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Operational Tax News

India MAT Update

The end of the story for FIIs/FPIs

On 1 September 2015 the Indian Government accepted the report of the A. P. Shah Committee which had recommended that the Minimum Alternate Tax (MAT) should not be applicable to Foreign Institutional Investors (FIIs) or Foreign Portfolio Investors (FPIs) even for the period before 1 April 2015.

The A. P. Shah Committee submitted its final report on 25 August 2015 and two days ago, at a press conference, the Finance Minister has confirmed that the Indian Government has accepted its recommendations.

Please see the alert issued by our Indian colleagues that provides for more details in respect of the recommendations of the Committee. We will keep you updated in case of any new developments in this respect.

Next Steps

This is good news for Luxembourg corporate type FIIs/FPIs (i.e. SICAVs) who have received tax assessments for settlement of the MAT. This decision and public announcement from the Indian Finance Minister confirms that corporate type funds will not be subject to the MAT in respect of the period before 1 April 2015.

Contractual type funds (i.e. FCPs) were never in scope of the MAT due to the fact that the MAT only applied to corporate entities.

It is anticipated that the acceptance by the Government will be formalized shortly by the issuance of a circular and an amendment to the law to clarify the non-applicability of the MAT to FIIs/FPIs.

However, it remains to be seen whether the MAT should be applied to foreign non-investment entities i.e. Private equity and Venture Capital investors.

We will keep you updated in case of any new developments.

If you have any queries regarding the above, please do not hesitate to contact us.

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