

TAXATION FRAMEWORK FOR KNOWLEDGE REALTY TRUST AND UNITHOLDERS AS PER THE PROVISIONS OF THE INCOME-TAX ACT, 1961 ('ACT')

The Act has set-out a special regime for taxation of income arising to Knowledge Realty Trust and its unitholders under Chapter XII-FA of the Act.

We have summarised below relevant income-tax provisions as applicable to Knowledge Realty Trust and its Unitholders, under the Act, as amended by the Finance Act, 2025. The income-tax provisions listed below are available to Knowledge Realty Trust and its Unitholders subject to compliance with the applicable provisions and / or the conditions laid out in the Act and the regulations as prescribed under the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, made under the Securities and Exchange Board of India Act, 1992 (15 of 1992) ('REIT Regulations').

A. Tax provisions applicable to Knowledge Realty Trust

1. Interest income

Interest income received or receivable by Knowledge Realty Trust from an Indian company in which Knowledge Realty Trust holds a controlling interest and any specific percentage of shareholding or interest, as required under the REIT Regulations ('SPV') should be exempt from tax in the hands of Knowledge Realty Trust under section 10(23FC)(a) of the Act.

2. Dividend income

Knowledge Realty Trust can receive dividend income from two types of SPVs i.e., (i) dividend income from SPVs which has opted for concessional tax regime under section 115BAA of the Act ('Disqualified dividend income') or (ii) dividend income from SPVs which has not opted for concessional tax regime under section 115BAA of the Act ('Qualified dividend income'). Both Qualified dividend income and Disqualified dividend income received or receivable by Knowledge Realty Trust from a SPV should be exempt in the hands of Knowledge Realty Trust under section 10(23FC)(b) of the Act.

3. Rental income

Any income received through renting or leasing or letting out of real estate assets (as defined under the REIT Regulations) owned directly by Knowledge Realty Trust shall be exempt from tax in the hands of Knowledge Realty Trust under section 10(23FCA) of the Act.

In view of the provisions of section 14A of the Act, any expenditure incurred in relation to earning the above exempt incomes shall not be tax deductible in the hands of the REIT.

4. Taxation of income, other than income referred to in paragraphs 1,2 and 3 above, in the hands of Knowledge Realty Trust – Section 115UA(2) read with section 111A, section 112 and section 112A of the Act

4.1. Income from capital gains

- (i) Capital gains arising in the hands of Knowledge Realty Trust shall be chargeable to tax as under in its hands:

Assets	Period of holding +	Nature of capital gains	Applicable tax rates *
Unlisted securities (other than debentures)	• More than 24 months	Long term capital gains ('LTCG')	12.50%*
	• Less than or equal to 24 months	Short term capital gains ('STCG')	30%*
Unlisted Debentures	NA	STCG	30%*
Listed equity shares or units of an equity-oriented fund #	• More than 12 months	Long term capital gains ('LTCG')	12.50%*
	• Less than or equal to 12 months	Short term capital gains ('STCG')	20%*
Immovable property being land and / or building	• More than 24 months	LTCG	12.50%*
	• Less than or equal to 24 months	STCG	30%*

* *excluding applicable surcharge and cess*

+ *section 2(29AA) read with section 2(42A)*

These rates are applicable only if the securities transaction tax ('STT') has been paid on purchase and sale of equity shares or on transfer of units of equity-oriented fund, as the case may be.

- (ii) Any income other than income referred to in paragraph (i) above and not exempt as mentioned in paragraph (A) above shall be taxed at the maximum marginal rate in the hands of the Knowledge Realty Trust in accordance with section 115UA(2) of the Act.
- (iii) Section 74 of the Act allows short-term capital loss arising during a financial year to be set-off against income, if any, from capital gains (short term or long-term), arising in the same financial year. However, long-term capital loss arising during a financial year is allowed to be set-off only against long-term capital gains. Balance loss, if any, is allowed to be carried forward and set-off against income from capital gains, arising during subsequent eight assessment years, as follows: (i) balance short-term capital loss can be carried forward and set-off against capital gains (short term or long-term); and (ii) balance long-term capital loss can be carried forward and set-off only against long-term capital gains.

