Government Withdraws Tax Relief for FPIs in Mauritius following Tax Treaty Revision.

A pact validated by India and Mauritius jointly on March 7 called for the end of tax reliefs enjoyed by Foreign Portfolio Investors (FPIs) from Mauritius, with the modifications catching the public eye only on April 10. The amendments of the new agreement stated that all forthcoming FPIs from Mauritius will be subjected to closer inspection.

The amendment incorporates a Principle Purpose Test (PPT) designed to prevent taxpayers from abusing the treaty. Under this rule, foreign investors must demonstrate to tax authorities that their selection of jurisdiction was not solely to exploit favorable tax rates. Various overseas funds, including those from top destinations like North America and Europe, prefer to mobilize their investments into India by using the payment gateways of countries like the Netherlands, Mauritius, Luxembourg, or Singapore that already have advantageous tax treaties with the nation.

In February, the Double Taxation Avoidance Agreement (DTAA, was agreed to be modified by the Mauritius cabinet to meet the standards set by the Organisation for Economic Co-operation and Development (OECD).

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