

IHCL

THE INDIAN HOTELS COMPANY LIMITED
A TATA Enterprise

TAX
TRANSPARENCY
REPORT
FY 2023-24



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ABOUT THE REPORT

The Indian Hotels Company Limited (“IHCL”, “the Company”) brings together group of brands and businesses that offer a fusion of warm Indian hospitality and world-class service.

Every action at IHCL is guided by our core values of Trust, Awareness and Joy, with Community at the heart of all we do. A combination of unparalleled craftsmanship, best-in-class service, and undeniable business acumen is what makes IHCL iconic in every way.

In line with our core values, we have created a Tax Transparency Report of IHCL on a standalone company basis to provide our stakeholders with complete information on the qualitative as well as quantitative aspects of the tax policies and payments made by IHCL during the financial year 2023-24.

The report covers details on our tax principles, policies and governance mechanism, along with the quantitative information on the various contributions made by IHCL to government exchequers.

The source of the information used to prepare the tax transparency report is the Standalone Financial Statements of IHCL for the year ended March 31, 2024.



MESSAGE FROM THE CFO’S DESK



Giridhar Sanjeevi
Executive Vice President & Chief Financial Officer

Environment, Social, and Governance (ESG) considerations are integral to the way we function and operate. IHCL propels ahead in the sustainability journey, leaning on the PAATHYA framework, which helps us to drive sustainability and social impact.

IHCL has always been a frontrunner in adopting practices that not only operate in conjunction with the laws, but also set an example for the industry to follow. It is in this spirit that we are happy to introduce our first Tax Transparency Report, a pioneering initiative in the Indian hospitality sector.

This Report is issued voluntarily and at the IHCL standalone level. It underscores our commitment to transparency, responsibility and accountability. Within this report, we present our tax approach, strategy, governance, and risk. We ensure fair and rightful tax contributions wherever we operate along our entire value chain. Our organization recognizes the significance of these contributions to communities.

As we embark on this journey, we invite you to explore the details within this report and join us in our pursuit of excellence.

APPROACH TO TAX

A. Tax Principles

IHCL ensures strict compliance with all applicable tax laws and regulations. We undertake efficient tax management which is aligned with our business strategy and aims to create value for stakeholders. We strive to claim all applicable reliefs and incentives in accordance with the relevant tax legislation. It is our policy to conduct our business in an honest and ethical manner.

Integrity is the key driving factor behind any business functions at IHCL including tax. The tax function ensures complete integrity, honesty and complete transparency in its functioning and disclosures to the relevant stakeholders. The compliances are completed in a timely manner and appropriate records & documentation for all compliances are maintained.

IHCL strives to maintain and improve the best practices. IHCL continuously monitors the bottlenecks in the tax compliance and reporting procedures to ensure smooth adoption of new regulations and enable faster and accurate compliance with the same.

B. Tax Governance

IHCL follows due standards of Corporate Governance practices across its business functions and tax is an integral part of it. Our philosophy on Corporate Governance finds its roots in the rich legacy of social and ethical governance practices, many of which were in place even before they were mandated. The cardinal principles of independence, accountability, responsibility, transparency, trusteeship and disclosure serve as means for us in implementing the philosophy of Corporate Governance.



The tax governance structure of IHCL comprises mainly of the following:

In-house Tax Professionals

IHCL has a strong and dedicated tax department comprising of qualified and experienced tax professionals, who evaluate the tax positions and decisions principally and also cater to tax compliance and litigation needs of the company. The functioning of the tax department involves various trainings, discussions, workshops from time to time to keep the team abreast with the latest amendments in the existing laws / notification of new laws.

Senior Leadership

Senior leadership team consulted on critical tax positions and decisions for appropriate guidance and resolutions.

Tata Code of Conduct

We are guided by the Tata Code of Conduct which articulates the Group's values and ideals that guide and govern the conduct of our companies as well as our colleagues in all matters relating to business. The core values of the code are integrity, excellence, unity, responsibility and pioneering. Our Tax decisions are driven by these core values. The principles of the TCOC apply to all our dealings with our business partners who are encouraged to adhere to similar standards.

External Advisors

IHCL also constructively engages and works with multiple external advisors, to obtain a third-party assurance, independent advice and assistance in relation to complex tax matters.

C. Tax Compliance and Risk management

Integrity and good conduct are central to our culture and approach to risk management. We aim to comply with both the spirit and letter of the law in tax matters.

