

# BSR & Co. LLP

Chartered Accountants

14th Floor, Central B Wing and North C Wing  
Nesco IT Park 4, Nesco Center  
Western Express Highway  
Goregaon (East), Mumbai – 400 063, India  
Telephone: +91 (22) 6257 1000  
Fax: +91 (22) 6257 1010

## REPORT ON STATEMENT OF POSSIBLE SPECIAL TAX BENEFITS

The Board of Directors

Schloss Bangalore Limited (formerly known as "Schloss Bangalore Private Limited")

The Leela Palace  
Diplomatic Enclave, Africa Avenue  
Netaji Nagar, South Delhi  
New Delhi 110 023  
Delhi, India

Date: 19 May 2025

**Subject: Statement of possible special tax benefits ("the Statement") available to Schloss Bangalore Limited (formerly known as "Schloss Bangalore Private Limited") ("the Company"), its shareholders and its material subsidiaries audited by us prepared in accordance with the requirement under Schedule VI – Part A - Clause (9) (L) of Securities and Exchange Board of India, (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("the ICDR Regulations")**

This report is issued in accordance with the terms of our engagement letter dated 03 September 2024 and subsequent addendum dated 13 January 2025.

We hereby report that the enclosed Annexure II prepared by the Company, initialed by us for identification purpose, states the possible special tax benefits available to the Company, its shareholders and its material subsidiaries audited by us, which are defined in Annexure I (LIST OF MATERIAL SUBSIDIARIES CONSIDERED AS PART OF THE STATEMENT), under direct and indirect taxes (together "the Tax Laws"), presently in force in India as on the signing date, which are defined in Annexure I prepared by the Company initialed by us for identification purpose. These possible special tax benefits are dependent on the Company, its shareholders and its material subsidiaries audited by us, fulfilling the conditions prescribed under the relevant provisions of the Tax Laws. Hence, the ability of the Company, its shareholders and its material subsidiaries audited by us to derive these possible special tax benefits is dependent upon their fulfilling such conditions, which is based on business imperatives the Company and its material subsidiaries audited by us may face in the future and accordingly, the Company, its shareholders and its material subsidiaries audited by us may or may not choose to fulfill.

The benefits discussed in the enclosed Annexure II cover the possible special tax benefits available to the Company, its shareholders and its material subsidiaries audited by us and do not cover any general tax benefits available to the Company, its shareholders and its material subsidiaries audited by us. Further, the preparation of the enclosed Annexure II and its contents is the responsibility of the management of the Company. We were informed that the 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 proposed initial public offering of equity shares of the Company (the "Proposed Offer") 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 possible special tax benefits, which an investor can avail. Neither we are suggesting nor advising the investors to invest money based on the Statement.

We conducted our examination in accordance with the "Guidance Note on Reports or Certificates for Special Purposes (Revised 2016)" (the "Guidance Note") issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India. Our scope of work did not involve

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performance of any audit test in this context of our examination. Accordingly, we do not express an audit opinion.

We have complied with the relevant applicable requirements of 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.

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

- i. the Company, its shareholders and its material subsidiaries audited by us will continue to obtain these possible special tax benefits in future; or
- ii. the conditions prescribed for availing the possible special tax benefits where applicable; have been/would be met with.

The contents of the enclosed Annexures are based on the information, explanation and representations obtained from the Company and its material subsidiaries audited by us, and on the basis of our understanding of the business activities and operations of the Company and its material subsidiaries audited by us.


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 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 and any other person in respect of this report, except as per applicable law.

We hereby give consent to include this report in the Red Herring Prospectus ("RHP"), the Prospectus and in any other material used in connection with the Proposed Offer, and it is not to be used, referred to or distributed for any other purpose without our prior written consent.

**For BSR & Co. LLP**

*Chartered Accountants*

Firm's Registration No.:101248W/W-100022

  
Tarun Kinger  
Partner

Membership No.: 105003

UDIN: 25105003BMMA PZ2042

Place: Mumbai

Date: 19 May 2025



**ANNEXURE I**  
**LIST OF DIRECT AND INDIRECT TAX LAWS ('TAX LAWS')**

Sr. No.	Details of tax laws
1.	Income-tax Act, 1961 and Income-tax Rules, 1962
2.	Central Goods and Services Tax Act, 2017
3.	Integrated Goods and Services Tax Act, 2017
4.	State Goods and Services Tax Act, 2017
5.	Customs Act, 1962, Customs Tariff Act, 1975 read with rules, circulars, and notifications each as amended
6.	Foreign Trade Policy 2023 read with Handbook of Procedures 2023
7.	Applicable State Value Added Tax
8.	Central Sales Tax Act
9.	Rajasthan Investment Promotion Scheme 2014 ('RIPS') there under and as amended from time to time by Rajasthan State Government

**LIST OF MATERIAL SUBSIDIARIES CONSIDERED AS PART OF THE STATEMENT (Note 1)**

1. Schloss Chanakya Private Limited
2. Schloss Chennai Private Limited
3. Tulsi Palace Resort Private Limited

Note 1. Material subsidiaries identified in accordance with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, includes a subsidiary whose income or net worth in the immediately preceding year (i.e.31 March 2025) exceeds 10% of the consolidated income or consolidated net worth respectively, of the holding company and its subsidiaries in the immediate preceding year.



