

Justice AP Shah panel to submit report on MAT levying by month end

The Justice AP Shah committee looking into the issue of levying minimum alternate tax (MAT) on foreign portfolio investors (FPI) is expected to submit its report by the end of this month, said people with knowledge of its plans. Based on the discussions they had with the panel, several people including tax experts, lawyers and tax officials that ET spoke to said they expect its recommendations to possibly have a pro-FPI stance.

The government appointed the three-member committee in May to study whether MAT could be levied on FPIs, after the investors raised a strong protest against the incometax department's decision to slap tax demand on them. The panel held the last of a series of meetings at on Tuesday, at its office in Delhi's Ashoka Hotel.

"The report could focus on FPIs and the rationale on why MAT should not be levied on them. The report would stay away from whether MAT could be applied on other foreign companies," a person in the know said on condition of anonymity.

"If this report in anyway suggests that MAT could be levied on FPIs," said another senior tax consultant throwing his hands in the air, "the Supreme Court could be the last resort."

Besides retired judge Shah, the committee includes former chief economic adviser Ashok Lahiri and retired associate professor at Shri Ram College of Commerce Girish Ahuja.

A legal expert who was called by the panel for a meeting said: "The discussions that we had were incredibly technical. While Ahuja and Lahiri were more focused on the economic grounds, Shah focused on the legality of the issue." A tax official who attended one of the meetings said the committee wanted to know which other countries had laws similar to MAT. "They wanted to know the rationale behind Income Tax's stand on MAT," this official added.

The committee met representatives from industry bodies Ficci, CII, Assocham and the Institute of Chartered Accountants of India in the last fortnight to take their views. It held meetings also with senior lawyers like Porus Kaka, Ajay Vohra, S Ganesh and Arvind Datar, and experts from the big four consultancies — PwC, Deloitte, KPMG and EY, people in the know said. Senior tax advisers who met it included Ketan Dalal of PwC, Dinesh Kanabar of Dhruva, Rajesh H Gandhi of Deloitte Haskins & Sells and Mukesh Butani of BMR.

(Economic Times)