



Mauritius-India tax treaty update:

Mauritius completes ratification of the amending protocol

Mauritius-India DTAA Protocol ratified by Mauritius: Awaiting entry into force

Mauritius has completed its domestic ratification procedures for the protocol amending its tax treaty with India. Cabinet approved the Double Taxation Avoidance Agreement (India) (Amendment) Regulations 2026 on July 17, 2026, and they were gazetted on August 8, 2026.

The protocol is not yet in force. It will enter into force once both Mauritius and India have completed their respective ratification procedures and exchanged the required notifications. The date of entry into force will be the date of the later notification.

The protocol was signed on March 7, 2024. Its key amendments are summarised below:

1. Amendment of the treaty Preamble

The existing Preamble of the India-Mauritius tax treaty has been replaced with wording stating that the intention of the tax treaty is to avoid double taxation without creating opportunities for non-taxation or reduced taxation through tax evasion or tax avoidance, including through treaty-shopping arrangements aimed at obtaining reliefs provided under the treaty for the indirect benefit of residents of third jurisdictions.

2. Principal Purpose Test ("PPT")

The Protocol introduces an anti-abuse provision, namely the Principal Purpose Test, through the insertion of Article 27B (Entitlement to Benefits) and aligns the treaty with the OECD Base Erosion and Profit Shifting ("BEPS") standards. As per the Protocol, treaty benefits shall not be granted in respect to an item of income, if it is reasonable to conclude that obtaining that benefit was one of the principal purposes of any arrangement or transaction. The provisions shall not apply in a situation where it is established that granting benefit in these circumstances would be in accordance with the object and the purpose of the relevant provisions of the Tax Treaty.

On January 21, 2025, the Central Board of Direct Taxes ("CBDT") issued guidance on the application of the PPT under the Mauritius-India Double Taxation Avoidance Agreement ("DTAA") through its Circular No. 01/2025 (the "2025 Circular"). The 2025 Circular issued by the CBDT provides clarification on PPT as follows:

- Prospective application of PPT

For DTAA's modified through bilateral processes, as in the case for the Mauritius-India DTAA, PPT would apply prospectively from the date of entry into force of the DTAA or amending protocol incorporating the PPT.

- Grandfathered investments excluded from application of PPT

The existing Mauritius-India DTAA provides for grandfathering clauses for investments in shares acquired before April 1, 2017. The 2025 Circular clarified that transactions covered by the grandfathering provisions would remain outside of the purview of PPT and will remain governed by the specific terms of the DTAA.

- Supplementary guidance

The CBDT clarifies that the invocation of the PPT rule will be on a case-by-case basis and tax authorities may refer to the Commentary to Articles 1 and 29 of the UN Model Tax Convention (updated in 2021) and the BEPS Action Plan 6 Final Report, subject to India's reservations, as additional sources of guidance while deciding on invocation and application of the PPT provision.

How can we help?

The introduction of the PPT and the strengthened anti-abuse provisions under the Protocol are expected to increase the focus of both tax authorities on the commercial rationale and substance underpinning cross-border investment structures. Groups with existing Mauritius-India structures should therefore proactively assess their readiness ahead of the Protocol's entry into force.

Our tax team can assist with:

- PPT readiness reviews to assess whether existing structures, transactions, and investment arrangements may be exposed to challenge under the new anti-abuse provisions;
- Substance assessments to evaluate whether current governance, management and operational activities in Mauritius are aligned with evolving international tax standards;
- Transaction structuring advice for acquisitions, exits, financing arrangements, and business reorganizations involving India;
- Documentation and defense files to evidence commercial rationale, business purpose, and decision-making processes;
- Board governance reviews to strengthen the demonstrable nexus between strategic decision-making and Mauritius;
- Tax Authority enquiry support in relation to treaty benefit claims, residence matters, and PPT-related reviews;

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