

# India update



# Speakers



**Vivek Gupta**  
Partner and Leader, M&A  
/ PE Tax and One FS  
Deloitte South Asia



**Russell Gaitonde**  
Tax Partner  
Deloitte India

# Agenda

**1**

**Key structural shifts shaping the FS ecosystem**

---

**2**

**Regulatory Pulse Check**

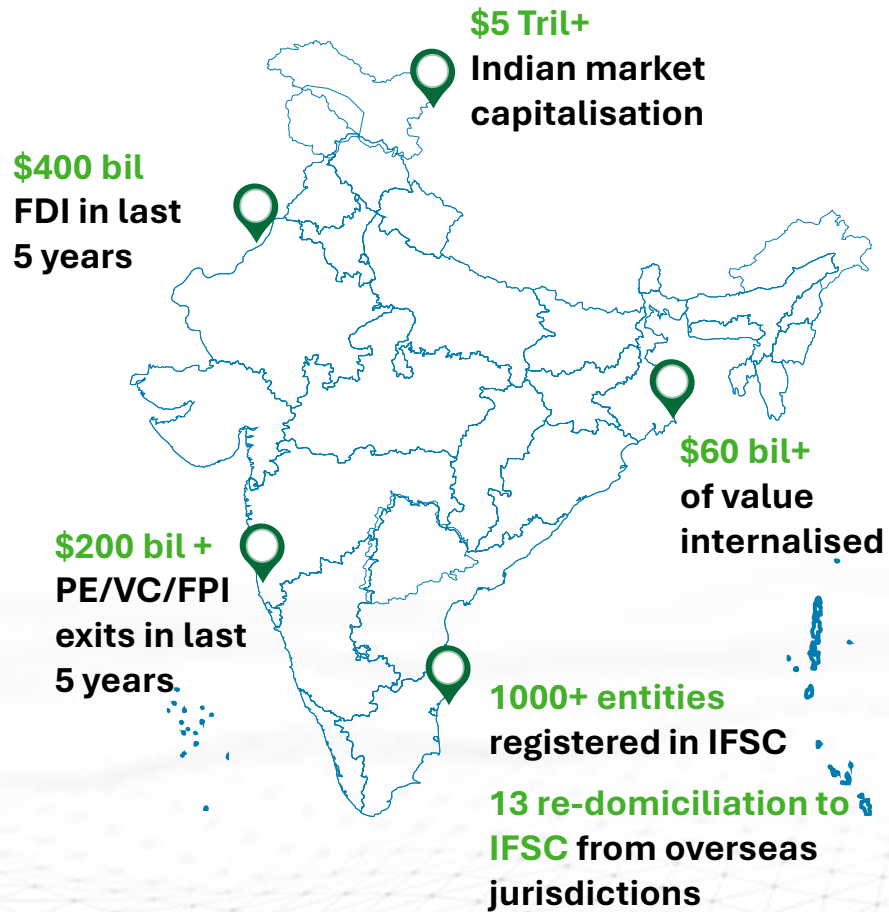
---

**3**

**Navigating the New Tax Paradigm**

---

# From Liquidity to Leadership India's FS Inflection Point



## Key structural shifts shaping the FS ecosystem



Private capital in publicly listed  
lending businesses



Reverse flipping and capital re-  
domiciliation into India



IFSC rising as a fund  
management hub and global  
treasury centers



GCCs transforming India into a  
strategic operating base for FS

# Regulatory Pulse Check

## Critical updates shaping the FS industry (1/3)

### LEVEL PLAYING FIELD FOR INDIA INC

#### Existing avenues

Local non-bank fundings

AIFs/Private Credit

FPI—NCDs



Domestic bank financing

External borrowing from overseas institutions

IFSC/GIFT CITY for debt financing

#### Additional avenues

### All round impact for the FS sector

**Banks**—Increased balance sheet size with financing for high-quality deals

**NBFCs/Private Credit**—Increased competition & need for newer products

**India MNCs/PE Funds**—Direct beneficiaries. Positive IRR impacts

# Regulatory Pulse Check

## Critical updates shaping the FS industry (2/3)

### 2020 Policy change—Approval route introduced

- 1 any **fresh investment** by entities from a **Neighbouring country (e.g., China)**
- 2 investments where **beneficial owner** of an investment into India is situated in neighboring country
- 3 **Transfer of shareholding** by existing shareholders which, directly or indirectly, results in **beneficial ownership** in hands of entity/citizen which falls under (1) and (2) above

#### Key Issue

Threshold of beneficial ownership not prescribed. Technically, even \$1 direct/indirect investment triggered mandatory approvals.