- **Compliance with Laws and Regulations**

IHCL ensures strict adherence to all the applicable laws and regulations including the central tax laws, state tax laws, international laws etc. Any new updates and amendments are taken into consideration and complied with on a timely basis. IHCL avails tax incentives and exemptions as legitimately available in the states where it operates and maintains appropriate documentation.

- **Minimize Tax Uncertainty and Risk**

At IHCL, we seek to minimise risk in relation to tax matters by instituting adequate processes, effective controls and periodic review mechanism, which helps in preventing non-compliance. In order to minimise tax uncertainty, we continuously monitor changes to tax legislation and government policy. We seek professional advice to support the decision-making process wherever there is uncertainty regarding the application or interpretation of tax law or for a material transaction. We analyse industry approach and trends as well as their impact in order to align all our processes and policies with these evolving regulations.

D. Engagement with Tax Authorities & Advocacy

- **Relationship with Regulatory Authorities**

IHCL consider tax authorities as key stakeholders and maintains a constructive relationship with the regulatory authorities. All dealings with the tax authorities are conducted in a collaborative and proactive manner to support positive and sustainable relationships. Our interactions are open and honest with the tax authorities. This has assisted us in gaining clarity on a wide spectrum of issues and establishing standardised procedures as well as a rationale for different tax matters.

- **Advocacy**

IHCL has a robust advocacy process. IHCL proactively monitors the changes in tax policies and its impact on the business and industry and provides valuable inputs to various bodies. The standard process is to proactively engage in dialogue with governments,

either directly or through appropriate industry forums like Hotel Association of India, Chamber of Commerce, Confederation of Indian Industry.

IHCL has been a frontrunner in many industry initiatives since its inception. The dynamic nature of the business, regulatory as well as tax-policy environment in which all industries, including IHCL, operate requires industry bodies to be in constant dialogue with regulatory bodies and various policy makers. IHCL being a leader in its industry segment recognises its role in proactively analysing the impact of the changing environment on its industry.

E. Tax Technology

In today's digital era, tax reporting processes have undergone significant digitalization, and tax administrations rely heavily on technology and data analytics. Recognizing the value of technology in tax functions, IHCL continues to invest in systems and processes to ensure compliance throughout the organization.

IHCL has engaged with multiple external advisors and technology vendors for adoption of technology tools/software solutions for blending automation in the taxation reporting and compliance procedures. With the adoption of digital platforms, IHCL has streamlined tax compliance processes, enabling seamless reporting and meeting deadlines.



TAXES AND OTHER CONTRIBUTIONS PAID

IHCL has made a cumulative contribution of ₹ 1,433.33 crores to the Indian government exchequer, local bodies, state and central government.

The contributions made by IHCL comprise of the following components:

DIRECT CONTRIBUTIONS

Corporate Taxes

Total Income earned by IHCL for the year ending March 31, 2024 is ₹4,590.11 crores in FY 2023-2024. IHCL has made a total payout of ₹ 266.14 crores (net of refunds) to Indian exchequer on account of income taxes, surcharge, cess, etc during the FY 2023-24.

Indirect Taxes

IHCL is subject to multiple indirect tax regimes. IHCL has made a total contribution of ₹ 639.91 crores (net of input tax credit) to the Indian exchequer. The indirect tax regime includes Goods and Service Tax, Custom Duty, VAT/Sales tax, State duties on Liquor, etc.

Other Taxes

IHCL is subject to various other levies, fees and duties imposed by the union and the state government in India during the normal course of business, which inter-alia includes equalization levy, license fees, electricity duty etc in relation to business operations performed. The total amount contributed for the same aggregates to ₹ 33.53 crores.

Other Charges

As part of its business operations, IHCL owns/leases hotel properties on which IHCL is subjected to pay property tax, pay lease rentals for the properties taken on lease from the Government bodies. The total payout for other charges amounts to ₹206.92 crores.

INDIRECT/OTHER CONTRIBUTIONS

Withholding Taxes

IHCL withholds taxes on its payments made to various stakeholders in business, such as, employees, vendors, related parties, etc. The withholding taxes also included taxes collected by IHCL from customers. The total quantum of withholding taxes amount to ₹ 182.64 crores. IHCL ensures timely deposit and reporting of such taxes withheld.

Other Statutory Contributions

IHCL is subject to various statutory regulations, such as provident fund, employee state insurance schemes, employee pension schemes, national insurance schemes, etc. IHCL appropriately computed and contributes a portion of the premiums/investments towards the welfare of its employees. The total amount contributed in the above schemes amounts to ₹ 104.19 crores.