## ANNEXURE II

### STATEMENT OF POSSIBLE SPECIAL TAX BENEFITS AVAILABLE TO Schloss Bangalore Limited (formerly known as "Schloss Bangalore Private Limited") ("THE COMPANY") AND ITS SHAREHOLDERS AND ITS MATERIAL SUBSIDIARIES UNDER THE APPLICABLE DIRECT AND INDIRECT TAXES ("TAX LAWS")

Outlined below are the Possible Special Tax Benefits available to the Company, its shareholders and its material subsidiaries audited by us under the Tax Laws. These Possible Special Tax Benefits are dependent on the Company, its shareholders and its material subsidiaries audited by us fulfilling the conditions prescribed under the Tax Laws. Hence, the ability of the Company, its shareholders and its material subsidiaries audited by us to derive the Possible Special Tax Benefits is dependent upon fulfilling such conditions, which are based on business imperatives it faces in the future, it may or may not choose to fulfill. This information is in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the subscription, ownership, and disposal of equity shares of the Company under the Tax Laws.

#### UNDER THE TAX LAWS

##### A. *Special tax benefits available to the Company*

###### Direct Tax Laws

###### Lower corporate tax rate under section 115BAA of the Income-tax Act, 1961 ('the Act')

A new Section 115BAA has been inserted by the Taxation Laws (Amendment) Act, 2019 (the "Amendment Act, 2019") w.e.f. Financial Year ('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 option under Section 115BAA of the Act once exercised cannot be subsequently withdrawn for the same or any future financial year.

The Amendment Act, 2019 further provides that domestic companies availing such option will not be required to pay Minimum Alternate Tax ('MAT') under Section 115JB of the Act.

The provisions do not specify any limitation/ conditions on account of turnover, nature of business or date of incorporation for opting for the concessional tax rate. Accordingly, all existing as well as new domestic companies are eligible to avail this concessional rate of tax.

In case the Company opts for concessional tax rate under Section 115BAA of the Act, it shall not be eligible to claim and carry forward the MAT credit available and 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 Company has opted to pay concessional tax rate under Section 115BAA of the Act for Assessment Year ('AY') 2024-25 onwards.

###### Buy-back taxation aspect w.e.f. 01 October 2024

With effect from 1st October 2024, any buyback undertaken by the Company would be not taxable in the hands of the Company, but instead the gross buyback proceeds shall be taxable in the hands of the shareholders as deemed dividend at applicable tax rates. For resident shareholders, the Company shall withhold tax at the rate of 10% under section 194 of the Act. For non-resident shareholders, the Company shall withhold tax at the rate of 20% under Section 195 of the Act. It needs to be analysed whether the beneficial dividend tax rate under the Double Taxation Avoidance Agreement ("DTAA") can be availed.

###### Deduction in respect of inter-corporate dividends – Section 80M of the Income-tax Act, 1961

As per the provisions of section 80M of the Act, a resident corporate shareholder can claim a





deduction of an amount equal to dividends received from another domestic company or a foreign company or a business trust. Such deduction shall be claimed from gross total income of the resident corporate shareholder and shall 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 of the Act. The deduction under Section 80M is available even if domestic company opts for concessional tax rate under Section 115BAA of the Act.

#### **Section 35D – Amortisation of preliminary expenditure**

As per the provisions of Section 35D of the Act, subject to conditions the Company may be entitled to amortize preliminary expenditure, being specific expenditure incurred in connection with the issue for public subscription or being other expenditure as prescribed under this Section. This is subject to the specified limit under the Act i.e., maximum 5% of the cost of the project or 5% of the capital employed in the business of the company. The deduction is allowable for an amount equal to one-fifth of such expenditure for each of five successive previous years beginning with the previous year in which the business commences or as the case may be, the previous year in which the extension of the undertaking is completed, or the new unit commences production or operation.

#### **Indirect Tax Laws**

There are no special tax benefits available to the Company under Goods and Services Tax law, State Value Added Tax/ Central Sales Tax law.

#### **Benefits under the Foreign Trade Policy 2023**

The Company is availing the benefit of exemption from payment of Customs duty on import of capital goods under the Export Promotion Capital Goods ('EPCG') scheme as per Chapter 5 of Foreign Trade Policy read with relevant notification under the Customs Act). The said benefit is subject to an export obligation equal to six times of duty saved, to be fulfilled within six years from the date of issue of EPCG authorization.

