



## Global Business Tax Alert Sharp Insights

In a major relief to FIIs,  
MAT proceedings put on  
hold by the Government

**Issue no: GBTA/14/2015**

**In this issue:**

- Synopsis
- MAT demands by tax officers
- MAT proceedings put on hold
- Comments
- Upcoming Dbriefs - Register
- Contacts

# Synopsis

The Central Board of Direct Taxes (CBDT) has issued an internal instruction to tax officers asking them to keep on hold all proceedings concerning levy of Minimum Alternate Tax (MAT) on foreign companies especially Foreign Institutional Investors (FIIs).

## MAT demands by tax officers

- While completing scrutiny assessments (tax audits) for the financial year 2011-12, tax officers concluded that FIIs set up as companies were liable to MAT on capital gains and other income earned in India
- Consequent to various representations made to the Government, it has been proposed in the Budget 2015 that foreign companies will not be liable to MAT in respect of capital gains, interest, royalties and fee for technical services from 1<sup>st</sup> April 2015
- Since the budget amendment is applicable prospectively from 1<sup>st</sup> April 2015, tax officers have raised demands for the financial year 2011-12 and have also re-opened audits for prior years with a view to apply MAT

# MAT proceedings put on hold

- On 7<sup>th</sup> May 2015, the Finance Minister announced the constitution of a Committee to look into the applicability of MAT provisions for the period prior to 1<sup>st</sup> April 2015 and submit a report expeditiously. The specific terms of reference of the Committee are expected to be announced soon
- In a welcome development, the Government has today issued an internal instruction to tax officers to keep on hold all audit proceedings relating to MAT against all foreign companies especially FIIs. This includes restrictions on issue of fresh notices as well as completion of audits. The Government has also asked tax authorities not to recover any tax demands from foreign companies relating to MAT

## Comments

The Government's direction to the tax officers to put on hold all MAT related proceedings is certainly a huge relief for FIIs. We will now have to wait and watch for the Committee's views on applicability of MAT as well as the judgement of the Supreme Court in the case of Castleton Investments which is expected to be heard in August this year.

**Source:** CBDT notification dated 11<sup>th</sup> May 2015, FTS No. 96370/2015

# Upcoming Dbriefs - Register

## Goods and Services Taxation in India: A New Beginning

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**Thursday, 14 May, 11:30 AM – 12:30 PM IST**

The introduction of Goods and Services Taxation (GST) in India has seen numerous delays caused by many factors, such as concerns over the loss of fiscal autonomy enjoyed thus far and issues surrounding which taxes to subsume and which goods to exclude from GST. Gain insights from the Deloitte experts with an in-depth analysis of the 2015 India's Budget. For more information, visit the [Dbriefs](#) page.



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