

MEMO# 28221

June 20, 2014

Update on Indian Tax Issues

[28221]

June 20, 2014

TO: TAX MEMBERS No. 17-14

INTERNATIONAL MEMBERS No. 22-14

ICI GLOBAL TAX COMMITTEE No. 12-14 RE: UPDATE ON INDIAN TAX ISSUES

India over the years has presented the fund industry with a number of tax challenges. [\[1\]](#) Last fall, we provided Indian government officials with detailed memoranda seeking solutions to several tax issues of concern to U.S. and non-U.S. funds. [\[2\]](#) Following meetings with these officials in Delhi, we submitted the attached letters.

The letter to Dr. Shome (Adviser to the Finance Minister) focused on the following four key policy issues (each of which is described in detail in an Annexure to the letter):

- the tax status of foreign business entities;
- fund reorganizations involving business trusts;
- the taxation of asset managers when an Indian executive oversees offshore employees; and
- the taxation of offshore funds managed by Indian-based investment advisers.

The letter to Mr. Joshi (Director General of Income-tax (International Tax), Central Board of Direct Taxes) focused on tax administration matters including:

- the process by which issues are identified for audit;
- the manner in which the issues are developed;
- the legal impossibility of settling without a judicial decision; and
- the appeal by the Indian Revenue Authority (“IRA”) of taxpayer-favorable decisions without any apparent analysis of the costs and benefits of the appeal.

The letter to Dr. Mayaram (Secretary, Department of Economic Affairs, Ministry of Finance) addressed all of these policy and tax administration issues.

Recent elections in India have resulted in the former opposition party becoming the ruling

party; the new government has announced that it will take a fresh look at concerns raised by the business community. We are working with our tax counsel in India to ensure that the fund industry's tax concerns are addressed by the new government.

Keith Lawson
Senior Counsel - Tax Law

[Attachment](#)

endnotes

[1] See, e.g., ICI Memoranda No. [26358](#), dated August 1, 2012; No. [26020](#), dated April 4, 2012; No. [25815](#), dated January 19, 2012; [No. 23934](#), dated November 6, 2009; and No. [19946](#), dated April 10, 2006.

[2] See Institute Memorandum No. [27651](#), dated October 25, 2013.

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.