



IVCA
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THE INDIAN PRIVATE EQUITY & VENTURE CAPITAL ASSOCIATION

To,

21st August 2014

Honorable Smt. Nirmala Sitharaman
Minister of State
Minister of Finance
New Delhi

Dear Honorable Smt NirmalaSitharaman

The Indian Private Equity & Venture Capital Association (IVCA) wishes to congratulate your Ministry for the various positive steps announced in the recent National Budget.

IVCA members have invested over \$ 75 billion of long-term private equity in India over the last decade or so and thus represent the largest source of long-term capital into Indian manufacturing and other industries, including SMEs.

Various reform suggestions made by our Association to MOF currently remain unaddressed. These reforms, which have strong justification, are given in the attachment. If the reforms listed in the attachment are implemented, we anticipate the flow of private equity and venture capital will rise substantially leading to availability of long-term funds for greater domestic manufacturing, jobs and higher revenues for the Government.

We strongly believe that there should be uniform application of the pass-through principle covering all pooling vehicles, namely all categories of Alternative Investment Funds(AIFs). All categories of income- interest, capital gains etc-should be subject to the pass-through principle. Disparity in the application of pass-through taxation should be removed.



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The pass-through principle of taxation is commonly applied in many jurisdictions. Also, it does not imply a loss of revenue to the exchequer . Instead of tax being levied at the fund level , it is applied at the investor level. Hence, pass-through does not entail any loss of revenue to the Government.

Thank you.

Respectfully,

Arvind Mathur
President
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