

Differential regime between domestic investors and FPIs existed even prior to General Budget 2019: CBDT clarifies

The Central Board of Direct Taxes (CBDT) said that an incorrect perception is being created as if announcements made by Hon'ble Finance Minister Smt. Nirmala Sitharaman, in a press conference on 23 August 2019, which brought in a number of responsive structural measures to boost up the economy, have created a differential regime between FPIs and domestic investors including Alternative Investment Funds (AIF) category III.

CBDT said that differential regime between domestic investors (including AIF category III) and FPIs existed even prior to the General Budget 2019 and was therefore not the creation of the Finance (No. 2) Act, 2019 or the announcement made by the Finance Ministry on 23 August 2019.

In this regard, CBDT has further stated that in case of Foreign Institutional Investors (FPIs), Income Tax Act, 1961 (the Act) contains special provisions [section 115AD read with section 2(14) of the Act] for taxation of income from derivatives. Under this regime, income of FPIs arising from derivatives was treated as capital gains and liable for special rate of tax as per section 115AD of the Act.

However, income arising from derivatives for the domestic investors including Alternative Investment Funds (AIFs) category-III as well as for foreign investors who are not FPIs, has always been treated as business income and not as capital gains, and taxed at applicable normal income tax rates. The differential regime therefore already existed for FPIs through Section 115 AD. Therefore, to say that General Budget 2019 or FM's announcement on 23 August 2019 created a differential regime between FPI and domestic investor is incorrect.

Please contact for any query related to this mail to Ms. Surbhi Sharma, Associate Economist at surbhi@phdcci.in with a cc to Dr. S P Sharma, Chief Economist at spsharma@phdcci.in of PHD Chamber.

Warm Regards,

Dr S P Sharma

Chief Economist

PHD Chamber of Commerce and Industry

PHD House, 4/2 Siri Institutional Area

August Kranti Marg, New Delhi-110016, India

Tel: +91 49545454

Fax: +91 11 26855450

Email: spsharma@phdcci.in

Website: www.phdcci.in

Follow us on



"Towards an Inclusive & Prosperous India"



PHD CHAMBER OF COMMERCE AND INDUSTRY

PHD House, 4/2 Siri Institutional Area, August Kranti Marg, New Delhi - 110 016 (India) • Tel. : +91-11-2686 3801-04, 49545454, 49545400
Fax : +91-11-2685 5450 • E-mail : phdcci@phdcci.in • Website : www.phdcci.in, CIN: U74899DL1951GAP001947

Connect with us:



