

Tax Sops for Sovereign, Pension Funds Extended

FOR ONE MORE YEAR Experts welcome the move, but say extension should have been for a longer period

Our Bureau

New Delhi: The Central Board of Direct Taxes (CBDT) on Friday notified extension of tax exemption for sovereign wealth funds and pension funds by a year to March 31, 2025.

The tax relief was supposed to expire on March 31 this year.

The exemption will allow these funds to claim tax benefits on dividend income, interest income and long-term capital gains arising from infrastructure investments made by these entities in India after registering in the extended time period.

Finance minister Nirmala Sitharaman had made an announcement to this effect in her interim budget speech in February this year.

In 2020, the government introduced Section 10(23FE) under the Income Tax Act to provide notified sovereign wealth funds and pension funds an exemption from dividend, interest and long-term capital gains income earned from investments made in specified infrastructure businesses from April 1, 2020, under certain conditions. The move was aimed at encouraging long-term investments in critical infrastructure projects.

Experts welcomed the extension of tax exemption but said it should have been for a longer period.

“While it’s a move that will be welcomed

Tax Relief

India introduced tax exemptions for SWF, pension funds in FY21



Relief on dividend income, interest, LTCC

35 SWFs, pension funds notified so far

ASSETS UNDER CUSTODY OF SWFS UP 60% TO ₹4.7 LAKH CRORE BY APRIL 2024

by the infrastructure sector and infrastructure funds, given the long haul of these projects and India’s long-term aspirations, the extension should have been considered for a longer duration as the investment needs are most likely not to be met in one year,” said Sunil Gidwani, partner-financial sector at Nangia Andersen LLP. The tax exemption has generated a lot of interest among sovereign wealth funds and pension funds, who increased their direct investments in India to \$6.712 billion in 2022, almost double of \$3.797 billion in 2021.

Around 35 sovereign wealth funds and pension funds have been notified by the government. These include Sama Foreign Holdings of Saudi Arabia, GIC and Temasek of Singapore, Kuwait Investment Authority and Norwegian Pension Fund.