Focus on Funds: ICI Leads Reversal on Troubling Indian Tax

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A substantial new capital gains tax will not be imposed on global funds operating in India. In the December 13, 2019, edition of *Focus on Funds*, ICI Assistant General Counsel Katie Sunderland explains the issue and how the Institute worked with Indian officials to resolve it.

Transcript

Stephanie Ortbals-Tibbs, ICI director of media relations: For global funds and their investors, [there has been] a significant tax victory in India. ICI has worked closely with the government and many other stakeholders to resolve an issue that had concerns for both funds and their investors. Katie Sunderland is one of our tax experts, and you were involved in this story from start to finish. Can you lay out for us what was going on and how we got to a happier ending?

Katie Sunderland, ICI assistant general counsel: In early August, the Indian government enacted a new tax of 3 to 7 percent that applied only to capital gains of foreign investors—so, foreign regulated funds that were organized in trust form.

Ortbals-Tibbs: You know, that could be a big number in terms of the tax hit to global funds and their investors.

Sunderland: That's right; it is a big number. And the tax was actually intended to hit the superrich, so we were very successful in explaining that the regulated fund shareholders are not the superrich. They are, for the most part, moderate income investors saving for retirement. So we were very pleased with the Indians' proactive response that this was withdrawn on all capital gains.

Ortbals-Tibbs: We have a history of engaging with India over some of these tax questions.

Sunderland: Over the years, we have engaged the Indian government on a few issues, most recently probably in 2015 when we were successful in clarifying that a tax did not apply to regulated funds.

Additional Resources

- Speech: Path Toward Globalization Is Unstoppable
- ICI Comment Letters on Global Tax Issues