

NITI Aayog releases NITI Tax Policy Working Paper Series–I on Enhancing Certainty, Transparency and Uniformity in Permanent Establishment and Profit Attribution for Foreign Investors in India

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As India advances towards its Vision 2047, creating a transparent, predictable and efficient tax framework is essential for long-term growth. NITI Aayog's **Consultative Group on Tax Policy (CGTP)** focuses on facilitating Ease of Doing Business, promoting FDI, simplifying tax laws and building a future-ready system. Reflecting the spirit of collaborative governance, the working paper was developed through extensive stakeholder consultations, with drafts shared for comments and suggestions prior to finalization.

In line with these efforts, NITI Aayog today released the first working paper under the **NITI Tax Policy Working Paper Series–I**, titled *“Enhancing Tax Certainty in Permanent Establishment and Profit Attribution for Foreign Investors in India.”* The paper addresses long-standing concerns of foreign investors on tax predictability and dispute resolution to strengthen India's investment climate.

Releasing the working paper, the CEO, NITI Aayog, highlighted India's sustained growth in Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI) over the past two decades, reflecting strong economic fundamentals. He noted that refining approaches to Permanent Establishments will provide greater clarity and predictability in tax regulations, thereby attracting new foreign investments and encouraging expansion of existing multinational corporations. The launch witnessed participation from representatives of CBDT, DPIIT, ICAI, and CBC, along with domain experts from Lakshmikumaran & Sridharan, Deloitte, EY, and others, underscoring the spirit of public-private collaboration in advancing tax policy reforms and fostering a more predictable investment environment.

The working paper highlights that FDI and FPI are recognized as vital catalysts for India's economic growth. A stable tax regime is crucial for instilling confidence in foreign investors. However, foreign investors frequently encounter significant tax uncertainty and compliance burdens, particularly stemming from issues related to Permanent Establishment (PE) and the attribution of profits.

Despite these tax irritants, India has witnessed a remarkable increase in FDI inflows over the last two decades, demonstrating its inherent attractiveness as an investment destination. This growth indicates that India's fundamental economic strengths, such as its large market, demographic dividend, and ongoing economic reforms, are powerful drivers of investment.

This working paper proposes a comprehensive framework designed to enhance tax certainty and predictability for foreign investors. The recommendations include the introduction of an optional, industry-specific Presumptive Taxation Scheme for foreign companies, coupled with broader legislative clarity, administrative efficiency, robust dispute resolution mechanisms, and strategic alignment with international best practices. This multi-pronged approach is anticipated to dramatically reduce litigation, boost investor confidence, improve administrative efficiency, and secure India's tax base by attracting higher quality, sustainable FDI.

It recommends that the Ministry of Finance consider the proposed framework for inclusion in future Finance Bills, following consultations with industry, experts, and treaty partners. This reform would be a significant step towards making India a more attractive and predictable investment destination.

The full working paper can be accessed at: https://niti.gov.in/sites/default/files/2025-10/Tax_Policy_Report_WEB.pdf

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