

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE

LOK SABHA
UNSTARRED QUESTION NO. 1499
TO BE ANSWERED ON FRIDAY, THE 04TH MARCH, 2016
14TH Phalguna, 1937 (SAKA)

VENTURE CAPITAL AND PRIVATE EQUITY

1499 SHRI P.V. MIDHUN REDDY:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is considering for a tax regime for venture capital and private equity funds;
- (b) if so, the details thereof;
- (c) whether the Government proposes to exempt services for raising funds from overseas investors from the service tax; and
- (d) if so, the details thereof?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI JAYANT SINHA)

(a) & (b) A tax regime is already there in sections 10 and 115UB of the Income-tax Act, 1961 (the Act) for Category-I and Category-II Alternative Investment Funds (AIFs) governed by Securities and Exchange Board of India (SEBI) regulations which include venture capital and private equity funds. The regime provides a tax “pass through” benefit in respect of income of the AIFs, except income from business, and losses. The AIF has to deduct tax at the rate of ten percent on any payment made to the investors.

The Finance Bill, 2016 introduced in the Lok Sabha on 29.02.2016 proposes to provide that in respect of distribution by these AIFs to the non-resident investors, tax deduction at source would be at rates in force instead of ten percent. It further proposes to provide that the investors may seek certificate of lower deduction or nil deduction of tax. In respect of Indirect taxes there is no such proposal.

(c) & (d) There is no such proposal to exempt services for raising funds from overseas investors from the service tax.