



**भारतीय रिज़र्व बैंक**  
**RESERVE BANK OF INDIA**

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## **Framework for setting up of Wholly Owned Subsidiaries by Foreign Banks in India – Taxation matters**

The Reserve Bank has been receiving queries from foreign banks regarding capital gains tax and incidence of Stamp Duty on conversion of existing foreign bank branches into wholly owned subsidiaries.

In this context it may be indicated that Government of India has inserted, by the Finance Act, 2012, a new Chapter XII-BB titled- 'Special Provisions relating to Conversion of Indian Branch of a Foreign Bank into a Subsidiary Company' in Income Tax Act, 1961, inter alia, exempting capital gains arising from such conversion from capital gains tax, with effect from April 1, 2013.

As regards applicability of stamp duty in the case of conversion of existing branch of a foreign bank into a wholly owned subsidiary, a new section '8E' has been inserted in Indian Stamp Act, 1899 vide Banking Laws (Amendment) Act, 2012 notified in Gazette of India Notification dated January 18, 2013, exempting from stamp duty any conversion of a branch of a foreign bank into wholly owned subsidiary or transfer of shareholding of a bank to a holding company in terms of the scheme or guidelines of RBI.

Foreign bank desirous of converting their branches into wholly owned subsidiaries may take into account the above developments.

### **Background**

It may be recalled that Reserve Bank issued the 'Framework for setting up of Wholly Owned Subsidiaries by Foreign Banks in India' on November 6, 2013.

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