

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:392
ANSWERED ON:23.11.2012
TAX SOPS FOR FOREIGN BANKS
Thamaraiselvan Shri R.

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is considering to provide tax sops for subsidization of foreign banks;
- (b) if so, the details thereof;
- (c) whether the Reserve Bank of India (RBI) has formulated any scheme for foreign banks in this regard; and
- (d) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S.PALANIMANICKAM)

(a) & (b) Vide the Finance Act 2012, a new section 115JG, applicable from financial year 2012-13, has been inserted in the Income-tax Act, 1961. The new section 115JG provides certain tax incentives to a foreign company which converts its branch situated in India, through which it is engaged in the business of banking in India, into an Indian subsidiary company in accordance with a scheme framed by the Reserve Bank of India. The tax incentives include exemption from taxation of capital gains arising from such conversion, and treatment of unabsorbed depreciation and carry forward and set off of losses in a specified manner.

(c) & (d) Reserve Bank is in the process of releasing the guidelines for setting up of wholly owned subsidiaries in India of foreign banks.