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FPIs save over Rs 600cr from MAT waiver

Sep 28 2015

Foreign portfolio investors will be saving more than Rs 600 crore from MAT waiver announced by the government last week. Minimum alternate tax (MAT) waiver on FPIs prior to April 1, was approved by the government, as recommended by the government-appointed AP Shah panel, bringing a huge relief for the FPIs.

Earlier the income-tax department had issued draft orders which collectively meant that Rs 600 crore to be levied as MAT from the FPIs. The tax department had served notices on about 70 FPIs, directing them to pay around Rs 600 crore as MAT dues of previous years. Suresh V Swamy, executive director, PwC said, "The MAT benefit will be spread across all the FPIs for whom draft order were issued for FY 2011-12."

MAT waiver will provide relief to those FPIs against whom notices were issued on basis of assessment of what they would have to pay as MAT for FY 2013-14 and FY2014-15. The budget for 2015-16 removed MAT on FPI but the demand raised for the previous seven years were still valid, which became an issue with the FPIs.

Ashish Sodhani, member, International Tax Practice at Nishith Desai Associates & Rajesh Simhan, head – international tax, Nishith Desai Associates in a report said, "India's acceptance of the recommendations made by the AP Shah panel is a step towards no tax terrorism."

"As the report suggests, tax certainty is the desirable goal. It is vital that certainty, fairness and stability should continue to serve as guidelines for framing tax regulations and not the amount of tax that can be collected. It is necessary to guarantee and enforce internationally recognized taxpayer rights and safeguards with the objective to counter excessive discretion and corruption," Sodhani and Simhan from Nishith Desai Associates said.

Earlier India accepted the recommendations of the justice AP Shah committee, which in its report clarified the inapplicability of MAT to FIIs/FPIs. The government decided that an appropriate amendment to the Income Tax Act, 1961 will be carried out to provide for the recommendations suggested by the committee. The CBDT has also advised the officers to take into consideration the recommendations of the panel and keep in abeyance the pending assessment proceedings in cases of FIIs / FPIs involving the MAT issue. Further, they have also been advised to not pursue the recovery of outstanding demands in such cases.

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