

## Operational Tax News

### India MAT Update

#### Major relief for FIIs/FPIs

Following our last **Operational Tax News (dated 05 May 2015)** summarizing the main developments in respect of the Minimum Alternate Tax ("MAT"), the Central Board of Direct Taxes ("CBDT") at the request of the Indian Finance Minister, has issued further instructions to its tax offices to place on hold all demands issued to Foreign Institutional Investors ("FIIs")/Foreign Portfolio Investors ("FPIs").

**Please find the Tax Alert issued by our Indian Team on this matter.**

#### Recent developments

On 5 May 2015, it was reported that Aberdeen Asset Management became the first foreign investor to publicly take legal action, in the High Court of Bombay, against an MAT assessment. On the same day, it was reported that the High Court of Bombay ordered a stay on the MAT assessment issued to Aberdeen Asset Management. Unfortunately, this stay was issued on the basis of a technicality as opposed to any judgment in respect of the merits of the case. This decision was based on the fact that Aberdeen had not been served a draft notice before receiving the official notice.

#### Committee formed to establish applicability of MAT provisions

On 7 May 2015, the Finance Minister established a Committee to analyze the applicability of the MAT provisions in respect of the period before 1 April 2015. This Committee has been asked to produce the report analyzing the MAT within a short time frame.

#### MAT proceedings to be placed on hold

On 11 May 2015, an instruction from the Government was issued to the tax officers to place on hold any audit proceedings that relate to the MAT. It was further noted that the CBDT should refrain from issuing any new demands for the MAT following the Committee formed and the pending decision on the applicability of the MAT to FIIs/FPIs.

## Luxembourg impact

This is surely good news for Luxembourg investment funds who may have received demands for the MAT. However, it remains to be seen what decision the Committee will come to in respect of the applicability of the MAT to FIIs/FPIs, therefore, Luxembourg investment funds should remain cautious until a decision has been publically issued.

It is still unclear what impact the Committee's decision will have on the still pending Castleton case which we understand will be heard in August 2015.

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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