

STATEMENT OF SPECIAL TAX BENEFITS

Date: October 01, 2025

Ref No - JHS/MUM/2025-26/819

To,

The Board of Directors,
Utkarsh Small Finance Bank Limited
Utkarsh Tower, NH – 31 (Airport Road)
Sehmalpur, Kazi Sarai
Varanasi 221105, Uttar Pradesh

Sub: Statement of possible special Tax Benefits available to Utkarsh Small Finance Bank Limited (the 'Bank'), and the shareholders of the Bank in connection with the proposed rights issue of equity shares of face value of Rs. 10 each ("the Issue")

Dear Sirs,

1. We, JHS & Associates LLP, Chartered Accountants are independent chartered accountants and have received a requested by the Bank to issue a report on the special tax benefits available to the Bank and shareholders of the Bank for inclusion in the draft letter of offer and letter of offer (collectively referred to as "**Issue Documents**") prepared in connection with the proposed rights issue of equity shares of Bank.
2. This statement is issued in accordance with the terms of our Engagement Letter dated August 22, 2025 with the Bank in the context of the Issue in accordance with Chapter III of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (the "**SEBI ICDR Regulations**") and applicable provisions of the Companies Act, 2013, as amended (the "**Companies Act**").
3. We enclose herewith the statement in the **Annexure**, which states the current position of possible tax benefits under the Indian direct and indirect tax laws and the provisions of the Income-tax Act, 1961 ("IT Act"), as amended by the Finance Act 2025, i.e. applicable for the Financial Year 2025-26 relevant to the Assessment Year 2026-27, Central Goods and Services Tax Act, 2017, Integrated Goods and Services Tax Act, 2017, State Goods and Services Tax Act as passed by respective State Governments from where the Bank operates and applicable to the Bank, Customs Act, 1962, the Customs Tariff Act, 1975 and Foreign Trade Policy 2023 (collectively the "**Taxation Laws**") including the rules, regulations, circulars and notifications issued in connection with the Taxation Laws, as presently in force and applicable to the Assessment Year 2026-27 relevant to the Financial Year 2025-26 for inclusion in the Issue Documents for the Issue, presently in force in India as on the signing date as well as any tax benefit, available to the Bank. Several of these benefits are dependent on the Bank, its shareholders as the case may be, fulfilling the conditions prescribed under the relevant provisions of the Taxation Laws. Hence, the ability of the Bank, its shareholders to derive the special tax benefits is dependent upon their fulfilling such conditions. Further, certain tax benefits may be optional, and it would be at the discretion of the Bank or its shareholders to exercise the option by fulfilling the conditions prescribed under the relevant Taxation Laws which based on business imperatives, the Bank and its shareholders faces in the future, the Bank and its shareholders may or may not choose to fulfill. As on date, the Bank does not have subsidiaries.



Registered Office
C-701, Mary Ellen,
Ceasars Cross Road,
Amboli, Andheri (W),
Mumbai - 400 058
Tel : +91 98 2005 1936

Mumbai Office
B wing 4th Floor, Unit No. 406 to 410
Navkar Chambers, A K Road,
Marol Naka Metro Station,
Mumbai - 400 059
Tel : +91 80970 95060

Bengaluru Office
Suite 2, 2nd Floor,
Stepsmart Kundhalanahalli
Bengaluru - 560037
Tel : +91 75678 60067

Vadodara Office
3rd Floor, TNW Business Centre,
Above Mcdonald's, Near Manisha
Cross Road, Old Padra Road,
Vadodara - 390 007
Tel : +91 26 5233 3698 / 230 4800

Kolkata Office
Suite No. 402, 4th Floor,
Vardhan Complex,
25A Camac Street,
Kolkata - 700 016
Tel : +91 98 3115 0209

Delhi Office
306, DLF Centre,
Savitri Cinema Complex,
Greater Kailash - II,
New Delhi 110048
Tel : +91 11 41437282

4. The benefits discussed in the enclosed **Annexure A** cover only special tax benefits available to the Bank and its shareholders and are not exhaustive and also do not cover any general tax benefits available to the Bank. Further, any benefits available under any other laws within or outside India have not been examined and covered by this statement.
5. The benefits discussed in the enclosed **Annexure A** are not exhaustive. This 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 issue. Neither are we suggesting nor advising the investor to invest in the issue based on this statement.

