

## Frequently Asked Questions

### 1. What will be the nature of the distributions by InvIT?

Distributions to the unitholders of an InvIT can be characterised as (i) interest (ii) dividend (iii) other income or (iv) repayment of unit capital (v) a combination of any of the foregoing receipts

The characterization of distribution will depend on nature of net distributable cash flows received by the InvIT from its underlying investment in Special Purpose Vehicles (“SPVs”).

### 2. What will be the frequency of distributions by InvITs to unitholders?

Distributions have to be disbursed at least once every six months in the case of publicly offered InvITs as per the extant [SEBI Infrastructure Investment Trusts Regulations, 2014 \(as amended from time to time\)](#).

IndiGrid has adopted a policy of quarterly distributions to unitholders. This is in line with IndiGrid’s stated objective of providing stable and sustainable distributions to unitholders.

### 3. Is the distribution of income made by InvIT exempt in the hands of unitholders?

Tabulated below is the summary of different sources of income that can be earned by a unitholder and its taxability under the provisions of the Income-tax Act, 1961 (‘IT Act’):

Nature of income	Taxability in the hands of InvIT	Taxability in the hands of a tax resident unitholder	Taxability in the hands of a tax non-resident unitholder
Distribution of Interest Income earned by InvIT from underlying investment in SPVs	Exempt under S.10(23FC)	Taxable at applicable tax rate	Taxable at concessional rate of 5% (plus applicable surcharge and cess) subject to benefit under applicable Tax Treaty**
Distribution of Dividend Income earned by InvIT from underlying investment in SPVs and units of Mutual Fund*	Exempt under S.10(23FC)	Exempt under section 10(23FD) in case SPV does not opt for concessional tax regime under S.115BAA	
		Taxable at applicable tax rate	Taxable at 20% (plus applicable surcharge and cess) subject to benefit under the applicable Tax Treaty**
Any other Income earned by InvIT [e.g. interest on bank deposits, capital gains, etc.]	Taxable at maximum marginal rate	Exempt [S. 10(23FD)]	Exempt [S. 10(23FD)]
Capital gains on sale of InvIT units by unitholders on the stock exchange [See FAQ 5]	Not applicable	Taxable	Taxable

\* For its current SPVs (as on date), IndiGrid has opted for concessional tax rate regime i.e. 22% plus applicable surcharge & cess under Sec.115BAA of the IT Act. Thus, dividends declared by IndiGrid, if any, would be taxable in the hands of unitholders.

\*\* The taxability position is stated as per the provisions under the IT Act. The unitholders can opt for the beneficial provisions under the Double Tax Avoidance Agreement (‘DTAA’) of their respective countries with India.

#### 4. What is the tax withholding obligation on InvITs for distribution of income?

Tax is required to be deducted by InvIT under the provisions of Section 194LBA of Income Tax Act, 1961 on distribution of income. Tabulated below is the summary of the same:

Nature of income	Withholding Tax Rate	
	In case of Tax Residents	In case of Non- Residents for tax purposes
Distribution of Interest Income earned by InvIT from underlying investment in SPVs	10% (7.5% for period from 14 <sup>th</sup> May 2020 to 31 <sup>st</sup> March 2021)*	5% plus applicable surcharge and cess
Distribution of Dividend Income earned by InvIT from underlying investment in SPVs, having opted for concessional tax regime under S.115BAA**	10% (7.5% for period from 14 <sup>th</sup> May 2020 to 31 <sup>st</sup> March 2021)*	10% plus applicable surcharge and cess
Other Income earned by InvIT [e.g. interest on bank deposits etc.]	No withholding obligation on InvIT	No withholding obligation on InvIT
Capital gains on sale of InvIT units by unitholders on the stock exchange	No withholding obligation on InvIT	No withholding obligation on InvIT

\*Concessional Rates as per Ministry of Finance [circular](#) due to COVID-19 pandemic

\*\* For its current SPVs, IndiGrid has opted for concessional tax rate regime under Sec.115BAA of the IT Act. In case the SPV acquired in future does not opt for such concessional tax regime, the withholding obligation may vary.

**Note 1:** Tax withholding by InvIT is made under section 194LBA, hence provisions of section 197A relating to Form 15G/H for nil/ lower withholding rates are not applicable (See FAQ 7).

**Note 2:** For non-resident unitholders - the Supreme Court in a [recent judgement](#), on the applicability of the provisions of the Double Taxation Avoidance Agreement (DTAA) for withholding tax purposes, held that the obligation to withhold taxes under the special provisions of the Act is not affected by the DTAA. The benefit of the DTAA can be considered by the payee and if found valid, the taxes withheld can be claimed as a refund with interest. However, such a treatment does not absolve the payer from carrying out withholding obligations under the Income Tax Act, 1961 ("the Act"). Consequently, TDS will be deducted at the aforesaid rates mentioned in the Act.

