

Tax Hotline

July 05, 2006

FINANCE MINISTER ON INDIA-MAURITIUS TAX TREATY

Yesterday, based on a media report, we sent out an alert that the Indian Government is proposing to re-negotiate the India-Mauritius tax treaty and introduce a limitation of benefits clause to prevent its misuse.

Today, the Indian Finance Minister, Mr.P.Chidambaram has clarified that this is a sensitive matter for Mauritius. He said that they are trying to negotiate and he cannot take unilateral decision in this regard. There are political and diplomatic sensitivities. He made it clear that nobody can take unilateral decision in a matter as sensitive as Indo-Mauritius treaty.

At this stage, there is no indication that the Mauritius government will agree to such a proposal. Further, there are some tax treaties which India has with other countries under which similar capital gains tax exemption is available, without any conditions. This would make it more difficult for India to re-negotiate the treaty with Mauritius.

- **Daksha Baxi & Shefali Goradia**

Source: *The Economic Times*, July 5, 2006

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