India’s Tax Proposals: Domestic laws should not override tax treaties: says Mauritius

Amid concerns over India's new tax proposals, Mauritius today said domestic legislations should not override the double taxation avoidance treaties between the two countries.

"Once 'Limitation of Benefit' clause is embedded in the taxation treaties, we expect it to prevail and no domestic legislation should override the treaty," Mauritius Minister of Foreign Affairs, Regional Integration and International Trade Arvin Boolell said here.

India is looking to implement new rules to tackle the menace of tax evasion.

A large quantum of foreign investments in India are routed through Mauritius to escape the tax net, which has prompted the government to bring out the General Anti-Avoidance Rules (GAAR) to prevent abuse of the tax treaty.

Boolell said Mauritius is willing to resolve all issues related to double taxation avoidance agreement treaty (DTAA) with India.

The joint working group of the two countries would meet from August 22-24 to iron out differences over the tax treaty, he said at a press conference here.

Boolell said the zero capital gains tax in Mauritius would continue to be there under the treaty. "Article 13 (related to capital gains tax) is sacrosanct," he noted.

Article 13 refers to the clause in DTAA, whereby, a company can avail the benefits of the treaty and pay capital gains tax only in Mauritius.

However, companies are misusing this clause to avoid taxes since Mauritius does not charge capital gains tax.

Noting that the two countries have made tremendous progress since 2006 regarding their DTAA, he said everything has been done to curb round-tripping.

Round-tripping generally refers to re-routing of money by companies to avoid taxes.

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