

The Board of Directors
Sportking India Limited
Village Kanech, Near Sahnewal,
G.T. Road, Ludhiana - 141120

Sub.: Proposed buyback of equity shares of Sportking India Limited (“Company”) in terms of Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018, as amended (“Buyback Regulations”) through tender offer.

This report is issued in accordance with the terms of our engagement letter dated January 23, 2023. The Board of Directors of the Company have approved a proposed buyback of equity shares by the Company at its meeting held on January 28, 2023, in pursuance of the provisions of Section 68, 69 and 70 of the Companies Act, 2013 (“Act”) and the Buyback Regulations.

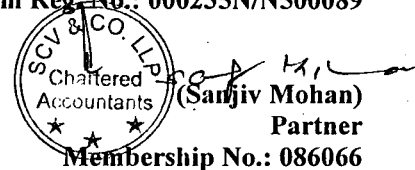
We have reviewed the “**Note on Taxation**” (enclosed as **Annexure I**) in respect of the proposed buy back of Equity Shares to be undertaken by the Company and hereby confirm that such Note on Taxation is in line with the prevailing income-tax laws in India. We confirm that the disclosure under **Annexure I** summarizes key provisions under the Income-tax Act, 1961, as amended and as applicable in relation to buyback of shares by the Company from the shareholders of the Company.

This report has been issued at the request of the Company solely for use of the Company;

- (i) in connection with the proposed buyback of equity shares of the Company in pursuance to the provisions of Section 68 and other applicable provisions of the Act and the Buyback Regulations;
- (ii) to enable the Board of Directors of the Company to include in the public announcement, draft letter of offer, letter of offer and other documents pertaining to buyback to be sent to the shareholders of the Company or filed with (a) the Registrar of Companies, Securities and Exchange Board of India, stock exchanges, public shareholders and any other regulatory authority as per applicable law and (b) the Central Depository Services (India) Limited, National Securities Depository Limited; and
- (iii) For providing to the manager, for the purpose of extinguishment of equity shares and may not be suitable for any other purpose.

Place: Ludhiana
Dated: January 28, 2023

For and on behalf of
M/s SCV & Co. LLP
Chartered Accountants
Firm Reg. No.: 000235N/N500089



UDIN : → 23086066 BGXYJH6190

Annexure-I

“Note on Taxation” in respect of the proposed buy back of Equity Shares to be undertaken by the Company

1. GENERAL

The Indian tax year runs from April 1 to March 31 of subsequent year. The basis of charge of Indian income-tax depends upon the residential status of the taxpayer during a tax year. A person who is a tax resident of India is liable to taxation in India on his worldwide income, subject to certain prescribed tax exemptions provided under the Income Tax Act, 1961 (“ITA”).

A person who is treated as a non-resident for Indian tax purposes is generally liable to tax in India only on his/her Indian sourced income or income received by such person in India. Vide Finance Act, 2020, certain non-resident individuals are deemed to be resident in India upon triggering of certain conditions. Deemed residents would be liable to pay tax in India only on their Indian sourced income or income from business or professional controlled in India.

In case of shares of a company, the source of income from shares would depend on the “situs” of the shares. As per ITA and Judicial precedents, generally the “situs” of the shares is where company is “incorporated” and where its shares can be transferred. Accordingly, since the Company is incorporated in India, the shares of the Company would be “situated” in India and any gains arising to a non-resident on transfer of such shares should be taxable in India under the ITA subject to any specific exemption in this regard. Further, the non-resident can avail the beneficial tax treatment prescribed under the Double Taxation Avoidance Agreement (“DTAA”), as modified by the Multilateral Instrument (MLI), if the same is applicable to the relevant DTAA between India and the respective country of which the said shareholder is tax resident. The above benefit may be available subject to satisfying relevant conditions prescribed under ITA including but not limited to availability of Tax Residency Certificate, non-applicability of General Anti-Avoidance Rule (“GAAR”) and providing and maintaining necessary information and documents as prescribed under ITA as well as satisfying the relevant conditions under the respective DTAA including anti-abuse measures under the MLI, if applicable.

