

**MEMO# 32798**

October 1, 2020

# INDIA: Dividend Surcharge Tax Cap Enacted

[32798]

October 1, 2020 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 Tax Cap Enacted

On September 29, 2020, the Indian Government enacted a cap on surcharge tax at a rate of 15 percent on dividends paid to non-corporate and non-firm foreign portfolio investors (FPIs) – see *attachment*. The legislation addresses the concerns raised by ICI Global in its submissions to the Indian Government earlier this year.[\[1\]](#)

The legislation is retroactive to April 1, 2020. Thus, effective tax rates for covered FPIs are as follows:

**Dividend income Effective tax rate (%)** Dividend income <= Rs 5 million 20.80 Rs 5 million > Dividend income <= 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.

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Assistant General Counsel

[Attachment](#)

**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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