

Sebi proposes reintroduction of open-market share buybacks

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The Securities and Exchange Board of India (Sebi) on Thursday proposed to reintroduce open market share buybacks. If approved, this will reverse a regulatory move that had phased out the route last year amid changes in the taxation framework. In a consultation paper released for public comments, the regulator said the mechanism could be reinstated as an additional method under the Sebi (Buy-back of Securities) Regulations, 2018, alongside the existing tender offer route.

Sebi noted that the earlier decision to discontinue stock exchange-based buybacks — effective April 1, 2025 — was largely driven by concerns around unequal shareholder participation and tax arbitrage. Under the previous regime, companies bore the buyback tax burden, which led to concerns that participating shareholders exited tax-free while others missed out.

However, subsequent changes to the tax framework have altered the landscape. From April 2026, buyback proceeds are taxed as capital gains in the hands of shareholders, eliminating the differential tax treatment between those

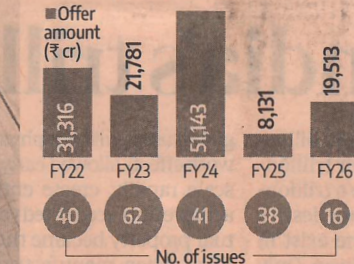


Regulatory push

who participate in buybacks and those who sell shares in the open market.

“This addresses the earlier concern of tax-induced inequity among shareholders,” Sebi said, adding that selling shares in a buyback would now be similar to a normal market transaction from a tax perspective. The proposal follows representations from industry bodies such as the Federation of Indian Chambers of Commerce and Industry (FICCI) and the Association of Investment Bankers of India (AIBI), which argued that open market buybacks are globally prevalent and operationally efficient. Investment bankers said the route allows companies

to absorb selling pressure gradually, support share prices, and improve earnings per share by extinguishing shares at market valuations.



Source: Primedatabase

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Sebi indicated that the earlier regulatory framework governing such buybacks — including limits on daily purchases, price bands, disclosure requirements, and use of a separate trading window — would continue to apply.

Buybacks through stock exchanges would be executed via an order-matching mechanism, ensuring equal access to all shareholders. Sebi has sought public comments on the proposal until April 23, after which it will take a final view.