

**Tax on income from units purchased in foreign currency or capital gains arising from their transfer.**

**115AB.** (1) Where the total income of an assessee, being an overseas financial organisation (hereinafter referred to as Offshore Fund) includes—

- (a) income received in respect of units purchased in foreign currency; or
- (b) income by way of long-term capital gains arising from the transfer of units purchased in foreign currency,

the income-tax payable shall be the aggregate of—

- (i) the amount of income-tax calculated on the income in respect of units referred to in clause (a), if any, included in the total income, at the rate of ten per cent;
- (ii) the amount of income-tax calculated on the income by way of long-term capital gains referred to in clause (b), if any, included in the total income, at the rate of ten per cent; and
- (iii) the amount of income-tax with which the Offshore Fund would have been chargeable had its total income been reduced by the amount of income referred to in clause (a) and clause (b).

(2) Where the gross total income of the Offshore Fund,—

- (a) consists only of income from units or income by way of long-term capital gains arising from the transfer of units, or both, no deduction shall be allowed to the assessee under sections 28 to 44C [\*\*\*] or clause (i) or clause (iii) of section 57 or under Chapter VI-A and nothing contained in the provisions of the second proviso to section 48 shall apply to income referred to in clause (b) of sub-section (1);
- (b) includes any income referred to in clause (a), the gross total income shall be reduced by the amount of such income and the deduction under Chapter VI-A shall be allowed as if the gross total income as so reduced were the gross total income of the assessee.

*Explanation.*—For the purposes of this section,—

- (a) “overseas financial organisation” means any fund, institution, association or body, whether incorporated or not, established under the laws of a country outside India, which has entered into an arrangement for investment in India with any public sector bank or public financial institution or a mutual fund specified under clause (23D) of section 10 and such arrangement is approved by the Securities and Exchange Board of India, established under the Securities and Exchange Board of India Act, 1992 (15 of 1992), for this purpose;
- (b) “unit” means unit of a mutual fund specified under clause (23D) of section 10 or of the Unit Trust of India;
- (c) “foreign currency” shall have the meaning as in the Foreign Exchange Regulation Act, 1973 (46 of 1973);
- (d) “public sector bank” shall have the meaning assigned to it in clause (23D) of section 10;
- (e) “public financial institution” shall have the meaning assigned to it in section 4A of the Companies Act, 1956 (1 of 1956);
- (f) “Unit Trust of India” means the Unit Trust of India established under the Unit Trust of India Act, 1963 (52 of 1963).