



ISF's efforts on repealing distribution tax pays-off

Securitisation industry has seen its peak and trough in the last few years with the introduction of distribution tax on the income distributed by the SPV causing PTCs to vanish completely. The securitisation market had flung back to the direct assignment route and the securitisation volumes had also seen a significant dip.

The Indian Securitisation Foundation (ISF), a not-for-profit organisation, the only body in India working towards the cause of promoting securitisation and other capital market instruments in India had made several representations to the regulators including the Ministry of Finance, CBDT and the Reserve Bank of India seeking roll back of the distribution tax regime.

ISF along with KMPG had also made several representations to explain the fallout of the provisions of distribution tax and also made a case to explain that world-over the SPVs would be a pass-through conduit and how distribution tax would completely defeat the purpose of securitisation.

The efforts paid off with the recent budgetary announcements in the Finance Bill, 2016 which provides a reprieve from the distribution tax regime. Amendments have been proposed to Chapter XII EA of the Income Tax Act, 1961 pursuant to which from 1st June, 2016 any income distributed by the SPV will not be subject to distribution tax but will be subject to TDS. The news of repeal of distribution tax came as music to the ears of the industry.

Another strategic announcement was permitting foreign portfolio investors (FPIs) to invest in securitised instruments. Facilitating FPIs as investors in securitised paper will broaden the

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investors' base. Currently securitised instruments have investors limited to banks and NBFCs. Mutual funds once a strong investor in the paper have continued to shy away from the instrument considering the litigations that remains sub judice till date. Opening up the investors' base will also allow for the securitisation market to grow and develop in the country.

Thanking you

For **Indian Securitisation Foundation**

Sd/-

(Nidhi Bothra)

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