

FinMin rules out FPI surcharge rollback

DILASHA SETH
New Delhi, 10 July

The government has ruled out a rollback of the 'super-rich' tax on foreign portfolio investors (FPIs) organised as trusts or association of persons. The tax on such FPIs will yield an estimated ₹400 crore, as against the overall revenue gain of ₹12,000 crore from the surcharge.

Finance Minister Nirmala Sitharaman in her maiden Budget last week proposed a hike in surcharge for the super-rich (non-corporate) from 15 per cent to 25 per cent for incomes between ₹2 crore and ₹5 crore, and from 15 per cent to 37 per cent for incomes above ₹5 crore a year. The move will hit 40 per cent of the FPIs. According to reports, about 2,000 FPIs operate as trusts and not companies due to several advantages related to flexibility and tax-efficient repatriation. Central Board of Direct Taxes (CBDT) Chairman P C Mody on Wednesday said at an event organised by the Confederation of Indian Industry (CII), that FPIs could opt for corporate structure if they did not want the higher surcharge introduced in the Budget. "They can't have their cake and eat it too," he said.

Another senior government official said: "There is no question of a rollback. We are not targeting any one section. If you are a non-company, you will be taxed as an individual, the same way you also enjoy the tax or other advantages of being operating as one. We can't treat them separately." Turn to Page 17 ▶



TAXING TIMES
Effective tax rates for non-corporate super-rich taxpayers (%)

	Budget proposal	
	Earlier	Income ₹2-5 cr Income >₹5 cr
LTCG tax (10%)	11.96	13.00 14.25
STCG tax (15%)	17.94	19.50 21.37
STCG tax (30%)	35.88	39.00 42.74

LTCG: Long-term capital gains; STCG: Short-term capital gains; STCG tax varies on treatment, at 15% or 30%; figures include cess and surcharge

TAX SHADOW ON MARKETS



Source: BSE

45% of PAN cards to be linked with Aadhaar by September

NITIN SETHI & DILASHA SETH
New Delhi, 10 July

The government will invalidate all PAN cards that are not linked to Aadhaar by September 1. At present, 180 million of the existing 400 million PAN cards are not linked with Aadhaar.

To validate and continue using the existing PAN cards, citizens will have to link them to Aadhaar. Or else, they will be permitted to use Aadhaar instead for filing returns

and while making other high-value transactions, specified under the Income Tax Act.

Those who cite an Aadhaar number, which is not already linked to a PAN number, for tax returns and other specified transactions after September 1, will get a fresh one from the Income Tax Department.

This is how the Aadhaar-PAN linkage, proposed in the Finance Bill, 2019 will be rolled out.

Turn to Page 17 ▶

FROM PAGE 1

FPI surcharge...

The effective long-term capital gains tax incidence for FPIs operating as trusts earning between ₹2 crore and ₹5 crore has gone up from 11.96 per cent to 13 per cent, while it has increased to 14.25 per cent for those earning over ₹5 crore.

The Income Tax Act has two streams of taxation — individual and companies. Earnings of all non-companies, including Hindu Undivided Family, association of persons, and trusts are taxed as individuals.

"The government needed more revenue. We cannot increase tax burden on companies as their taxation is already on a glide path," said the official quoted above. Sitharaman extended the lower corporation tax rate of 25 per cent for companies with a turnover of up to ₹400 crore from ₹250 crore earlier, forgoing a revenue of ₹3,000 crore.

"One of the reasons for discontentment is, this additional tax has come as a bolt from the blue. This tax was never built in their business models and hence dampened sentiment," said Rakesh Nangia, managing partner, Nangia Advisers LLP.