

**STATEMENT OF POSSIBLE TAX BENEFITS**

To,

The Board of Directors

**Leapfrog Engineering Services Limited**

**(Formerly known as Leapfrog Engineering Services Private Limited)**

*(hereinafter referred to as the "Issuer Company")*

No. 496, Chaithanya Dhriti Rudresh, 6<sup>th</sup> Main,

8<sup>th</sup> Cross, Vijaya Bank Layout, Bannerghatta Road,

Bangalore, Karnataka, India – 560 076

Dear Sir / Madam,

**Sub: Statement of possible Special tax benefit ('the Statement') available to Leapfrog Engineering Services Limited and its shareholders prepared in accordance with the requirements under Schedule VI-Clause 9L of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended (the 'Regulations')**

**Ref: Proposed Initial Public Offering ("IPO") of Equity Shares by Leapfrog Engineering Services Limited ("The Issuer" or "The Company")**

We refer to the proposed initial public offering of equity shares (the "Offer") of the Company. We enclose herewith the annexure showing the current position of special tax benefits available to the Company and to its shareholders as per the provisions of the direct and indirect tax laws, including the Income-tax Act, 1961, 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 (collectively the "GST Act"), the Customs Act, 1962 and the Customs Tariff Act, 1975, (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 2025-2026 relevant to the financial year 2024-25 for inclusion in the Draft Red-Herring Prospectus/ Red-herring Prospectus/ Prospectus ("Offer Document") for the proposed offer of equity shares, as required under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("ICDR Regulations").

Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of taxation laws. Hence, the ability of the Company or its shareholders to derive these tax benefits is dependent upon their fulfilling such conditions.

The benefits discussed in the enclosed statement are neither exhaustive nor conclusive. The contents stated in the Annexure are based on the information and explanations obtained from the Company. This statement is only intended to provide general information to guide 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 their own tax consultant with respect to the specific tax implications arising out of their participation in the issue. We are neither suggesting nor are we advising the investor to invest money or not to invest money based on this statement.



We do not express any opinion or provide any assurance whether:

- The Company or its Shareholders will continue to obtain these benefits in future;
- The conditions prescribed for availing the benefits have been/would be met;
- The revenue authorities/courts will concur with the views expressed herein.

We hereby give our consent to include enclosed statement regarding the tax benefits available to the Company and to its shareholders in the offer document for the proposed public offer of equity shares which the Company intends to submit to the Securities and Exchange Board of India provided that the below statement of limitation is included in the offer document.

### LIMITATIONS

Our views expressed in the statement enclosed are based on the facts and assumptions indicated above. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company and the interpretation of the existing tax laws in force in India and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. The 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 the statement.

This statement has been prepared solely in connection with the offering of Equity shares by the Company as required under the Securities and Exchange Board of India ("SEBI") (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("ICDR Regulations").

The enclosed Annexure is intended solely for your information and for inclusion in the Draft Red Herring Prospectus/ Red Herring Prospectus/ Prospectus or any other issue related material in connection with the proposed issue of equity shares and is not to be used, referred to or distributed for any other purpose without our prior written consent.

We also authorise you to deliver a copy of this certificate to SEBI, ROC and the Stock Exchanges or any other regulatory authorities as required by law.

For **RAO ASSOCIATES**  
Chartered Accountants  
FRN: 003080S



**CA Shilpa D Rao**  
**Designation: Partner**  
Membership Number: 230596  
**UDIN: 25230596BMLWV3871**

Place: Bengaluru  
Date: 27/12/2024

### ANNEXURE TO THE STATEMENT OF POSSIBLE TAX BENEFITS

#### DIRECT TAXATION

Outlined below are the possible Special tax benefits available to the Company and its shareholders under the Income Tax Act, 1961 ("the Act"), as amended by Finance Act, 2024 i.e., applicable for Financial Year 2024-25 relevant to the Assessment Year 2025-26, presently in force in India.

**YOU SHOULD CONSULT YOUR OWN TAX ADVISORS CONCERNING THE INDIAN TAX IMPLICATIONS AND CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF EQUITY SHARES IN YOUR PARTICULAR SITUATION.**

#### 1. SPECIAL TAX BENEFITS AVAILABLE TO THE COMPANY:

Section 115BAA, as inserted vide The Taxation Laws (Amendment) Act, 2019, provides that domestic company can opt for a rate of tax of 22% (plus applicable surcharge and education cess) for the financial year 2019-20 onwards, provided the total income of the company is computed without claiming certain specified incentives/deductions or set-off of losses, depreciation etc. and claiming depreciation determined in the prescribed manner. In case a company opts for section 115BAA, provisions of Minimum Alternate Tax would not be applicable and earlier year MAT credit will not be available for set-off. The option needs to be exercised on or before the due date of filing the tax return. Option once exercised, cannot be subsequently withdrawn for the same or any other tax year.

The Company has represented to us that it has opted for section 115BAA for the first time in the return of income filed for Financial Year 2019-20 (Assessment Year 2020-21) for which declaration in specified form (i.e., Form 10-IC) has been filed with income tax department.

#### 2. SPECIAL TAX BENEFITS AVAILABLE TO THE SHAREHOLDERS OF THE COMPANY

There is no special direct tax benefit available to the shareholders of Company for investing in the shares of the Company. However, such shareholders shall be liable to concessional tax rates on certain incomes under the extant provisions of the Income Tax Act, 1961. Further, it may be noted that these are general tax benefits available to equity shareholders. Shareholders holding any other type of instrument are not covered below.

