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Foreign Portfolio Investor

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Regulatory updates

Extension of timeline for mandatory implementation of systems and processes by Qualified Stock Brokers (QSBs) with respect to T+0 settlement cycle

With effect from **1 May 2025**, QSBs were required to have necessary systems and process to implement optional T+0 settlement cycle. This was extended to 1 November 2025 (vide circular dated 29 April 2025).

Considering the challenges faced by QSBs in ensuring timely readiness of systems and their request to extend it for ensuring smooth implementation, SEBI has extended the above timeline for QSBs. Further guidance in this regard shall be intimated at a later date.

Source: SEBI circular HO/47/11/12(1)2025-MRD-POD3 I/72/2025 dated 30 October 2025

Proposal to introduce Unique Transaction Identifier (UTI) for Over-The-Counter (OTC) derivative transactions

Reserve Bank of India (RBI) has issued draft framework (effective from 1 April 2026) for implementation of UTI for all transactions in OTC markets for rupee interest rate derivatives, forward contracts in government securities, foreign currency derivatives, foreign currency interest rate derivatives, and credit derivatives in India.

UTI to have a maximum of 52 characters consisting of the legal entity identifier of the generating entity followed by a unique identifier and shall be unique to a derivative transaction throughout its lifecycle.

Source: RBI Press Release: 2025-2026/1367 dated 23 October 2025

Income-tax – circulars, case laws etc.

Due date of filing Income-Tax Return (ITR) for AY 2025-26 extended

The Central Board of Direct Taxes (CBDT) has extended the due date of filing ITR for AY 2025-26 in case of corporate taxpayers (where transfer pricing is not applicable) from 31 October 2025 to **10 December 2025.**[1]

Source: CBDT circular F. No. 225/131/2025/ITA-IICBDT circular no. 15 of 2025 dated 29 October 2025

Commissioner of Income Tax (CIT), Centralized Processing Centre (CPC), Bengaluru power to rectify, issue demand notice

CBDT has directed[2] CIT, CPC to exercise the following concurrent powers:

- To **rectify mistakes** which are apparent from records, including issues concerning refunds previously

[1]The due date to file ITR where transfer pricing compliance is applicable remains 30 November 2025.

[2]CBDT has issued notification in exercise of it's power under section 120 (on jurisdiction of the income-tax authorities) of the Act. The section provides that income-tax authorities to exercise all or any of the powers and perform all or any of the functions conferred on or assigned to such authorities by or under this Act in accordance with such directions as CBDT may issue for the exercise of the powers and performance of the functions by all or any of those authorities.

issued, non-consideration of prepaid tax credits or eligible relief, errors in interest on income-tax refund calculation, any inadvertent errors affecting tax computation, refunds, or demands

- To issue **demand notices** where rectification results in additional tax liability.

for all the cases where the orders have been passed through the interface between the Assessing Officer (AO) and the CPC.

Further, the CIT, CPC may delegate the functions to Additional Commissioners or Joint CIT who are subordinate to the CIT, CPC.

Source: CBDT Notification No. 155/2025 dated 27 October 2025

Revised tax treaty and protocol between India and Qatar notified

The revised agreement and protocol between India and Qatar were signed on 18 February 2025 and entered into force on **10 September 2025.** The central government has notified the same vide notification dated 24 October 2025.

Key changes include:

- Incorporating article for **entitlement to benefit** in relation to anti-abuse provisions, including principal purpose test
- Amending article for **resident** to provide situation where a person (other than an individual) is a **dual resident,** and competent authorities cannot determine residence having regards to its place of effective management by mutual agreement, then such person not to be entitled to any relief or exemption under the treaty unless agreed by the competent authorities
- Amending article on **person** to consider case where income derived by or through an entity or arrangement that is established in either contracting state and that is treated as **wholly fiscally transparent** under the tax law of either contracting state shall be considered to be income of a resident of a contracting state only to the extent that the income is treated, for the purposes of taxation by that state, as the income of a resident of that state:

The provisions to come into force from 1 April 2026.

Source: Income-tax Notification no. 154/2025 dated 24 October 2025

Capital gains earned on transfer of shares of Singapore company deriving it's value from India not taxable under India-Singapore tax treaty

The taxpayer is a Singapore based holding company making investments in Asia-Pacific region and holds a valid Tax Residency Certificate (TRC). The taxpayer sold shares of a Singapore based company which derived it's value from the shares it holds in subsidiaries in India to another Singapore company.[3]

Considering the application of section 9 read with explanation 5 of the act which deals with income which is deemed to accrue or arise in India, the shares sold are considered to be deemed to be situated in India. On the short-term capital gain earned, the taxpayer claimed exemption under article 13(5) of the India-Singapore tax treaty.

As per article 13(5) of the tax treaty, gains from the alienation of property other than covered in other clauses are taxable only in the contracting state of which the alienator is a resident i.e. Singapore.

The AO denied tax treaty benefit stating that TRC is not conclusive evidence, and that since control and management was from USA, the India – USA tax treaty should be applicable. The dispute resolution panel upheld the order of AO.