4.2. Income from buy back of shares

As per the newly inserted clause (f) of section 2(22) of the Act, any payment by a company for buy-back of shares from its shareholders (in accordance with section 68 of the Companies Act, 2013) on or after October 1, 2024 shall be deemed to be dividend in the hands of the shareholders. Income arising to Knowledge Realty Trust from a SPV undertaking such buy-back should be exempt in the hands of Knowledge Realty Trust under section 10(23FC)(b) read with section 2(22)(f) of the Act.

B. Tax provisions applicable to the unitholders of the Knowledge Realty Trust

5. Income arising from Knowledge Realty Trust

As per provisions section 115UA(1) of the Act, income distributed by Knowledge Realty Trust in the nature of interest, dividend and rental income directly received by the REIT is taxable in the hands of the unitholders in the same manner and proportion as it had been received by, or accrued to, the Knowledge Realty Trust.

We have discussed below taxability of the income in the hands of unitholders based on their residential status:

Residential status of unitholders	Nature of income	Tax rates
Resident unitholders	Interest income	At applicable rates ^
	Rental income	At applicable rates ^
	Qualified dividend income**	Tax exempt (Refer Note below)
	Disqualified dividend income**	At applicable rates ^ (Refer Note below).
	Any other income taxable in the hands of Knowledge Realty Trust	Tax exempt
	Any distributions other than the above (specified sum as per section 56(2)(xii) of the Act)	Taxable once such distributions exceed the issue price of unit at applicable rates #
Non-resident unitholders	Interest income	5% * ^
	Rental income	At applicable rates ^ @
	Qualified dividend income**	Tax exempt (Refer Note below)
	Disqualified dividend income**	At applicable rates ^ @ (Refer Note below)
	Any other income taxable in the hands of Knowledge Realty Trust	Tax exempt
	Any distributions other than the above (specified sum as per section 56(2)(xii) of the Act)	Taxable once such distributions exceed the issue price of unit at applicable rates #

**excluding applicable surcharge and cess*

*** Qualified / Disqualified dividend income will include income arising from buy-back of shares by an SPV deemed to be dividend in line with paragraph 4.2 above*

^ The income shall be subject to deduction of tax at source (for details see paragraph 7 below)

any amount distributed by Knowledge Realty Trust to a unitholder which is not in the nature of dividends or interest or any other income shall be reduced from the cost of acquisition of such unitholder, till such time that the aggregate of such distributions do not exceed the original issue price of our units. Distributions in excess of the original issue price of our units shall be taxed in the hands of the unitholder at applicable tax rate per section 56(2)(xii) of the Act computed as follows:

A (-) B (-) C;

A = Aggregate of sum distributed by the Business Trust other than interest, dividend, rental and exempt income to any investor on every unit

B = Issue price of a unit of the Business Trust

C = Amount charged to tax under these provisions in earlier years

Further, specified sum shall be deemed to be zero, if sum of B and C is greater than A

@ Under the provisions of section 90(2) of the Act, non-resident unitholders may seek to avail beneficial provisions under the applicable Double Taxation Avoidance Agreement ('DTAA') that India may have entered into with their respective country of residence

Note: *As per section 10(23FD) of Act, taxability of income in the nature of dividend distributed by Knowledge Realty Trust to unitholders is dependent on the taxation regime adopted by the SPV(s), which distributes the dividend to Knowledge Realty Trust. If the SPV(s) has not opted for a concessional corporate tax rate under section 115BAA of the Act ('Qualifying SPV'), dividend received from such Qualifying SPV ('Qualified Dividend') and distributed by Knowledge Realty Trust is exempt in the hands of the unitholders. Any dividend other than Qualified Dividend distributed by Knowledge Realty Trust ('Disqualified Dividend') is taxable in the hands of the unitholders.*

6. Tax provisions applicable to unitholders on sale of units

6.1 For resident, non-resident and Foreign Portfolio Investors ('FPIs') / Foreign Institutional Investors ('FIIs') unit holders