- i) **Dividend Income:** Dividend income earned by the shareholders would be taxable in their hands at the applicable rates. However, 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, maximum rate of surcharge would be restricted to 15%, irrespective of the amount of dividend. Further in case the shareholder is a domestic company, deduction under Section 80M of the Income tax act would be available on fulfilling certain conditions.



- ii) **Tax on Long-Term Capital Gain:** As per Section 112A of the Income Tax Act, Long-Term Capital Gains arising from transfer of equity shares, shall be taxed as mentioned below of such capital gains subject to payment of securities transaction tax on acquisition and transfer of equity shares. However, no tax under the said section shall be levied where such capital gains does not exceed INR 1,25,000 in a financial year.
- (a) On long-term capital gains at the rate of 10% (Ten per cent) for any transfer which takes place before the 23<sup>rd</sup> day of July, 2024; and
- (b) On long-term capital gains, at the rate of 12.50% (Twelve and one-half per cent) for any transfer which takes place on or after the 23<sup>rd</sup> day of July, 2024.
- iii) **Tax on Short-Term Capital Gain:** As per Section 111A of the Income Tax Act, Short-Term Capital Gains arising from transfer of equity shares, shall be taxed as mentioned below-
- a) At the rate of 15% (Fifteen per cent) for any transfer which takes place before the 23<sup>rd</sup> day of July, 2024; and
- b) At the rate of 20% (Twenty per cent) for any transfer which takes place on or after the 23<sup>rd</sup> day of July, 2024.
- iv) **Double Taxation Avoidance Agreement benefit:** In respect of non-resident shareholders, the tax rates and the consequent taxation shall be further subject to any benefits available under the applicable Double Taxation Avoidance Agreement, if any, between India and the country in which the non-resident has fiscal domicile and fulfillment of other conditions to avail the treaty benefit.

### INDIRECT TAXATION

Outlined below are the special tax benefits available to the Company and its shareholders under the Central Goods and Services Tax Act, 2017/ Integrated Goods and Services Tax Act, 2017 / respective State Goods and Services Tax Act, 2017 read with Rules, Circulars, and Notifications ("**GST law**"), the Customs Act, 1962, Customs Tariff Act, 1975 ("**Customs law**") and Foreign Trade Policy 2015-2020 ("**FTP**") (collectively referred as "**Indirect Tax**").

#### 1. SPECIAL TAX BENEFITS AVAILABLE TO THE COMPANY:

- i) **Export of Goods and services under the GST law:**  
Under the GST regime, supplies of goods and services which qualify as export of goods or services are zero-rated. On account of zero rating of supplies, the supplier is entitled to claim Input Tax Credit (ITC) in respect of input and input services used for such supplies, which can either be utilised towards the discharge of GST liability in respect of domestic turnover or can seek the refund of accumulated/ unutilized ITC.

GST law inter-alia allows export of services at zero rate on fulfilment of certain conditions. Exporters can export services under Letter of Undertaking (LUT) without payment of IGST and claim refund of accumulated ITC. There is also an alternative available to export services with payment of IGST and subsequently claim refund thereof, as per the provisions of section 54 of the CGST Act. We understand that the Company is undertaking exports of services without payment of tax under the cover of LUT.



ii) **The Foreign Trade (Development and Regulation) Act, 1992 (read with Foreign Trade Policy 2015-20):**

• **Remission of Duties and Taxes on Exported Products (RoDTEP)**

The Remission of Duties and Taxes on Exported Products (RoDTEP) scheme was announced by Government of India (GOI) effective from January 1, 2021 to boost exports by allowing reimbursement of taxes and duties, which are not exempted or refunded under any other scheme in accordance with World Trade Organization (WTO) norms. RoDTEP is a combination of the current Merchandise Export from India Scheme (MEIS) and Rebate of State and Central Taxes and Levies (RoSCTL). At present, embedded duties and taxes, which are not refunded under any other scheme, range from 1-3%. Under the scheme, rebate of these taxes will be given in the form of duty credit/electronic scrips which either can be utilised for the discharge of basic customs duties or sold to the third parties.

**2. SPECIAL TAX BENEFITS AVAILABLE TO THE SHAREHOLDERS OF THE COMPANY**

The Shareholders of the Company are not entitled to any special tax benefits under the Indirect Tax.

**Notes:**

1. All the above benefits are as per the current tax laws and will be available only to the sole / first name holder where the shares are held by joint holders.
2. The above statement of Direct Tax Benefits sets out the special tax benefits available to the Company and its shareholders under the current tax laws presently in force in India.
3. 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, 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.
4. This statement does not discuss any tax consequences in the country outside India of an investment in the Shares. The subscribers of the Shares in the country other than India are urged to consult their own professional advisers regarding possible income-tax consequences that apply to them.
5. The views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes.

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. We do not assume responsibility to update the views consequent to such changes. We shall not be liable to any claims,



liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith or intentional misconduct. We will not be liable to any other person in respect of this statement.

For **RAO ASSOCIATES**  
Chartered Accountants  
FRN: 003080S



CA Shilpa D Rao

**Designation: Partner**

Membership Number: 230596

**UDIN: 25230596BMLWOV3871**

Place: Bengaluru

Date: 27/12/2024