Management's Responsibilities

6. The preparation of the **Annexure A** stating the possible special tax benefits available to the Bank, or its shareholders in India as per the provisions of the IT Act and Indirect Tax Regulations as presently in force is the responsibility of the management of the Bank including the maintenance of all accounting and other relevant supporting records and documents.
7. The preparation of the accompanying statements, being accurate, complete, and free from misstatement is the responsibility of the management of the Bank including the preparation and maintenance of all accounting and other relevant supporting records and documents.
8. The Management is also responsible for ensuring that the Bank complies with the relevant requirements of the SEBI ICDR Regulations and the Companies Act in connection with the Issue and provides all relevant information that is complete, accurate and timely instructions or information relevant to the engagement.

Our Responsibilities

In this regard, we have performed the following procedures:

9. Obtained representations from the management on the special tax benefits available to the Bank and its shareholders under direct and indirect tax laws.
10. Checked the income tax returns and tax audit reports for assessment year to verify the representations made by the management.
11. We have conducted our examination in accordance with the Standard on Related Services (SRS) 4400, "Engagements to Perform Agreed-upon Procedures regarding Financial Information", issued by the Institute of Chartered Accountants of India ("ICAI"). SRS 4400 is generally adopted to perform agreed upon procedures regarding financial information; however, this standard can also be used as a guide to perform agreed upon procedures regarding non-financial information
12. The benefits discussed in the enclosed '**Annexure A**' cover only special benefits available to the Bank and the shareholders and are not exhaustive to cover any general tax benefits available to the Bank and the shareholders. Further, the preparation of the '**Annexure A**' and its contents is the responsibility of management of the Bank. We are informed that '**Annexure A**' 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 changing tax laws, each investor is advised to consult with his or her own tax consultant with respect to the specific tax implications arising out of their participation in the Issue by the Bank. Neither are we suggesting nor are we advising the investor to invest in the Issue based on this statement.



13. We do not express any opinion or provide any assurance as to whether:
 - (a) the Bank or its shareholders will continue to obtain these benefits in the future;
 - (b) or the conditions prescribed for availing the benefits have been/would be met with; and
 - (c) the revenue authorities/courts will concur with the views expressed herein.
14. The contents of the enclosed Statement are based on information, explanations, and representations obtained from the Bank and its shareholders, on the basis of our understanding of the business activities and operations of the Bank.
15. We hereby give consent to include this Statement of tax benefits in the Draft Letter of Offer, Letter of Offer, and any other material used in connection with the Issue. We also consent to being referenced as "Experts" as defined under section 2(38) of the Companies Act, read with section 26(5) of the Companies Act, to the extent of the certification provided hereunder and included in the Draft Letter of Offer and Letter of Offer of the Bank or in any other related documents in connection with the issue.
16. This Certificate is issued for the sole purpose of the Issue and can be used, in full or part, for inclusion in the Draft Letter of Offer and Letter of Offer and any other material used in connection with the Issue, for the submission of this certificate as may be necessary, to any regulatory / statutory authority, recognized stock exchanges; any other authority as may be required. This Certificate may be relied on by the Bank, and the legal advisor in relation to the Issue.
17. We hereby undertake to promptly notify the Bank and its legal counsel in writing of any changes to the information set forth above, up to the date on which the Equity Shares issued pursuant to the Issue commence trading on the stock exchanges, provided such information has not originated from the Bank. In the absence of written notification from us, it shall be deemed that there have been no changes to the matters addressed in this certificate.

