

MEMO# 32771

September 22, 2020

INDIA: Dividend Surcharge Cap Update

[32771]

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TO: ICI Members
ICI Global Members
Accounting/Treasurers Committee
ICI Global Tax Committee
Tax Committee SUBJECTS: Fund Accounting & Financial Reporting
International/Global
Tax RE: INDIA: Dividend Surcharge Cap Update

The Indian Government introduced legislation to cap surcharge tax at a rate of 15 percent on dividends paid to non-corporate and non-firm foreign portfolio investors (FPIs). This legislation addresses the concerns raised by ICI Global in its submissions to the Indian Government earlier this year.[\[1\]](#)

If enacted, the effective tax rates for covered FPIs would be as follows:

Dividend income	Effective tax rate (%)
Dividend income ≤ Rs 5 million	20.80
Dividend income > Rs 5 million and ≤ Rs 10 million	22.88
Dividend income > Rs 10 million	23.92

Accordingly, non-corporate and non-firm FPIs organized in the US would not need to rely on the US-India tax treaty to reduce the withholding tax rate on dividends.

The lower house of the Indian Parliament approved this legislation on September 19. The bill must be approved by the upper house of the Indian Parliament and then assented to by the President. We understand from our outside advisors that this will likely occur over the coming weeks.

Katie Sunderland
Assistant General Counsel

endnotes

[1] See ICI [Memorandum No. 32600](#), dated July 14, 2020; ICI [Memorandum No. 32345](#), dated April 1, 2020; and ICI [Memorandum No. 32255](#), dated March 2, 2020.

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