In case of Knowledge Realty Trust units held as a capital asset by the unitholder, gains arising on sale of units of Knowledge Realty Trust on a recognised stock exchange, which have been subjected to STT, shall be liable to tax as under:

Period of holding	Nature of capital gains	Applicable tax rates \$
More than 12 months	LTCG	12.5% ^{^*} on gains exceeding INR 0.125 million

Less than or equal to 12 months	STCG	20% **
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[^] without indexation benefit

* excluding applicable surcharge and cess under section 112A of the Act

** excluding applicable surcharge and cess under section 111A of the Act

Note: Gains arising on sale of units of Knowledge Realty Trust, where sale is not pursued through a recognised stock exchange and not subject to STT, shall be chargeable to tax as under:

- at 12.5% plus applicable surcharge and cess in case of LTCG
- at applicable tax rate, plus applicable surcharge and cess in case of STCG

For calculating gains, cost of acquisition of units to stand reduced to the extent of distributions received which is:

- not in the nature of interest or dividend from SPV covered by section 10(23FC) of the Act
- not in the nature of rental income covered under section 10(23FCA) of the Act
- sum not chargeable to tax for the unit holders under section 56(2)(xii) of the Act
- sum not chargeable to tax for the business trust under section 115UA(2) of the Act

\$ Under the provisions of section 90(2) of the Act, a non-resident will be governed by the provisions of the DTAA between India and the country of tax residence of the non-resident, and the provisions of the Act apply to the extent they are more beneficial to the assessee.

Applicability of Minimum Alternate Tax ('MAT') provisions

- In case of domestic companies that are liable to pay MAT under provisions of section 115JB of the Act (unless such domestic company has opted to be governed by the concessional tax regime provided under section 115BAA of the Act), the gains arising, if any, on sale of units of Knowledge Realty Trust are to be included as part of book profits for the purposes of computing MAT liability. MAT paid by such companies should be available as credit for set-off against future tax liability, provided such companies do not subsequently opt to be governed by the concessional tax rate under section 115BAA of the Act.
- As per Explanation 4 to section 115JB(2) of the Act, the provisions of section 115JB shall not be applicable to a foreign company if the foreign company is a resident of a country having DTAA with India and such foreign company does not have a permanent establishment within the definition of the term in the relevant DTAA, or the foreign company is a resident of a country with which India does not have a

DTAA with India and such foreign company is not required to seek registration in India under any laws relating to companies for the time being in force.

- Pursuant to Central Board of Direct Taxes press release dated September 24, 2015, the Government has clarified the inapplicability of Minimum Alternate Tax provisions to FII's / FPIs.

6.2 For mutual funds

Under section 10(23D) of the Act, any income earned by a Mutual Fund registered under the Securities and Exchange Board of India Act, 1992, or a Mutual Fund set up by a public sector bank or a public financial institution, or a Mutual Fund authorized by the Reserve Bank of India would be exempt from income-tax, subject to such conditions as the Central Government may, by notification in the Official Gazette, specify in this behalf.

C. Withholding tax provisions

7. Applicable withholding tax implications on income distributions to Knowledge Realty Trust and its unitholders are set out below:

On income distributions made to Knowledge Realty Trust by SPVs

As per the provisions of section 194I of the Act, any rent received / receivable by Knowledge Realty Trust (in terms of section 10(23FCA) of the Act) in respect of any real estate asset is not subject to withholding tax.

As per section 194A(3)(xi) of the Act, any income by way of interest (other than 'interest on securities') received / receivable by Knowledge Realty Trust from SPV is not subject to withholding tax.

As per the proviso to section 193 of the Act, any income by way of interest on securities received / receivable by Knowledge Realty Trust from SPV is not subject to withholding tax.

As per the proviso to section 194 of the Act, any dividends received by Knowledge Realty Trust is not subject to withholding tax.

