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Q21

Consider the following statements: Statement-I: Interest income from the deposits in Infrastructure Investment Trusts (InvITs) distributed to their investors is exempted from tax, but the dividend is taxable. Statement-II: InvITs are recognized as borrowers under the 'Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002'. Which one of the following is correct in respect of the above statements? (a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-I (b) Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement-I (c) Statement-I is correct but Statement-II is incorrect (d) Statement-I is incorrect but Statement-II is correct Official key: D.

UPSC Civil Services Prelims 2023 · General Studies · 2 marks · Current Affairs and GK
Current events, government schemes, miscellaneous GK - Prelims GS Paper I.

Explanation

(a)

Both correct and II explains I. Statement-I gets the tax treatment backwards.

(b)

Both correct but II does not explain I. I is still false.

(c)

I correct, II incorrect. Dividends / interest from InvITs are not in that exempt-vs-taxable split.

(d) Official key

I incorrect, II correct. InvITs are treated as borrowers under SARFAESI; the tax sentence in I is wrong.

Summary

Official key is (d). Interest distributed by InvITs is generally taxable in investors' hands; the 'interest exempt, dividend taxable' split in Statement-I is not the law. InvITs are notified as borrowers under SARFAESI, so Statement-II stands and does not need I.

Related possible facts

These can be asked in a future Prelims paper.

InvIT

Infrastructure Investment Trust; SEBI-regulated; holds infrastructure SPVs.

SARFAESI, 2002

Enforcement of security interest; InvITs included as borrowers.

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