

# Tax Hotline

November 20, 2001

## TAX REBATE ON GDR INCOME EXTENDED TO 3 MORE SECTORS

The Finance Ministry has finally extended concessional rate of tax on income from global depository receipts (GDRs) issued to Indian employees of pharma, biotechnology, and entertainment companies based in the country, as well as their subsidiaries. Only employees of the companies in the information technology sector were hitherto eligible for the concessional rate. Dividend received on GDRs issued to resident employees under the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme 1993 (FCCB&OS) will now be taxed at the rate of 10 per cent. Income earned by way of long-term capital gains on transfer of the GDRs - to be computed without indexing - will also be taxed at the same concessional rate. For companies in other sectors, the capital gains tax on transfer of GDRs attracts 20 per cent tax. A formal notification stating that the FCCB&OS scheme will be the specified scheme for the purpose of Section 115 ACA of Income-Tax Act 1961, with respect to the assessment year 2001-02 and subsequent assessment years, has been issued by the Central Board of Direct Taxes (CBDT). Prior to this year's Budget, only resident employees of companies belonging to the IT and IT services sectors were eligible for concessional tax rate on income from GDRs issued in accordance with a notified ESOP scheme. A decision was taken in this year's Budget to extend the concessional tax rate on such income to employees in other knowledge-based industries such as pharma, biotechnology and entertainment. The benefit of the lower tax rate was also extended to income from GDRs purchased by employees of subsidiaries - domestic or foreign - of companies in these sectors. Although amendments were made in Section 115 ACA of Income Tax Act 1961 to extend the concession to GDRs issued under ESOPs to resident employees of specified knowledge-based industries and their subsidiaries, it could not be implemented because the FCCB Scheme 1993 was not in conformity with the provisions of the Act. With the Department of Economic Affairs (DEA) recently amending the FCCB&OS scheme, the Revenue Department has now operationalised the concession.

Source: Business Line, November 20, 2001

## DISCLAIMER

The contents of this hotline should not be construed as legal opinion. View detailed disclaimer.

This Hotline provides general information existing at the time of preparation. The Hotline is intended as a news update and Nishith Desai Associates neither assumes nor accepts any responsibility for any loss arising to any person acting or refraining from acting as a result of any material contained in this Hotline. It is recommended that professional advice be taken based on the specific facts and circumstances. This Hotline does not substitute the need to refer to the original pronouncements.

This is not a Spam mail. You have received this mail because you have either requested for it or someone must have suggested your name. Since India has no anti-spamming law, we refer to the US directive, which states that a mail cannot be considered Spam if it contains the sender's contact information, which this mail does. In case this mail doesn't concern you, please unsubscribe from mailing list.

## Research Papers

### New Age of Franchising

June 20, 2025

### Life Sciences 2025

June 11, 2025

### The Tour d'Horizon of Data Law Implications of Digital Twins

May 29, 2025

## Research Articles

### 2025 Watchlist: Life Sciences Sector India

April 04, 2025

### Re-Evaluating Press Note 3 Of 2020: Should India's Land Borders Still Define Foreign Investment Boundaries?

February 04, 2025

### INDIA 2025: The Emerging Powerhouse for Private Equity and M&A Deals

January 15, 2025

## Audio

### CCI's Deal Value Test

February 22, 2025

### Securities Market Regulator's Continued Quest Against "Unfiltered" Financial Advice

December 18, 2024

### Digital Lending - Part 1 - What's New with NBFC P2Ps

November 19, 2024

## NDA Connect

Connect with us at events, conferences and seminars.

## NDA Hotline

Click here to view Hotline archives.

## Video

### Reimagining CSR: From Grant Giving to Blended Finance & Outcome Based Funding

June 16, 2025

Courts vs Bankruptcy code: The  
JSW-Bhushan Saga

June 04, 2025

Vyapak Desai speaking on the  
danger of deepfakes | Legally  
Speaking with Tarun Nangia |  
NewsX

April 01, 2025