On income distributions by Knowledge Realty Trust to unitholders

As per section 194LBA of the Act, taxes shall be required to be deducted at source at the time of payment / credit (whichever is earlier) from following income distributions by Knowledge Realty Trust to its unitholders:

Income recipient	Nature of income	Applicable tax rates
Resident unitholders	Interest income	10%
	Rental income	10%
	Disqualified dividend income	10%

	Qualified dividend income	Not subject to withholding tax
	Any distributions other than the above	Not subject to withholding tax
Non-resident unitholders	Interest income	5% *
	Rental income	At tax rates in force #
	Disqualified dividend income **	10% *
	Qualified dividend income	Not subject to withholding tax
	Any distributions other than the above	Not subject to withholding tax
Category I and II Alternative Investment Funds	Any distribution of the nature referred to in section 10(23FBA) of the Act	Not subject to withholding tax
Mutual funds	Any distribution	Not subject to withholding tax

**excluding applicable surcharge and cess*

*** If the Act provides withholding tax rate for any specific category of non-resident unitholders, then the same needs to be considered.*

Non-resident unitholders may seek to avail any beneficial provisions under applicable DTAA that India may have entered into with its country of residence.

On sale of units of Knowledge Realty Trust

No withholding tax applies in respect of capital gains arising from transfer of units by a Foreign Portfolio Investor registered with the Securities and Exchange Board of India.

D. General tax rates

The income-tax rates specified in this statement are as applicable for the financial year 2025-26 under the provisions of the Act, and are exclusive of surcharge and education cess, if any. The rates of surcharge and cess are provided below:

Surcharge rate on income-tax is as follows:

(i) For companies:

Particulars	Surcharge rate @	
	Domestic Company	Foreign Company
If the net income does not exceed INR 10 million	Nil	Nil
If the net income exceeds INR 10 million but does not exceed INR 100 million	7%	2%
If the net income exceeds INR 100 million	12%	5%

@ for domestic companies which have exercised the option under section 115BAA of the Act, the surcharge shall be 10% irrespective of the amount of taxable income.

- (ii) For individuals, HUF, AOP and BOI:

Particulars	Surcharge rate@#
If the net income does not exceed INR 5 million	Nil
If the net income exceeds INR 5 million but does not exceed INR 10 million	10%
If the net income exceeds INR 10 million but does not exceed INR 20 million	15%
If the net income exceeds INR 20 million but does not exceed INR 50 million	25%
If the net income exceeds INR 50 million	37%

@ As per the Finance Act 2020, surcharge on dividend income and capital gains arising from disposition of Knowledge Realty Trust units that have been subjected to STT shall be 15%, even if the income exceeds INR 20 million

If investors of these category have exercised the option under section 115BAC of the Act, the highest surcharge rate applicable shall be 25%.

- (iii) Health and education cess: In all cases, health and education cess will be levied at the rate of 4% of the income tax and surcharge.

Notes:

1. The information provided in this statement sets out the possible tax benefits to the unitholders in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares and units, under the current tax laws presently in force in India. It is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. Investors are advised to consult their own tax consultant with respect to the tax implications of an investment in the units particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation impacting the provisions / benefits if any, which an investor can avail.
2. The stated possible tax benefits will apply only to the sole / first named holder in case the units are held by joint holders.
3. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to benefits available, if any, under the applicable DTAA, if any, between India and the country in which the non-resident has fiscal domicile.
4. This statement of tax provisions enumerated above is as per the Act as amended by the Finance Act 2025. This statement sets out the provisions applicable to the Knowledge Realty Trust and its unitholders under the current tax laws presently in force in India for FY 2025-26. Several of these provisions and benefits if any, are dependent on Knowledge Realty Trust or its unitholders fulfilling the conditions prescribed under the relevant tax laws.

The Government has proposed certain amendments vide the Income-tax Bill, 2025, a draft of which is available in the public domain. However, this Bill currently does not have any force of

law. Therefore, this statement of tax provisions is restricted to commenting on the law as it currently stands.

5. The above statement covers only certain relevant direct tax law benefits and does not cover any indirect tax law benefits or benefit under any other law.
6. 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.