

**DSP**

FUND MANAGERS IFSC  
PRIVATE LIMITED

**DSP GLOBAL EQUITY FUND**

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# FAQs

**TAXATION & NAV**

Version 1.0

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## 1. Who would pay the tax? Whether the Fund or the investors?

DSP Global Equity Fund ('Fund') is set up as an irrevocable determinate trust and is registered with the International Financial Services Centres Authority ('IFSCA') as a Retail Fund under the IFSCA (Fund Management) Regulations, 2025.

Typically, the taxability of a Fund depends on the structure of the Fund. Since the Fund is set up as a trust, trust taxation principles apply.

In the case of a determinate irrevocable trust, the income earned by the trust is generally assessed in the hands of trustee of the Fund in like manner and to the same extent, in the capacity of a representative assessee.

Practically, the Fund will discharge taxes on the income earned by it. Such taxes would be deposited using the Permanent Account Number ('PAN') of the Fund and would not be reflected against the PAN of the investor.

Further, any loss incurred by the Fund shall be set off and carried forward at the Fund level.

## 2. Would the income from the Fund be taxed in the hands of investors?

As the tax liability is discharged at the Fund level on the entire income earned by the Fund (in the capacity of a representative assessee) at the highest applicable tax rates, income distributed by the Fund to the investor or gains on redemption of units by the investors should not be taxable again in their hands.

Where the income distributed/ credited by the Fund forms part of the income credited to the profit and loss account prepared by corporate investors to whom the provisions of Minimum Alternate Tax (MAT) are applicable, such income could be subject to MAT in the absence of a specific provision permitting reduction of such income from the book profits computed under the MAT provisions.

The disclosure of income arising from investment in the Fund and MAT implications thereon would largely depend on the accounting treatment adopted by the investor and accordingly, it is recommended that the corporate investors consult their own auditors and tax consultants with respect to accounting of the income received from the Fund and the computation of MAT liability in their hands.

Further, gains arising on secondary transfer of units could be subjected to tax and investors are urged to consult their own tax advisors with respect to their tax liability in respect thereof.

**3. What is the tax rate applicable to the Fund? Would the Fund’s income be eligible for indexation benefits?**

Under the ITA, indexation has been discontinued with effect from 23 July 2024. **Accordingly, the Fund will pay tax on income from its investments as per the applicable tax rates.**

Current rates of tax on income from global equities is mentioned below. The same may be subject to change as notified by the Government from time to time.

Security type	Holding period for Long term gains	Long term Capital Gains*	Short term Capital Gains*	Dividend
Equity share listed on Overseas stock exchange	24 Months	14.95%	42.74%	35.88%

\* including surcharge & health and education cess

**4. Will the Fund withhold taxes on redemption / distributions by the Fund?**

As the entire tax liability on the income earned by the Fund is discharged by the Trustee of the Fund (in the capacity of a representative assessee), no tax shall be withheld by the Fund while making the redemptions/ distributions.

## 5. Can loss from the Fund be claimed against income from other sources of income in the hands of the investor?

As mentioned above, any loss incurred by the Fund shall be set off and carried forward at the Fund level. Accordingly, the investor shall not be eligible for set-off and carry forward loss incurred by the Fund against income from any other source in its hands.

## 6. Who will collect TCS? How will the investors get the credit of TCS?

**TCS at the rate of 20% will be collected on investment amount in excess of INR 1 million** by the authorized dealer ('AD') i.e. the remitting bank of the investor investing under the Liberalised remittance route. The same would be reported to income tax authorities by the AD under the investor's PAN and TCS certificate (Form 27D) will be issued by the AD.

Accordingly, it will be reflected in Form 26AS of the investor and they can claim credit of the same against their income tax liability while filing their Return of Income.

We request investors to consult their remitting banks for TCS related queries.

Further, OPIs will not be subject to TCS on their investments in the Fund.

TCS is applicable on remittances made under the LRS scheme of RBI which is meant for **resident individuals** only.

## 7. Will the Fund issue tax certificates to the investors?

The Fund will issue Tax Certificates to the investors at the end of each Financial Year once the Financial Statements are approved by the Board of Directors (generally around mid-July). As explained above, tax is discharged at the Fund level and accordingly, the Certificates would reflect the overall tax liability discharged by the Fund for that FY. It will **not** indicate investor level break up of income or tax paid.

## **8. Can Income of the Fund & taxes paid for any FY be shared at investor level?**

The books of accounts are maintained at fund level and not at investor level. Thus, share of income earned, expenses incurred and taxes paid cannot be shared at an investor level.

## **9. How would the investors disclose income from the Fund while filing their return of income?**

The investor would have to show income from the Fund as an exempt income. In the schedule for "Details of Exempt Income" (Income not to be included in Total Income) this may be disclosed under "Others".

## **10. What are the tax implications in respect of Non-resident (NR) investors? Whether they are required to register under DTAA for their investment in the Fund?**

As mentioned above, this Fund is subject to Indian taxes which will be discharged by the Fund and accounted in the NAV. Therefore, any distributions by the Fund or gains on redemptions should not be subject to further taxes in India in the hands of the investors. Therefore, question of registering DTAA does not arise.

However, the NR would be subjected to Indian taxes (via NAV) and depending upon the tax laws prevailing in the country of residence of the NR, they may be subjected to taxes on investment in this Fund in their home country as well.

We would recommend NR to read and understand the tax implications before investing in this Fund.

