

MEMO# 32582

July 6, 2020

For Your Review: DRAFT Letter to Indian Government on Dividend Surcharge Tax

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July 6, 2020 TO: ICI Global Tax Committee RE: For Your Review: DRAFT Letter to Indian Government on Dividend Surcharge Tax

The Indian Government enacted the Finance Act 2020 (Act) effective as of April 1, 2020. The Act abolishes the Dividend Distribution Tax (DDT) paid by dividend-paying Indian companies and instead imposes tax, including surcharge and cess, on dividends at the shareholder level.

As discussed at tax committee meetings, we understand that the Act intended to include a 15 percent cap on the surcharge tax on dividends paid to noncorporate and nonfirm foreign portfolio investors. The technical language of the Act, however, does not provide a cap on the surcharge tax rate. Specifically, the surcharge on dividends received by these FPIs has been capped at 15 percent in one part of the Act, however, the cap is not mentioned in the corresponding, related provisions of the Act.

The attached draft submission follows up on our initial request that the intended 15% surcharge tax cap apply.^[1] Please review and provide any comments to me at katie.sunderland@ici.org by end of day Friday, July 10th.

Katie Sunderland
Assistant General Counsel

[Attachment](#)

endnotes

^[1] See [Institute Memorandum 32345](#), dated April 1, 2020.

abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.