

Frequently Asked Questions (FAQs)

Tata Motors Limited released the initial set of FAQs on August 22, 2024, in relation to the Scheme of Arrangement between Tata Motors Limited ('the Company' / 'TML') and its Shareholders and Creditors under sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ("the Scheme") which provides for reduction through cancellation of the "A" Ordinary Shares and consequent issuance and allotment of the New Ordinary Shares, as consideration other than cash for such reduction. Upon the Scheme becoming effective on September 1, 2024 and completion of the corporate actions envisaged thereunder, updated FAQs are now being released for the benefit of the Stakeholders of the Company

1. What is the Capital Reduction Scheme announced by TML?

Capital Reduction Scheme announced by TML, which was effective on September 1, 2024 involves, *inter alia*, the following: :

- As a result of the capital reduction, "A" Ordinary Shareholders (as on Record date, *i.e.*, September 1, 2024) are entitled to receive 7 Ordinary shares of TML for every 10 "A" Ordinary Shares held ("Capital Reduction Consideration").
- The distribution of Capital Reduction Consideration attracts withholding tax ('WHT') / TDS obligation on TML:
 - (A) under Sec 2(22)(d) of the Income Tax Act, 1961 ('the Act') (to the extent of accumulated profits of TML on the closing hours of 31st August 2024) and
 - (B) capital gains to the extent the consideration exceeds deemed dividend and cost of acquisition (in the case of Non-Resident shareholders only excluding FPIs/FILs).
- To operationalize the Capital Reduction Scheme, TML has established an irrevocable determinate private trust named "TML Securities Trust (Trust)" with Axis Trustee Services Limited acting as an Independent Trustee.
 - TML has issued New Ordinary Shares to the Trust on behalf and for the benefit of each of the "A" Ordinary Shareholders.
 - Trust has sold requisite number of New Ordinary Shares to discharge obligations in relation to withholding tax as mentioned above and taxes on sale of shares (including STT & other expenses relating to the sale) and will distribute the remaining New Ordinary Shares and cash to the "A" Ordinary Shareholders.
 - Undertake all other related matters as detailed in Clause 6 of the Scheme including dealing with fractional entitlements in accordance with the mechanism prescribed under Clause 6 of the Scheme.

2. What is deemed dividend? Why is the shareholder subjected to Deemed Dividend?

In a Capital Reduction Scheme, consideration distributed in the form of new shares is treated as distribution of accumulated profits to the shareholders. This is as per Section 2(22)(d) of the Act. Accordingly, accumulated profits as

on the record date will be treated as deemed dividend in the hands of shareholders and will be taxable at the applicable tax rates (including slab rates for individuals). TDS shall be applicable as referred to in Q1 above.

3. What is the Record Date and Effective Date of the Scheme?

Record Date and Effective Date is 1st September 2024.

4. Will Accumulated Profits of TML be calculated on standalone or consolidated balance sheet position?

Accumulated Profits of TML are calculated on standalone basis only and as at the closing hours of August 31, 2024.

5. What is the deemed dividend per share as on the Effective Date?

Deemed dividend per 'A' Ordinary Share as on the Effective Date i.e., on September 1, 2024, is INR 200.63 per share.

6. What are the withholding tax rates for the shareholders? Will the Company issue TDS certificate?

Below are the applicable TDS rates for broad category of shareholders:

| Category of Shareholders | TDS on Deemed Dividend | TDS on Capital Gains |
|--|------------------------|--------------------------|
| Residents | 10% | NA |
| FPI/FII* | 20% | NA |
| Non-resident individual* | 20% | 30% (<12m); 12.5% (>12m) |
| Non-resident company* | 20% | 35% (<12m); 12.5% (>12m) |
| Mutual Funds u/s 10(23D)/Insurance Cos | 0% | 0% |

**Non-resident tax liability is subject to tax treaty benefits, if any based on requisite documents received by TML. Further, tax rates mentioned above are excluding applicable surcharge and cess.*

A separate communication, *inter alia*, capturing the TDS rate applied on deemed dividend and capital gains is being sent by the Company to the "A" Ordinary Shareholders upon the distribution of balance New Ordinary Shares and cash entitlements to the "A" Ordinary Shareholders by the Trust.

Further, the Company will issue TDS certificate for the TDS on deemed dividend and capital gains, wherever applicable, within the specified timelines as per the Income Tax Act, 1961.

7. If there is a change in surcharge rate due to the deemed dividend on capital reduction, how any short deduction at the time of payout of June 2024 dividend has been dealt with?

As the June 2024 dividend payout and capital reduction are taking place in the same assessment year, total income is considered by the Company while determining the effective TDS rate. Therefore, there may be cases wherein the TDS

rate considered at the time of June 2024 dividend payout is lower than the current applicable TDS rate applied on the deemed dividend due to the overall payout (say in cases where exemption limit of INR 5,000 is being breached during deemed dividend on capital reduction or where surcharge rate is increasing due to the deemed dividend on capital reduction).

8. How is the surcharge rate determined for the purposes of TDS on deemed dividend for FPI/FII shareholders?

The Company has considered cumulative income (June 2024 dividend payout + deemed dividend income on capital reduction + capital gains on capital reduction) for the purposes of threshold of income to determine the applicable surcharge rates on deemed dividend income for FPIs/FIIs shareholders.

