

**Statement of Possible Special Direct Tax Benefits available to Aadhar Housing Finance Limited (“the Company”) and its Shareholders**

**1. Special tax benefits available to the housing finance company under the Income Tax Act, 1961 (“the Act”) (read with Income Tax Rules, circulars, notifications) as amended by the Finance Act, 2023 (hereinafter referred to as the “Income Tax Regulations”)**

**A. Provision for bad and doubtful debts incurred by the Company**

- The Company being a housing finance company registered with the Reserve Bank of India (RBI) is entitled for accelerated deduction under section 36(1)(viia) of the Act in respect of provision made for bad and doubtful debts in its books of accounts to the extent of five per cent of its total income (computed before making any deduction under section and Chapter VI-A of the Act), subject to certain conditions, while computing the total income under the head “Profits and gains of business or profession”.
- Subsequently, as per the provisions of section 36(1)(vii) of the Act, where the Company has claimed deduction under section 36(1)(viia) of the Act, then the claim of deduction of actual bad debts incurred by the Company shall be reduced to the extent of deduction already claimed under section 36(1)(viia) of the Act.
- Further, as per section 41(4) of the Act, where any deduction has been claimed by the Company in respect of a bad debt under Section 36(1)(vii) of the Act, then any amount subsequently recovered on any such debt is greater than the difference between such debt and the amount so allowed as a deduction under section 36(1)(vii) of the Act, the excess shall be deemed to be business income of the year in which it is recovered.

**B. Transfer to Special Reserve under section 36(1)(viii) of the Act**

- The Company being a housing finance company providing long-term finance to certain eligible business specified under section 36(1)(viii) of the Act, is eligible to claim a deduction under section 36(1)(viii) of the Act, to the extent of 20 per cent of the profits derived from an eligible business or an amount transferred to the special reserve, whichever is lower, subject to certain other conditions as specified, while computing the total income under the head “Profits and gains of business or profession”. However, where the aggregate of the amounts carried to such reserve account from time to time exceeds twice the amount of the paid-up share capital and general reserves, no further deduction shall be allowable in respect of such excess.
- Further, as per section 41(4A) of the Act, where any deduction has been allowed in respect of any special reserve created and maintained under Section 36(1)(viii) of the Act, then any amount subsequently withdrawn from such special reserve shall be deemed to be the income under the head ‘Profits and gains of business or profession’ of the year in which such amount is withdrawn.

**C. Special provision in case of income of housing finance company under section 43D of the Act:**

The Company being a housing finance company falling under the purview of the public company as defined under section 43D of the Act, is eligible to claim the benefit provided under this section whereby the income by way of interest in relation to such categories of bad or doubtful debts as may be prescribed in the guidelines issued by the National Housing Bank would be chargeable to tax in the year in which such interest income is credited to its profit and loss account or actually received by the Company, whichever is earlier.

**D. Lower corporate tax rate under Section 115BAA of the Act**

Section 115BAA of the Act has been inserted by the Taxation Laws (Amendment) Act, 2019 (“the Amendment Act, 2019”) w.e.f. April 1, 2020 (assessment year) granting an option to domestic companies to compute corporate tax at a reduced rate of 25.168% (22% plus surcharge of 10% and cess of 4%), provided such companies do not avail the following deductions/exemptions:

- i. Deduction under the provisions of section 10AA of the Act (Deduction for units in Special Economic Zone);
- ii. Deduction under section 32(1)(iia) of the Act (Claim for 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 of the Act other than the provisions of section 80JJAA or section 80M of the Act;