

**TOPICS**

- Corporate business restructuring gets a tax fillip
- Contact Us

» Corporate business restructuring gets a tax fillip

In an order last week on an application filed by the Star Group companies, the Authority for Advance Ruling (AAR) held that restructuring of businesses cannot be construed as an exercise for avoiding tax in India. It further said that any tax benefit resulting from the restructuring of businesses cannot be a ground for income-tax authorities to conclude that the entire exercise was for avoiding tax.

The entities of the STAR Group based in British Virgin Islands and in the United Arab Emirates have been amalgamated with the Indian company Star India with effect from April 1, 2009 and with this amalgamation, all the three overseas entities' assets as well as liabilities would be transferred to the Indian company. The AAR observed that the contracting parties are not expected to do transactions in a way that would entail any tax liability and that it is within the legitimate right of the parties to enter into transactions that would help them access the benefits given under the tax statute.

The income tax department observed that the amalgamation was just an exercise to avoid capital gains tax and, therefore, any scheme that is opposed to the public interest cannot receive legal recognition. The AAR, however, observed that since the amalgamation includes taking over all assets and liabilities, which also included tax recoverable, tax avoidance cannot be seen as the objective of the Star Group Companies. This order will benefit cross border M&A transactions.

In case of any clarifications please contact our Mergers & Acquisitions Team.

[\[TOP\]](#)

7, Netaji Subhash Road, Charni Road (West),  
Mumbai – 400 002.  
Tel: (+91 22) 66199800  
Fax : (+91 22) 66199899  
E-mail: [mumbai@aralaw.com](mailto:mumbai@aralaw.com)

LEGAL EYE is published by ARA LAW for private circulation only. +

**DISCLAIMER**

Legal Eye is not intended as a source of advertising or solicitation and the contents of the same should not be construed as legal advice. Readers should take specific advice from a qualified professional when dealing with specific situations and should not consider this as an invitation for a lawyer–client relationship. Without the prior permission of ARA LAW, the Legal Eye or content thereof or referenct should be made in any documentation or correspondences.

We make no warranty of any kind with respect to the subject matter included herein or the completeness or accuracy of this issue of Legal Eye. The Publishers and the Contributors are not responsible for any actions (or lack thereof) taken as a result of relying on or in any way using information contained in this issue of Legal Eye and in no event shall be liable for any damage or loss resulting from reliance on or use of this information. Without limiting the above the Publishers and the Contributors shall each have no responsibility for any act, error or omission, whether such acts, errors or omissions result from negligence, accident or any other cause.

**Subscribe:**

Please send us your complete contact details to enable us to put in your contact details in our mailing list for Legal Eye.

**Unsubscribe:**

This message is not Spam mail! If you do not wish to receive future mailings of Legal Eye, please send us an e-mail at [publications@aralaw.com](mailto:publications@aralaw.com) and specify "REMOVE" in the subject field.

© Copyright 2010 ARA LAW All rights reserved.