

## India Tax Update

In this issue, we have provided a summary of key tax, foreign exchange and regulatory changes in India.



### Central Board of Direct Taxes notifies revised Safe Harbour Rules

To curb the increasing number of transfer pricing audits and prolonged disputes, the Central Board of Direct Taxes (CBDT) issued the Safe Harbour Rules in September 2013. However, the Safe Harbour programme received a tepid response from taxpayers in India, due to perceived high margins and ambiguity in the classification of services.

The CBDT has vide a notification dated 7 June 2017 and revised the existing Safe Harbour rules in India. The Safe Harbour rules for all contract services have been moderated, for example for information technology (IT) and information technology enabled services (ITeS). The earlier Safe Harbour range of 20-22 percent have also been brought down to 17-18 percent.

Please click [here](#) for more information.

### India signs the Multilateral Convention

India has signed the Multilateral Convention (the Convention/MLI) in Paris on 7 June 2017 to

implement tax treaty related measures to prevent Base Erosion and Profit Shifting (BEPS). The key features of the provisional list of expected reservations and notifications which India has submitted have been discussed in our detailed Flash News. On the prevention of treaty abuse, India has adopted a hybrid approach of following Principal Purpose Test (PPT) approach in addition to the simplified LoB provisions.

Please click [here](#) for more information.

### Abolition of the Foreign Investment Promotion Board approved by the Indian government

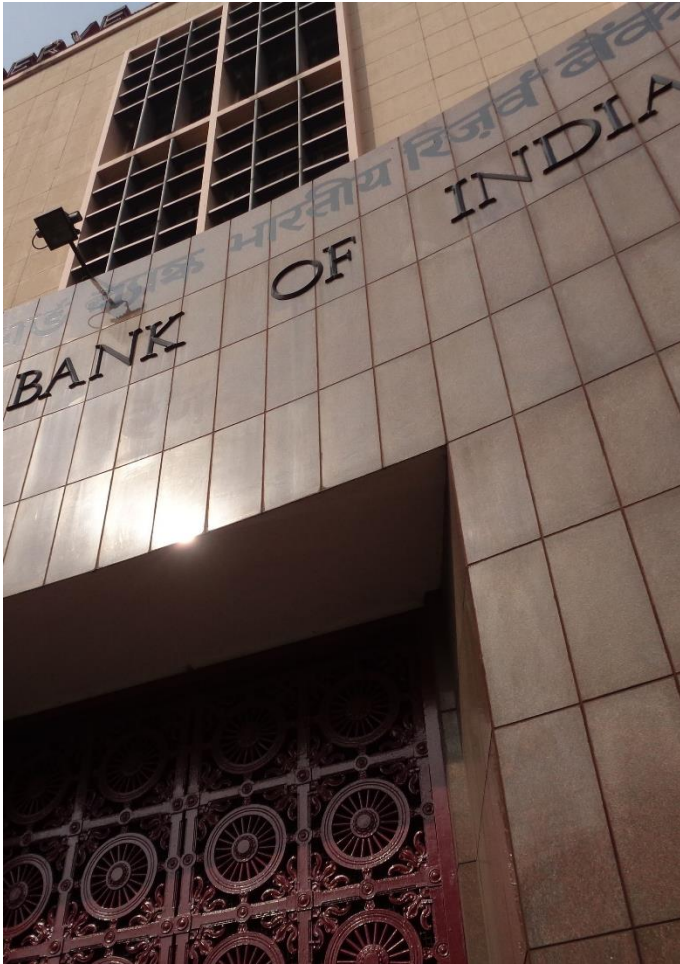
The proposal for abolition of the Foreign Investment Promotion Board (FIPB) has been approved by the Indian Government. The proposal envisages that subsequent to the abolition of the FIPB, the work of granting government approval for foreign investment under the extant Foreign Direct Investment Policy and Foreign Exchange Management Act Regulations shall be entrusted to the concerned Administrative Ministries/ Departments.

In respect of the applications in which there is a doubt about the Administrative Ministry, the Department of Industrial Policy and Promotion (DIPP) shall identify the Administrative Ministry/Department where the application will be processed. All applications pending with the FIPB portal as on the date of abolition of FIPB shall be transferred to the respective Administrative Ministry/Department by the DIPP immediately upon receipt thereof.

Please click on the following links to read the detailed press release of the Department of Economic Affairs, Ministry of Finance, Government of India.

<http://pib.nic.in/newsite/PrintRelease.aspx?relid=162097> &

<http://fipb.gov.in/Forms/OMabolitionFIPB.pdf>



## Reserve Bank of India circular amending the regulations on Issue of Rupee Denominate Bonds (RDB) overseas

RBI issued a circular modifying the regulations around issue of RDBs. The key changes in the regulations are:

- Minimum maturity period for an issue in excess of USD 50 million per financial year shall be 5 years (instead of 3 years earlier);
- Interest payable on RDBs shall be restricted to 300 basis point over the yield of Government of India security of corresponding maturity (instead of market rates earlier).
- RDBs can be issued only to unrelated parties.

RDBs were gaining popularity and were being evaluated by foreign investors/funds to invest in infrastructure projects due to its tax and regulatory efficiency. The above changes will impact the fund raising being contemplated through RDBs.

Please click [here](#) to read the RBI circular.

## How we can help

As a committed tax advisor to our clients, we welcome any opportunity to discuss the relevance of the above matters to your business.

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