

FIM Rules Out Clarity on FPI Surcharge

INVESTORS ON THE EDGE Sitharaman says no need to issue clarification over concerns that FPIs may have to shell out higher tax



Our Bureau

New Delhi: Finance minister Nirmala Sitharaman has ruled out an immediate clarification on the proposed increased super rich surcharge being applicable to foreign portfolio investors.

Fears over applicability of the proposed higher tax on foreign portfolio

NIRMALA SITHARAMAN
Finance Minister

I don't think clarification at the moment is all that required. Let's see as it goes

investors structured as trusts spooked the stock markets on Monday, shaving 793 points, or 2%, off the benchmark index Sensex.

"I don't think clarification at the moment is all that required. Let's see as it goes. You think it is required? Will take it as it comes," she said at a press conference after addressing the customary post-budget board meeting of Reserve Bank of

India in the capital.

Asked if the government would clarify on the issue, the minister said she would respond in Parliament. "I don't want to sound like a stickler for rules, but this is an answer that I'd rather give in the Parliament."

The minister's statement came hours after Central Board of Direct Taxes chairman PC Mody said at an Assocham conference that the government will issue a clarification soon. "The matter has been brought to our notice now. We will issue a clarification soon," Mody said earlier in the day.

There are concerns that foreign portfolio investors that have set up trusts to invest in India could be

classified as an Association of Persons, a category covered by the proposed increased surcharge.

Following the increase in surcharge, the effective income tax rate for individuals with taxable income of ₹2.5 crore will go up to 39% from 35.88% and for those above ₹5 crore to 42.7%.

According to reports, about 2,000 FPIs operate as trusts. CBDT chief Mody said the board is collecting facts on the matter.

On moving the regulation of housing finance companies to the Reserve Bank of India, the finance minister said the government is of the view that the central bank is better equipped to handle HFCs.

Stoic FM offers no solace to distressed FPIs

But, clarification soon, promises CBDT chief

OUR BUREAU

New Delhi, July 8

Finance Minister Nirmala Sitharaman on Monday ruled out any clarification on the surcharge on the super-rich and foreign portfolio investors (FPI), at least for now.

Fears of a higher tax outgo for FPIs was among the reasons for the all-round selling in the bourses in the first trading session after the Budget.

"I don't think a clarification is required at the moment. We will take it as it comes," Sitharaman said at the end of a press meet here after the customary post-Budget central board meeting of the RBI.

Interestingly, when asked a similar question on FPI taxation earlier, she had said she would rather give the answer in Parliament.

Earlier in the day, Central Board of Direct Taxes (CBDT) Chairman PC Mody said the concerns have been brought to the department's notice. "We will issue a clarification soon," he said at an Assocham event.

The Budget has proposed a

higher surcharge on persons earning more than ₹2 crore. Since it proposes a higher surcharge covering every individual or Hindu undivided family or association of persons or body of individuals, domestic or foreign, there is fear that capital gain taxes on the sale of equity will rise to 21.3 per cent from nearly 18 per cent for short-term capital gain, and to over 14 per cent from nearly 12 per cent for long-term capital gain.

RBI Governor Shaktikanta Das expressed his satisfaction over the government's move to slash the fiscal deficit target, saying it will help improve investment by the private sector, as the crowding out impact will be lesser. The Budget revised the deficit estimate to 3.4 per cent of GDP, from the 3.3 per cent announced in the interim budget.

Das also said the provision of ₹70,000 crore of additional recapitalisation is a positive development because "it not only enables banks to maintain the capital they need to comply with regulatory requirements, but will also give enough capital to the banks to step up their lending and credit disbursement."



Finance Minister Nirmala Sitharaman and RBI Governor Shaktikanta Das at a post-Budget RBI board meeting in New Delhi on Monday. KAMAL NARANG

GOVT TO ISSUE CLARIFICATION ON HIKED SURCHARGE ON FPIs

NEW DELHI: The government will soon issue a clarification on applicability of increased surcharge on foreign portfolio investors (FPIs), a tax official said on Monday. There were concerns that the increased surcharge on super-rich could also affect foreign funds investing in India since a same tax structures apply for individuals, Hindu Undivided Families and Associations of Persons (AOPs). Experts said some FPIs follow trust structure and hence would be classified as AOPs. "The matter has been brought to our notice now. We will issue a clarification soon," Central Board of Direct Taxes (CBDT) chairman PC Mody said at an Assocham event. Finance Minister Nirmala Sitharaman in FY20 budget proposed to increase surcharge from 15% to 25% on taxable income between ₹2-5 crore, and from 15% to 37% for income above ₹5 crore. Following the increase in surcharge, the effective income tax rate for individuals with taxable income of ₹2-5 crore will go up from 35.88% to 39%, and for those above ₹5 crore it would go up to 42.7%.

Govt to soon issue clarification on applicability of surcharge on FPIs: CBDT chief

PTI ■ NEW DELHI

CBDT Chairman P C Mody on Monday said the Government will soon issue a clarification on the increase in tax rate on foreign portfolio investors to allay their concerns.

On whether the clarification will be issued soon or after discussion on Budget in Parliament, Finance Minister Nirmala Sitharaman said it is not required at the moment.

"I don't think clarification at the moment is all that's required. Let's see as it goes. You think it is required?" she said.

There were concerns that the increased surcharge on super-rich could also affect foreign funds investing in India since a same tax structures apply for individuals, Hindu Undivided Family and Associations of Persons (AoPs).

Experts said some Foreign Portfolio Investors (FPIs) follow trust structure and, hence, would be classified as AoPs.

"The matter has been brought to our notice now. We will issue a clarification soon," Mody said at an Assocham



event.

Markets continued to tumble for the second straight session on Monday with the Sensex plummeting 793 points.

According to traders, the Union Budget's proposals to raise public shareholding threshold and higher tax incidence for FPIs and high net-worth individuals continued to spook investors.

In the Budget 2019-20, tabled in Parliament last week, Sitharaman proposed to increase surcharge from 15 per cent to 25 per cent on taxable income between ₹2 crore and ₹5 crore, and from 15 per cent to 37 per cent for income above ₹5 crore.

The effective income tax rate for individuals with a taxable income of ₹2-5 crore will go up from 35.88 per cent to 39 per cent, and for those above ₹5 crore, it would go up to 42.7 per cent.

CBDT chief: Looking into FPI concerns

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NEW DELHI

The government is looking into fears expressed by some foreign portfolio investors (FPIs) that they will be hit by a proposed increase in surcharge on individual incomes of more than ₹2 crore a year announced in the budget for certain classes of taxpayers, Central Board of Direct Taxes (CBDT) chairman P.C. Mody said.

The issue was brought before the government on Monday morning, Mody said on the sidelines of an industry conference.

Finance minister Nirmala Sitharaman proposed in her annual budget last Friday that the surcharge on the income tax outgo of certain taxpayers—individuals, Hindu Undivided Families (HUFs) and Association of Persons (AoPs)—with incomes in the ₹2-5 crore range will be increased from 15% to 25%

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