

MEMO# 32600

July 14, 2020

India: Letter to Government on Dividend Surcharge Tax

[32600]

July 14, 2020 TO: ICI Members

ICI Global Members

ICI Global Tax Committee

Tax Committee SUBJECTS: Fund Accounting & Financial Reporting

International/Global

Tax RE: India: Letter to 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.

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 submission follows up on our initial request that the intended 15% surcharge tax cap apply to dividends received by non-corporate and non-firm FPIs.[\[1\]](#)

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Assistant General Counsel

[Attachment](#)

endnotes

[\[1\]](#) See Institute [Memorandum No. 32345](#), dated April 1, 2020.

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