MEMORANDUM OF UNDERSTANDING REGARDING THE AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE REPUBLIC OF INDIA TO IMPROVE INTERNATIONAL TAX COMPLIANCE AND TO IMPLEMENT FATCA

At the signing today of the Agreement Between the Government of the United States of America and the Government of the Republic of India to Improve International Tax Compliance and to Implement FATCA (hereinafter the “Agreement”), the representatives of the United States of America and the Republic of India wish to confirm their understanding of the following:

In reference to paragraph 1 of Article 10 (Term of Agreement), the Government of the United States of America understands that the Government of the Republic of India plans to propose implementing legislation and formulation of relevant regulations in 2015 with the goal of having the Agreement enter into force by September 30, 2015. Based on this understanding, as of the date of signature of the Agreement, the United States Department of the Treasury intends to continue to treat each Indian Financial Institution, as that term is defined in the Agreement, as complying with, and not subject to withholding under section 1471 of the U.S. Internal Revenue Code during such time as India is pursuing the necessary internal procedures for entry into force of the Agreement. The United States further understands that India’s Ministry of Finance intends to contact the United States Department of the Treasury as soon as it is aware that there might be a delay such that India would not be able to provide its notification under paragraph 1 of Article 10 of the Agreement prior to September 30, 2015.

In reference to subparagraphs 1(y) and 1(z) of the Agreement (definitions of Cash Value and Cash Value Insurance Contract), it is understood that a single premium life insurance contract that does not permit an amount to be paid on surrender or termination of the contract and that does not allow amounts to be borrowed under or with regard to the contract, does not constitute a Cash Value Insurance Contract, as such term is used in the Agreement.

In reference to I.C of Annex II of the Agreement (Central Bank), it is understood that the Reserve Bank of India is the Central Bank for purposes of the Agreement.

In reference to I.A of Annex II of the Agreement (Governmental Entity), it is understood that the subsidiaries/associates of the Reserve Bank of India are controlled entities that are governmental entities provided that:

a) The subsidiary/associate is wholly owned and controlled by one or more Indian Governmental Entities (including the Reserve Bank of India) directly or through one or more controlled entities;

b) The Entity’s net earnings are credited to its own account or to the accounts of one or more Indian Governmental Entities, with no portion of its income inuring to the benefit of any private person; and

c) The Entity’s assets vest in one or more Indian Governmental Entities upon dissolution.

In reference to VI.B.4(j) of Annex I, it is understood that an Investor Protection Fund, as referred to in Section 10, clause 23EA of the Indian Income-tax Act 1961, a Credit Guarantee Fund Trust for Small Industries as referred to in Section 10, clause 23EB of the Indian Income-tax Act 1961 and an Investor Protection Fund, as referred to in Section 10, clause 23EC of the Indian Income-
tax Act 1961 meet the established and operated clause in VI.B.4(j)(i) of Annex I and are treated as an Active NFFE for purposes of the Agreement if VI.B.4(j)(ii) through (v) are also satisfied.

*In reference to III.B of Annex II, it is understood that (i) Regional Rural Banks constituted under the Regional Rural Bank Act 1976 (no. 21 of 1976), (ii) Urban Cooperative Banks constituted under respective State Cooperative Societies Act or Multi State Cooperative Societies Act, (iii) State Cooperative Banks/District Central Cooperative Banks constituted under respective State Cooperative Societies Act and (iv) Local Area Banks licensed under the Banking Regulations Act, 1949 and regulated and registered as public limited companies under the Companies Act, 1956 or Companies Act, 2013 are treated as Local Banks within the meaning of the Agreement provided that the asset test in paragraph 4 of III.B of Annex II is met.

*In reference to subparagraph 2(b) of Article 2 of the Agreement, it is understood that due diligence procedures, that are broadly similar to the new account procedures in Annex I of the Agreement, are already in effect under the domestic law of the United States, to the extent necessary for the provision of information by Reporting U.S. Financial Institutions under this Agreement.

Signed at the Government of the Republic of India Ministry of Finance, North Block, New Delhi, India, in duplicate, in the English and Hindi languages, this 9th day of July, 2015.

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA:

Richard R Verma
Ambassador

FOR THE GOVERNMENT OF THE REPUBLIC OF INDIA:

Shaktikanta Das
Revenue Secretary