

**MEMO# 31900**

August 14, 2019

# **India: Tax Guidance Requested RE HR Khan Working Group FPI Regime Recommendations**

[31900]

August 14, 2019 TO: ICI Members

ICI Global Members

ICI Global Tax Committee

Tax Committee SUBJECTS: International/Global

Tax RE: India: Tax Guidance Requested RE HR Khan Working Group FPI Regime Recommendations

In March 2018, the Securities and Exchange Board of India (SEBI) constituted a working group under the leadership of former Chairman HR Khan to review the regulatory framework applicable to foreign portfolio investors (FPIs) and suggest recommendations on ways to simplify and rationalize the FPI framework. ICI Global submitted a letter<sup>[1]</sup> with comments on the recommendations and noted that Recommendations 16 and 33 would have tax implications if adopted.

The attached letter to the Chairman of the Central Board of Direct Taxes requests consideration of these issues. Specifically, Recommendation 16 would require separate registration for sub-funds of a fund with segregated portfolios investing in India. The letter requests clear rules for a fund transitioning from a consolidated registration to separate registrations.

Recommendation 33 would allow off-market transfers of unlisted securities to domestic investors. ICI Global requested that SEBI also permit off-market transfers in the event of overseas reorganizations, provided the FPIs make a disclosure on their annual income tax returns.

A separate letter was also sent to the Member (Legislation, Central Board of Direct Taxes) and to the Chairman of SEBI. All three letters are attached.

Katie Sunderland  
Assistant General Counsel

[Attachment No. 1](#)

[Attachment No. 2](#)

[Attachment No. 3](#)

**endnotes**

[1] See Institute [Memorandum No. 31809](#), dated June 14, 2019.

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