KPMG

Foreign Portfolio Investor

November 2026

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Regulatory updates

Rationalisation of KYC review for foreign portfolio investors (FPIs)

With a view to rationalise the requirements for review of KYC, reduce compliance burden and promote ease of doing business, Securities and Exchange Board of India has modified KYC requirements as under:

Periodicity of review (other than GS-FI[1] and SWAGAT-FI[2]

Type of FPI	High Risk Jurisdiction		Non-High Risk Jurisdiction	
	Earlier	Modified	Earlier	Modified
Category I - Government and government related investors	3 years	8 years	3 years	8 years
Category I - Others	Annual	2 years	3 years	8 years
Category II – Regulated entities	Annual	2 years	3 years	8 years
Category II – Others	Annual	2 years	Annual	2 years

Intimation of change in information at the time of continuation of registration

The requirement of intimating change in information earlier submitted with designated depository participant or giving declaration that there is no change in the information at the time of continuance of registration has been dispensed with.

The above are effective 1 December 2026.

Source: SEBI Circular HO/19/34/14(10)2026-AFD-POD3/I/24814/2026 dated 30 October 2026

Clarification regarding receipt of INR by Indian stockbrokers from FPIs towards brokerage and allied services

Reserve Bank of India has issued clarification that payment to stockbrokers towards stockbroking, clearing and other related services in INR through repatriable INR accounts (e.g. Special Non-Resident Rupee Account) may be considered to satisfy conditions stipulated under sub clause (iv) of the definition of export of services as provided in clause (6) of section 2 of the, IGST Act, he Integrated Goods and Services Tax Act, 2017.

Further, Central Board of Indirect Taxes & Customs has also issued clarification in respect of export of services by stockbrokers who provide services to overseas clients and receive amount in INR stating that payment to brokers through repatriable INR accounts may be considered to be fulfilling the conditions for export of services.

Source: RBI: DEL.FED CO.NRFAD. No. S123/22-13-0 18/2026-2027 dated 11 September 2026 and CBIC Circular No. 263/09/2026-GST dated 26 October 2026



1 FPIs investing only in Government Securities

2 Single Window Automatic and Generalised Access for Trusted Foreign Investor (SWAGAT-FI)

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Income-tax –ruling, circular, notifications

Protocol amending India – Mauritius tax treaty notified

The Government of India and the Government of Mauritius had signed a protocol amending the India-Mauritius tax treaty in 2024. The protocol had entered into force on 10 August 2026.

The same has now been notified by the Government of India. The provisions of this Protocol to come into effect from the date of entry into force of the Protocol, **without regard to the date on which the taxes are levied or the taxable years to which the taxes relate.**

Key amendments to the tax treaty are:

Preamble to the tax treaty amended:

To provide that the amended tax treaty aims to eliminate double taxation without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty shopping arrangements aimed at indirectly benefiting residents of third jurisdictions).

Principal Purpose Test introduced :

It is a notwithstanding provision providing that benefit under tax treaty shall not be granted in respect of an item of income if it is reasonable to conclude, having regard to all relevant facts and circumstances, that obtaining that benefit was one of the principal purposes of any arrangement or transaction that resulted directly or indirectly in that benefit, unless it is established that granting that benefit in these circumstances would be in accordance with the object and purpose of the relevant provisions of tax treaty.

Source: Ministry of Finance Notification F. No. 135/2026/F. No. 500/03/2012-FTD-II dated 13 October 2026

Forms for claiming exemption on interest income and capital gain on Government Securities (G-secs) notified

The Taxation and Other Laws (Amendment) Act, 2026 provided **exemption on interest income and capital gain on G-Secs to FPIs** effective 1 April 2026. This was subject to furnishing of information in such form and manner, as may be prescribed.

in this regard, Income-tax Rules, 2026 has been amended to provide for Form 173A with effect from 19 October 2026. Form 173A is to be furnished by the FPI providing information for claim of exemption on interest and capital gains from G-Secs.

