

STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO FIVE-STAR BUSINESS FINANCE LIMITED (THE "COMPANY"), AND ITS SHAREHOLDERS UNDER THE APPLICABLE TAX LAWS IN INDIA

The Board of Directors,
Five-Star Business Finance Limited
New No. 27, Old No 4,
Taylor's Road, Kilpauk,
Chennai-600 010
Tamil Nadu, India.

Dear Sirs,

Re: Statement of Special Tax Benefits available to Five-Star Business Finance Limited, and its shareholders under the Indian tax laws.

1. We hereby confirm that the enclosed Annexures 1 and 2 (together, the "Annexures"), prepared by the Company, provides the special tax benefits available to the Company and to the shareholders of the Company as stated in those Annexures, under:
 - the Income-tax Act, 1961 (the "Act") as amended by the Finance Act, 2022 applicable for the Financial Year 2022-23 relevant to the Assessment Year 2023-24, presently in force in India; and
 - the Central Goods and Services Tax Act, 2017, the Integrated Goods and Services Tax Act, 2017 and the applicable State / Union Territory Goods and Services Tax Act, 2017 ("GST Acts"), as amended from time to time, the Customs Act, 1962 ("Customs Act") and the Customs Tariff Act, 1975 ("Tariff Act"), as amended by the Finance Act 2022 applicable for the Financial Year 2022-23, Foreign Trade Policy 2015-20 as extended till 30 September 2022 *vide* Notification No 64/2015-20 dated 31 March 2022 (unless otherwise specified), presently in force in India.

The Act, the GST Acts, Customs Act and Tariff Act, as defined above, are collectively referred to as the "Relevant Acts"

2. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the Relevant Acts. Hence, the ability of the Company and/or its shareholders to derive the tax benefits is dependent upon their fulfilling of such conditions which, based on business imperatives the Company face in the future, the Company or its shareholders may or may not choose to fulfil.
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 management of the Company. We are informed that these Annexures are 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 their own tax consultant with respect to the specific tax implications arising out of their participation in the proposed initial public offering of equity shares (the "Proposed IPO") by the Company.
4. We do not express any opinion or provide any assurance as to whether:
 - i) the Company or its shareholders will continue to obtain these benefits in future;
 - ii) the conditions prescribed for availing the benefits have been / would be met with; and
 - iii) the revenue authorities/courts will concur with the views expressed herein.



S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

5. The contents of the enclosed Annexures are based on information, explanations and representations obtained from the Company and on the basis of their understanding of the business activities and operations of the Company.
6. This Statement is issued solely in connection with the proposed offering of equity shares of face value Re 1 each of the Company and is not to be used, referred to or distributed for any other purpose.

For **S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W / E300004



per **Bharath N S**

Partner

Membership Number: 210934

UDIN: 22210934AYLDHK6149

Place of Signature: Chennai

Date: 06 October 2022



ANNEXURE 1

STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO FIVE-STAR BUSINESS FINANCE LIMITED (THE "COMPANY"), AND ITS SHAREHOLDERS UNDER THE INCOME-TAX ACT, 1961

Outlined below are the special tax benefits available to the Company, and its Shareholders under the Income-tax Act, 1961 (the "Act") as amended by the Finance Act, 2022 applicable for the Financial Year 2022-23 relevant to the Assessment Year 2023-24, presently in force in India

I. Special tax benefits available to the Company

1. As per the provisions of section 80JJAA of the Act, a company subject to tax audit under section 44AB of the Act and whose gross total income includes any profit and gains derived from business shall be entitled to claim a deduction of an amount equal to thirty percent of additional employee cost incurred in the course of such 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 eligibility to claim the deduction is subject to fulfilment of prescribed conditions specified in sub-section (2) of section 80JJAA of the Act.
2. The Company is entitled to accelerated deduction in respect of bad and doubtful debts up to the limit specified under section 36(1)(viia) of the Act in computing its income under the head "Profits and gains of business or profession", to the extent of five per cent (5%) of the gross total income, computed before considering any deduction under the aforesaid section and Chapter VI-A of the Act, and subject to satisfaction of prescribed conditions.
3. As per the provisions of section 43D of the Act, the Company, being a systematically important non-deposit taking non-banking financial company as defined in section 43B of the Act, is entitled to the benefit of offering to tax the interest income on bad and doubtful loans, which are not credited to profit and loss account of that year, on realization basis. Such benefit is available in respect of certain categories of bad and doubtful loans as may be prescribed having regard to the guidelines issued by the Reserve Bank of India.

