

Operational Tax News

India Update

2015-2016 Budget Law announced – Impact for FPIs

On 27 February 2015, the Indian Finance Minister presented the Budget Law for 2015-2016 in Parliament. Once approved by Parliament, most of the changes proposed will be effective 1 April 2015 unless otherwise specified.

For Luxembourg financial institutions, the most important changes include:

- Postponement of the General Anti-Avoidance Rules (“GAAR”) by 2 years and grandfathering of investments made up to 1 April 2017 from the provisions of the GAAR, which means more time for complying with new requirements for investment managers using Mauritius subsidiaries to invest in India;
- Exemption of (future) capital gains from the provisions of the Minimum Alternate Tax;
- Extension of the lower withholding tax of 5% on interest from debt securities for another 2 years;
- Encouragement for shifting fund management activity to India;
- Relaxations of the applicability of indirect share transfer rules.

Please see attached a **presentation** prepared by our Indian Team detailing each of the proposals and the corresponding impact at the level of FPIs.

We will keep you updated in respect of the adoption of the Budget by the Indian Parliament and on any further developments.

If you have any queries regarding the above, please do not hesitate to contact us.

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