## **11. How does the taxation of this Fund differ from other outbound Funds structured as Fund of Funds (FoFs)?**

Some outbound funds in Gift City are structured as FoFs i.e. instead of investing in global stocks directly, these funds invest in another Fund set up overseas (generally in a country which enjoys tax exemption) which in turn invests in global stocks.

Even in case of such FoFs, Indian taxes are applicable on investment in the overseas Fund. If the FoF were to sell the units of the overseas Fund, the FoF would potentially generate capital gains and tax liability thereon. Further, the FoF would also account for tax on unrealised gains from investments in the underlying Fund.

**12. What is the periodicity of income tax payment? Further, how the tax liability (accrual or cash) is accounted in the books of the Fund, i.e. NAV?**

Income tax payment will be made in accordance with the norms prescribed under Income Tax Act, 1961, i.e. the Fund will follow the guidelines prescribed for advance tax payments (June 15th, September 15th, December 15th, March 15th and March 31st). However, provision for tax will be made on a daily basis by charging the tax liability to the NAV of the Fund.

Further, advance tax payments made on the respective date, could fall short of the actual liability computed at the end of the FY. As a result, interest under section 234B and 234C will be charged, accounted and paid off in the NAV at the end of the FY.

**13. Are the investors required to disclose their investment in the Fund in Schedule Foreign Assets in their tax returns?**

No, the investors should not be required to disclose their investments in the Fund under the Schedule of Foreign Assets in their ITR as they hold units of the Fund which is domiciled in India.

The global stocks are held by the Fund (and not investors directly). Hence, the Fund would disclose them under the schedule of Foreign Assets in the Fund's ITR.

**14. Can Fund borrow?**

Yes, as per the offer document, the Fund can borrow to meet temporary liquidity needs for the purpose of redemption. Provided that the fund shall not borrow more than twenty per cent (20%) of the AUM of the scheme and the duration of such a borrowing shall not exceed six (6) months.

**15. Where can the Fund make temporary investments?**

As per the offer document, Fund can invest in certificates of deposit, units of investment schemes such as overnight, liquid or money market schemes, money market instruments, bank deposits or any other securities or financial assets or instruments as may be specified by the IFSCA from time to time and as permitted under the applicable Laws and the Offer Document. Any gains arising to the Fund from such temporary investments shall be accrued in the Fund and shall form part of the NAV of the Fund.

**16. What is the Total Expense Ratio (TER) of the fund? What is the TER for different share classes?**

**Class A units** – Management fees upto 1.50% per annum and operating expense of 0.25% per annum

**Class B units** – Management fees upto 0.75% per annum and operating expense of 0.25% per annum

**17. How is the NAV computed? NAV published on daily basis (website and account statement), is pre-tax or post tax?**

NAV will be computed on daily basis based on below methodology and will be published on our website <https://giftcity.dspim.com>. The published NAVs will be post considering the applicable taxes.

Particulars		Total (USD)	Per unit (USD)
<b>Opening AUM*</b>	<b>A</b>	<b>10,00,000</b>	<b>10.00</b>
Add: Income during the period (Realised - STCG)	B	15,000	0.15
Income during the period (Unrealised - STCG)	C	50,000	0.50
Less: Expenses Accrual (Management fees and Operating Expense)	D	5,000	0.05
AUM after Net Income (before income tax)	E=A+B+C-D	10,60,000	10.60

Particulars		Total (USD)	Per unit (USD)
<b>A) Subscription NAV i.e. Book NAV</b>			
Less: Tax on realised capital gains as STCG @ 42.74%	$F = B * @$	6,411	0.06
Less: Tax on unrealised capital gains assumed as LTCG @ 14.95%	$G = C * @$	7,475	0.07
<b>Subscription NAV i.e. Book NAV (refer point 18)</b>	<b><math>H = E - F - G</math></b>	<b>10,46,114</b>	<b>10.46</b>
<b>B) Redemption NAV</b>			
Less: Tax on realised capital gains as STCG @ 42.74%	$I = B * @$	6,411	0.06
Less: Tax on unrealised capital gains as STCG @ 42.74%	$J = C * @$	21,370	0.21
<b>Redemption NAV (refer point 18)</b>	<b><math>K = E - I - J</math></b>	<b>10,32,219</b>	<b>10.32</b>

\* No of units is 100,000

**18. Whether the income tax will be computed on unrealized gains also? If yes, whether tax will be paid only on realized gains or unrealized gains also?**

The Fund is an open-ended fund, which means investors can buy or sell the units on a daily basis. The Fund would compute tax on unrealized gains for equitable distribution of tax liability to all investors.

In case if the Fund were to compute tax only on realised gains, it could result in a situation where an outgoing investor redeems the units at a higher price (since tax on unrealized gains is not factored). In such a scenario, the remaining investors and new investors may have to share a higher tax burden in subsequent periods.

Therefore, Book NAV will be computed every day, after accounting for all fees, expenses and taxes on realised and unrealised gains. For the purpose of computing tax on unrealised gains in Book NAV, it will be assumed that all the gains are long term irrespective of the holding period as on the NAV date and accordingly tax on unrealised gains would be computed at the rate of 14.95%. Units purchased will be allotted based on the Book NAV.

The redemption NAV would be different from the Book NAV. In addition to the taxes factored in the book NAV, the redemption NAV would factor incremental tax on short-term portion of the unrealised portfolio (i.e. 42.74% - 14.95%).

An exit load of one per cent will be charged for units redeemed within two years from the date of purchase.

**Disclaimer:**

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**Investments are subject to market risks, read all Fund related documents carefully.**