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Asia Europe USA UK Middle East Africa

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In this issue:

Report on MAT accepted, No MAT on FII prior to April 1, 2015.

Foreign institutional investors will not face minimum alternate tax, or MAT, in India. The Narendra Modi government on Tuesday decided to accept a high-level panel's report to bring down curtains on the acrimonious issue that had undermined its promise of a stable and non-adversarial tax regime.

The government will soon issue a directive to its officials not to pursue MAT demand on foreign institutional investors (FIIs) or foreign portfolio investors (FPIs) for the period before April 1, 2015, pending legislative change, the finance ministry said in a statement on Tuesday. The development will provide some support to the Indian markets facing sharp selloff because of a combination of China slowdown, impending interest rate increase in the US and slower than expected GDP growth in the first quarter.

The government clarification, backed by recommendations of the AP Shah committee, will be followed up with amendments to Section 115 JB of the Income Tax Act as early as in the winter session of Parliament to close the issue for good.

Experts welcomed the decision. As per Suresh Swamy, partner, tax & regulatory, at PwC India "FIIs who had approached the high court may now consider withdrawing their writ petitions filed earlier, this development will definitely cheer the investor community and will help promote India as a favourable investment destination."

The budget for FY16 had made amendments to provide that the levy will not apply after April 1, 2015, triggering a raft of tax demands from assessing officers for period before that, reignited the charge of tax terrorism on Indian tax authorities. This prompted the government to set up a committee headed by retired Justice AP Shah to take a look into the issue.

The committee made two recommendations: amend Section 115JB of the Income Tax Act clarifying the complete inapplicability of the MAT provisions to FIIs/FPIs; or, CBDT may issue a circular clarifying the complete inapplicability of the MAT provisions to FIIs/FPIs. The government has decided to do both.

Jaitley clarified that the circular will deal with only FIIs and not MAT on foreign companies bringing in foreign direct investment (FDI), which will be decided based on the Supreme Court decision in the Castleton case that involves the issue of ley on a foreign company. "I won't comment on Castleton case as there is a distinction between FIIs and foreign companies," he said.

Though the Shah committee has not gave a recommendation on the issue, it feels MAT should not apply to foreign companies that do not have presence in India. "Therefore, we find that the ratio in Castleton that even foreign companies having no 'place of business' or 'permanent establishment' are also covered by Section 115JB, is not the correct position of law," it said.

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Freedom from revenue stamps for Employee Provident Fund Organisation subscribers

The Employees' Provident Fund Organisation has done away with the mandatory requirement of affixing one rupee revenue stamp on claim forms. Shri Bandaru Dattatreya, Union Minister of State for Labour & Employment (Independent Charge) stated that this will bring independence from this hassle to millions of PF subscribers every year. This move was taken after consultation with Ministry of Law & Justice who has opined that as per practice, no revenue stamp is required to be fixed in respect of payment made through NEFT.

This will benefit a large number of PF subscribers as in the last year, more than 1 crore subscribers had filed their claims with EPFO and also it will smooth the process of PF claim settlement. Elaborating on this, one rupee revenue stamp will not be required for most of the claim forms as in 97% of the cases of PF settlement, the same is being made through National Electronic Fund Transfer (NEFT).

EPFO is further simplifying its forms to ensure hassle free services to its subscribers. It is proposed that attestation of employer will no longer be required in cases where the employees have got their KYC information including Aadhar seeded and have activated their UAN. This is aimed at reducing employer dependency in the transactions that an employee would undertake with EPFO. It has been seen that due to over dependence on employers, EPFO subscribers are not able to avail quick and easy services of the organization. By gradually moving towards a regime which recognizes employee identification and authentication through KYC details, this dependence on employer shall be reduced.

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