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Additional disclosures by Foreign Portfolio Investors (FPIs) that fulfil certain objective criteria

To obtain detailed information of persons having any ownership, economic interest, or control in some objectively identified Foreign Portfolio Investors (FPIs), Regulations 22 (6) and 22(7) were inserted in the SEBI (Foreign Portfolio Investors) Regulations, 2019 ('FPI Regulations'), vide SEBI (Foreign Portfolio Investors) (Second Amendment) Regulations, 2023, notified on August 10, 2023. Vide Circular SEBI/ HO/ AFD/ AFD – PoD – 2/ CIR/ P/ 2023/ 148 dated 24th August 2023 (the provisions of which shall come into force with effect from November 01, 2023), SEBI has now mandated the criteria and manner for submission of disclosures by foreign portfolio investors (FPIs).

According to the above-mentioned Circular, granular details of all entities holding any ownership, economic interest, or exercising control in the FPI, on a full look through basis, up to the level of all natural persons, without any threshold, shall be provided by FPIs that fulfil any of the criteria mentioned below in the specified format:

a. FPIs holding more than 50% of their Indian equity Assets Under Management (AUM) in a single Indian corporate group;
b. FPIs that individually, or along with their investor group (in terms of the FPI Regulations), hold more than INR 25,000 crore of equity AUM in the Indian markets.

However, certain types of FPIs have been exempted from making the disclosures viz. Government and Government related investors registered as FPIs under FPI Regulations; Public Retail Funds as defined under FPI Regulations; Exchange traded funds (with less than 50 percent exposure to India and India-related equity securities) and entities listed on specified exchanges of the permissible jurisdictions as may be notified by SEBI from time to time; certain kinds of pooled investment vehicles; FPIs that are unable to liquidate their excess investments due to statutory restrictions till the time such restrictions exist; newly registered FPIs, for the first 90 calendar days from the date of settlement of first trade by the FPIs in equity segment in India; and FPIs in the process of winding down their investment.

The constituents of FPI investor group which collectively hold more than INR 25,000 crore of equity AUM in the Indian markets, shall be exempted from making the additional disclosures if the investor group consists of FPIs that qualify for exemption in terms of the criteria given above and the net equity AUM of the investor group, after deducting the AUM of such exempted FPIs, falls below INR 25,000 crore.

Restriction on Imports of Laptops, Tablets and Computers

The Directorate General of Foreign Trade (DGFT) vide Notification No. 23/2023 dated 3rd August 2023 has restricted import of laptops, tablets, all-in-one personal computers, ultra-small form factor computers, and servers falling under HSN 8741. The import of these items will now be permitted only against a valid license for Restricted Imports.

The Restriction shall not be applicable to Imports under Baggage Rules, as amended from time to time, thus, passengers would be able to carry these items in their baggage.

The import of one laptop, tablet, all-in-one personal computer, or ultra-small form factor computer through e-commerce portals, couriers, or post will be exempted from Import licensing requirement, however, import will be subject to payment of duty as applicable.

Furthermore, import licensing requirement exemption is provided for up to 20 such items per consignment for the purpose of Research and Development, testing, benchmarking and evaluation repair and re-export, and product development purposes. However, these items would have to be used for the stated purposes only. After the intended purpose, the products would either be destroyed beyond use or re-exported.

With regard to re-import of goods repaired abroad, license for Restricted Imports shall not be required for repair and return of said items. Laptops, Tablets, All-in-one personal computers, ultra-small form factor computers and servers which are an essential part of a Capital Good shall be exempted from the Import licensing requirement.

However, the Government has now extended the deadline for implementing the restrictions till November 1, 2023.

Deduction of tax at source (TDS) on income payable in foreign currency

The Central Board of Direct Taxes (CBDT) vide Notification No. 64/2023 dated 17th August amended the Income-tax Rules, 1962 to lay down Rate of exchange for the purpose of deduction of tax at source on income payable in foreign currency.

As per the amendment, for the purpose of deduction of tax at source on any income payable in foreign currency, the rate of exchange for the calculation of the value in rupees of such income payable to an assessee outside India or a Unit located in an International Financial Services Centre (IFSC); or payable by a Unit located in an International Financial Services Centre to an assessee in India, shall be the telegraphic transfer buying rate of such currency as on the date on which the tax is required to be deducted at source.

