

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4784
ANSWERED ON:04.05.2012
TAXING OF OVERSEAS DEALS
Bhagora Shri Tarachand;Singh Shri Sukhdev

Will the Minister of FINANCE be pleased to state:

(a) whether the move by the Indian Government to tax overseas deals that occurred years ago has raised criticism in the corporate world; and

(b) if so, the details thereof and reaction of the corporates and the Government thereto?

Answer

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

(a) and (b): Clarificatory amendments have been proposed in the Finance Bill, 2012, to state the legislative intent of certain provisions of the Income Tax Act, 1961, relating to offshore mergers and acquisitions. A number of representations have been received from corporate with regard to these proposed clarificatory amendments. These proposed amendments just clarify what is already there in law to remove ambiguity and provide certainty, and hence they have to be made effective from the date of coming into statute of relevant section. However, no case where assessment has been completed can be reopened beyond six years from the end of the year in which it would have been first assessed, because of the limitation provided under section 149 of the Income Tax Act, 1961. These amendments will not have any impact on foreign investment flow in the country. This is more so because these clarifications under the Income-tax Act, 1961, will not override the provisions of Double Taxation Avoidance Agreements with 82 countries, which are relevant for taxation of non-residents in the case of offshore mergers and acquisitions.