

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4781
ANSWERED ON:07.08.2009
REFORMS IN TAXATION
Khair Shri Chandrakant Bhaurao

Will the Minister of FINANCE be pleased to state:

- (a) whether any study has been done to evaluate loss to exchequer due to transactions made through Dual/Double Taxation Avoidance Treaty in the last five years; and
- (b) if so, the details thereof;
- (c) whether the Government is considering to introduce reform in taxation by framing anti-abuse rules; and
- (d) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE(SHRI. S.S. PALANIMANICKAM)

(a) & (b): In terms of India-Mauritius Double Taxation Avoidance Convention, taxation of capital gains is based on the principle of 'residence based taxation' whereby capital gains arising to residents of Mauritius on transfer of shares of Indian companies will not be taxable in India. An in-house analysis of estimated revenue loss on account of capital gains tax foregone in respect of transactions made by Mauritius based FIs/sub-accounts in listed securities was done on the basis of certain data and assumptions.

(c) & (d) Yes. In the Double Taxation Avoidance Treaties negotiated since 2004, anti-abuse rules in the form of limitation of benefits provisions were incorporated. As regards India-Mauritius Double Taxation Avoidance Convention, a Joint Working Group (JWG) was constituted in 2006 to put in place adequate safeguards to prevent possible misuse of the treaty. Since then, JWG has had six rounds of meetings.