

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

RAJYA SABHA

QUESTION NO 09.11.2010

ANSWERED ON

LOSSES DUE TO DTAA WITH MAURITIUS .

9

Shri Satyavrat Chaturvedi

Will the Minister of COALCOALCOALCOALCOALFINANCE be pleased to state :-

(a) whether it is a fact that Government is incurring a loss of about ? 2,000 crores annually on account of Double Taxation Avoidance Agreement (DTAA) executed with Mauritius;

(b) if so, by when steps would be taken by Government to check this; and

(c) if not, the reasons therefor?

ANSWER

MINISTER OF FINANCE

(SHRI. PRANAB MUKHERJEE)

(a) Accurate estimation of the volume of alleged `revenue loss` is difficult as the tax on capital gains depends on the difference between the sale and purchase price, factor of cost inflation index, cost of transfer, the set off of loss suffered in one transaction against the gains in the other and the carried forward losses of earlier years. The exercise can be undertaken only if the returns of income containing all such relevant details are filed by every alienator of the asset. Since, the tax on capital gains for Mauritius based entities was exempt, a large number of them did not file the returns unless they had other streams of income as well. Hence, no reliable estimate can be made.

(b) & (c) Government has proposed to review the India-Mauritius Double Taxation Avoidance Convention (DTAC) to incorporate appropriate changes in the DTAC for prevention of treaty shopping and to strengthen the mechanism for exchange of information on tax matters between India and Mauritius. A Joint Working Group (JWG) comprising members from the Government of India and the Government of Mauritius was constituted in 2006 to inter-alia, put in place adequate safeguards to prevent misuse of the India-Mauritius DTAC. Six rounds of discussions have taken place so far.