

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2194
ANSWERED ON:12.12.2008
REVENUE LOSS DUE TO DTAT
Pallani Shamy Shri K.C .

Will the Minister of FINANCE be pleased to state:

- (a) Whether the Government is losing huge revenue because of the Double Taxation Avoidance Treaty (DTAT) with Mauritius;
- (b) if so, the details thereof;
- (c) whether the Government has taken any steps to tap the revenue loss;
- (d) if so, the details thereof;
- (e) if not, the reasons therefor?

Answer

MINISTER OF STATE FOR FINANCE (REVENUE) (SHRI S.S.P ALANIMANICKAM)

(a) & (b) Foreign entities are not required to pay tax in India on capital gains arising from transfer of shares if they are resident of Mauritius, with whom India's Double Taxation Avoidance Convention provides for residence based taxation of such gains. Instances of foreign entities from third countries attempting to take advantage of the provisions of the India-Mauritius Double Taxation Avoidance Convention, in order to avoid paying capital gains taxes in India, have come to the notice of the Government. It is not possible to quantify the revenue loss because of the Double Taxation Avoidance Treaty with Mauritius, as the relevant data is not available.

(c) & (d) Yes. A joint working group (JWG) comprising members from the Government of India and the Government of Mauritius was constituted in 2006 to inter alia, put in place adequate safeguards to prevent misuse of the India-Mauritius DTAC without prejudice to the economic interests of either country. The JWG has held six meetings so far. In all the discussions of the JWG, India has strongly expressed its deep concern on the issue of misuse of the DTAC. Consistent efforts are being made by the Indian Government to find mutually acceptable solutions for addressing India's concerns.

(e) Does not arise in view of reply at (c) & (d).