

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:1962  
ANSWERED ON:26.07.2002  
FOREIGN INVESTORS  
SULTAN SALAHUDDIN OWAISI

**Will the Minister of FINANCE be pleased to state:**

- (a) whether foreign investors who invests in India use to get a return by way of tax free dividend prior to Finance Act, 2002;
- (b) if so, whether the Finance Act, 2002 has levied tax on such return;
- (c) if so, whether the Government's objective to woo foreign investors is likely to suffer a major set-back due to this position;
- (d) if so, the details thereof; and
- (e) the steps taken or being taken by the Government to woo foreign investors to invest in India and make it more investors' friendly?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N.RAMACHANDRAN)

- (a) & (b) Prior to amendment made through Finance Act, 2002, any amount declared, distributed or paid by way of dividends by an Indian company was charged to additional income-tax at the rate of 10%. Through Finance Act, 2002, the incidence of tax has been shifted on to the shareholder receiving the dividends and accordingly will be taxed either at the rate of 20% or the rate mentioned in the Double Taxation Avoidance Agreements, whichever is lower, and the foreign investor will get the credit of tax withheld in India in his own country;
- (c) No Sir, in view of the answer to parts (a) and (b) above;
- (d) Does not arise in view of answer to part (c) above;
- (e) With a view to attracting more FDI, the Government have already put in place a liberal, transparent and investor friendly FDI policy where most activities fall on automatic route for FDI up to 100% except a small list.