

**Government of India
Ministry of Finance
Department of Revenue
Central Board of Direct Taxes**

PRESS RELEASE

New Delhi, 29th October, 2015

Subject: Taxation of income from off-shore Rupee Denominated Bonds-reg.

The Reserve Bank of India has recently permitted Indian corporates to issue rupee denominated bonds outside India.

The matter of taxation of income from such bonds under Income-tax Act, 1961 has been considered by the Government.

In so far as taxation of interest income from these INR off-shore bonds in the case of non-resident investors is concerned, it is clarified that withholding tax at the rate of 5 percent, which is in the nature of final tax, would be applicable in the same way as it is applicable for off-shore dollar denominated bonds.

Further, it has been decided that the Capital gains, arising in case of appreciation of rupee between the date of Issue and the date of redemption against the foreign currency in which the investment is made; would be exempted from capital gains tax. Legislative amendment in this regard will be proposed through the Finance Bill, 2016.

**(Shefali Shah)
Pr. Commissioner of Income Tax (OSD)
Official Spokesperson, CBDT**