Approval requirements for Non-strategic, non-controlling interests from neighboring countries—impacted investment flows from global investors including PE/VC funds

### 2026 Relaxation—2 critical changes

#### Change 1—Beneficial ownership now defined

**Natural person owning >10%** of shares of the company or having right to appoint majority of the directors or control the management

#### Impact

Investment structures where **≤10% LP holdings** from neighboring jurisdictions – now under **automatic route**

#### Change 2—60-day approval time limit

**For Specified sectors** where control retained with Indian residents/entities

#### Impact

Clear and certain regulatory interface—**Time bound approvals**

# Regulatory Pulse Check

## Critical updates shaping the FS industry (3/3)

### Liberalisation of FDI in Insurance

- **Landmark reform**—100% FDI limit in Insurance sector (from 74%)
- Attract larger foreign capital commitments—enhancement of solvency margins and financing capacity

### Fast track mergers/demergers

- Scope widened
- Simplified Internal group restructuring
- Reduced regulatory timelines—faster value unlocking

### Revamp of FEMA NDI Rules

- Comprehensive review of NDI Rules proposed
- Creation of user-friendly framework, consistent with India's evolving economic priorities

# Navigating the New Tax Paradigm

## 1 Income Tax Act, 2025

Shift towards **SIMPLE, PREDICTABLE AND CONSISTENT TAX REGIME**  
Applicable w.e.f. 1 Apr 2026

## 2 Budget 2026—What's in; What's next

- A Crowding-in-capital into **High-growth India Budget**
- Strategic push to position **GIFT City** as a global capital and treasury hub
- Revised **buyback tax** regime—cash-extraction ETRs impacted
- Capital gains exemption only to investors holding SGBs from inception till maturity
- Upward recalibration of **STT rates** on sale of futures and options

## 3 GST 2.0—Complexity to Clarity

- Structural **simplification** and litigation reduction
- Shift towards recipient-based place of supply for **intermediary services**
- Reduction in **GST on insurance premiums**—Increased penetration

## 4 Tiger Global ruling

Redefining treaty eligibility and substance expectations for global investors  
**A deeper dive on the implications in the next session**

## 5 Tax insurance

- **Emerging solutions**—New tax insurance products available in the market
- Shift from capital gains-only to **comprehensive coverage** of treaty claims on repatriation
- **Growing adoption** driven by cleaner exits, reduced clawback exposure and greater deal certainty

# Some Specific Tax Highlights

1

## IFSC GIFT City & Union Budget 2026 proposals

### Key updates and current play

#### 1. Key Budget 2026 proposals:

- a. Tax holiday for IFSC units (including OBUs) proposed to be **extended from 10 to 20 years**
- b. **Concessional tax rate of 15%** to apply post expiry of tax holiday period
- c. For new units, tax holiday will be available only if the unit is not formed by splitting, reconstruction, reorganisation or transfer of an existing business in India.
- d. **Comprehensive Tax regime for Data Centres** being set-up in India

#### e. **New Safe Harbour provisions**

#### 2. Current banking players in IFSC—38 OBUs and 2 Global Administrative Office (GAO)

- a. Indian Banks—17, Foreign Banks—21, GAO—2

#### 3. Illustrative list of Banking Products in addition to traditional banking products:

- a. ECB Lending and NCD Financing
- b. NDF business
- c. Corporate Treasury Management and Cash pooling
- d. TRS on Loans
- e. ODI Business
- f. Bullion solutions

2

## Protocol amending India-France DTA

### Impacts French MNCs, French FPIs and French Bank FPIs that offer access products to their overseas clients

1. **Withdrawal of the CGT exemption on sale of Indian shares** that was available where holding in an Indian company was less than 10%
2. **Revision of dividend tax rate:**
  - a. Reduction in tax rate from 10% to 5% where shareholding exceeds 10% in an Indian company;
  - b. Increase in tax rate from 10% to 15% in all other cases
3. **Deletion of MFN clause**
4. Introduction of **“make available”** clause under FTS article
5. Expansion of PE definition to include **Service PE concept**
6. **Entry into effect**—Upon completion of internal procedures under the laws of both countries, as mutually notified

3

## SC Ruling in case of Hyatt International on PE

### Significant control by foreign enterprise on operational and business functions of an Indian enterprise could trigger India PE

#### Key principles:

1. Determination of PE is a **fact-based analysis**
2. Involvement in **implementation and supervision of business operations in India beyond advisory role**, may trigger PE
3. Authority to deploy personnel and prescribe operational policies indicates **managerial control**
4. **Economic substance prevails over contractual form**
5. **Key tests for Fixed Place PE:**
  - a. Right of disposal over premises
  - b. Degree of operational control
  - c. Presence of ownership, management or operational authority



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which is a separate and independent legal entity, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Bengaluru, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Mumbai, New Delhi, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

This communication contains general information only, and none of DTTL, its global network of member firms or their related entities is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication.