

What's New

News Flash



February 2017

Union Budget 2017 - Proposals relevant to Foreign Portfolio Investors

As you know the Indian Finance Minister presented Union Budget 2017 today in the Parliament along with Finance Bill 2017 containing tax proposals. While the fine print is being examined by our team and the detailed analysis will follow, a quick summary of key proposals affecting Foreign Portfolio Investors (FPIs) is given below:

Key policy announcements

- Common application form for registration, bank account, securities account and PAN to be introduced.

Key tax announcements

- No change in the current tax rates.
- Investors in Category I and Category II FPIs exempted from overseas transfer provisions.
- Sunset provisions for interest income earned from Rupee denominated corporate bonds and Government securities extended till July 2020.
- Interest income on Rupee denominated offshore bonds (Masala bonds) subject to tax at the rate of 5%.
- Transfer of such bonds overseas to be exempt from tax in India.
- Exemption from capital appreciation on account of foreign exchange fluctuation at the time of redemption of Masala bonds, extended to secondary holders as well.
- Certain anti-abuse amendments introduced for long-term capital gains exemption on listed securities to address sham transactions, if securities transaction tax not paid on acquisition of such shares.
- In the context of safe harbour provisions which deal with managing offshore funds from India, maintenance of minimum fund size not necessary in the year in which the fund is being wound up.

We will shortly send you a detailed news alert summarising the various Budget proposals impacting the Financial Services sector.

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PwC TRS Team

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