Restriction of Use

18. This report is issued for the sole purpose of the Issue and not intended for general circulation or publication and is not to be reproduced or used for any other purpose without our prior written consent, other than the purpose stated above. We, however, hereby, consent to this statement being used in the Offer Documents and in any other material used in connection with the Issue and submission of this statement to the Securities and Exchange Board of India, the stock exchanges where the equity shares of the Bank are listed, Registrar of Companies, Varanasi situated in Uttar Pradesh in connection with the Issue, as the case may be. This report should not be used for any other purpose without our prior written consent. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come without our prior consent in writing.



Conclusion

19. In our opinion, the Statement prepared by the Bank presents, in all material respects, the special tax benefits to the Bank, and its shareholders, as in accordance with the IT Act, and Indirect Tax Regulations as at the date of our report.

Yours faithfully.

For,

JHS & Associates LLP

Chartered Accountants

Firm Registration Number: 133288W/W100099



00172fa7-2fc9-415a-a09b-d96702709661

CA. Jamal Ashraf Chatriwala

Partner

Membership Number: 100101

Place: Mumbai

Date: October 01, 2025

UDIN :- 25100101BMHCDDL3602

Encl: As above

CC:

Legal advisor to the Issue

CMS IndusLaw

#1502B, 15th Floor Tower - 1C

One World Centre,

Senapati Bapat Marg, Lower Parel

Mumbai - 400013

Maharashtra, India

Annexure A

ANNEXURE TO THE STATEMENT OF POSSIBLE SPECIAL INCOME-TAX BENEFITS AVAILABLE TO UTKARSH SMALL FINANCE BANK ("BANK") AND ITS SHAREHOLDERS UNDER THE APPLICABLE INCOME-TAX LAWS IN INDIA.

Outlined below are the possible special tax benefits available to the Bank and its shareholders under the direct tax laws in force in India. These benefits are dependent on the Bank or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Bank or its shareholders to derive these special tax benefits depends on fulfilling such conditions, which based on business imperatives it faces in the future, it may not choose to fulfil.

1. SPECIAL TAX BENEFITS UNDER THE INCOME TAX ACT, 1961 ("IT Act") IN THE HANDS OF THE BANK AND THE SHAREHOLDERS OF THE BANK

i) Lower corporate tax rate under section 115BAA

As per section 115BAA of the IT Act as inserted vide the Taxation Laws (Amendment) Act, 2019 with effect from FY 2019- 20 relevant to AY 2020-21, a domestic company has an option to pay income tax in respect of its total income at a concessional tax rate of 25.17% (22% plus surcharge of 10% and cess of 4%), provided the company does not avail of specified exemptions/incentives, and complies with the other conditions specified in section 115BAA of the IT Act.

Further, the company availing such option will not be required to pay Minimum Alternate Tax ("MAT") on its book profits under section 115JB of the IT Act.

However, such company will not be eligible to avail specified exemptions / incentives under the IT Act and will also need to comply with the other conditions specified in section 115BAA of the IT Act. Also, if a company opts for section 115BAA of the IT Act, the tax credit (under section 115JAA of the IT Act), if any, which it is entitled to on account of MAT paid in earlier years, will no longer be available. Further, 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 option needs to be exercised in the prescribed manner qua a particular AY on or before the due date of filing the income tax return for such AY. The option once exercised shall apply to subsequent AYs and cannot be subsequently withdrawn for the same or any other AY. Further, if the conditions mentioned in section 115BAA of the IT Act are not satisfied in any AY, the option exercised shall become invalid in respect of such AY and subsequent AYs, and the other provisions of the Act shall apply as if the option under section 115BAA had not been exercised.