**Note 3:** For **non-resident unitholders**, in case of interest distributions, following documents needs to be submitted to [complianceoffice@indigrid.co.in](mailto:complianceoffice@indigrid.co.in) on or before the record date, else TDS will be deducted at 10% (7.5% for period from 14<sup>th</sup> May 2020 to 31<sup>st</sup> March 2021) by regarding them as Resident for Indian Income Tax purposes :

- Tax residency certificate issued by the tax authorities of respective jurisdictions
- Self-declaration in Form 10F
- Residency declaration in the attached format



Declaration format  
1.docx

**5. Whether tax is required to be withheld on repayment of unit capital from proceeds of repayment of debt received by IndiGrid from Special Purpose Vehicles?**

The tax is not required to be withheld on repayment of unit capital and the same is subject to the applicable residential status of unitholders. In relation to taxability of such receipts, the unitholders can consult their tax consultants.

**6. What is the capital gains tax applicable on the sale of units of InvIT?**

The units of InvIT shall be regarded as long-term asset if the same are held for a period more than 3 years. If held for less than 3 years, then such units will be regarded as short-term capital asset.

If **long-term units** are sold through recognized stock exchange and such transaction is subject to securities transaction tax, the gain arising thereon shall be taxable at concessional rate of 10% (plus applicable surcharge and cess) without indexation benefit under section 112A of the Income Tax Act, 1961.

If **short-term units** are sold through recognized stock exchange and such transaction is subject to securities transaction tax, the gain arising thereon shall be taxable at concessional rate of 15% (plus applicable surcharge and cess) without indexation benefit under section 111A of the Income Tax Act, 1961.

The Securities Transaction Tax will be levied as applicable.

**7. When will TDS certificates be issued to the unitholders?**

The TDS certificates in Form 16A shall be issued to the unitholders on quarterly basis in accordance with the timelines prescribed under the Income Tax Rules, 1962.

IndiGrid will issue the TDS certificates based on the following indicative timeline:

Quarter	Actual payment of distribution	Timeline for issue of TDS certificates
April to June	On or before August 31	On or before 15 November
July to September	On or before November 30	On or before 15 February
October to December	On or before February 28/ 29 (as applicable)	On or before 15 May
January to March	On or before May 31	On or before 15 August

**8. Whether Form 15H/15G for claiming exemption from TDS deduction under Income Tax Act, 1961 can be accepted by the InvIT?**

As per the provisions of Income Tax Act, 1961, liability to deduct TDS on income distributed by any 'business trust', i.e. IndiGrid in the present case, to its unitholders arises under section 194LBA of the Act.

Section 197A of the Act provides for exemption from deduction of taxes at source under certain 'specified sections', in case the payee/ recipient of income furnishes a declaration in the prescribed form (i.e. Form 15G or Form 15H, as the case may be) that his total income for such year shall not exceed the maximum amount not chargeable to tax (including such income for which Form 15G/ 15H is being submitted).

However, Section 197A does not cover grant of exemption for payments covered under section 194LBA. Accordingly, IndiGrid cannot consider the declaration in Form 15G/ 15H for deducting taxes under section 194LBA on income distributed by it to its unitholders and is required to deduct taxes as per the rates prescribed therein.

**9. What is the timeline for issue of Form 64B required under Income Tax Act, 1961 by the InvIT?**

According to sub section (4) of section 115UA of Income Tax Act, 1961 read along with Rule 12CA of Income Tax Rules, 1962, any person responsible for making payment of the income distributed on behalf of a business trust to a unit holder is required to furnish a statement in Form 64B to the unit holder by 30th June of the financial year following the previous year in which income is distributed duly verified by the person distributing the income on behalf of the business trust in the manner indicated therein.

In case any of the investors has not received the same they can reach us at [complianceoffice@indigrid.co.in](mailto:complianceoffice@indigrid.co.in) or [support.indiagrid@kfintech.com](mailto:support.indiagrid@kfintech.com) with the subject line “ Non receipt of form 64B for FY xxxx” with following details :-

Name of unit holder  
PAN of unitholder  
DP ID & Client ID

**10. What will be the point of taxation of distribution of income by InvIT?**

IndiGrid has adopted a policy of quarterly distribution. Amount received from InvIT shall be taxable in the hands of unitholder in the financial year in which such income is received/ distributed.

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