

# TAX FLASH NEWS

21 June 2021

## India notifies Cyprus as an eligible country for Category I FPI license

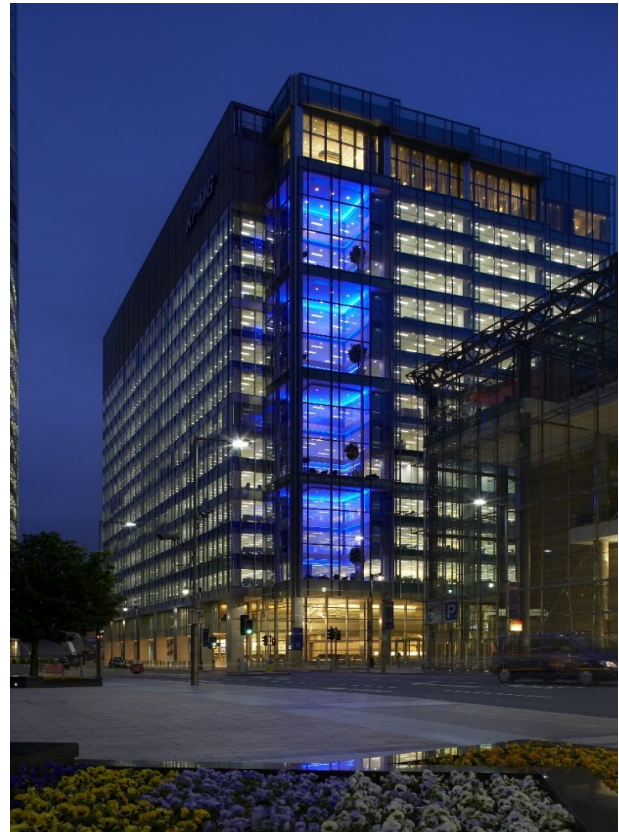
The Ministry of Finance, Government of India vide its order dated 14 June 2021 has amended the SEBI (Foreign Portfolio Investors) Regulations, 2019 ['Regulations'] and notified the Republic of Cyprus (which currently is not a member of the Financial Action Task Force ('FATF')), as an eligible country such that approved category of funds from Cyprus may be eligible to obtain Category I Foreign Portfolio Investor ('FPI')<sup>1</sup> registration under the Regulations.

This is a significant development as it will pave the way for such funds from Cyprus to seek Category I FPI registration. Similar eligibility has already been extended to Mauritius and United Arab Emirates as a jurisdiction in April 2020 and February 2021 respectively.

With this amendment in place, such Category I funds from Cyprus should get relaxation from certain KYC related documentation as well as applicability of the onerous indirect transfer provisions under the Indian tax laws, that otherwise may be applicable to Category II FPIs.

<sup>1</sup> Under the existing regulations, Category I FPI includes:

- Entities from FATF member countries or any other country that is notified by the Central Government, which are:
  - appropriately regulated;
  - unregulated but whose investment manager is appropriately regulated and registered as a Category I FPI;
  - university related endowments of such universities that have been in existence for more than five years.



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