

INCOME-TAX ACT, 2025

F: Special provisions relating to pass-through entities

Section 222 - Tax on income in case of venture capital undertakings.

(1) Irrespective of anything contained in any other provision of this Act, where a person, out of investments made in a venture capital company or venture capital fund, receives any income, or any income accrues or arises to him, such income shall be chargeable to income-tax in the same manner as if it were the income accruing or arising to, or received by, such person, had he made investments directly in the venture capital undertaking.

(2) The person responsible for crediting or making payment of the income on behalf of a venture capital company or a venture capital fund and the venture capital company or venture capital fund shall furnish, within such time, as may be prescribed, to the person who is liable to tax in respect of such income and to the prescribed income-tax authority, a statement in the prescribed form and verified in the prescribed manner, giving details of the nature of the income paid or credited during the tax year and such other relevant details, as may be prescribed.

(3) The income paid or credited by the venture capital company and the venture capital fund shall be deemed to be of the same nature and in the same proportion in the hands of the person referred to in sub-section (1) as it had been received by, or had accrued or arisen to, the venture capital company or the venture capital fund, as the case may be, during the tax year.

(4) The provisions of Chapter XIX-B shall not apply to the income paid by a venture capital company or venture capital fund under this Chapter.

(5) The income accruing or arising to or received by the venture capital company or venture capital fund during a tax year from investments made in venture capital undertaking, if not paid or credited to the person referred to in sub-section (1), shall be deemed to have been credited to the account of the said person--

(a) on the last day of the tax year; and

(b) in the same proportion in which such person would have been entitled to receive the income had it been paid in the tax year.

(6) Any income which has been included in total income of the person referred to in sub-section (1) in a tax year, on account of it having accrued or arisen in the said tax year, shall not be included in the total income of such person in the tax year in which such income is actually paid to him by the venture capital company or the venture capital fund.

(7) Nothing contained in this section shall apply in respect of any income accruing or arising to, or received by, a person from investments made in a venture capital company or venture capital fund, being an investment fund specified in section 224(10)(a).

(8) For the purposes of this section, "venture capital company", "venture capital fund" and "venture capital undertaking" shall have the meanings respectively assigned to them in Schedule V (Note 4).