### **B. *Special tax benefits available to Shareholders***

#### **Direct Tax Laws**

Dividend income earned by the shareholders would be taxable in their hands at the applicable rates. However, in the case of a domestic corporate shareholder, benefit of deduction under Section 80M of the Act would be available on fulfilling the conditions. In case of the shareholders who are individuals, Hindu Undivided Family, Association of Persons, Body of Individuals, whether incorporated or not and every artificial juridical person, the surcharge would be restricted to 15%, irrespective of the amount of dividend. Further, the shareholders would be entitled to take credit of the Tax Deducted at Source, if any, by the Company against the taxes payable by them.

As per Section 112A of the Act, long-term capital gains arising from transfer of an equity share (on or after 23 July 2024) shall be taxed at the rate of 12.50% (plus applicable surcharge and cess) (without indexation and foreign exchange fluctuation benefit) of such capital gains subject to fulfilment of prescribed conditions under the Act. Income-tax on long term capital gains is levied where such capital gains exceed Rs.1,25,000 in a Assessment Year.

As per Section 111A of the Act, short term capital gains arising from transfer of a listed equity share, (on or after 23 July 2024) shall be taxed at the rate of 20% (plus applicable surcharge and cess) subject to fulfilment of prescribed conditions under the Act.

The gross proceeds from buy-back of equity share shall be taxable in the hands of shareholder as dividend income. The sale proceeds for computation of capital gain on buy-back of shares shall be Nil.

As per Section 90(2) of the Act, non-resident shareholders will be eligible to take the beneficial provisions under the respective DTAA, if any applicable to such non-residents. This is subject to fulfilment of conditions prescribed to avail treaty benefits. Further, any income by way of capital gains or dividend accruing to non-residents may be subject to withholding tax per the provisions of the Act or under the relevant DTAA, whichever is beneficial to such non-resident. However, where such non-resident has obtained a lower withholding tax certificate from the tax authorities, the withholding tax rate would be as per the said certificate. The non-resident shareholders can also avail credit of any



taxes paid by them, subject to local laws of the country in which such shareholder is resident.

As per Section 115BAC of the Act, subject to conditions an option to opt for simplified/new tax regime is available to individuals and Hindu Undivided Family, Association of Persons, Body of Individuals, whether incorporated or not and every artificial juridical person is available. Certain additional benefits have been provided which are listed as under:

- Basic exemption limit has increased from INR 3,00,000 to INR 4,00,000;
- Highest applicable surcharge on income above has been reduced from 37% to 25%;
- Income threshold for the tax rebate available for resident individuals has been increased from INR 7,00,000 to INR 12,00,000;

It may be noted that the shareholders have the discretion to exercise the simplified tax regime.

Except the above, there are no other possible special tax benefits available to the Shareholders of the Company for investing in the shares of the Company.

#### **Indirect Tax Laws**

As per the Goods and Services Tax law, shares are neither considered as goods nor services and therefore sale of shares are not liable to payment of GST. Similarly, income derived from shares (e.g., dividend) is not liable to payment of GST under GST law.

#### **C. *Special tax benefits available to Material Subsidiaries***

##### **Direct Tax Laws**

##### **Lower corporate tax rate under section 115BAA of the Income-tax Act, 1961**

A new Section 115BAA has been inserted by the Taxation Laws (Amendment) Act, 2019 (the "Amendment Act, 2019") w.e.f. Financial Year ('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 option under Section 115BAA of the Act once exercised cannot be subsequently withdrawn for the same or any future financial year.

The Amendment Act, 2019 further provides that domestic companies availing such option will not be required to pay Minimum Alternate Tax ('MAT') under Section 115JB of the Act.

The provisions do not specify any limitation/ conditions on account of turnover, nature of business or date of incorporation for opting for the concessional tax rate. Accordingly, all existing as well as new domestic companies are eligible to avail this concessional rate of tax.

In case the material subsidiaries opts for concessional tax rate under Section 115BAA of the Act, it shall not be eligible to claim and carry forward the MAT credit available and 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 material subsidiary "Schloss Chanakya Private Limited" has not yet opted to pay concessional tax rate under Section 115BAA of the Act for AY 2025-26 while material subsidiaries "Tulsi Palace Resort Private Limited" and "Schloss Chennai Private Limited" have opted to pay concessional tax rate under section 115BAA of the Act from Assessment Year ('AY') 2024-25 onwards.

