories required directly or indirectly for rendering of services.

The Company and its subsidiaries, as a service provider of hotel accommodation may avail and enjoy the benefits under this scheme by importing capital goods without payment of duty subject to fulfillment of export obligations.

(ii) Input tax credit availment for restaurant or outdoor catering services:

Under the Central Goods and Services Tax Act, 2017 and Rules framed thereunder and Integrated Goods and Services Tax Act, 2017 and Rules framed thereunder (collectively, "GST regime"), a service provider supplying Restaurant or Outdoor catering services has to charge GST at the rate of 5% on the consideration charged for provision of such services, with the condition that no Input tax credit of GST paid on procurement of goods (including capital goods) and services is allowed, even though such goods or services are used for providing the said services. Accordingly, the GST paid on procurement becomes a cost to the business of such service providers.

On the other hand, special dispensation with respect to availment of input tax credit has been provided for hotels where declared tariff of any unit (room) is equal to or more than INR 7500. Under GST law, a service provider supplying restaurant or outdoor catering services at such hotels have to charge GST @ 18%, however, the service provider is allowed to take input tax credit of GST paid on procurement of goods (including capital goods) and services used for provision of such services.

Since the hotels of the Company and its subsidiaries are engaged in providing restaurant and outdoor catering services and the declared tariff of any of its unit is more than INR 7,500, the hotels are allowed to avail input tax credit of GST paid on procurement of goods (including capital goods) and services used for provision of their services. Therefore, the cost of procurement for such hotels is relatively lesser, as the GST paid on procurement is available as input tax credit.

(iii) State Industrial Incentive Policies

Various State Governments including Rajasthan, Uttar Pradesh, Odisha, Karnataka, etc. to generate economic growth and revenue in their state, have issued State Industrial policies, which provide special incentives and benefits to manufacturers and service sector enterprises, investing in their state. Tourism and hospitality sector, is also one of the service sectors which has been covered under these industrial policies or through a separate tourism policy which provides fiscal incentives to such enterprises making investments in the respective state. The fiscal incentives generally include:

- Capital investment subsidy capped at a certain limit is provided by the State Government to the concerned enterprises providing hotel accommodation services
- Interest subsidy on loans
- Exemption/ concession from payment of stamp duty on sale/lease/ transfer of land
- Employment generation subsidy in the form of reimbursement of employers' contribution towards employees Employee's provident fund (EPF) and Employee's State insurance (ESI)
- Waiver of land conversion charges
- Allotment of land at concessional rates for setting up tourism units
- Subsidy in payment of state taxes
- Other benefits linked to employment generation

The State incentives mentioned above vary from state to state and also depend upon various factors such as the value of investments made by an enterprise as a new unit or expansion of the existing unit, area of establishment etc. The Company and its subsidiaries, running and operating hotels, may avail and enjoy the fiscal incentives provided in the state policies if it plans for setting up a new unit or expanding an existing unit, subject to the conditions specified in the incentive policies of the respective states.

Special Tax benefits to the Shareholders under the Indirect Tax Regulations

No special tax benefits are available to the Shareholders of the Company under the Indirect Tax regulations.

Note: For the purpose of reporting here, we have not considered the general tax benefits available to the Company or shareholders under the Indirect Tax Regulations.

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 Rights Issue under the Regulations as amended.

For and on behalf of the Board of Directors

EIH Limited



Name: **Kallol Kundu**

Designation: **Chief Financial Officer**

Place: New Delhi

Date: September 21, 2020

