DSP
FUND MANAGERS IFSC
PRIVATE LIMITED

DSP GLOBAL EQUITY FUND

FAQs

TAXATION RELATED

1. Who would pay the tax? Whether the Fund or the investors?

DSP Global Equity Fund ('Fund') is set up as an irrevocable determinate trust and is registered with the International Financial Services Centres Authority ('IFSCA') as a Retail Fund under the IFSCA (Fund Management) Regulations, 2025.

There are no express provisions in the Income tax Act ('ITA') dealing with the taxability of a Retail Fund in IFSC. Typically, the taxability of a Fund depends on the structure of the Fund. Since the Fund is set up as a trust, trust taxation principles apply.

In the case of a determinate irrevocable trust, the income earned by the trust is generally assessed in the hands of trustee of the Fund in like manner and to the same extent, in the capacity of a representative assessee.

Practically, the Fund will discharge taxes on the income earned by it. Such taxes would be deposited using the Permanent Account Number ('PAN') of the Fund and would not be reflected against the PAN of the investor.

Further, any loss incurred by the Fund shall be set off and carried forward at the Fund level.

2. Would the income from the Fund be taxed in the hands of investors?

For all practical purposes, as the Trustee of the Fund discharges the entire tax liability on the income earned by the Fund (in the capacity of a representative assessee) at the highest applicable tax rates, income distributed by the Fund to the investor should arguably not be taxable again in their hands. Additionally, there should arguably be no additional tax liability at the time of redemption of units by the Fund. However, in the absence of specific guidance, there is a risk of the Tax authority alleging otherwise.

Where the income distributed/ credited by the Fund forms part of the income credited to the profit and loss account prepared by corporate beneficiaries to whom the provisions of Minimum Alternate Tax ('MAT) under the ITA are applicable, such income could be subject to MAT in the absence of a specific provision permitting reduction of such income from the book profits computed under the MAT provisions.

The disclosure of income arising from investment in the Fund and MAT implications thereon would largely depend on the accounting treatment adopted by the taxpayer and accordingly, it is recommended that the corporate investors consult their own auditors and tax consultants with respect to accounting of the income received from the Fund and the computation of MAT liability in their hands.

3. What is the tax rate applicable to the Fund? Would the Fund's income be eligible for indexation benefits?

Under the ITA, indexation has been discontinued with effect from 23 July 2024. Accordingly, the Fund will pay tax on income from its investments as per the applicable tax rates.

Current rates of tax on income from global equities is mentioned below. The same may be subject to change as notified by the Government from time to time.

Security type	Holding period for Long term gains	Long term Capital Gains	Short term Capital Gains	Dividend / Income from units
Equity share listed on Overseas stock exchange	24 Months	14.95%	42.744%	35.88%

4. Will the Fund withhold taxes on redemption / distributions by the Fund?

As the entire tax liability on the income earned by the Fund is discharged by the Trustee of the Fund (in the capacity of a representative assessee), no tax shall be withheld by the Fund while making the redemptions/ distributions.

5. Can loss from the Fund be claimed against income from other sources of income in the hands of the investor?

As mentioned above, any loss incurred by the Fund shall be set off and carried forward at the Fund level. Accordingly, the investor shall not be eligible for set-off and carry forward loss incurred by the Fund against income from any other source in its hands.

6. Who will collect TCS? How will the investors get the credit of TCS?

In case of Resident Individuals, TCS at the rate of 20% will be collected on investment amount in excess of INR 1 million by the authorized dealer ('AD') i.e. the remitting bank of the investor investing under the Liberalised remittance route. The same would be reported to income tax authorities by the AD under the investor's PAN and TCS certificate (Form 27D) will be issued by the AD.

Accordingly, it will be reflected in Form 26AS of the investors and they can claim credit of the same against their income tax liability while filing their Return of Income.

We request investors to consult their remitting banks for TCS related queries.