

THE ASSOCIATION OF GLOBAL CUSTODIANS

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March 27, 2020

VIA ELECTRONIC DELIVERY

Mr. Pramod Chandra Mody (Chairman)
Central Board of Direct Taxes
North Block
New Delhi – 110 001
India
chairmancbdt@nic.in

Re: India Union Budget 2020

Dear Mr. Mody,

This letter is being submitted on behalf of the members of the Association of Global Custodians (“AGC” or “Association”)¹ in connection with India’s proposal to abolish the Dividend Distribution Tax (“DDT”).

In providing global custody services, AGC members routinely seek appropriate withholding tax relief on behalf of custody clients. We typically process millions of such relief claims in the aggregate each year, affecting substantial amounts of cross-border portfolio investment flows in and out of countries worldwide. We experience on a daily basis the costs, inefficiencies, and excessive withholding that arises when the procedures for claiming lawful relief are cumbersome or unduly complicated for the investors involved.

¹ The Association is an informal group of 12 member banks that provide securities safekeeping and asset servicing functions to cross-border institutional investors worldwide, including investment funds. In providing global custody services, AGC members routinely seek appropriate withholding tax relief on behalf of custody clients by processing millions of such claims in the aggregate each year, affecting substantial amounts of cross-border portfolio investment flows in and out of countries worldwide.

Mr. Pramod Chandra Mody
March 27, 2020

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It is in this context the Association's members wish to endorse the recent letter dated 27 February 2020 submitted by ICI Global (<https://www.iciglobal.org/pdf/32255a.pdf>). In particular, the AGC wishes to emphasize the points made by ICI Global that:

- treaty relief be available at source through the provision of clear and operable procedures. Treaty relief at source is common in various jurisdictions with significant foreign portfolio investment and the procedures established by tax authorities enable those investors to avail of tax relief in a timely and efficient manner; and
- the repeal of the enhanced surcharge applicable to Indian sourced dividend income paid to non-corporate and non-firm foreign portfolio investors would be welcome to avert tax uncertainty.

Please do not hesitate to contact the undersigned if you have any questions concerning the Association's comments.

Sincerely yours on behalf of the Association,

A handwritten signature in black ink that reads "Mary C. Bennett". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Mary C. Bennett
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