

**F.No. 225/12/2016/ITA.II**  
**Government of India**  
**Ministry of Finance**  
**Department of Revenue (CBDT)**

North Block, New Delhi, the 24<sup>th</sup> of January, 2017

To

**All Principal Chief-Commissioners of Income-tax/  
All Principal Directors General of Income-tax**

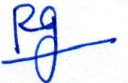
Sir/Madam

**Subject: Transfer of unlisted shares by SEBI registered Category I & II Alternative Investment Funds- directions- regd.-**

Vide order dated 02.05.2016 in F.No.225/12/2016/ITA.II, the Central Board of Direct Taxes ('the Board') had clarified the position regarding tax treatment of income arising from transfer of unlisted shares. It was communicated that income from such a transfer would be taxable as 'Capital Gains' irrespective of the period of holding of the unlisted shares. However, certain situations were provided in para 3 of the said order where the Assessing Officers were required to take appropriate view in the matter. In this regard, a representation has been received in the Board that the exception in clause (iii) of para 3 regarding transfer of unlisted shares along with 'control and management of the underlying business' should not be made applicable in case of certain Alternative Investment Funds ('AIFs').

2. The matter has been considered by the Board. Primarily, SEBI registered Category I & II AIFs invest in unlisted shares of ventures, many of which are new set-ups or start-ups, and thus, some form of 'control and management of the underlying business' may be required to be exercised by such AIFs to safeguard the interest of the investors. Therefore, it is further clarified that exception in clause (iii) of para 3 of order dated 02.05.2016 in file of even number, would not be applicable in cases of SEBI registered Category I & II AIFs only.

3. The above may be brought to the notice of all officers in your jurisdiction for necessary compliance.



(Rohit Garg)

Director-ITA.II

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- ii. PS to Revenue Secretary
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