FREQUENTLY ASKED QUESTIONS

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Compilation of Frequently Asked Questions ('FAQs') on the Income-tax treatment on distribution of income by Citius TransNet Investment Trust ('CITIUS') in the hands of the Unitholders under the Income-tax Act, 2025 ('the IT Act') read with the Income- tax Rules, 2026 ('the IT Rules') [collectively hereinafter referred to as 'Indian income-tax law']

Applicable for Financial Year ('FY') 2026-27

FAQs

1. What will be the nature of distribution made by CITIUS?

Distributions to the unitholders of CITIUS can be characterized as follows:

(i) Interest, or
(ii) Dividend, or
(iii) Any other income (interest income on fixed deposits, profit and loss on sale of mutual funds, etc.), or
(iv) repayment of debt given by CITIUS to its SPVs, or
(v) a combination of any of the foregoing receipts

The characterization of distribution in hands of unitholders will depend on nature of net distributable cash flows received by CITIUS from its underlying investment in Special Purpose Vehicles. In accordance with the provisions of section 223(1) of the IT Act, any income distributed by InvIT to its unit holders shall be deemed to be of the same nature and in the same proportion in the hands of the unit holder as it had been received by, or accrued to, the InvIT.

As per Note 2 of Schedule V of the IT Act, the expression "special purpose vehicle ("**SPVs**")" means an Indian company in which the InvIT holds controlling interest and any specific percentage of shareholding or interest, as may be required by the law under which such InvIT is granted registration (i.e. SEBI InvIT Regulation).

2. What will be the frequency of distributions by InvITs to unitholders?

Please note that CITIUS has adopted a policy of quarterly distribution to the unitholders.

3. What are the tax implications for FY 2026-27 on different streams of income distributed by CITIUS in the hands of the resident and non-resident unitholders?

Kindly refer to the following indicative summary on the tax implications in the hands of unitholders:

Nature of Income	**Taxability in the hands of Resident Unitholders**	**Taxability in the hands of Non-Resident Unitholders (Note 1)**
Distribution of interest income earned by CITIUS from SPVs	Taxable at applicable rates as per the IT Act	Taxable at concessional rate of 5% (plus applicable surcharge and cess)
Distribution of dividend income earned by CITIUS from SPVs. (Refer Note 2)	Exempt	
Distribution in nature of repayment of debt given by CITIUS to SPVs	Refer FAQ no. 16 below	
Distribution of any other income earned by CITIUS, i.e. Treasury Income (such as interest on fixed deposits, capital gains from sale of any capital assets, etc.)	Exempt as per Schedule V [Table: Sl. No. 5] of the Act	

Note 1 - Please note that the aforementioned rates are as per the provisions of the IT Act. Non-resident unitholders are advised to independently evaluate any impact under the relevant Double Tax Avoidance Agreement ('DTAA') in consultation with their tax advisors.

Note 2 - Prior to the amendment brought in by 'The Taxation and Other Laws (Amendment) Act (TOLA), 2026', the exemption available to a unit holder in respect of dividend distributed by a InvIT was dependent upon the tax regime opted for by the underlying SPV. Where the SPV had opted for the concessional tax regime under section 200 of the IT Act, the corresponding dividend distributed by the InvIT was taxable in the hands of the unit holder. With effect from 1 April 2026, TOLA 2026 has removed this restrictionand accordingly, dividend distributed by a InvIT to its unit

holders is exempt irrespective of whether the underlying SPV has opted for the regular or concessional tax regime under section 200.

Further, in view of the provisions of section 14 of the IT Act, any expenditure incurred in relation to earning the exempt income shall not be allowed as deduction. In case the Tax Authorities are not satisfied by the disallowance considered by unitholders, the quantum of disallowance shall be computed in accordance with the provisions of section 14 read with applicable rules.

Also as per section 93 of the IT Act (amended by Finance Act, 2026), no deduction shall be allowable against the dividend income.

4. What is the capital gains tax applicable on sale of units of CITIUS ?

Income arising from the transfer of CITIUS units, on or after 23 July 2024, held for more than 12 months and where the transaction is subject to Securities Transaction Tax (STT), will be classified as long-term capital gains (LTCG). Gains not qualifying as LTCG will be treated as short-term capital gains (STCG). The amount of distribution in the nature of debt repayment to the extent not chargeable to tax under section 92(2)(k) of the Act shall be reduced from the cost of units, for the purpose of computation of capital gains (please refer FAQ 16 for more details).