II. Special tax benefits available to the Shareholders

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

Notes:

1. This Annexure sets out the only the special tax benefits available to the Company, and its shareholders under the Income-tax Act, 1961 (the "Act") as amended by the Finance Act, 2022 applicable for the Financial Year 2022-23 relevant to the Assessment Year 2023-24, presently in force in India.
2. This Annexure covers only certain relevant benefits under the Act and does not cover any other benefit under any other law.
3. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the Act.
4. As per section 115BAA of the Act, the Company has an option to pay income tax in respect of its total income at a concessional tax rate of 25.168% (including applicable surcharge and cess) subject to satisfaction of certain conditions with effect from Financial Year 2019-20 (i.e. Assessment Year 2020-21). The Company has adopted the said tax rate with effect from Financial Year 2019-20. Such option once exercised shall apply to subsequent assessment years. In such a case, the Company may not be allowed to claim any of the following deductions/exemptions:

- i) Deduction under the provisions of section 10AA (deduction for units in Special Economic Zone).
- ii) Deduction under clause (iia) of sub-section (1) of section 32 (Additional depreciation).
- iii) Deduction under section 32AD or section 33AB or section 33ABA (Investment allowance in backward areas, Investment deposit account, site restoration fund)
- iv) Deduction under sub-clause (ii) or sub-clause (iia) or sub-clause (iii) of sub-section (1) or sub-section (2AA) or sub-section (2AB) of section 35 (Expenditure on scientific research)
- v) Deduction under section 35AD or section 35CCC (Deduction for specified business agricultural extension project)
- vi) Deduction under section 35CCD (Expenditure on skill development)
- vii) Deduction under any provisions of Chapter VI-A other than the provisions of section 80JJAA or Section 80M
- viii) No set off of any loss carried forward or depreciation from any earlier assessment year, if such loss or depreciation is attributable to any of the deductions referred from clause i) to vii) above.
- ix) No set off of any loss or allowance for unabsorbed depreciation deemed so under section 72A, if such loss or depreciation is attributable to any of the deductions referred from clause i) to vii) above

Further, it was clarified by the Central Board of Direct Taxes vide Circular No. 29/ 2019 dated 02 October 2019 that if the Company opts for concessional income tax rate under section 115BAA, the provisions of section 115JB regarding Minimum Alternate Tax (MAT) are not applicable. Further, such Company will not be entitled to claim tax credit relating to MAT.

5. This Annexure 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/her own tax advisor with respect to specific tax arising out of their participation in the Proposed IPO
6. 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 Tax Avoidance Agreement(s), if any, between India and the country in which the non-resident has fiscal domicile.
7. No assurance is provided 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.

For Five-Star Business Finance Limited



Lakshmi Pathy Deenadayalan
Chairman and Managing Director

Place: Chennai
Date: 06 October 2022

ANNEXURE 2

STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO FIVE-STAR BUSINESS FINANCE LIMITED (THE "COMPANY"), AND ITS SHAREHOLDERS UNDER THE APPLICABLE LAWS FOR INDIRECT TAXES

Outlined below are the special tax benefits available to the Company, and its Shareholders under the Central Goods and Services Tax Act, 2017, the Integrated Goods and Services Tax Act, 2017 and the applicable State / Union Territory Goods and Services Tax Act, 2017, The Goods and Services Tax (Compensation to States) Act, 2017 and relevant rules made thereunder ("GST Acts") as amended from time to time, the Customs Act, 1962 ("Customs Act") and the Customs Tariff Act, 1975 ("Tariff Act"), as amended by the Finance Act 2022 applicable for the Financial Year 2022-23, Foreign Trade Policy 2015-20 as extended till 30 September 2022 *vide* Notification No 64/2015-20 dated 31 March 2022 (unless otherwise specified), presently in force in India.

I. Special tax benefits available to the Company

No special Indirect tax benefits available to the Company.

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

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

Notes:

1. This Annexure sets out the only the special tax benefits available to the Company and its Shareholders under the Central Goods and Services Tax Act, 2017, the Integrated Goods and Services Tax Act, 2017 and the applicable State / Union territory Goods and Services Tax Act, 2017, The Goods and Services Tax (Compensation to States) Act, 2017 and relevant rules made thereunder ("GST Acts") as amended from time to time, the Customs Act, 1962 ("Customs Act") and the Customs Tariff Act, 1975 ("Tariff Act"), as amended by the Finance Act 2022 applicable for the Financial Year 2022-23, Foreign Trade Policy 2015-20 as extended till 30 September 2022 *vide* Notification No 64/2015-20 dated 31 March 2022 (unless otherwise specified), presently in force in India.
2. This Annexure 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 Proposed IPO.
3. Our comments are based on specific activities carried out by the Company from 01 April 2022 till the 30 June 2022. Any variation in the understanding could require our comments to be suitably modified.
4. During the period from 01 April 2022 to 30 June 2022, the Company has:
 - i. not claimed any exemption or benefits or incentives under the indirect tax laws;
 - ii. not exported any goods or services outside India;
 - iii. not imported any goods or services from outside India;
 - iv. not made any fresh investment in any State of the country and has not claimed any incentive under any State Incentive Policy.
5. This annexure covers only indirect tax laws benefits and does not cover any income tax law benefits or benefit under any other law.

6. These comments are based upon the provisions of the specified Indirect tax laws, and judicial interpretation thereof prevailing in the country, as on the date of this Annexure.

For Five-Star Business Finance Limited



Lakshmiipathy Deenadayalan
Chairman and Managing Director
Place: Chennai
Date: 06 October 2022