

MEMO# 32255

March 2, 2020

India: ICI Global Submits Letter Re Indian 2020 Budget Tax Issues

[32255]

March 2, 2020 TO: ICI Members

ICI Global Members

Accounting/Treasurers Committee

ICI Global Tax Committee

Management Company Tax Subcommittee

Tax Committee SUBJECTS: International/Global

Tax RE: India: ICI Global Submits Letter Re Indian 2020 Budget Tax Issues

ICI Global submitted comments on the Government of India's 2020 Union Budget, which includes a proposal to abolish the Dividend Distribution Tax (DDT) mechanism. This proposal — to tax investors directly on dividends received rather than impose a distribution tax on the dividend-paying Indian company — is consistent with international standards. Importantly, this change would enable foreign portfolio investors (FPIs), including collective investment vehicles (CIVs), to receive treaty-provided tax reductions and claim foreign tax credits against home country tax liabilities.

ICI Global recommends changes to the Union Budget to address issues related to the taxation of dividends and indirect transfers. Specifically, ICI Global recommends that:

1. dividends should not be subject to the enhanced surcharge tax that was rolled back on capital gains last year;[\[1\]](#)
2. any withholding should be at an applicable treaty rate, preferably at-source or by filling a tax return rather than a separate reclaim; and
3. changes are necessary to streamline the indirect transfer provisions with SEBI (FPI) regulations.

Katie Sunderland
Assistant General Counsel

[Attachment](#)

endnotes

[1] See Institute [Memorandum No. 32100](#), dated December 13, 2019.

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