2. CLASSIFICATION OF SHAREHOLDERS

Section 6 of the ITA, determines the residential status of an assessee. Accordingly, shareholders can be classified broadly as below categories:

A) Resident Shareholders being:

- Individuals, Hindu Undivided Family (HUF), Association of Persons (AOP) and Body of Individuals (BOI), Firm, LLP
- Others (Corporate bodies):
 - Company
 - Other than Company

B) Deemed Resident Shareholder: an individual being a citizen of India who is not liable to tax in any other country or territory by reason of domicile, residence or any other criteria of similar nature and has total income other than foreign sourced income exceeding ₹ 15 Lakh during the tax year.



C) Non-Resident Shareholders being:

- Non-Resident Indians (NRIs)
- Foreign Institutional Investors (FIIs) / Foreign Portfolio Investors (FPIs)
- Others:
 - Company
 - Other than Company

3. TAXATION OF BUYBACK OF SHARES

Section 115QA of the ITA introduced w.e.f. June 01, 2013 contains provisions for taxation of a domestic company in respect of buyback of shares (within the meaning of Section 68 of the Companies Act, 2013). In effect, the incidence of tax stands shifted completely to the Company and not the recipient of the buyback proceeds.

Before the enactment of Finance Act (No 2), 2019, this section was not applicable to shares listed on a recognized stock exchange. The Finance Act (No 2), 2019 has amended section 115QA of the ITA with effect from July 05, 2019 extending its provisions to cover distributed income on buyback of Equity Shares of a company listed on a recognized stock exchange as well.

As per Section 115QA, listed companies making a public announcement of Buyback of shares on or after July 05, 2019 are required to pay an additional Tax @ 20%, plus Surcharge @ 12%, plus Health & Education Cess @4% on the Distributed Income.

Distributed Income is defined under section 115QA to include consideration paid by the company on buyback of Shares as reduced by the amount which was received by the company on issue of such shares, determined in the manner specified in Rule 40BB.

The tax on the distributed income by the company shall be treated as the final payment of tax in respect of the said income and no further credit thereof shall be claimed by the company or by any other person in respect of the amount of tax so paid.

No deduction under any other provision of this Act shall be allowed to the company or a shareholder in respect of the income which has been charged to tax.

Section 10(34A) of the ITA provided for exemption to a shareholder in respect of income arising from buyback of shares w.e.f. April 01, 2014 (i.e., Assessment year 2014-15). The Finance Act (No. 2), 2019 has also made consequential changes to section 10(34A) of the ITA extending the benefit of exemption of income from buyback to shareholders in respect of shares listed on recognized stock exchange as well.

Thus, the tax implications to the following categories of shareholders are as under:

a. Resident Shareholders or Deemed Resident Shareholders

Income arising to the shareholder on account of buyback of shares as referred to in section 115QA of the ITA is exempt from tax under the provisions of the amended section 10(34A) of the ITA with effect from July 05, 2019.



b. Non-Resident Shareholders

While the income arising to the shareholder on account of buyback of shares as referred to in section 115QA of the ITA is exempt from tax under the provisions of the amended section 10(34A) with effect from July 05, 2019 in the hands of a Non-resident as well, the same may be subject to tax in the country of residence of the shareholder as per the provisions of the tax laws of that country. The credit of tax may or may not be allowed to such non-resident shareholder to be claimed in the country of residence in respect of the buyback tax paid by the company in view of Sec 115QA (4) and (5) of the ITA. Non-resident shareholders need to consult their tax advisors with regard to availability of such a tax credit.

4. TAX DEDUCTION AT SOURCE (TDS)

Currently, there are no provisions for tax deduction at source in respect of income earned from transfer / buyback of shares in case of resident shareholders / deemed resident shareholders. Further, given that income arising on account of the buyback of shares is exempt from tax under Section 10(34A) of ITA, the same would not be subject to tax deduction at source for non-resident shareholders.

5. SECURITIES TRANSACTION TAX

Since the Buyback of shares shall take place through the settlement mechanism of the stock exchange, securities transaction tax at 0.1% of the value of the transaction will be applicable.

The summary of the tax considerations as above is based on the current provisions of the tax laws of India, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.

In view of the specific nature of tax consequences, shareholders who are not tax residents of India are required to consult their tax advisors for the applicable tax and the appropriate course of action that they should take considering the provisions of the relevant country or state tax law and provisions of DTAA where applicable.

Place: Ludhiana
Dated: January 28, 2023

For and on behalf of
M/s SCV & Co. LLP
Chartered Accountants
Firm Reg. No.: 000235N/N500089



(Sanjiv Mohan)
Partner

UDIN: → 23086066BGXYJH6190