

MEMO# 19934

April 6, 2006

Draft Institute Letter On India's Taxation of U.S. Fund Managers - Conference Call on Friday, April 7, 2006 at 2:00 p.m. EDT

©2006 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. [19934] April 6, 2006 TO: ADVISER DISTRIBUTOR TAX ISSUES TASK FORCE No. 4-06 INTERNATIONAL COMMITTEE No. 9-06 TAX COMMITTEE No. 12-06 RE: DRAFT INSTITUTE LETTER ON INDIA'S TAXATION OF U.S. FUND MANAGERS - CONFERENCE CALL ON FRIDAY, APRIL 7, 2006 AT 2:00 P.M. EDT A conference call has been scheduled for Friday, April 7, 2006 at 2:00 p.m. EDT to discuss the attached draft Institute letter to India's Ministry of Finance regarding recent assertions by Indian tax authorities that a mutual fund should withhold and remit tax in excess of 40% of the gross management fee paid to its manager with respect to the mutual fund's Indian securities. If you would like to participate in the call, please complete the attached response form and fax it to Ezella Wynn at 202-326-5841 or ewynn@ici.org by Friday, April 7, 2006 at 12:00 noon EDT. To access the call, please dial 888-455-0043 and enter passcode 43374. The draft letter describes the U.S. mutual fund industry and the activities of U.S. mutual fund managers, including investment in Indian securities. The letter asserts that no Indian tax liability should arise, under either India's domestic tax laws or the U.S.-India treaty, when a U.S. mutual fund manager makes investment decisions in the U.S. for U.S. mutual funds regarding Indian securities. The letter states that India's attempt to tax payments by U.S. mutual funds to U.S. mutual fund managers could have a negative effect on foreign institutional investor willingness to invest in India. Any reduced investment in India could harm India's economic infrastructure and reduce access to capital, especially for small businesses. Finally, the letter requests prompt guidance clarifying that U.S.-based mutual fund managers, making portfolio investments in Indian companies on behalf of U.S. mutual funds, are not taxable in India on the management services they provide to these mutual funds. Lisa Robinson Associate Counsel 2 Attachment (in .pdf format)