

# Foreign Portfolio Investors

October 2023



## Income-tax - notifications



### Procedure to apply for lower/nil tax deduction certificate via TRACES

As per section 197 of the Income-tax Act, 1961 (the Act), the Assessing Officer shall, on an application made by the assessee (recipient) in this behalf, issue such certificate as may be appropriate:

- where, income-tax is required to be deducted at the time of credit or, as the case may be, at the time of payment, in the case of any income of any person or sum payable to any person
- at the rates in force under the specified provisions of the Act such as 194LBA (income from units of business trust) 194LBB (income from units of investment fund), 194LBC (income in respect of investment in securitisation trust) etc. and 195 (other sums)
- if the Assessing Officer is satisfied that the total income of the recipient justifies the deduction of income-tax at any lower rates or no deduction of income-tax, as the case may be.

In this regard, CBDT has laid down the procedure, format and standards for filing an application through **TRACES** for grant of certificate. The notification will apply from 01 October 2023.

Source: CBDT Notification No.2/2023 dated 27 September 2023

### Valuation method prescribed under Rule 11UA of the Income-tax Rules, 1962

CBDT has prescribed a valuation method (mentioned below) to compute the fair market value (FMV) of unquoted shares for the purpose of section 56(2)(viib) of the Act where the consideration is received from resident and non-resident investor.

The methods prescribed are: Net Asset Value, Discounted Cash Flow, Comparable Company Multiple Method, Probability Weighted Expected Return Method, Option Pricing Method, Milestone Analysis Method, Replacement Cost Method.

Further, CBDT has introduced mechanism for determining the FMV of Compulsorily Convertible Preference Shares with respect to investments made.

Source: CBDT Notification No. 81/2023/F. No. 370142/9/2023-TPL Part (1)] dated 25 September 2023

*Note: The Finance Act, 2023, amended section 56(2)(viib). As per the amendment if consideration is received by a company (not being a company in which the public are substantially interested in) for issue of shares exceeds the FMV of the shares, it shall be chargeable to tax under the head 'Income from other sources'.*

# Market watch – press articles-select extracts



## India, UK explore possibility of shares listing at GIFT City and LSE

“The United Kingdom has received the first confirmation from India that it would explore the London Stock Exchange (LSE) for overseas direct listing of Indian companies, British Chancellor of the Exchequer Jeremy Hunt said on Monday.”

Source: Business Standard, Ruchika Chitravanshi, 11 September 2023

## Instant settlement of Indian stock market trades to come in by October 2024

“India’s market regulator expects instant settlement of stock market trades to be implemented by October 2024, a source from the regulator told Reuters on Tuesday.

Currently trades in India are settled in “T+1” or one day after the trades are initiated. Instant settlement would ensure trades are settled immediately.

For foreign investors, the instant trade settlement would be optional and not mandatory, the source said.”

Source: The Economic Times, Reuters, 5 September 2023

## Saudi Arabia to invest in Indian start-ups, will set up Sovereign Wealth Fund office in India

“Saudi Arabia is considering setting up an office of its sovereign wealth fund (SWF) in India to facilitate investments in the country. Moreover, the country also plans on investing in Indian start-ups through venture capital.

The country’s Investment Minister, Khalid A. Al Falih said on Monday that within the next few weeks, he would send a delegation to India to explore the opportunity. He added that his delegation would explore Gift City along with Mumbai and New Delhi.”

Source: Business Today, Aakanksha Chaturvedi, 12 September 2023

# FPI Statistics



Parameters	Current month	Earlier month	Changes
Net Equity inflows during Sep 2023 (in USD million)	-1,846	1,533	
Net Debt inflows during Sep 2023 (in USD million)	124	600	
Total FPIs registered as on 3 Oct 2023	11,186	11,182	4
AUC of FPIs at end of Aug 2023 (in USD million)	720,431	719,169	1,262

Source: NSDL FPI Monitor



**30** years  
and beyond

## KPMG in India contact:

**Sunil Badala**

Partner and National Head

BFSI, Tax

KPMG in India

E: [sunilbadala@kpmg.com](mailto:sunilbadala@kpmg.com)

[Kpmg.com/in](https://kpmg.com/in)

Follow us on:

[Kpmg.com/in/social media](https://kpmg.com/in/social-media)



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

KPMG Assurance & Consulting Services LLP, Lodha Excelus, Apollo Mills Compound, NM Joshi Marg, Mahalaxmi, Mumbai - 400 011  
Phone: +91 22 3989 6000, Fax: +91 22 3983 6000

© 2023 KPMG Assurance & Consulting Services LLP, an Indian limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

This document is for e-communication only.