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Foreign Portfolio Investor

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Regulatory updates

Ease of regulatory compliances for FPIs investing only in Government Securities (G-Sec)

The Securities and Exchange Board of India (SEBI) had earlier exempted FPIs investing exclusively in G-Secs under the Fully Accessible Route from furnishing investor group details.

Subsequently, the Reserve Bank of India withdrew the concentration limit requirement for FPIs investing in G-Secs through the General Route *vide* circular dated 5 June 2026

Consequently, identification of investor groups for FPIs investing only in G-Secs is no longer relevant. Accordingly, effective 7 September 2026 SEBI has amended Master Circular to provide that FPIs investing only in G-Secs shall not be required to furnish investor group details.

Source: SEBI Circular HO/(485)2026-AFD-POD2/I/20296/2026 dated 7 September 2026

Increase in avenues for investments

SEBI, in its meeting held on 24 September 2026, *inter-*alia, approved the following:

FPI Participation in Exchange Traded Commodity Derivatives

In continuation to its Consultation Paper issued on 11 August 2026, SEBI has permitted participation of FPIs in:

- Non-agricultural index derivatives contracts, irrespective of the underlying being cash-settled or not.
- Non-cash settled non-agricultural commodity derivatives contracts.

  For participation in non-cash based non-agricultural commodity derivatives contracts, a safeguard mechanism is proposed to ensure that FPIs exit their positions before entering the Tender Period, i.e. 3 days before the expiry of the contract; so that they exit before the possibility of delivery obligation arises.

  Further, as an additional safeguard, FPIs are not permitted to increase their positions from T-3 day.

Issuance of Depository Receipts (DRs) on units of Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs)

In order to attract foreign capital, SEBI has approved amendments enabling the issuance of DRs on units of REITs and InvITs. Detailed framework shall be specified through a separate circular.

To begin with, the framework will facilitate listing of such DRs on a stock exchange in International Financial Services Centre.

Further, all foreign investors (including non-resident Indians) may invest in such DRs.

Source: SEBI Board Meeting Press Release PR No.59/2026 dated 24 September 2026



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Income-tax –ruling, circular

Rupee denominated bonds (RDB) are a financial instrument distinct from Non-convertible debentures (NCD); tax treaty claim allowed on interest from External Commercial Borrowings (ECB)

On interest income from NCD:

In financial year 2022-23, a Mauritius based

FPI had earned interest income from NCD and claimed concessional rate of tax at 5 percent (plus surcharge and cess) on such income under section 115AD (tax on income of foreign institutional investors from securities or capital gains arising from transfer) read with section 194LD (Income by way of interest on certain bonds and G-Secs) of the Income-tax Act, 1961. (Section 194LD was applicable for interest received during the period 1 June 2013 to 30 June 2023).

The AO denied the claim on the ground that the benefit is available on RDBs and not NCDs and taxed the income at 20 percent. The Revenue argued RDBs constitute a specific class of offshore instruments governed by a separate regulatory framework and that the legislature's use of the expression "rupee denominated bonds" reflected a conscious intent to distinguish such instruments from ordinary bonds.

On appeal, ITAT rejected taxpayer's contention that bonds include debentures. ITAT stated that the section gives specific reference to rupee denominated bonds, based on strict interpretation of the statute. It further directed AO to examine whether the interest was eligible for relief under the DTAA.

On interest income from ECB:

The taxpayer had claimed concessional rate of tax of 7.5 per cent under Article 11 of the DTAA on interest income from ECB. The Revenue denied the tax treaty benefit on the ground that the taxpayer did not satisfy the beneficial ownership criteria.

ITAT ruled in favour of the taxpayer, stating that the taxpayer was able to satisfy the parameters – possession, use, control, and risk of the funds and interest. Further, no material was found to substantiate that the taxpayer was a conduit entity.

Source: Azure Power Energy Ltd vs ACIT, ITA No. 37/Del/2026 dated 9 September 2026

Extension of due date to file Income-tax Return (ITR) for assessment year (AY) 2026-27

Type of assessee	Original due date of filing ITR	Extended due date of filing ITR
Corporates*	31 October 2026	21 November 2026

**where transfer pricing provisions are not applicable*

Source: CBDT circular F. No. 225/128/2026/ITA-II dated 28 September 2026

Market watch – press articles-select extracts

GIFT City moves up 9 places to 37th globally, ranks among Asia-Pacific top 15

"GIFT City has climbed nine places to rank 37th globally in the latest Global Financial Centres Index (GFCI 40), while entering the top 15 financial centres in the Asia-Pacific region, according to a media release.

GIFT City, which was ranked 46th in GFCI 39, is now the only Indian financial centre among the top 15 in the Asia-Pacific region, the release said."

Source: The Economic Times, ANI, dated 17 September 2026

Sebi looks to ease foreign investor access, says Tuhin Kanta Pandey

"The Securities and Exchange Board of India (Sebi) is working to simplify digital onboarding for persons who are residents outside India, wider participation by foreign portfolio investors (FPIs) in non-agricultural commodity derivatives, and the introduction of depository receipts against units of real estate investment trust (Reits) and publicly listed infrastructure investments trust (Invits), chairman Tuhin Kanta Pandey said on Tuesday."

Source: Business Standard, Khusboo Tiwari, dated 22 September 2026

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FPI statistics

Parameters	September 2026	August 2026	Changes
Net Equity inflows during the month (in USD million)	3,736	3,087	
Net Debt inflows during the month (in USD million)	(2,159)	(152)	
Total FPIs registered at end of the month	12,305	12,243	62
AUC of FPIs (in USD million) - end of August 2026 – USD 813,944 - end of July 2026 – USD 813,091			854

Source: NSDL, FPI monitor, 30 September 2026



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