# Tax Flash News

17 March 2025

KPMG. Make the Difference.

# CBDT Circular on application of PPT vis-à-vis grandfathering provisions in treaty does not affect other anti-abuse provisions

In recent years, several Indian tax treaties have been amended to incorporate the Principal Purpose Test (PPT) aimed at preventing treaty abuse.

Some Indian treaties include grandfathering provisions. For instance, the capital gains article of the India-Singapore tax treaty provides that gains arising to a Singaporean tax resident from the alienation of shares acquired before 1 April 2017 in a company resident in India shall not be taxable in India.

In January 2025, the Central Board of Direct Taxes (CBDT) issued a circular[1] ('the Circular') clarifying that the grandfathering provisions in the treaties are excluded from the scope of the PPT provision.

---

[1] CBDT Circular no. 1 dated 21 January 2025. KPMG Flash News on that circular can be accessed at [Grandfathering provision under the tax treaty is outside the purview of the Principal Purpose Test: CBDT circular]

© 2025 KPMG Assurance and Consulting Services LLP, an Indian Limited Liability Partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

On 15 March 2025, the CBDT issued a Press Release clarifying that the Circular applies only to the PPT provision in the Indian tax treaties and is not intended to interfere or interact with

(a) any other treaty provision, including those related to treaty entitlement or the denial of treaty benefit, other than the PPT.

(b) anti-abuse provisions under the Income-tax Act, 1961, such as General Anti-Abuse Rule (GAAR), Specific Anti-Abuse Rules (SAAR), and Judicial Anti-Abuse Rules (JAAR) reflected in or resulting from judicial interpretation.

The Press Release also clarifies that the above does not introduce any new legal interpretation and the Government remains committed to ensuring consistency in tax law interpretation while upholding the existing legal framework.

## Our comments

The Circular had clarified that the application of the PPT would not impact the eligibility of tax exemption in India as per the grandfathering provisions under a treaty.

The Press Release clarifies that the Circular does not impact domestic GAAR, SAAR, JAAR and other anti-abuse provisions in the treaty which shall continue to apply independently.

It may be noted that grandfathering provision exists under the domestic GAAR as well which provides that the GAAR does not apply to income from transfer of investments made before 1 April 2017.

However, a similar grandfathering provision may not be available for other anti-abuse provisions under the Act such as SAAR or under the applicable treaty such as the Limitation of Benefit (LoB) clause.

© 2025 KPMG Assurance and Consulting Services LLP, an Indian Limited Liability Partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# KPMG in India addresses:

**Ahmedabad**
Commerce House V, 9th Floor,
902, Near Vodafone House, Corporate Road,
Prahlad Nagar,
Ahmedabad – 380 051.
Tel: +91 79 4040 2200

**Hyderabad**
Salarpuria Knowledge City, 6th Floor, Unit 3,
Phase III,
Sy No. 83/1, Plot No 2,
Serilingampally Mandal,
Ranga Reddy District,
Hyderabad – 500 081.
Tel: +91 40 6111 6000

**Noida**
Unit No. 501, 5th Floor,
Advant Navis Business Park,
Tower-A, Plot# 7, Sector 142,
Expressway Noida,
Gautam Budh Nagar, Noida – 201 305.
Tel: +91 0120 386 8000

**Bengaluru**
Embassy Golf Links Business Park,
Pebble Beach, ‘B’ Block,
1st & 2nd Floor,
Off Intermediate Ring Road,
Bengaluru – 560071 Tel: +91 80 6833 5000

**Jaipur**
Regus Radiant Centre Pvt Ltd., Level 6, Jaipur Centre Mall,
B2 By pass Tonk Road,
Jaipur – 302 018.
Tel: +91 141 - 7103224

**Pune**
9th floor, Business Plaza,
Westin Hotel Campus,
36/3-B, Koregaon Park Annex, Mundhwa Road,
Ghorpadi, Pune – 411 001.
Tel: +91 20 6747 7000

**Chandigarh**
SCO 22-23 (1st Floor),
Sector 8C, Madhya Marg,
Chandigarh – 160 009.
Tel: +91 172 664 4000

**Kochi**
Syama Business Centre,
3rd Floor, NH By Pass Road, Vytilla, Kochi – 682 019.
Tel: +91 484 302 5600

**Chennai**
KRM Towers, Ground Floor,
1, 2 & 3 Floor, Harrington Road,
Chetpet, Chennai – 600 031.
Tel: +91 44 3914 5000

**Kolkata**
Unit No. 604,
6th Floor, Tower – 1,
Godrej Waterside,
Sector – V, Salt Lake,
Kolkata – 700 091.
Tel: +91 33 4403 4000

**Mumbai**
2nd Floor, Block T2 (B Wing),
Lodha Excellus, Apollo Mills Compound, N M
Joshi Marg, Mahalaxmi,
Mumbai- 400011 Tel: +91 22 3989 6000

**Vadodara**
Ocean Building, 303, 3rd Floor,
Beside Center Square Mall,
Opp. Vadodara Central Mall,
Dr. Vikram Sarabhai Marg,
Vadodara – 390 023.
Tel: +91 265 619 4200

**Vijayawada**
Door No. 54-15-18E,
Sai Odyssey,
Gurunanak Nagar Road, NH 5,
Opp. Executive Club,
Vijayawada, Krishna District,
Andhra Pradesh – 520 008.
Tel: +91 0866 669 1000

**Gurugram**
Building No.10, 8th Floor,
DLF Cyber City, Phase II,
Gurugram, Haryana – 122 002.
Tel: +91 124 307 4000

**kpmg.com/in**

Follow us on:
**kpmg.com/in/socialmedia**

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

KPMG Assurance and Consulting Services LLP, Lodha Excelus, Apollo Mills Compound, NM Joshi Marg, Mahalaxmi, Mumbai - 400 011 Phone: +91 22 3989 6000, Fax: +91 22 3983 6000

© 2025 KPMG Assurance and Consulting Services LLP, an Indian Limited Liability Partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

This document is meant for e-communication only.