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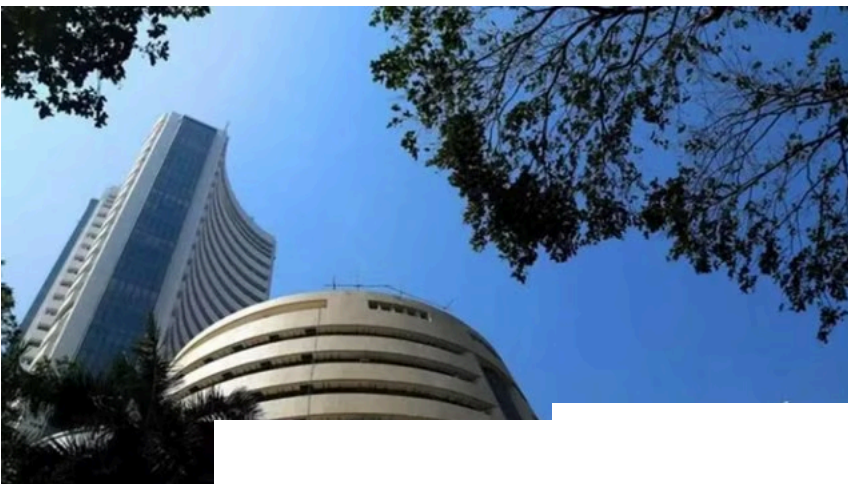
# Foreign investors pull out \$1.27 billion from market after Budget

According to stock exchange data, FPIs sold equities worth Rs 2,975 crore on July 23 when the Budget was announced and another Rs 5,130 crore on July 24. They withdrew Rs 2,605 crore on Thursday.

Written by [George Mathew](#) [Follow](#)  
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Anticipating a host of reform measures, FPIs had bought equities worth around Rs 18,000 crore between July 12 and 22.

Foreign portfolio investors (FPIs) pulled out nearly \$ 1.27 billion (around Rs 10,710 crore) from the stock market in the three days since the government raised taxes on derivatives trades and on capital gains from equity investments in the [Union Budget](#).

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Entertainment Updated: July 30, 2024 19:47 IST

Dimple Kapadia, at just 12 years old, landed the lead role in Raj Kapoor's film Bobby after overcoming a battle with leprosy. Despite initial rejection due to her medical condition, she eventually got the role and called the experience "magical." The film, released in 1973,...

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around Rs 300 crore during July 2024. The total market value just rose points to 80,039.80 after the Budget presentation, aided by domestic buying support.

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Anticipating a host of reform measures, FPIs had bought equities worth around Rs 18,000 crore between July 12 and 22.

The Budget has made certain major announcements with respect to capital gains tax whereby the rate of tax on long-term capital gains (LTCG) is proposed to be made 12.5 per cent for all types of assets, irrespective of the transferor being a resident or a non-resident. "While this simplification of the capital gains regime is a welcome move, and in some cases the rates have decreased, the non-resident investors will suffer from a higher rate of LTCG tax across all types of assets. Even for FPIs, the tax rate for listed securities has been increased from 10 per cent to 12.5 per cent in case of LTCG and 15 per cent to 20 per cent in case of STCG," said a report from Nishith Desai Associates.

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FPIs are seeing the increase in capital gains tax as a negative even though the increase on long-term gains is moderate. However, with the increase of STT rates on Futures and Options, the cost of trading will also increase. Non-residents, especially the FPI community, taking treaty benefits on capital gains will be immune to the additional tax burden, said Manoj Purohit, Partner & Leader, Financial Services Tax, Tax & Regulatory Services, BDO India.

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VK Vijayakumar, Chief Investment Strategist, Geojit Financial Services, said, "the most significant feature of institutional equity flows into the Indian market is the erratic nature of FPI flows and the steady growth nature of DII flows. DIIs have been sustained buyers in all months of CY 24 so far whereas FPIs alternated between buying and selling."

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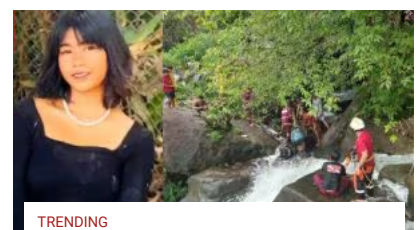
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FPIs were sellers in January, April and May (cumulative selling of Rs 60,000 crore) and buyers in February, March and June (cumulative buying of Rs 63,200 crore). The reason for this divergence is that FII activity is influenced by external factors like US bond yields and valuations in other markets while DII activity is largely driven by domestic flows into the market, he said.



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"Inflows into DIIs like mutual funds are now on an upward trajectory and this will keep the markets resilient. FPI flows will continue to be erratic influenced by global factors. Better-than-expected results from IT majors who have come out with results so far indicate potential for FPI buying in these stocks where valuations are not excessive," Vijayakumar said.

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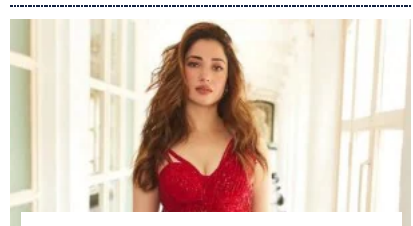
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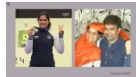
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