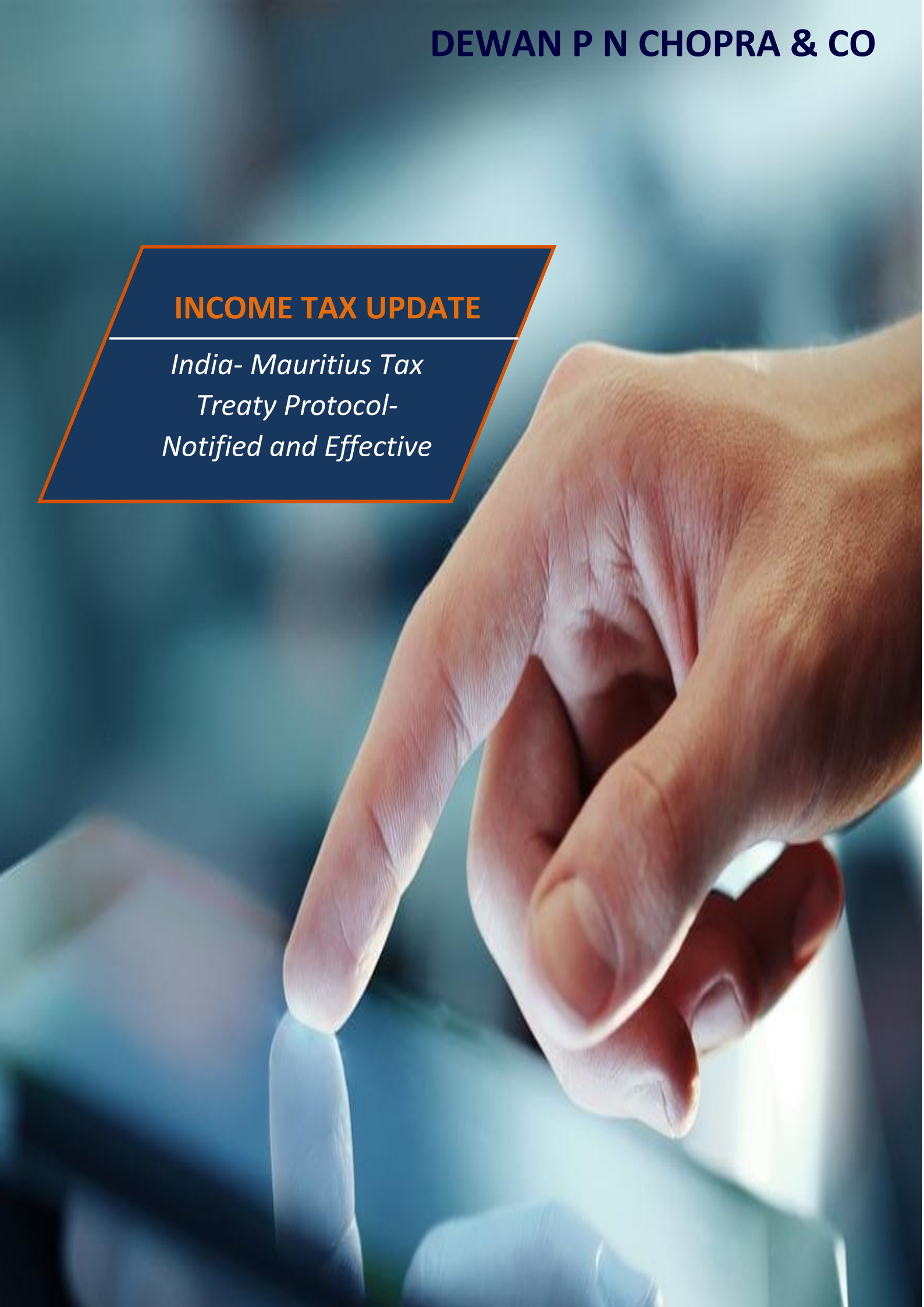


INCOME TAX UPDATE

*India- Mauritius Tax
Treaty Protocol-
Notified and Effective*



India-Mauritius Tax Treaty Protocol – Notified & Effective

BACKGROUND

India and Mauritius signed a Protocol on March 7, 2024 to amend their tax treaty by replacing the existing preamble and introducing a Principal Purpose Test (PPT) provision. It was further provided that the protocol would enter into force on the date on which the later of India and Mauritius notified the completion of their respective domestic procedures.

KEY AMENDMENTS

Revised Preamble

The revised preamble establishes that the treaty's dual objective is to prevent double taxation and eliminate opportunities for non-taxation, tax avoidance or evasion. It specifically targets treaty-shopping structures intended to channel tax benefits indirectly to residents of third-party jurisdictions.

Introduction of Principal Purpose Test

Under the newly introduced Principal Purpose Test (PPT), treaty benefits will be withheld if obtaining a tax advantage was a primary objective of the arrangement or transaction. Denial can only be overturned if the taxpayer demonstrates that granting the benefit is consistent with the underlying object and purpose of the relevant treaty provisions

Entry into Force

The 2024 Protocol entered into force on 10 August 2026. Further the provisions of the Protocol shall come into effect from the date of entry into force of the Protocol, without regard to the date on which the taxes are levied or the taxable years to which the taxes relate.

CLARIFICATIONS ISSUED BY CBDT

In January 2025, the Central Board of Direct Taxes (CBDT) issued a circular confirming that the Principal Purpose Test (PPT) in India's tax treaties—whether introduced via the Multilateral Instrument (MLI) or bilateral protocols—will only apply prospectively. It

also explicitly excluded grandfathered treaty provisions from the scope of the PPT.

To prevent misinterpretation, the CBDT released a subsequent clarification in March 2025, stating that the January circular applies solely to PPT interpretation and does not modify other treaty benefit rules. Crucially, the press release affirmed that the circular does not restrict the application of domestic anti-abuse mechanisms, including General Anti-Avoidance Rules (GAAR), Special Anti-Avoidance Rules (SAAR), and judicial anti-avoidance precedents.

For complete details, please refer to the Notification in Extra Ordinary Gazette issued by the Ministry of Finance dated 13 October 2026 [F. No. 135/2026/F. No. 500/03/2012-FTD-II].

[https://egazette.gov.in/\(S\(gvbhydepugbn1g30btzn1ywn\)\)/ViewPDF.aspx](https://egazette.gov.in/(S(gvbhydepugbn1g30btzn1ywn))/ViewPDF.aspx)

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