₹ 1,433.33 cr

Total Contribution

₹ 639.91 cr

Indirect Taxes

₹ 266.14 cr

Corporate Taxes

₹ 206.92 cr

Lease payments to
Government

₹ 182.64 cr

Withholding Taxes

BASIS OF PREPARATION

Contribution Values

We have reported total tax and other contributions basis cash payments from 1 April 2023 to 31 March 2024 unless otherwise mentioned below. We have reported the Tax Contributions made to the government and other statutory contributions made to employees related fund/retirement trusts set-up by IHCL, at a standalone level covering all the properties owned directly by IHCL.

The reporting methodology followed for each type of Tax & Other Contributions has been detailed below:

Methodology

Amounts reported in the above section have been subjected to Limited Assurance from an Independent Chartered Accountant and the Assurance Report forms part of this report. The financial information contained in the report is consistent with that used to prepare our standalone financial statement for the year ended March 31, 2024.

The grouping of taxes under the heads of 'direct contribution' and 'indirect contribution' is based on our understanding of the nature of taxes and its payment mechanism. Whilst preparing this section, we have considered materiality in collating and presenting information on taxes and contributions.

1. Direct Contributions Consist of:

a) Corporate Tax

This comprises Corporate Income Tax but does not include Deferred Tax, Interest and Penalty, if any. These taxes are the actual payments made net of refunds received during the financial year with respect to corporate income tax liability of the same year and/or of previous years at respective corporate tax rates applicable for those years.

b) Net Indirect Taxes

Amounts reported represent indirect tax payments remitted to the government treasuries on cash basis. Indirect tax payments made for reverse charge liability and on imports paid in cash also form part of the amount reported. However, it may be noted that the payment of taxes on procurements paid to vendors have not been considered here. Incentives received, if any, are netted off against the taxes.

c) Lease payments made to Government bodies for the properties taken on lease from the governments.

d) License Fees, Property Tax & Other Charges

This comprises bar, liquor and other license fees, paid to Government bodies during the year for the operation of the hotels in the various locations.

2. Indirect Contributions Consists of:

a) Withholding Taxes (other than payroll)

It comprises taxes withheld or collected from various payments made to vendors/contractors and paid to government, i.e., taxes deducted and remitted to governments on behalf of the service providers/vendors/group companies. This also includes TDS on dividends paid to those who hold shares in the company during the year. This also includes Equalization levy paid while making payment to non-resident vendor for rendering services of online advertisement.

b) Payroll Taxes

This comprises payroll and employee taxes withheld from employee remuneration, and paid to government, i.e., tax collected and remitted to government on behalf of employees.

c) Other Contribution

This includes contributions made by the employer to social security programmes for the benefit of employees as mandated by regulatory bodies. This also includes the employer's share in provident fund and Gratuity.



Types of taxes and contributions covered under this report by the Company are listed below:

- Corporate Income Tax
- Goods and Service tax
- Lease Payment to Government Bodies
- Municipal Taxes, Sewerage Tax, Road Cess/Tax, etc.
- Property Tax
- Professional Tax
- Custom duties
- Excise Duties

- Value Added Tax
- Bar, Liquor and other License Fee
- Withholding Taxes
- Equalisation Levy
- Payroll Taxes
- TDS on Dividend
- Provident Fund
- Pension and Gratuity Contribution

While an effort has been made to report all types of taxes, duties, levies, contributions etc., any omission or exclusion is unintentional and not expected to have any material impact.



Disclaimer

This voluntary report has been prepared by the Company considering best practices and to the best of our knowledge. These materials are for information purposes only. All content published is copyright of IHCL and may not be reproduced without the written permission of the Company.

INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE REPORT

on taxes & other contributions paid and presented in The Indian Hotels Company Limited's Tax Transparency Report

To

The Members,
The Indian Hotels Company Limited,
Mumbai

We have undertaken to perform a limited assurance engagement, for The Indian Hotels Company Limited (the 'Company') vide Engagement Letter dated 15 April 2024 in respect of taxes and other contributions paid (hereinafter referred to as 'Tax & Other Contributions') presented in the Tax Transparency Report (TTR) of the Company for the year ended 31st Mar 2024, based on 'Basis of Preparation' mentioned in the TTR.

Scope of Engagement

Our Scope of engagement is restricted to reporting on the Tax & Other Contributions reported in Section 4 of the TTR for the year ended 31st Mar 2024 of the Company, based on 'Basis of Preparation' mentioned in Section 5 of the TTR.