The Bank has opted to be governed by the provisions of section 115BAA of the IT Act with effect from AY 2020-21.

ii) Deduction from Gross Total Income

The Bank is eligible for the following deductions from its Gross Total Income, even though it has opted for the concessional tax rate under section 115BAA of the IT Act.

a. Deduction under section 80JJAA of the IT Act - Deduction in respect of employment of new employees

As per the provisions of section 80JJAA of the IT Act, where the gross total income of an assessee, to whom provisions of section 44AB of the IT Act applies, includes any profit and gains derived from business, then such assessee shall be entitled to claim a deduction of an amount equal to thirty percent of additional employee cost incurred in the course of such business in the previous year, for three assessment years including the assessment year relevant to the previous year in which such employment is provided. The eligibility to claim the deduction is subject to fulfilment of prescribed conditions specified section 80JJAA of the IT Act.



The Bank has availed the benefits under the said section and are eligible for deduction under section 80JJAA subject to fulfilment of conditions specified under section 80JJAA of the IT Act even under the concessional regime under section 115BAA of the IT Act.

b. Deduction for Bad and doubtful debts

The Bank, being a small finance bank, is entitled to deduction of provision made for bad and doubtful debts subject to prescribed limit/ conditions under section 36(1)(viia) of the IT Act. The said deduction is restricted to an amount of 8.5% of the gross total income (excluding such deduction) and 10% of the aggregate average advances made by the rural branches of the Bank. Actual bad debts under section 36(1)(vii) incurred subsequently, shall be reduced to the extent of deduction already allowed under section 36(1) (viia).

Where a deduction has been allowed in respect of a bad debt or part thereof under the provisions of section 36(1)(vii)/36(1)(viia) of the IT Act, then, if any amount is subsequently recovered, the said amount is deemed to be profits and gains of business or profession under section 41 of the IT Act and is taxable accordingly to the extent it exceeds the deduction earlier allowed.

In terms of section 43D of the IT Act, and subject to the conditions specified therein interest income of a bank and certain other specified financial institutions on certain categories of bad and doubtful debts as specified in Rule 6EA of the Income-tax Rules, 1962, shall be chargeable to tax only in the year of receipt or credit to Profit and Loss Account, whichever is earlier.

c. Deduction under section 36(1)(viii) of the IT Act

The Bank being a Small Finance Bank, is eligible for a deduction of 20% of profits derived from eligible business before computing deduction under section 36(1)(viii) or an amount transferred to the special reserve, whichever is lower, in accordance with section 36(1)(viii) of the IT Act. Where the aggregate amounts transferred to such special reserve from time to time, exceeds twice the amount of the paid-up share capital and general reserves, the Bank shall not get a deduction for transfer of such excess amount

d. Deduction under 80M of the IT Act - Deduction in respect of inter-corporate dividends

Dividend is taxable in the hands of the shareholder, hence, the Bank shall be required to deduct tax at source at applicable rates specified under the IT Act, subject to Double Taxation Avoidance Agreement, in case of shareholders who are eligible to claim benefit under Double Taxation Avoidance Agreement.

As per the provisions of section 80M of the IT 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 IT Act.

B. Special tax benefits available to the shareholders under IT Act

Dividend income earned by the shareholders would be taxable in their hands at the applicable rates. However, in case of domestic corporate shareholders, deduction under section 80M of the IT Act would be available on fulfilling the conditions (as discussed above). Further, in case of shareholders who are individuals, Hindu Undivided Family, Association of Persons, Body of Individuals, whether incorporated or not and every artificial juridical person, surcharge would be restricted to 15%, if the income exceeds INR 1 crore. However, if the income is between INR 50 lakhs to INR 1 crore, surcharge at the rate of 10% shall apply. The shareholders would be eligible to claim the credit of such tax in their return of income.

As per section 111A of the IT Act, short term capital gains arising from the transfer of an equity share or a unit of an equity-oriented fund or a unit of a business trust in a company transacted through a recognized stock exchange and chargeable to Securities Transaction Tax ("STT") on or after July 23, 2024 shall be taxed at 20% (plus applicable surcharge and cess) subject to fulfilment of prescribed conditions



under the IT Act. The condition of STT shall not apply to a transfer undertaken on a recognized stock exchange located in any IFSC and where the consideration for such transaction is paid or payable in foreign currency.