Unitholder	**LTCG**	**STCG**
Resident	LTCG exceeding INR 1,25,000 in a financial year will be taxed at 12.5%, as per Section 198 of the IT Act.	STCG on units transferred through a recognized stock exchange and subject to STT will be taxed at 20% plus applicable surcharge and cess. For individuals and HUFs, where total taxable income (excluding STCG) falls below the basic exemption limit, the shortfall can be reduced from the STCG and the balance STCG will be taxed at above rate.
Non-resident	For non-resident unitholders, the above tax rates will apply subject to the provisions of the relevant Double Taxation Avoidance Agreement (DTAA), if any, between India and the country of fiscal residence. As per Section 159(4) of the IT Act, the more beneficial provisions between the Act and the DTAA shall apply. STT will be levied as applicable.	

5. What is the basis of determining the withholding tax/TDS rate?

The withholding tax/TDS rate shall be determined basis the tax residential status of the unitholders under the Income Tax Act, 2025 ("the Act"). Hence, unitholders shall provide the declaration stating their tax residential status ('Residency declaration') prior to the distribution at email id tds.citius@eaaa.in in the formats shared in TDS/distribution intimation emails sent to the unitholders.

The declaration provided by the unitholder for a particular financial year shall be considered as valid for the entire financial year. In case of change in the residential status, it shall be the responsibility of the unitholder to inform CITIUS, Depositories, Registrar and Transfer Agent.

6. What is the TDS obligation in the hands of CITIUS for FY 2026-27 for distribution of income?

Kindly refer to the following indicative summary on the TDS implications in the hands of CITIUS on distributions made to unitholders:

Nature of income distributed	**Residential status of unitholder (Refer Note 2)**	**Relevant section under IT Act**	**Withholding tax rate**
Interest income received from SPV	Resident	Section 393(1) Sr.No. 4(ii)	10%
	Non-resident (including FPI)	Section 393(2) Sr.No. 6(a)	5% (plus applicable surcharge and cess) (Refer Note 3)
Dividend income received from SPV (Refer Note 1)	Resident	Section 393(1) Sr.No. 4(ii)	10%
	Non-resident (including FPI)	Section 393(2) Sr.No. 6(b)	10% (plus applicable surcharge and cess) (Refer Note 3)
Any other income i.e. Treasury Income (such as interest on fixed deposits, capital gain on sale of any capital asset etc.)	Resident	Not Applicable	NIL
	Non-resident (including FPI)	Not Applicable	NIL
Repayment of debt given by CITIUS to SPVs	Resident	NIL	
	Non-resident (including FPI)	TDS to be deducted at applicable tax where it is taxable u/s 92(2)(k) of the IT Act as referred in FAQ no. 16 below (Refer Note 2 & 3)	

Note 1 – Where dividend is received by CITIUS from SPV which **has not opted** for the new tax regime u/s 200 of the IT Act and is distributed to unitholders, the same is not subject to TDS u/s 393(4) Sr. No.5.
However, where the SPV **has opted** for new tax regime u/s 200, dividend received by CITIUS from such SPV and is distributed to unitholders shall be subject to TDS as mentioned above.

Note 2 – Please note that reliance will be made on the declaration/ documents obtained from the unitholders, with respect to details of residential status of the Unitholders (i.e. resident or non-resident) and the category of Unitholders (i.e. individual, body corporate, firm, trust, etc.). In the absence of receipt of such declaration where the residential status as per BENPOS is non-resident, TDS may conservatively be deducted at higher rate as applicable to Resident.

Note 3 – Please note withholding tax rates for non-resident unitholders for availing concessional tax rate as per tax treaty provisions are subject to submission by unitholder of following documents to CITIUS within the timelines intimated in TDS/distribution intimation email sent to unitholders –

- Tax residency certificate issued by the tax authorities of the country of which the unitholder is tax resident provided the distribution date shall get covered in the period for which such certificate is issued.
- Self-declaration in Form 41 (Please refer FAQ no. 7 below for further details)
- Residency Declaration as referred in FAQ no. 5 above
- Declaration of no-permanent establishment or no-fixed base in India.

7. In case of non-residents, what is the mode of providing Form 41 by the unitholders?

The non-resident unitholder intending to avail DTAA benefits is required to provide electronically generated Form 41 from the Income-tax portal as per CBDT Notification No. 03/2022 dated 16 July 2022.

8. TDS Treatment for Unitholders not having a PAN (Section 397(2) of the IT Act)

In accordance with Section 397(2) of the IT Act, where a Unitholder does not furnish a valid PAN, TDS shall be deducted at higher of the following:

- at the rate specified in the Act; or
- at the rate or rates in force; or
- at the rate of 20%

However, higher TDS rate as per section 397(2) shall not apply on distribution in the nature of interest or dividend where non-resident unitholder furnishes the following details and documents:-

(i) name, e-mail id, contact number;

(ii) address in the country or specified territory outside India of which such unitholder is a resident;

(iii) a certificate of his being resident in any country or specified territory outside India from the Government of that country or specified territory if the law of that country or specified territory provides for issuance of such certificate;

(iv) Tax Identification Number of such unitholder in the country or specified territory of his residence and in case no such number is available, then a unique number on the basis of which such unitholder is identified by the Government of that country or the specified territory of which he claims to be a resident.

