

**Government of India
Ministry of Finance
Department of Revenue
Central Board of Direct Taxes**

New Delhi, 15th March, 2025

Press Release

CBDT issues clarification on Circular 01/2025

Circular No. 01/2025 dated 21.01.2025 was issued in the form of a guidance to provide clarity and certainty on the application of the Principal Purpose Test (PPT) provision under India's Double Taxation Avoidance Agreements (DTAAs). In respect of this Circular, it is clarified that:

1. The Circular seeks to provide guidance on the application of the PPT provision under India's DTAAs, wherein such a provision exists. Therefore, this Circular shall apply to the PPT provision in only those Indian DTAAs wherein such a provision exists.

2. The Circular is not intended to interfere or interact with any other provision of the Indian DTAAs, including such provisions that may be invoked for examination of treaty entitlement or denial of treaty benefits, other than the PPT.

3. The Circular is not intended to interfere or interact with anti-abuse rules under the domestic law, such as General Anti-Abuse Rule (GAAR) and Specific Anti-Abuse Rules (SAAR), and Judicial Anti-Abuse Rules (JAAR) reflected in or resulting from judicial interpretations. Such rules shall continue to operate independently.

4. This clarification does not introduce any new legal interpretation but reaffirms that the Circular applies only to the PPT without affecting other provisions of the Income-tax Act. The Government remains committed to ensuring consistency in tax law interpretation while upholding the existing legal framework.

(V. Rajitha)

Commissioner of Income Tax
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