9. How is the cost of acquisition and period of holding being considered by the Company for the purpose of withholding tax for non-resident shareholders?

As per the shareholder communication dated August 19, 2024, in the absence of a CA certificate, the Company has withheld tax on a gross basis at the applicable maximum marginal rate, and while filing their return of income in India the shareholders can compute their income considering actual cost of acquisition and period of shareholding.

10. How is the benefit of Form 15G/15H provided to resident individual shareholders?

The benefit has been granted where cumulative income is upto INR 3.00 Lakhs for Form 15G cases and where cumulative income is upto INR 7.00 Lakhs for Form 15H cases.

For determining the estimated total income of resident individual, form data (as provided by such shareholder) or aggregate payout made by the Company (June 2024 dividend payout + deemed dividend income on capital reduction + capital gains on capital reduction), whichever is higher has been considered. In case the distribution amount by the Company itself exceeds the income thresholds, Form 15G/ Form 15H benefit is not provided to such shareholders.

11. What is the manner of computation of capital gains for non-residents (including FPI/FII) adopted by the Company? Will there be a deviation in the capital gains computed by the Company and the capital gains computed by respective non-residents (including FPI/FII)?

Gross sales consideration (-) deemed dividend is considered as the capital gains, unless a declaration is received by the Company for the cost of acquisition of the "A" Ordinary Shares held by such shareholders. TDS on capital gains is undertaken by the Company on consideration (-) deemed dividend (in absence of information w.r.t cost of acquisition from such shareholders).

When such shareholders compute the capital gains, they would do so by deducting their cost of acquisition from sales consideration (-) deemed dividend. Credit of TDS undertaken on deemed dividend and capital gains shall be available to the respective shareholders.

12. How will the “A” Ordinary Shareholders get tax credit for the TDS undertaken by the Company on capital reduction?

TML shall discharge its TDS obligation on the capital reduction by way of payment of TDS to the Central Government against PAN of the respective “A” Ordinary Shareholders within specified timelines as per the Act. TML will issue TDS certificate (as referred to in Q6 above) which shall enable the shareholders to claim TDS credit.

13. Effectively, how many New Ordinary Shares would the “A” Ordinary Shareholders receive?

The number of New Ordinary Shares you will receive in your demat account is dependent upon your residential status and applicable taxes. A separate communication in this regard is being sent by the Company to the “A” Ordinary Shareholders post completion of activity of distribution of balance New Ordinary Shares & cash entitlements to the “A” Ordinary Shareholders by the Trust.

14. What will be the cost of New Ordinary Shares under the Income Tax Act as received as consideration by the “A” Ordinary Shareholders?

The fair market value of the New Ordinary Shares as on September 1, 2024 is considered as the cost of New Ordinary Shares under the Income Tax Act, as received by the ‘A’ Ordinary Shareholders. In the present case, as the Effective Date is September 1, 2024 (Sunday) which is a non-trading day, the closing price on last trading session on the exchange which recorded highest volumes as of August 30, 2024 has been considered for this purpose.

As on August 30, 2024, NSE recorded the highest volumes of trade and therefore the closing price considered is INR 1,111.35 per share. The same price is considered as the distribution amount for the purpose of deemed dividend and capital gains calculation. Therefore, INR 1,111.35 is to be considered as cost per New Ordinary Share in the hands of the ‘A’ Ordinary Shareholders.

15. How will the period of holding be calculated under income tax of New Ordinary Shares received by “A” Ordinary Shareholders?

Period of holding of New Ordinary Shares received by “A” Ordinary Shareholders shall commence from the date of allotment of such New Ordinary Shares by the Company to the Trust, *i.e.*, from September 1, 2024.

16. What information would be captured in the shareholder communication to be released by the Company?

The separate communication being released by the Company shall capture details with respect to dividend income, capital gains, TDS rates, TDS amount, cost of acquisition of New Ordinary Shares, credit of New Ordinary Shares, credit of cash, etc., The said communication shall be sent by the Company to the “A” Ordinary Shareholders post completion

of activity of distribution of balance New Ordinary Shares & cash entitlements to the "A" Ordinary Shareholders by the Trust.

General information for 'A' Ordinary Shareholders:

1. Tax deduction would not be applicable to resident individual shareholder, if the total dividend to be paid during F.Y. 2024-25 does not exceed INR 5,000.
2. No tax has been deducted for entities which are excluded from the provisions of section 194 or the entities which are covered under section 196 of the Income Tax Act, 1961 subject to production of PAN and relevant documents.
3. In case no Permanent Account Number (PAN)/invalid PAN/ Specified Person us 206AB/ PAN Inoperative (on account of PAN-Aadhaar not linked) is recorded/ registered against the account no./folio in which the shares are held, tax has been deducted at a higher rate as per the provisions of Section 206AA/ 206AB of the Act.
4. In case of payments to non-resident shareholders, the lower rates, if any, prescribed under Double Taxation on Dividend Avoidance Agreement, have been applied on receipt of prescribed documents from the shareholders within the stipulated time and subject to completeness and satisfactory review of the document.
5. The 'A' Ordinary Shareholders are requested to consult their tax and accounting advisors for undertaking compliances as per applicable laws and regulations pertaining to their specific facts and circumstances.