

**MEMO# 35061**

March 7, 2023

# **INDIA: Coalition Letter Urging Extension of 5% Concessional Tax Rate on Interest Income**

[35061]

March 02, 2023

TO: ICI Members

ICI Global Members

Global Regulated Funds Committee

Global Regulated Funds Committee - Asia

Global Tax Committee

Management Company Tax Subcommittee

Tax Committee SUBJECTS: International/Global

Tax RE: INDIA: Coalition Letter Urging Extension of 5% Concessional Tax Rate on Interest Income

ICI Global coordinated the nine national, regional, and global industry associations<sup>[1]</sup> that sent Indian Government officials the attached letters urgently requesting that the concessional 5% withholding tax rate on interest income paid to foreign portfolio investors (FPIs) be made permanent or, at a minimum, extended for another three years. The 2023 Indian Union Budget released on February 1, 2023, did not include an extension of the concessional rate which will expire on June 30, 2023, and will revert to the 20% statutory withholding tax rate. ICI Global previously requested that the concessional rate be made permanent in advance of the 2023 Indian Union Budget.<sup>[2]</sup>

The coalition letter asserts that the expiration of the concessional 5% income-tax rate will significantly decrease investors' after-tax returns - a full 15% for FPIs without access to a lower treaty rate - and, consequently, reduce the attractiveness of Indian debt securities. It also explains that regulated funds typically invest in publicly offered debt and that most countries do not impose withholding tax on interest paid on these types of securities. We continue to work with our local India counsel to advance this issue.

Katie Sunderland  
Assistant General Counsel

## Notes

[1] The letter is joined by Asia Securities Industry & Financial Markets Association (ASIFMA), Assogestioni, BVI Bundesverband Investment und Asset Management, EFAMA - European Fund and Asset Management Association, Financial Services Council (Australia), The Investment Association, Irish Funds, and Association of the Luxembourg Fund Industry (ALFI)

[2] See [ICI Memo No. 34830](#).

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