

EASIER PAN AND KYC NORMS IN INDIA GOING FORWARD



The Ministry of Finance of Government of India has been recently reported to have relaxed norms for foreign nationals and foreign institutional investors (FIIs) to obtain Permanent Account Number (PAN) that will also enable the investor to be "Know Your Customer" (KYC) compliant for any investment they make in Indian stocks. Currently, FIIs or foreign nationals have to obtain a PAN and separately meet KYC requirements prescribed by the market regulator before investing in stocks.

As per a prominent news report, in the revised rules that come into effect from October 1, a foreign national will have to only produce either his/her citizenship number or taxpayer identification number to obtain a PAN. The Government of India is reported to have been making amendments in the relevant Income Tax Rules and forms and has proposed to introduce a new Form 49AA to enable foreign nationals and FIIs to obtain PAN. Last month, "qualified" non-resident retail investors were permitted to invest

in certain mutual fund schemes in India and reportedly this category of investors will also be brought under the new scheme of initial compliance as far as obtaining PAN and KYC are concerned.

The present rules do not permit citizenship or taxpayer identification number as proof of identity in case of foreign nationals seeking PAN card. The applicant is required to take prescribed documents to an officer of Indian Embassy or High Commission where he is a resident to get them attested. The revised rules will imply that they can get copies of their documents attested by recognized authorities in their respective countries.

It has been reported that the Department of Economic Affairs and the Central Board of Direct Taxes (CBDT) are also working on harmonizing the requirements of PAN and meeting KYC obligations. The Directorate of Income Tax has reportedly devised a single integrated form that incorporates the requirements of both PAN and KYC.

Dear readers,

This Newsflash attempts to highlight a few regulatory changes on cards as far as foreign investors are concerned. It is being looked as a step aimed by the Indian regulators to get investors started quickly which in turn might be successful in bringing some stability to the choppy Indian stock markets.



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