Further, as per section 112A of the IT Act, long-term capital gains exceeding INR 1,25,000 arising from the transfer of equity shares, or a unit of an equity-oriented fund or a unit of a business trust in a company transacted through a recognized stock exchange on or after July 23, 2024 on which STT has been paid on acquisition (except where the long-term capital asset is in the nature of a unit of an equity oriented fund or a unit of a business trust) and on transfer, shall be chargeable to tax at the rate of 12.5% (plus applicable surcharge and cess) without applying the benefit under the first and second provisos to section 48 of the IT Act. The condition of STT shall not apply to a transfer undertaken on a recognized stock exchange located in any IFSC and where the consideration for such transaction is received or receivable in foreign currency.

The non-resident shareholders can offer the income to tax under the beneficial provisions of the Double Taxation Avoidance Agreement, if any, subject to eligibility and furnishing of requisite documents such as tax residency certificate, electronically filed Form 10F, No Permanent Establishment Certificate, etc (as may be applicable) Further, the non-resident shareholders would be eligible to claim the foreign tax credit, based on the local laws of the country of which the shareholder is the resident. Shareholders being Individual and HUF can opt to be taxed as per the tax rates mentioned under section 115BAC of the IT Act.

2. STATEMENT OF POSSIBLE INDIRECT TAX BENEFITS AVAILABLE TO THE BANK AND ITS SHAREHOLDERS

The Central Goods and Services Tax Act, 2017, the Integrated Goods and Services Tax Act, 2017, the Union Territory Goods and Services Tax Act, 2017, respective State Goods and Services Tax Act, 2017, the Customs Act, 1962 and the Customs Tariff Act, 1975 (collectively referred to as "Indirect tax")

A. SPECIAL INDIRECT TAX BENEFITS AVAILABLE TO THE BANK

The Bank has been registered as a small finance bank with the Reserve Bank of India.

The main source of income for the Bank is Interest on loans, which is exempt from levy of GST as per the relevant exemption notifications issued under Central Goods and Services Tax Act, 2017 and Integrated Goods and Services Tax Act, 2017.

The Bank has exercised the option under section 17(4) of the Central Goods and Services Tax Act, 2017 and accordingly avails 50% of the eligible input tax credit and utilizes the said availed input tax credit in compliance with the provisions of GST law.

Apart from the above, there is no special Indirect tax benefits available to the Bank under the Indirect Tax Regulations in India.

B. SPECIAL INDIRECT TAX BENEFITS AVAILABLE TO THE SHAREHOLDERS

- There are no possible special Indirect tax benefits available to the shareholders of the Bank.

Our views expressed herein in this Statement are based on the facts and assumptions as indicated in the statement. 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 law and its interpretation, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such changes. Reliance on this statement is on the express understanding that we do not assume responsibility towards the investors who may or may not invest in the proposed issue relying on this statement.

This statement has been prepared solely in connection with the proposed issue under the Companies Act, 2013 and Securities and Exchange Board of India ("SEBI") (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended.



NOTES:

1. This statement does not discuss any tax consequences in the country outside India of an investment in the Equity Shares. The Subscribers of the Equity Shares in the country other than India are urged to consult their own professional advisers regarding possible income tax consequences that apply to them.
2. The above statement covers only the above-mentioned special tax laws benefits and does not cover any general direct tax benefits or benefit under any other law.
3. This statement does not cover analysis of Chapter X-A of the IT Act, dealing with General Anti-Avoidance Rules and provisions of Multilateral Instruments.
4. This statement is only intended to provide general information to the investors and is neither exhaustive or comprehensive nor designed or intended to be a substitute for professional tax advice. In view of the individual nature of tax consequences and the changing tax laws, each investor is advised to consult his or her or their own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

No assurance is given that revenue authorities/courts will concur with the views expressed herein. Our views are based on existing provisions of law and its interpretation by us, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such changes.

