



Foreign Portfolio Investors

November 2024

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Regulatory updates – SEBI

Process improvements make sale proceeds available to Foreign Portfolio Investors (FPIs) on settlement day itself

In consultations with key stakeholders, including FPIs, clearing corporations, custodians and tax consultants, Securities and Exchange Board of India (SEBI) addressed concerns of FPIs in respect of delays to access their sale proceeds beyond the standard 'T+1' settlement date.

The collaborative effort led to operational improvements, making sale proceeds available to FPIs on settlement day.

Under the new system (**in place since 9 September 2024**), tax certificates for sale trades executed on 'T' day are issued by the tax consultants by 9.00 a.m. IST on 'T+1' day.

This allows FPIs to access the sale proceeds, either for repatriation or for reinvestment on 'T+1' day.

It is broadly estimated that efficiency gains on account of these revised processes would be around INR 20 billion per annum.

Source: SEBI Press Release PR No.26/2024 dated 16 October 2024

Measures to strengthen equity index derivatives framework

SEBI formed an Expert Working Group on derivatives, to suggest measures for investor protection and market stability. Based on the recommendation and deliberations the following measures are decided to be put in place:

- **Upfront collection of Option Premium from options buyers:**
In order to avoid any undue intraday leverage to the end-client, and to discourage any practice of allowing any positions beyond the collateral at the end-client level, it has been decided to mandate collection of options premium upfront from option buyers by the Trading Member/Clearing Member (*w.e.f. 1 February 2025*)
- **Removal of calendar spread treatment on the Expiry Day:**
Expiry day can see significant basis risk, where the value of a contract expiring on the day can move very differently from the value of similar contracts expiring in future.
Given the relatively very large volumes witnessed on the expiry day vis-à-vis future expiry days, and the enhanced basis risk that it represents, it has been decided that the benefit of offsetting positions across different expiries (calendar spread) shall not be available on the day of expiry for contracts expiring on that day (*w.e.f. 1 November 2025*)
- **Intraday monitoring of position limits:**
The existing position limits for equity index derivatives to be monitored intra-day by exchanges. (*w.e.f. 1 April 2025*)

- **Contract size for index derivatives:**
The current contract size for index futures and option is a value between INR0.5 million and INR1 million. The derivative contract to have a value not less than INR1.5 million at the time of its introduction in the market. Further, the lot size to be fixed in such a manner that the contract value of the derivative on the day of review is within INR1.5 million to INR2 million (w.e.f. 20 November 2024).
- **Rationalisation of Weekly Index derivatives products**
In order to address issue of excessive trading in index derivatives on expiry day, it has been decided to rationalise index derivatives products offered by

exchanges which expire on weekly basis. Each exchange may provide derivatives contracts for only one of its benchmark index with weekly expiry (w.e.f. 20 November 2024)

- **Increase in tail risk coverage on the day of options expiry**

On the day of options contracts expiry, given the heightened speculative activity around options positions and the attendant risks, it has been decided to increase the tail risk coverage by levying an additional Extreme Loss Margin of 2 per cent for short options contracts (w.e.f. 20 November 2024).

Source: SEBI Circular SEBI/HO/MRD/TPD-1/P/CIR/2024/132 dated 1 October 2024



International Financial Services Centres (IFSC)

Modification in annexure to Common Application Form (CAF)

SEBI had permitted FPIs to have up to 100 per cent in aggregate contribution by non-resident Indians (NRIs), Overseas Citizen of India (OCIs) and Resident Indians (RI) individuals in the corpus of FPIs based in IFSC in India and regulated by International Financial Services Centres Authority (IFSCA).

In this regard, annexure to CAF is modified to insert the following additional option under 'Section B-II: NRI/OCI/RI – Entitlement in FPI' in Para 5 of Part B titled 'Additional information':

"We confirm that NRIs/OCIs/RIs as investors in the FPI and contributions by single NRI/OCI/RI

including those of NRI/OCI/RI controlled Investment Manager are below 25 percent of the corpus of the FPI.

The aggregate contributions by NRI/OCI/RI are intended to be above 50 per cent/are above 50 per cent of the corpus of the FPI and we shall at all times be in compliance with the SEBI (FPI) Regulations, 2019 and Master Circular for FPI, Designated Depository Participants and Eligible Foreign Investors as amended from time to time.

[Applicable only in case of eligible applicants from IFSC in India]"

Source: SEBI circular SEBI/HO/AFD/AFD-POD-3/P/CIR/2024/145 dated 22 October 2024



Income tax- case laws, notification

Committee for comprehensive review of the Income-tax Act

Following the announcement in the Union Budget, 2024-25 by the Minister of Finance, Central Board of Direct Taxes (CBDT) has formed an internal committee to oversee a comprehensive review of Income Tax Act, 1961 (the Act).