The 'telegraphic transfer buying rate' in relation to a foreign currency, is defined to mean the rate of exchange adopted by the State Bank of India for buying such currency, having regard to the guidelines specified from time to time by the Reserve Bank of India for buying such currency, where such currency is made available to that bank through a telegraphic transfer.

Valuation of residential accommodation perquisite provided by Employer

The Central Board of Direct Taxes (CBDT) vide Notification No. 65/2023 dated 18th August amended the Income-tax Rules, 1962 to lay down the rule for valuation of residential accommodation provided by employer, which will come into effect from 1st September 2023.

Earlier, the Finance Act, 2023 had amended the Income tax act to insert provision for calculation of value of perquisite rent-free or concessional accommodation provided to an employee, by his employer. Accordingly, vide the above notification, the CBDT has modified the Income tax rules to provide for the same.

The value of residential unfurnished accommodation provided by the employer (other than central or state government) to employees and such accommodation is owned by the employer, then value shall be as follows:

- 10 percent of salary in cities having a population exceeding 40 lakhs as per 2011 census
- 7.5 percent of salary in cities having a population exceeding 15 lakhs but not exceeding 40 lakhs as per 2011 census
- 5 percent of salary in cities having a population of less than 15 lakhs as per 2011 census

The categorization and the limits of cities and population have now been based on the 2011 census as against the 2001 census earlier. The perquisite rates too have been reduced from the earlier rates of 15%, 10% and 7.5% of the salary. The Rule has also been further rationalized so as to compute a fair tax implication of the same accommodation being occupied by an employee for more than one previous year. This reduction in the perquisite value of rent-free accommodations will reduce taxable salary and increase the take-home savings for employees who receive the above accommodations.

The value of residential furnished accommodation provided by the employer (other than central or state government) to employees and such accommodation is owned by the employer, then value of such perquisite will be the value w.re.to the categorization & limits and perquisite rates as determined above and increased by 10% per annum of the cost of furniture.

Guidelines on Removal of Tax Benefits on Insurance Policies with premium over Rs.5 lakh

The Income Tax Act 1961 exempts from tax, any sum received under a life insurance policy, including the sum allocated by way of bonus on such policy subject to certain exclusions. However, the Union Budget 2023 had announced withdrawal of tax benefits on insurance policies (other than unit-linked insurance policies) issued on or after April 1, 2023. This tax exemption withdrawal would not affect the amount received on the death of the person insured.

With effect from the assessment year 2024-25, the sum received under a life insurance policy (other than a unit-linked insurance policy) issued on or after April, 1, 2023, shall not be exempt from tax if the amount of premium payable for any of the previous years during the term of such policy exceeds Rs.5,00,000. If the premium is payable for more than one life insurance policy (other than a unit linked insurance policy) issued on or after 01.04.2023, then the tax exemption shall be available only w.re.to such policies where the aggregate premium does not exceed Rs.5,00,000 for any of the previous years during the term of any of those policies.

On 16th August, 2023, the Central Board of Direct Taxes (CBDT) vide Circular 15 of 2023 issued detailed Guidelines for removal of difficulties w.re.to the withdrawal of tax benefits on certain insurance policies. The guidelines, through examples of different situations, explain the way to compute consideration received under an eligible life insurance policy.

MSME Champions Scheme

The Ministry of MSME is implementing MSME Champions Scheme, a Central Sector Scheme, with the objective of modernizing MSMEs' manufacturing processes, reducing wastages, encouraging innovativeness, sharpening business competitiveness and facilitating their National and Global reach and excellence. MSME Champions Schemes comprises of three components i.e., MSME-Sustainable (ZED), MSME-Competitive (Lean) & MSME-Innovative (for Incubation, IPR, Design and Digital MSME) for promoting competitiveness amongst Micro, Small and Medium Enterprises (MSMEs). MSME Champions scheme has been formulated through Standing Finance Committee (SFC) by merging all 6 components of erstwhile Technology Upgradation Scheme (TUS) for a period of 5years i.e. 2021-22 to 2025-26.

Thank You

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