##### **Buy-back taxation aspect w.e.f. 01 October 2024**

With effect from 1st October 2024, any buyback undertaken by the Company would be not taxable in the hands of the Company, but instead the gross buyback proceeds shall be taxable in the hands of the shareholders as deemed dividend at applicable tax rates. For resident shareholders, the company shall withhold tax at the rate of 10% under section 194 of the Act. For non-resident shareholders, the Company shall withhold tax at the rate of 20% under Section 195 of the Act. It needs to be analysed whether the beneficial dividend tax rate under the DTAA can be availed.

##### **Deduction under section 35AD of the Act**



As per the provisions of Section 35AD of the Act, a company engaged in specified business (building and operating, anywhere in India, a hotel of two star or above category as classified by the Central Government) is entitled to a deduction of 100% of the capital expenditure incurred for the purpose of said business carried on by it during the previous year in which such expenditure is incurred by him, subject to fulfilment of prescribed conditions.

In this regard, the benefit under section 35AD shall be available for specified business, in the present case building and operating a new hotel of two-star category or above provided it commences operations on or after the 1st day of April 2010.

The material subsidiary "Schloss Chanakya Private Limited" has not yet opted to pay concessional tax rate under Section 115BAA of the Act for AY 2025-26. Hence, the material subsidiary may be eligible to claim deduction under Section 35AD of the Act provided satisfaction of the aforesaid conditions. In case the material subsidiary opts for concessional tax rate under Section 115BAA of the Act, it shall not be eligible to claim deduction under Section 35AD of the Act. However, material subsidiaries "Tulsi Palace Resort Private Limited" and "Schloss Chennai Private Limited" have opted to pay concessional tax rate under Section 115BAA of the Act from AY 2024-25 onwards and therefore, will not be eligible to claim deduction under Section 35AD of the Act.

#### **Deduction in respect of inter-corporate dividends – Section 80M of the Act**

As per the provisions of section 80M of the Act, a resident corporate shareholder can claim a deduction of an amount equal to dividends received from another domestic company or a foreign company or a business trust. Such deduction shall be claimed from gross total income of the resident corporate shareholder and shall 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 of the Act. The deduction under Section 80M is available even if domestic company opts for concessional tax rate under Section 115BAA of the Act.

#### **Section 35D – Amortisation of preliminary expenditure**

As per the provisions of Section 35D of the Act, subject to conditions the Material Subsidiaries may be entitled to amortize preliminary expenditure, being specific expenditure incurred in connection with the issue for public subscription or being other expenditure as prescribed under this Section. This is subject to the specified limit under the Act i.e., maximum 5% of the cost of the project or 5% of the capital employed in the business of the company. The deduction is allowable for an amount equal to one-fifth of such expenditure for each of five successive previous years beginning with the previous year in which the business commences or as the case may be, the previous year in which the extension of the undertaking is completed, or the new unit commences production or operation.

#### **Indirect Tax Laws**

There are no special tax benefits available to the material subsidiaries under Goods and Services Tax law, State Value Added Tax/ Central Sales Tax law.

#### **Benefits under the Foreign Trade Policy 2023**

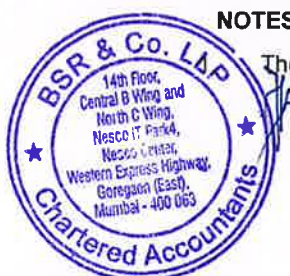
The material subsidiaries (Schloss Chanakya Private Limited, Schloss Chennai Private Limited and Tulsi Palace Resort Private Limited) are availing the benefit of exemption from payment of Customs duty on import of capital goods under the Export Promotion Capital Goods ('EPCG') scheme as per Chapter 5 of Foreign Trade Policy read with relevant notification under the Customs Act). The said benefit is subject to an export obligation equal to six times of duty saved, to be fulfilled within 6 years from the date of issue of EPCG authorization.

#### **Benefits under Rajasthan Investment Promotion Scheme (RIPS)**

One of the material subsidiary viz., Tulsi Palace Resort Private Limited has availed the benefit of Rajasthan Investment Promotion Scheme issued by the Government of Rajasthan, in terms of which the material subsidiary is entitled to receive investment subsidy in the form of 50% of SGST paid, on a quarterly basis based on the fixed capital investment. Further, Tulsi Palace Resort Private Limited is also entitled to receive employment generation subsidy up to 20% of SGST paid.

#### **NOTES:**

The above is as per the current Tax Laws.





2. 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 the existing and potential tax consequences of the purchase, ownership and disposal of equity shares of the Company.
3. This Statement does not discuss any tax consequences in any country outside India of an investment in the equity shares of the Company. The shareholders / investors in any country outside India are advised to consult their own professional advisors regarding possible income tax consequences that apply to them under the laws of such jurisdiction.

For Schloss Bangalore Limited (formerly known as "Schloss Bangalore Private Limited")

Anuraag Bhatnagar

Director

Place: Mumbai

Date: 19 May 2025



*[Handwritten signature]*