The committee has invited inputs and suggestions in four categories:

- Simplification of language
- Litigation reduction
- Compliance reduction and
- Redundant and obsolete provisions.

This is aimed to make the Act concise, clear, easy to understand to provide greater tax certainty to taxpayers.

Source: Ministry of Finance, Press Information Bureau dated 07 October 2024

Extension of due date for furnishing return of income

CBDT has extended the due date of furnishing of Income-tax Return (ITR) for Assessment Year (AY) 2024-25 from 31 October 2024 to **15 November 2024**. The extension applies to certain category of taxpayers which includes company.

Source: CBDT Circular No.13/2024, F.No.225/205/2024/ITA-II dated 26 October 2024

Guidance note on provisions of Direct Tax Vivad Se Vishwas Scheme, 2024 (VsV Scheme) issued

To provide for dispute resolution in respect of pending income-tax litigation, Government of India had enacted VsV Scheme.

Based on the various queries received, CBDT has issued guidance notes in the form of FAQs to create better awareness and understanding of the provisions of VsV Scheme.

It provides comments on eligible and non-eligible cases, amount payable on the tax arrears, forms notified, etc.

Source: CBDT Circular No.12/2024, F.NO.370142/22/2024-TPL dated 15 October 2024

Application or claim for refund and carry forward of loss and set-off

Guidelines on conditions and procedure to be followed for applications for condonation of delay in filing ITR claiming

- refund and
- carry forward of loss and set off thereof.

Authority to accept/reject the application:

Authority	Monetary limits of the claim for any AY (in INR)
Principal Commissioner of Income-tax (CIT)/CIT	≤ 10 million
Chief CIT	<10 million; ≥ 30 million
Principal Chief CIT	> 30 million

CIT, Central Processing Centre (CPC), Bengaluru vested with the powers for acceptance/rejection of petitions seeking condonation of delay in verifying ITR by sending the ITR-V to the Centralised Processing Cell within the prescribed time limit.

Timelines

No condonation application for claim of refund/loss to be entertained beyond five years from the end of the AY for which such application/claim is made.

Application should be disposed of, as far as possible, within six months from the end of the month in which the application is received by the competent authority.

Conditions

At the time of considering the case, the authorities to ensure that assessee was prevented by reasonable cause from filing the ITR within the due date and that the case is of genuine hardship on merits.

The authorities shall be empowered to direct the jurisdictional Assessing Officer to make necessary inquiries in accordance with the provisions of the Act to ensure that the application is dealt on merits in accordance with law.

A belated application for supplementary claim of refund (claim of additional amount of refund after completion of assessment for the same year) can be admitted for condonation provided additional conditions provided below are fulfilled:

- The income is not assessable in the hands of any other person under any of the provisions of the Act
- No interest will be admissible on belated claim of refunds
- The refund has arisen as a result of excess tax deducted/collected at source and/or excess advance tax payment and/or excess payment of self-assessment tax as per the provisions of the Act.

Source: CBDT Circular No.11/2024, F.No.312/63/2023-OT dated 1 October 2024



Market watch-press articles- select extracts

New portal for filing I-T returns aims to simply work for taxpayers

“The Income Tax department plans an upgraded e-filing platform that users will find simpler to use for filing returns. ITR E-Filing Portal 3.0 will offer a more seamless and secure process, according to an internal circular dated October, 8. The new portal is expected to maintain the core functionalities of its predecessor while introducing several improvements.”

Source: Business-Standard, Ayush Mishra, 16 October 2024

Sebi introduces liquidity window facility for investors in debt securities

“Sebi on Wednesday introduced a liquidity window facility for investors in the debt securities through a stock exchange mechanism. The liquidity window facility allows investors holding listed debt securities to sell them back to the issuer using a put option on specific dates, ensuring liquidity.

This facility, available from November 1, will be of immense utility to investors, especially retail investors, and can serve to enhance their investment in such debt securities, Sebi said in a circular.

The regulator observed that corporate bonds are seen as illiquid because many institutional investors hold them until maturity, leading to low trading activity.”

Source: Business-Standard, Press Trust of India, 16 October 2024

SEBI panel mulls new category of commodity funds

“A SEBI-appointed committee is deliberating on whether mutual funds can launch a separate category of actively managed funds that invest fully in commodities via Exchange Traded Commodity Derivatives (ETCDs).”

Source: The Hindu Business-line, Ashley Coutinho, 14 October 2024



FPI statistics – FPI portal, NSDL

Parameters	Current month	Earlier month	Changes
Net Equity inflows during Oct 2024 (in USD million)	(11,327)	6,955	
Net Debt inflows during Oct 2024 (in USD million)	(438)	2,766	
Total FPIs registered as on 31 Oct 2024	11,657	11,599	58
AUC of FPIs at end of Sep 2024 (in USD million)	1,016,868	983,359	33,509

Source: FPI portal, NSDL 31 October 2024

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