

CPSE, Bharat-22 ETF retail investors may get tax sops

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THE GOVERNMENT IS working on a proposal to extend tax benefits to retail investors in its two exchange traded funds – CPSE and Bharat-22 ETF.

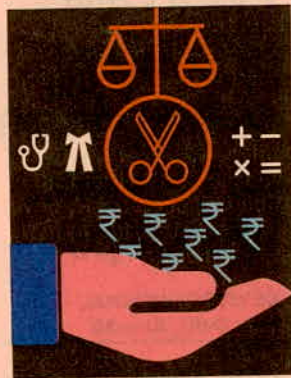
The Department of Investment and Public Asset Management (DIPAM) has written to the Central Board of Direct Taxes (CBDT), seeking its opinion on whether equity linked saving scheme (ELSS) benefit under section 80C of Income Tax Act can be extended to retail investors of these ETFs, an official has said.

As per the plan chalked out by the DIPAM, retail investors

in CPSE and Bharat-22 ETF would be given option to enjoy tax breaks just like investors in ELSS mutual funds. However, their investments would be locked in for three years. These investors can also choose to not opt for the ELSS category and can continue to trade in their units freely.

“We have written to the tax department seeking their opinion on whether ELSS benefits can be extended to CPSE and Bharat-22 ETF,” the official said.

If the CBDT, which is the apex decision making body for direct tax matter, gives concurrence, the DIPAM will work out a final plan and an announce-



ment may be made in the Budget. Though extending ELSS benefits to existing ETFs would not add to the government's disinvestment coffers, but it would stimulate retail investments in ETFs and encourage household savings.

Currently, investments made in ELSS MFs are eligible for tax deduction of up to ₹1.50 lakh under section 80C of the I-T Act, with a mandatory

three-year lock-in period.

The government, currently, has two exchange-traded funds – CPSE ETF and Bharat-22 ETF – listed on the domestic exchanges.

ETFs function like a mutual fund scheme and have underlying assets in government-owned companies.

Separately, it has also kick started work on launching an ETF consisting of stocks of state-owned banks, insurers and financial institutions this fiscal and has invited bids from advisors to explore its feasibility.

The plan to launch a financial sector ETF comes on the back of the government seeing huge investor demand for two existing ETFs. It has raised ₹32,900 crore through two tranches and an additional fund offer of Bharat-22 ETF, and ₹38,000 crore in five tranches of CPSE ETF in the domestic market.