

Companies listing directly overseas may get capital gains tax sop

Jan 11, 2022, 09:33 AM IST



NEW DELHI: Ahead of the budget, the government is looking at providing capital gains exemption to shares of Indian companies that are listed directly on overseas stock exchanges. The move is similar to the norms that are applicable to depository receipts (ADRs and GDRs). While the Narendra Modi government pushed the amendments to the Companies Act to allow direct listing on foreign bourses last year, it did not follow up with the necessary amendments to the Income Tax Act. This resulted in some of the companies opting for other ways to list abroad.

DIRECT LISTING BY AUGUST 15

➤ Only a handful of companies will use option to list on bourses in the US, the UK, Singapore or via International Financial Centre in GIFT City, say sources

“Compliance cost for listing on NYSE or Nasdaq is quite high and at best you will have four or six companies that will use the option in immediate future”



➤ Necessary framework, to be followed by detailed rules, will enable listing by around August 15

➤ Last year, ReNew Power opted for special purpose acquisition company route to list on Nasdaq after waiting for clarity on tax exemptions for direct listing

➤ More companies may explore this option if rules are not in place

The demand for the amendment to the tax law has not gone away and government sources indicated that the proposal is back on the list before the finance ministry for action in the Budget.

Some of the corporate sector representatives had also made the pitch for the required amendments before Modi.

On Sunday, Anurag Jain, secretary in the department for promotion of industry and internal trade, had told reporters that the government is examining the proposal.

Although a section within the government believes that the Indian markets and the startup ecosystem have evolved for domestic entities to list within the country, there are also suggestions that providing the necessary option

to the corporate sector is needed. Otherwise, several startups, such as Flipkart, have moved to other jurisdictions such as Singapore and are looking at a listing in the US.

In any case, sources said, there will only be a handful of companies which will use the option to list on exchanges in the US, the UK, Singapore or via the International Financial Centre in GIFT City.

“The compliance cost for listing on the NYSE or Nasdaq is quite high and at best you will have four or six companies that will use the option in the immediate future,” said a source. Providing the necessary framework, which will be followed by the detailed rules from the ministry of corporate affairs, will enable listing by around August 15, the 75th anniversary of India’s independence, market players said.

In any case, last year, renewable energy player ReNew Power opted for the special purpose acquisition company (SPAC) route to list on Nasdaq after waiting for clarity on tax exemptions for direct listing. In the absence of the required set of rules, more companies may explore this option.