

MEMO# 31886

August 2, 2019

India Tax Surcharge Increase Enacted

[31886]

August 2, 2019 TO: ICI Members
ICI Global Members
Accounting/Treasurers Committee
ICI Global Tax Committee
Tax Committee SUBJECTS: Fund Accounting & Financial Reporting
International/Global
Tax RE: India Tax Surcharge Increase Enacted

The Finance (No. 2) Bill, 2019 received the President of India's assent and was published in The Gazette of India on August 1, 2019. It has now been enacted as the Finance (No. 2) Act, 2019 – see attachment. The bill includes a significant tax increase between 3 and 7 percentage points on the capital gains of all foreign portfolio investors (FPIs) organized in non-corporate form (e.g., as trusts) with retroactive effect to April 1, 2019.

As previously described in [Institute Memorandum 31876](#), Generally Accepted Accounting Principles (GAAP) require investment companies investing in foreign securities subject to foreign taxes on realized gains to recognize taxes on an accrual basis, including deferred taxes on unrealized appreciation of investments. Any deferred tax liability on unrealized appreciation of investments should reflect the rate that would apply if the securities were disposed of on the valuation date. GAAP also requires any deferred tax liability to be adjusted for the effect of a change in tax laws or rates and indicates that the effect of a change in tax laws or rates shall be recognized at the date of enactment.

ICI Global has requested meetings with the Finance Minister and other senior government officials; our counsel anticipates these meetings being agreed and held very soon.

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Assistant General Counsel

Gregory M. Smith
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[Attachment](#)

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