

FIIIs put on the MAT again, get dispute panel notices

To ask government to hold panel proceedings till Shah committee gives report Shah Committee holds firstmeeting

The dispute resolution panel (DRP) has sent notices to about 30 foreign institutional investors (FIIIs) who had appealed against the Minimum Alternate Tax (MAT) demand.

The notices, which were sent last week, sought details of grounds of appeal of the FIIIs and why they should be granted relief. The DRP has also sought that the FIIIs furnish information of profit and expenses that they had not given to the assessing officer, within nine days. “A plain reading of the notices gives an impression that the legal proceedings would start from next week. We expected it to start only in the month of December as the DRP has nine months to act on an appeal,” said a source privy to the developments.

Interestingly, the notices come at a time when the government has constituted a committee, headed by Justice AP Shah, to look into the legality of the MAT demand on FIIIs for previous years.

The government had informed that any fresh notices making a demand of MAT would be suspended till the three- member Shah committee gave its report.

The Committee on Monday had its first meeting where it took stock of the matter and is believed to have discussed the terms of reference and methodology it is going to adopt for deliberating the vexed issue.

Although the panel has a one- year term, sources said the committee would submit its report on the issue much earlier as the finance ministry was keen that it give its recommendations “expeditiously”.

The Committee report might not offer much help to the FIIIs as legal proceedings are generally not governed or swayed by government reports.

Meanwhile, the FIIIs are expected to approach the government, requesting them to ask the DRP for suspending the orders till the Committee submits its report. According to experts, the government could intervene as the DRP is part of the income tax (I- T) department, even though it is a legal body.

“These notices can confuse the foreign investor community.

On the one hand, government has said the notices making a MAT demand have been kept under suspension and the Shah Committee has been set up to look at the past cases. On the other, the DRP is sending notices indicating the start of legal proceedings.

Hopefully, the DRP will wait for the committee report and not start the appeal proceedings immediately since they have nine months to pass an order,” said Rajesh Gandhi, partner, Deloitte Haskin & Sells.

The I- T department had sent notices to 68 FIIs, demanding Rs.602.8 crore as MAT dues of previous years. This raked up a controversy, with the FIIs moving a higher court challenging the demand. Finance Minister Arun Jaitley had, in Budget 2015- 16, exempted FIIs from paying MAT with effect from April 1, 2015.

Shah Committee holds first meeting

The Justice A P Shah committee on levy of minimum alternate tax (MAT) on foreign institutional investors (FIIs) on Monday met for the first time as it looked to expeditiously give its recommendations to resolve the contentious issue that has riled investors. The panel, headed by Law Commission Chairman A P Shah, was formally constituted last week, with former Chief Economic Advisor Ashok Lahiri and chartered accountant Girish Ahuja as the other two members. It will examine all the related legal provisions, judicial/ quasi judicial pronouncements. The finance ministry stated that the Committee might interact with various stakeholders and invite officers from Department of Revenue for consultations/ discussions.

(Business Standard)