9. If any excess deduction is made by CITIUS while making distributions to the Unitholders, will the same be refunded?

Any excess deduction made by the CITIUS will not be refunded by the CITIUS and the unitholder may file a return of income to claim an income tax refund for the excess tax deduction.

10. If any short deduction is made by CITIUS while making distributions to the Unitholders, will the same be adjusted?

CITIUS retains the right to make adjustment for any shortfall in taxes deducted in earlier distributions and recover the differential TDS amount from the Unitholder along with appropriate interest (as applicable) and consequential penalties (as applicable). This can be done by way of adjustment from subsequent distributions.

11. Is there any exemption available for Alternate Investment Funds ('AIF') from withholding tax? If yes, what condition needs to be fulfilled to claim exemption?

Income other than the income from profits and gains of business and profession of Category I / II AIF which are governed by Securities and Exchange Board of India ('SEBI') regulations and holding SEBI registration number qualifies for TDS exemption as per CBDT notification No.51/2015 dated 25th June 2015. CITIUS shall not deduct taxes where the Unitholder provides requisite declarations along with eligible SEBI registration certificate as AIF Category I or II within the timelines as mentioned in the communication letters circulated at the time of distributions by CITIUS.

12. Is there any exemption available for Mutual Funds from withholding tax? If yes, what condition needs to be fulfilled to claim exemption?

As per the provisions of S. No. 20 and 21 of Table provided in Schedule VII of the Act, any income of a Mutual Fund registered under the SEBI 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 ('RBI') is exempt from income-tax, subject to such conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

Further, as per the provisions of section 393(5) of the Act, no deduction of tax shall be made on any sum payable to a Mutual Fund specified under the provisions of S. No. 20 and 21 of Table provided in Schedule VII of the Act.

CITIUS shall not deduct taxes where unitholders provide requisite declarations along with eligible registration certificate from SEBI/ RBI/ other relevant authority within the timelines as mentioned in the communication letters circulated at the time of distributions by CITIUS.

13. Is there any exemption available for Corporation established by or under a Central Act from withholding tax? If yes, what condition needs to be fulfilled to claim exemption?

As per the provisions of section 393(5) of the Act, any sum payable to any corporations established by or under a Central Act which is exempt from income-tax on its income, shall not be subject to withholding of taxes.

CITIUS shall not deduct taxes where Unitholders provides requisite declarations along with eligible registration certificate from relevant authority within the timelines as mentioned in the communication letters circulated at the time of distributions by CITIUS.

14. Is there any exemption on withholding of tax on distribution made to Insurance companies ?

The TDS on distributions made by InvIT to unitholders is governed by provisions of Section 393(1), Table 4(ii) of Income Tax Act 2025 under which no TDS exemption is available to insurance companies. Hence, TDS exemption is not applicable distributions made to insurance companies by InvIT.

CITIUS, being an InvIT, is obligated to deduct TDS as per the applicable provisions of Section 393(1), Table 4(ii) of Income Tax Act 2025.

However, Insurance companies may provide lower or NIL TDS certificate under section 395 of the Income Tax Act 2025 to us in which case we shall not deduct TDS or deduct TDS at lower rate as per such certificate.

15. Will there be a requirement for Non-Resident Unitholder to file Income tax returns in India?

Investors are advised to consult their own consultants with respect to the specific tax implications/ compliances/ consequences in this regard.

16. Whether distributions made from proceeds of repayment of debt receive by CITIUS from SPVs taxable in the hands of the unitholders?

Distributions by CITIUS in the nature of Repayment of SPV debt is taxable under section 92(2)(k) of the Act in the hands of the unitholders to the extent of 'Specified Sum' where the "Specified Sum" shall be the result of 'A-B-C' where:
'A' = Cumulative distribution made by CITIUS till date excluding the amount distributed in the nature of dividend, interest or other income or any amount taxed/taxable in the hands of CITIUS
'B' = Issue price of such units
'C' = Amount charged to tax under this provision in earlier years

Specified sum shall be deemed to be zero if sum of B and C is greater than A.

Please note that the aforementioned rates are as per the provisions of the IT Act 2025. Unitholders are advised to independently evaluate any impact under the relevant Double Tax Avoidance Agreement ('DTAA') in consultation with their tax advisors.

