



INCOME TAX ALERT

N. A. SHAH **BULLETIN**

June 2016

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CBDT Notification No S O 2179(E) dated 22.06.2016 on GAAR

- The Finance Act 2013 introduced the provisions relating to General Anti Avoidance Rule ('GAAR'). The Finance Act 2015 has deferred the applicability of the provisions to the financial year 2017-18 (i.e. Assessment Year 2018-19) and subsequent years.
- In the Memorandum explaining the provisions of Finance Bill 2015 it is stated that investments made up to 31.03.2017 are proposed to be protected from the applicability of GAAR by amendment in the relevant rules in this regard.
- To give effect to the announcement made in Memorandum, CBDT vide notification dated 22 June 2016 has amended the existing Rule 10U of the Income Tax Rules, 1962 which deals with applicability of GAAR.
- The provisions of Chapter X-A (i.e. GAAR) will not apply to any income accruing or arising to or deemed to accrue or arise to, or deemed to be received by any person from transfer of investments made on or before 01 April 2017.
- Further, it has been provided that GAAR provisions shall apply to any arrangement, irrespective of the date on which it has been entered into, in respect of which tax benefit is obtained on or after 01 April 2017 i.e. Assessment year 2018-19.
- The prospective applicability of GAAR is a welcome step which will provide certainty to the taxpayer/foreign investor.

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