

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4689
ANSWERED ON:04.05.2012
TAX AGREEMENT WITH MAURITIUS
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Will the Minister of FINANCE be pleased to state:

- (a) whether a substantial per cent of foreign investment in the country flows through Mauritius;
- (b) if so, the details thereof;
- (c) whether any assessment of revenue loss suffered by the country due to the tax exemption granted on these investments routed through Mauritius been done, if so, the details thereof;
- (d) whether the Government is considering to review tax treaty with Mauritius in order to raise revenue from these foreign investments in the country; and
- (e) if so, the details thereof indicating the progress made and the present status in this regard?

Answer

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

- (a) Yes, Madam.
- (b) 39.25% of total Foreign Direct Investment inflows in the country have come through Mauritius during the period from April, 2000 to February, 2012.
- (c) Assessment of revenue loss being suffered by country due to the tax exemption granted on investment routed through Mauritius is not possible. This depends on the sale and purchase price, factor of cost inflation index, cost of transfer, the set off of loss suffered in one transaction against the gains in the other and the carried forward losses of earlier years. The exercise can be undertaken only if the returns of income containing all such relevant details are filed by every alienator of the asset. Since, the tax on capital gains for Mauritius based entities is exempt, a large number of them do not file the returns unless they have other streams of income as well. Hence, no reliable assessment can be made.
- (d) Yes, Madam.
- (e) Government of India has proposed to review the India-Mauritius Double Taxation Avoidance Convention (DTAC) to incorporate appropriate amendments to the DTAC for prevention of treaty abuse and to strengthen the mechanism for exchange of information on tax matters between India and Mauritius. 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. Seven rounds of discussions have taken place so far. There was unwillingness on the part of Mauritius to co-operate in addressing this problem. Consistent efforts are being made by the Indian Government to find mutually acceptable solutions for addressing India's concerns. Next round of JWG meeting is yet to be scheduled.