- **Distribution of specified sum, to the extent not chargeable to tax under section 92(2)(k) of the Act by CITIUS -** *To be reduced from cost of acquisition of units for the purpose of computation of capital gains as per section 72(4) of the IT Act.*
- **Distribution of specified sum, to the extent chargeable to tax under section 92(2)(k) of the Act by CITIUS. -** *Taxable at applicable rates*

The same is enumerated by way of an Illustration:

Number of units held by a unitholder - 1,000 units Issue price per unit – INR 100
Cost of Investment – INR 1,00,000

Year wise distribution details (please note we have assumed all distribution are in form of debt repayment)

Year 1:

Particulars	**Amount (INR)**
Amount distributed - INR 90 per unit	90,000

Year 2:

Particulars	**Amount (INR)**
Amount distributed - INR 95 per unit	95,000

Details of units sold by unitholder post aforesaid distributions in Year 2

Particulars	**Amount (INR)**
Sale of units at INR 125 per unit	1,25,000

Taxable income u/s 92(2)(k) in each year of distribution under the head 'Income from other sources' ("IFOS")

Particulars	**Year 1**	**Year 2**
A = Aggregate Amount distributed	90,000	1,85,000
B = Issue Price	1,00,000	1,00,000
C = Amount chargeable to tax in previous year	NIL	NIL
Income taxable under the head IFOS	**NIL**	**85,000**

Calculation of tax liability on sale of units under Income from Capital Gains

Particulars	**Year 2**
Full value of consideration	INR 1,25,000
Less: Cost of acquisition (Note 1)	NIL
Income taxable under the head Capital gains	INR 1,25,000

Note 1: Calculation of cost of acquisition as per Section 72(4) of the IT Act.

Particulars	**Amount**
Cost of acquisition	INR 1,00,000
Less: Amount which is not chargeable to tax under Section 92(2)(k) (INR 90,000 + INR 95,000 – INR 85,000)	INR 1,00,000
Cost of acquisition as per Section 72(4)	NIL

17. What is the timeline for issue of Form 77 required under the IT Act by the InvIT?

Form 77 for distribution made during a particular financial year shall be provided by CITIUS to the Unitholders by 30 June of the subsequent year.

18. When will TDS certificates be issued to the unitholders?

The TDS certificates in Form 131 shall be issued to the unitholders on quarterly basis in accordance with the timelines prescribed under the Act. CITIUS will issue the TDS certificates based on the following indicative timeline:

Quarter in which Distributions are made	**Timeline for issue of TDS certificates**
April to June	On or before 15 August

July to September	On or before 15 November
October to December	On or before 15 February
January to March	On or before 15 June

For example: For the distributions made during the month of June 2026, the due date of issuance of TDS certificates is on or before 15 August 2026.

Please note that the TDS Certificates will be shared within the due date applicable under the Act, with the Unitholders at their email IDs registered with CDSL/ NSDL.

19. Whether Nil/Lower TDS certificate for claiming exemption from TDS under Income Tax, 2025 on distributions can be accepted by CITIUS?

CITIUS may consider Nil/Lower TDS certificate obtained in accordance with provisions of section 395 of the IT Act while determining TDS liability for distributions, which are valid for distributions for the relevant period subject to receipt of such certificates within the timelines as mentioned in the communication letters circulated at the time of distributions made by CITIUS.

20. **Whether Form 121 for claiming exemption from TDS deduction under Income Tax, 2025 can be accepted by the InvIT**?

As per the provisions of Income Tax Act, 2025, liability to deduct TDS on income distributed by Citius to its unitholders arises under section 393(1) -[Table: Sl. No. 4(ii)] of the IT Act.

Section 393(6) of the IT Act provides for exemption from deduction of taxes at source under certain 'specified sections', in case the recipient of income, furnishes a declaration in the prescribed form i.e. Form 121 (earlier Form 15G or Form 15H) as the case may be) that his total income for such year shall not exceed the maximum amount not chargeable to tax (including such income for which Form 121 is being submitted).

However, section 393(6) does not cover grant of exemption for payments covered under section 393(1)-[Table: Sl. No. 4(ii)]. Accordingly, Citius cannot consider the declaration in Form 121 (earlier Form 15G or Form 15H) for deducting taxes under section 393(1) – [Table: Sl. No. 4(ii)] on income distributed by it to its unitholders and is required to deduct taxes as per the rates prescribed therein.

21. Whether any threshold limit (minimum amount) of distribution is applicable for deduction of TDS in case of distribution of taxable dividend or interest?

Please note that in case of distribution of dividend and interest, no threshold limit has been prescribed under section 393 of the Act for the purpose of TDS deduction.

22. What will be the point of taxation of distribution of income by InvIT?

Amount received from InvIT shall be taxable in the hands of unitholder in the financial year in which such income is received/ distributed.

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