

Frequently Asked Questions (FAQs)

In relation to the Scheme of Arrangement between Tata Motors Limited (TML) and its Shareholders and Creditors under sections 230 to 232 and other applicable provisions of the Companies Act, 2013 which provides for reduction through cancellation of the “A” Ordinary Shares and the consequent issuance and allotment of the New Ordinary Shares, as consideration other than cash for such reduction

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

Capital Reduction Scheme announced by TML is as below:

- As a result of the capital reduction, “A” Ordinary Shareholders (as on Record date i.e., 1st September 2024) will receive 7 Ordinary shares of TML for every 10 “A” Ordinary Shares held (“Capital Reduction Consideration”).
- The distribution of Capital Reduction Consideration will attract withholding tax (‘WHT’) 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).
- 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 to issue New Ordinary Shares to the Trust on behalf and for the benefit of each of the “A” Ordinary Shareholders.
 - Trust will sell the 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 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 am I 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 Indian Income Tax Act, 1961. 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). This will also be subject to TDS.

3. What will be the Record Date and Effective Date of the Scheme?

Record date is 1st September 2024 and Effective date is also expected to be 1st September 2024.

4. What is the Withholding tax rates for the shareholders? Will the Company issue TDS certificate?

The applicable tax/WHT rates on capital reduction and block trade can be accessed in the Illustrator at <https://www.tatamotors.com/wp-content/uploads/2024/08/A-ordinary-shareholders-illustrator.xlsx>

Yes, the Company will issue TDS certificate for the TDS / WHT deducted on Deemed Dividend and Capital gains wherever applicable.

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

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

6. What are the Accumulated Profits of TML as on June 30, 2024, on a standalone basis?

Accumulated distributable Profits of TML as on June 30, 2024, on a standalone basis, is INR 10,033 crores.

7. 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.

An illustrative calculator with respect to the number of shares that will be issued to “A” Ordinary Shareholders post settlement of tax liabilities can be accessed at

<https://www.tatamotors.com/wp-content/uploads/2024/08/A-ordinary-shareholders-illustrator.xlsx>

8. What is the timeline for the receipt of New Ordinary Shares from the Record date?

Indicative timelines may be as follows:

- a) Record date/Effective Date - 1st September 2024 (T)
- b) Initiating action of allotment of New Ordinary Shares to the Trust – 1st September 2024 (T)
- c) Finalisation of WHT details of Shareholders – T+9 days
- d) Listing & Trading Approval of the New Ordinary Shares - T+10 days
- e) Sale of requisite number of New Ordinary Shares by the Trust for WHT recovery (including other taxes & expenses) and fractional entitlement – T+15 days
- f) Credit of balance New Ordinary Shares to the “A” Ordinary Shareholders account - T+ 17 days
- g) Remittance of cash (if any surplus on block deal + fractional entitlement sale) - T+20 days

9. What will be the cost under income tax of New Ordinary Shares received by “A” Ordinary Shareholders?

The fair market value of the New Ordinary Shares as on 1st September 2024 shall be considered as the cost under Income Tax of New Ordinary Shares received by ‘A’ Ordinary Shareholders. In the present case, as the Effective Date is expected to be 1st September 2024 (Sunday) which is a non-trading day, the closing price as of 30th August 2024 shall be considered for this purpose. The same price is considered for the purpose of deemed dividend and capital gains calculation.

10. 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 1st September 2024.

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

TML shall discharge its WHT obligation on the capital reduction by way of payment of WHT to the Central Government against PAN of the respective “A” Ordinary Shareholders. A separate communication in this regard 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.

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

Non-resident shareholders to obtain a CA certificate in this regard and furnish the same to the Company. Format of the same has been provided in the communication sent to shareholders. In absence of a CA certificate, Company shall withhold tax on a gross basis at the maximum marginal rate of 42.74%, and while filing its return of income in India the shareholder can compute its income considering actual cost of acquisition & period of holding.