On appeal, the Income-tax Appellate Tribunal (ITAT) ruled in favour of the taxpayer and held that the transactions fall under the residuary clause of the article for capital gains i.e. article 13(5). Further, in India-Singapore tax treaty, there is no look-through clause which confer taxing rights on shares deriving value from immovable property or local assets. Accordingly, taxing rights are allocated to Singapore and the transaction is not taxable in India.

Source: ITA No. 2378/Mum/2022, ITAT Mumbai dated 30 September 2025

Specific notification is necessary to enforce Multilateral Instruments (MLI)

The taxpayer is an Ireland based aircraft leasing company holding a valid TRC. It had claimed exemption under article 8 (on shipping and aircraft transport) from tax in India on lease rentals under the India-Ireland tax treaty.

The AO denied tax treaty benefit by invoking articles 6 and 7 of MLI on principal purpose test (the anti-abuse provisions).

On appeal before the ITAT, it was ruled in the favour of the taxpayer and held that MLI lacks binding force in in absence of separate notification for each country. Further, the reliance by the revenue on the synthesised text was rejected as it does not have a corresponding notification and lacks legal status.

Source: ITA No. 994/Del/2025, Delhi ITAT dated 30 September 2025

Tax treaty benefit on interest income denied as the taxpayer was not the beneficial owner

The taxpayer was Cyprus based company which is wholly owned by a Mauritius company. The taxpayer had made only one investment of compulsorily convertible debentures in an Indian company on which interest income was received.

[3] *Explanation 5 of section 9(1)* clarifies that an asset or a capital asset being any share or interest in a company or entity registered or incorporated outside India shall be deemed to be and shall always be deemed to have been situated in India, if the share or interest derives, directly or indirectly, its value substantially from the assets located in India.

The Indian investee company was an associated enterprise of the taxpayer.

On the said income, the taxpayer claimed tax treaty benefit at the concessional rate of 10 per cent under the India-Cyprus tax treaty. The AO denied the claim of tax treaty benefit based on that the taxpayer is a conduit company and the income was taxed under section 115A (which provides for tax on dividends, royalty and technical service fees in the case of foreign companies) of the act at the rate of 20 per cent. The DRP upheld the order of the AO.

On appeal, before the ITAT, noted that shareholders agreement was not provided by the taxpayer which establishes attributes of ownership. Further, the taxpayer in it's submission had stated that the Mauritius company is the beneficial owner of the income and assumes attributes namely use, enjoyment, risk and control. The ITAT confirmed the AO's order and denied tax treaty benefit.

Source: ITA No. 7396/Del/2018, Delhi ITAT dated 8 July 2025

Market watch – press articles-select extracts

Supreme Court decides to examine constitutional validity of STT

The Supreme Court of India on monday (6 October, 2025) decided to examine a plea challenging the constitutional validity of the Securities Transaction Tax (STT), a direct tax levied on securities transactions through a listed stock exchange, as imposed under the Finance Act, 2004.

Source: The Hindu, Krishnadas Rajagopal, dated 6 October 2025

SEBI eyes easier NRI market access: Chairman flags urgent KYC reforms, focus on digital FPI registration

SEBI is prioritising an urgent goal to simplify investment procedures for non-resident indians, aiming for secure, remote KYC completion to boost their participation in Indian capital markets. This initiative, alongside streamlined foreign portfolio investor registration and enhanced domestic market infrastructure, signals a push for greater global investor engagement and market depth.

Source: Times of India, TOI Business Desk, dated 11 October 2025

Sitharaman launches foreign currency settlement system in GIFT City

Finance Minister Nirmala Sitharaman launched a foreign currency settlement system in GIFT City to facilitate seamless, real-time transactions, boosting international trade and investment. This new infrastructure positions GIFT IFSC among global financial hubs like Hong Kong and Tokyo, enhancing liquidity and operational resilience for entities within the International Financial Services Centre.

Source: Economic Times, ET Online dated 7 October 2025

NITI Aayog proposes optional presumptive tax regime for foreign investors

Government think tank Niti Aayog has proposed an optional industry-specific presumptive taxation scheme for foreign companies. The proposal is aimed at enhancing tax certainty and predictability for foreign investors, which Niti Aayog identifies as a critical impediment to maximising Foreign Direct Investment (FDI) inflows.

It has warned that existing complexities and ambiguities in rules governing Permanent Establishments (PE) and profit attribution have led to significant tax uncertainty and compliance burdens for multinationals. It says the lack of clear, objective standards has resulted in protracted litigation, with major PE disputes often taking anywhere from 6 to 12 or more years to reach a final resolution in the courts.

Under presumptive taxation, businesses are allowed to declare a fixed percentage of their income as taxable profit, and are thus taxed on that profit instead of calculating all the expenses and then deducting it.

Source: The New Indian Express, Dipak Mondal dated 3 October 2025

FPI statistics

Parameters	Current month	Earlier month	Changes
Net Equity inflows during Oct 2025 (in USD million)	1.647	(2,692)	
Net Debt inflows during Oct 2025 (in USD million)	518	1,381	
Total FPIs registered as on 31 Oct 2025	12,086	12,025	31
AUC of FPIs at end of Sep 2025 (in USD million)	876,375	869,433	6,942

Source: FPI monitor, NSDL, 31 October 2025

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