

Lexygen India Digest

August 2025

The August 2025 issue of the Lexygen India Digest summarises an important notification issued by the Securities and Exchange Board of India extending the deadline for winding-up of schemes of venture capital funds registered under the erstwhile Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996. The regulatory section reports a decision by the Supreme Court of India holding that operational control over Indian premises will be sufficient to constitute permanent establishment in India under the Indo-UAE DTAA. The case update section also reports a decision by the Delhi High Court holding that a license provided for the purpose of on-boarding end-customers are not technical services with respect to which income is taxable as fees for technical services under the Indo-UK DTAA, and a decision by the Income Tax Appellate Tribunal holding that fair market value determined in accordance with the provisions cannot be disputed and tax under Section 56(2)(viib) of the Income Tax Act, 1961 cannot be applied retrospectively. The market updates section of this issue reports some significant private equity deals in the electric vehicle infrastructure, business services, technology, food and beverage, real estate, logistics, and packaging sectors; fundraising by Indian venture capital funds; mergers and acquisitions in the information technology and consumer sectors; and certain other important deals.

REGULATORY UPDATES

A. SEBI NOTIFICATIONS

SEBI announces a settlement scheme for VCFs

The Securities and Exchange Board of India (“SEBI”) has, vide public notice dated July 15, 2025 (“**Notice**”), launched the Venture Capital Funds Settlement Scheme, 2025 (“**VCF Scheme**”).

The VCF Scheme targets certain venture capital funds (“VCFs”) were registered under the erstwhile Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996 (“**VCF Regulations**”), which was repealed by the Securities Exchange Board of India (Alternative Investment Funds) Regulations, 2012 (“**AIF Regulations**”). The AIF Regulations provided that such VCFs would continue to be regulated under the VCF Regulations until the existing funds/schemes were wound-up.

For VCFs that were unable to liquidate their

existing investments before the end of tenure of its funds/schemes, the AIF Regulations provided for migration of such VCFs to the AIF regime, with the last date for filing an application for migration being July 19, 2025. Once migrated, the SEBI had granted such VCFs a period of one year to fully liquidate their investments and wind-up.

The VCF Scheme provide an opportunity to such VCFs which have failed to liquidate their investments and wind-up within the prescribed timeline after migrating to the AIF regime to settle such delay in compliance with the SEBI. The terms of the VCF Scheme are summarised below.

- VCFs that have completed migration to the AIF regime and have at least one scheme whose tenure has expired but has not yet been wound-up shall be eligible to seek settlement.

- A settlement application shall be filed with the SEBI along with a payment of a non-refundable application fee of INR 25,000 plus 18% GST.
- VCFs may make applications for settlement between July 21, 2025 and end January 19, 2026 (both inclusive) or such extended date as approved by the SEBI.
- In addition to the application fee, a settlement amount shall be payable to the SEBI as follows:
 - (i) A base settlement amount for delays of up to one year in winding up the scheme of INR 1,00,000, with an additional amount of INR 50,000 for every subsequent year or part thereof; and
 - (ii) Additional amounts between INR 1,00,000 to INR 6,00,000 depending