Our limited assurance engagement is with respect to the year ended 31st Mar 2024 Tax & Other Contributions mentioned above only and we have not performed any procedures with respect to earlier periods or any other elements included in the TTR and, therefore, do not express any conclusion thereon.

Criteria

The criteria used by the Company to prepare the Tax & Other Contributions is summarised in Section 4 of the TTR.

Management's Responsibility

The management of the Company is responsible for preparing the Statement of Tax & Other Contributions that is free from material misstatement in accordance with Basis of Preparation and for the information contained therein. The management of the Company are also responsible for preparing the Basis of Preparation. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of Tax & Other Contributions that is free from material misstatement, whether due to fraud or error. It also includes developing the Basis of Preparation. The Company is also responsible for preventing and detecting fraud and for identifying and ensuring that it complies with laws and regulations applicable to its activities.

Inherent limitations

The absence of a significant body of established practice on which to draw to evaluate and measure Tax & Other Contributions allows for different, but acceptable, measures and measurement techniques and can affect comparability between entities.

Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India and have the required competencies and experience to conduct this assurance engagement.

The firm applies Standard on Quality Control 1, "Quality Control for Firms that Perform Audit and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements", and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Tax & Other Contributions based on the evidence we have obtained. We conducted our limited assurance engagement in accordance with the Standard on Sustainability Assurance Engagements (SSAE 3000), 'Assurance Engagements on Sustainability Information', issued by the Sustainability Reporting Standards Board of the Institute of Chartered Accountants of India. This standard requires that we plan and perform our engagement to obtain limited assurance about whether the Tax & Other Contributions is free from material misstatement.

A limited assurance engagement involves assessing the suitability in the circumstances of the Company's use of the basis for the preparation of the Tax & Other Contributions, assessing the risks of material misstatement of the Tax & Other Contributions whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the Tax & Other Contributions.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, evaluating the suitability of the Basis of Preparation used by the Company in preparing the Tax & Other Contributions in the circumstances of the engagement, the appropriateness of the procedures and estimates used in the preparation of Tax & Other Contributions and the overall presentation of the Tax & Other Contributions.

Given the circumstances of the engagement, in performing the procedures listed above, we:

- Conducted interviews with select personnel at Corporate team to understand the process for collecting, collating and reporting the subject matter as per the Basis of Preparation
- Checked that the calculation criteria have been correctly applied in accordance with the methodologies outlined in the Basis of Preparation
- Verification of sample data and related information (like challans, returns, receipts, bank statements, etc.) at the Company's Head Office
- We also performed such other procedures as we considered necessary in the circumstances.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the Tax Transparency Report have been prepared, in all material respects, in accordance with the Criteria.

Exclusions

Our limited assurance scope excludes the following and therefore we do not express a conclusion on the same:

- Operations of the Company.
- Aspects of the tax transparency and the data/information (qualitative or quantitative) other than the Tax & Other Contributions.
- Data and information outside the defined reporting period i.e. year ended 31st Mar 2024.

- The statements that describe expression of opinion, belief, aspiration, expectation, aim, or future intentions provided by the Company.
- Data and information on economic and financial performance of the Company.
- Data, statements and claims already available in the public domain through Annual Report.
- Integrated Report, or other sources available in the public domain.
- The Company's compliance with regulations, acts, guidelines with respect to various regulatory agencies and other legal matters.

Limited Assurance Conclusion

Based on procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Company's Tax & Other Contributions included in the Tax Transparency Report for year ended 31st Mar 2024 are not prepared, in all material respects, in accordance with the Basis of Preparation Criteria.

Restriction on Use

Our limited assurance report has been prepared and addressed to the Company at the request of the Company solely to assist the Company for inclusion in its Tax transparency Report for FY 2023-24 as part of the Company's Sustainability performance and activities reporting and for no other purpose or in any other context. Accordingly, we accept no liability to anyone, other than the Company. Our deliverables should not be used for any other purpose or by any person other than the addressees of our deliverables. The Firm neither accepts nor assumes any duty of care or liability for any other purpose or to any other party to whom our Deliverables are shown or into whose hands it may come without our prior consent in writing.

For **PKF Sridhar & Santhanam LLP**

Chartered Accountants

Firm Registration No. 003990S/S200018

Ramanarayanan J

Partner

Membership No. 220369

UDIN: 24220369BKCEPW4345

Place: Gurgaon

Date: 23-Apr-2024

THE INDIAN HOTELS COMPANY LIMITED

MANDLIK HOUSE, MANDLIK ROAD, MUMBAI - 400001

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