Part A: Basic Information: This covers name, country of resident, tax identification number, SEBI FPI registration, contact information etc.

Part B: Details of exempt income claimed on G-Secs: This covers information on ISIN, type of G-Sec, value of securities (purchased/ sold), gross interest and capital gains

Declaration: The Principal Officer certifies that information is true and in accordance with provisions of Income-tax Act, 2025.

Source: CBDT Notification No. 137/2026 /F. No. 370142/35/2026-TPL dated 19 October 2026

Indirect transfer gains not taxable under India-Ireland tax treaty

An Irish based company transferred its holdings in a US entity to another Irish based company. The US entity held shares in an Indian company.

The taxpayer claimed that the capital gains from above transfer is not taxable as per Article 13(6)[3] of the India-Ireland tax treaty.

The assessing officer (AO) in its order (following the direction of the Dispute Resolution Panel) contended that the capital gains is taxable as per Article 13(5)[4] of the India-Ireland tax treaty.

The AO held that as the US entity derived substantial value from shares of Indian company, the transaction was taxable in India. Further, the AO invoked Article 6 of Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI).

In general, Article 13(5) applies to gains from alienation of shares in a company resident in a Contracting State and grants taxation rights to that State. Article 13(6) is a residuary clause which grants taxation rights to the Contracting State of which the alienator is resident.

The Income-tax Appellate Tribunal (ITAT) ruled in favour of the taxpayer and held that Article 13(5) applies only where the shares transferred are of a company resident in a Contracting State; and that the article does not employ the words **'directly or indirectly'** and does not permit **'see through'** approach. Consequently, the transaction fell under the residuary clause.

Further, it held that Revenue could not rely on domestic law concepts to expand the scope of Article 13(5) by contenting that the indirect transfer of underlying Indian asset is covered therein. The deeming fiction in the domestic law relating to indirect transfer provisions is a unilateral amendment to the domestic law and cannot be read into the tax treaty.

3 Article 13(5) *Gains from the alienation of shares other than those mentioned in paragraph 4 in a company which is a resident of a Contracting State may be taxed in that Contracting State.*

4 Article 13(6) *Gains from the alienation of any property other than that referred to in paragraphs 1, 2, 3, 4 and 5 shall be taxable only in the Contracting State of which the alienator is a resident*

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The ITAT also stated that Revenue did not establish case of tax treaty abuse through a specific enquiry or evidence, The taxpayer was an Irish entity with substantial business operations and employees, and the re-structuring involved 17 entities. Accordingly, invoking MLI provision was not sustainable.

Source: FireEye Ireland Limited vs ACIT, ITA 1431/Del/2025, Delhi ITAT dated 30 September 2026

Market watch – press articles-select extracts

SBI Research calls for abolition of LTCG tax on equities to boost foreign capital inflows

The State Bank of India (SBI) Research has called for the abolition of long-term capital gains (LTCG) tax on equities and an extended holding period of two to three years to attract capital inflows and improve investor sentiment amid sustained foreign portfolio investor (FPI) outflows from Indian equity markets.

Source: The Economic Times, ANI, dated 13 October 2026

SEBI reviews FPI compliance norms, plans consultation paper on global alignment

SEBI Chairman Tuhin Kanta Pandey on Wednesday said the regulator will review compliance requirements for foreign portfolio investors (FPIs) and issue a consultation paper to seek views on aligning Indian norms with global standards, while retaining safeguards for investors protection and market integrity.

Source: Business Line, PTI, dated 28 October 2026

FPI statistics

Parameters	October 2026	September 2026	Changes
Net Equity inflows during the month (in USD million)	(3,658)	(3,765)	
Net Debt inflows during the month (in USD million)	73	(2,176)	
Total FPIs registered at end of the month	12,291	12,305	(14)
AUC of FPIs (in USD million) - end of September 2026 – USD 733,436 - end of August 2026 – USD 820,275			(46,839)

Source: NSDL, FPI monitor, 30 October 2026



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