

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) Yes, Sir.

(b) India has signed a Convention in 1982 with Mauritius for the avoidance of Double Taxation and prevention of fiscal evasion with respect to taxes and for the encouragement of mutual trade and investment. This also provides for sharing of taxation rights between two countries in respect of various categories of income like business profits, dividends, interest, royalties, capital gains, etc., method for elimination of double taxation, Mutual Agreement Procedure and exchange of information between two countries.

(c) Mauritius based companies are subjected to minimal or nil taxes in Mauritius. Capital gains in fully exempt from taxation in Mauritius. India-Mauritius Double Taxation Avoidance Convention (DTAC) provides for taxation of capital gains arising from alienation of shares only in the country of residence of the investor. Thus, an investor routing his investments through Mauritius into India does not pay capital gains tax either in India or in Mauritius resulting in relief from taxation. Mauritius, thus became an attractive route for investment into India through treaty shopping.

(d) No, Sir.

(e) Government has proposed to review the India-Mauritius DTAC to incorporate appropriate changes in the DTAC for prevention of treaty shopping and to strengthen the mechanism for exchange of information on tax matters between India and Mauritius.

Operationalising Direct Tax Code

905. SHRI K.N. BALAGOPAL: Will the Minister of FINANCE be pleased to state:

- (a) whether Government has finalized the draft of Direct Tax Code (DTC);
- (b) if so, from which date onwards it will become operational; and
- (c) what are the major changes proposed from the existing system and what is the likely advantage thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) to (c) The draft Direct Taxes Code is in the process of finalization. The provisions of Draft Direct Taxes Code propose that it will be operational from 1st April, 2011.

Some of the major policy initiatives are:—

- i. Concept of Residence based on “place of effective management” instead of “wholly controlled from India” in case of a company incorporated outside India.
- ii. Proposal of introduce Controlled Foreign Corporation (CFC) regulations of tax the income of foreign companies controlled by residents in India, if such companies are deferring repatriation of their income to India.

- iii. Taxation of the surplus (above a specified limit and after allowing for specified (accumulation) of non-profit organizations.
- iv. Proposal of limit tax benefits to instruments which represent long term savings for social security (i.e. provident funds etc.)
- v. Replace profit linked deductions with investment linked deductions.
- vi. Introduction of a General Anti Avoidance Rule to curb tax avoidance in a moderate tax regime.

Upscaling of livelihood programmes by NABARD

906. SHRIMATI T. RATNA BAI: Will the Minister of FINANCE be pleased to state:

- (a) whether the National Bank for Agriculture and Rural Development (NABARD) is planning to upscale and deepen the livelihood programmes, particularly in the resource poor regions;
- (b) if so, the details worked out so far especially for the backward districts in Andhra Pradesh and other States also;
- (c) if not, the reasons therefor; and
- (d) the views of the people and the experts in this regard for future programmes which are to be taken up in the Eleventh Plan?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA):

(a) to (c) National Bank for Agriculture and Rural Development (NABARD) has reported that it is not directly implementing any specific livelihood programme in the resource poor regions. However, the following schemes are being implemented by them:—

1. **Dairy and Poultry Venture Capital Fund Scheme** : The Dairy and Poultry Venture Capital Fund Scheme of the Department of Animal Husbandry, Dairying and Fisheries (DAHD&F) of Ministry of Agriculture, Government of India is being implemented by NABARD. The scheme provides 50% of the total project cost as Interest Free Loan (IFL) through financial institutions to farmers for setting up of dairy units for production, processing, transport and marketing, sale of poultry products such as egg and poultry meat preparations under the scheme. The balance 40% as bank loan and 10% as beneficiary's margin has to be brought in. This scheme is being implemented throughout the country including the resource poor regions of Andhra Pradesh.
2. **Watershed Development Programme** : NABARD is implementing participatory Watershed Development Programme through Watershed Development Fund (WDF), Indo-German Watershed Development Programme (IGWDP), Integrated Watershed