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Treat us like ADIA, Gulf wealth funds urge India

Pavan Burugula | 3 min read | 12 Dec 2023, 11:52 PM IST



Market experts say if the government extends these benefits to the other SWFs, then the funds would save 10-30% in taxes. (Mint)

SUMMARY

- *For all infrastructure investments in India, funds controlled by ADIA are exempt from paying taxes on dividends, interest income and long-term capital gains, till March 2024.*

NEW DELHI : Sovereign wealth funds (SWFs) from the Middle East are seeking special tax benefits for their investments in India's infrastructure sector to bring them on par with what Abu Dhabi Investment Authority (ADIA) enjoys. "We are aware of the matter," said a source, two people aware of the matter said.

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on dividends, interest income and long-term capital gains, till March 2024.

Other SWFs get such exemptions only on a case-by-case basis for infrastructure investments, and “need to be specified by the Indian government by way of a notification for them to be eligible to claim such an exemption,” said Parul Jain, head of international tax, Nishith Desai and Associates.

The other SWFs have now sought tax parity with ADIA. *Mint* could not ascertain the identity of these funds. An email sent to the finance ministry remained unanswered.

Market experts say if the government extends these benefits to the other SWFs, then the funds would save 10-30% in taxes. The average or median rate of capital gains tax for foreign funds is around 10-20% depending on the holding period and the sector of investment. Plus, they will also not be subject to 10% tax deduction at source (TDS) for dividends that they receive.

“Given the potential of many SWFs from diverse jurisdictions looking to invest in the Indian infrastructure sector, there is a strong case for the government to consider extending the relaxation to other SWFs, as it will further encourage large foreign investments into India,” Riaz Thingna, partner, Grant Thornton Bharat, said.

The development assumes significance as several funds from the Middle East are prominent investors in India. Apart from ADIA, SWFs from Kuwait, Qatar and Dubai are major investors in the country.

According to September 2023 data published by department for promotion of industry and internal trade (DPIIT), the United Arab Emirates (UAE) is the seventh-largest source of foreign direct investment (FDI) in India, with cumulative investments of ₹1.16 trillion. Saudi Arabia is the 19th largest, with cumulative investment of ₹24,000 crore; Qatar is 24th largest, with investments worth 12,000 crore; and Oman is 38th with new investment of ₹3,200 crore, data showed.

The Kuwait government invests money through a fund called Kuwait Investment Authority, which is registered as a foreign portfolio investor (FPI) with the Securities and Exchange Board of India (Sebi). The Qatar government invests in India through Qatar Holdings, apart from indirect investments through Qatar **Insurance** Company and Doha Bank.



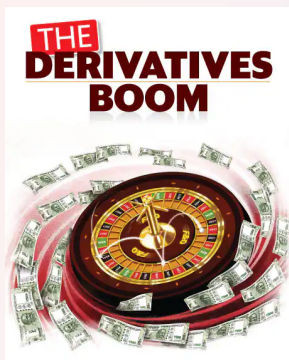
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investments made by the UAE-based investors compared to investors from other countries.

According to a *Bloomberg* report in November, ADIA is considering \$50 billion worth investments in India. The fund has invested in Cube Highways, which has a portfolio of 27 roads in India. ADIA also has exposure to the renewable sector in India through its stake in companies like Renew Power and Greenko group. The fund has also invested in the infrastructure-focused alternative investment funds (AIFs) such as special situation funds. Also, ADIA has invested in many blue-chip listed companies, including Reliance Retail and Adani Group companies, data showed.

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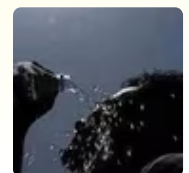
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