

Supreme Court Rules Against Tiger Global in Flipkart Exit Case

Supreme Court overturns Delhi HC ruling; Tiger Global liable for capital gains tax in India on \$1.6 billion Flipkart exit.

On 15-01-2026, the Supreme Court of India has delivered a landmark judgment in the Tiger Global–Flipkart case, holding that **Mauritius-based Tiger Global entities are liable to pay capital gains tax in India on their \$1.6 billion Flipkart exit to Walmart in 2018.** The ruling overturns the Delhi High Court's 2024 decision, which had upheld treaty benefits under the **India–Mauritius Double Taxation Avoidance Agreement (DTAA).**

Background of the case

Tiger Global International II, III, and IV Holdings, incorporated in Mauritius, had invested in Flipkart through a Singapore holding structure. In 2018, these entities sold their stake to Walmart, triggering capital gains and sought exemption under the India–Mauritius Double Taxation Avoidance Agreement (DTAA). The Authority for Advance Rulings (AAR) in 2020 denied treaty benefits, calling the structure a conduit. However, in 2024, the Delhi High Court overturned the AAR ruling, holding that a valid Mauritius Tax Residency Certificate (TRC)

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was sacrosanct unless fraud or sham was proven. In 2026, honorable Supreme Court reversed Delhi HC judgment, siding with the Revenue's position that the arrangement was an impermissible tax avoidance device.

In this pathbreaking ruling the Supreme Court made a series of detailed observations that collectively shaped its conclusion. The honorable court made following observations:

- Section 245R(2) of the Income Tax Act bars advance rulings in cases involving tax avoidance, and therefore the Authority for Advance Rulings (AAR) was correct in declining jurisdiction. It held that the Delhi High Court erred in overruling this statutory bar, noting that judicial review cannot substitute for clear legislative restrictions.
- The Court clarified that while a Tax Residency Certificate (TRC) issued by Mauritius is valid evidence of residency, **it is not conclusive proof of entitlement to treaty benefits.**
- The Court stressed that treaty shopping undermines the purpose of the India–Mauritius DTAA and that grandfathering provisions under Article 13(3A) apply only to genuine investments backed by commercial substance.

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- Court observed that, Tiger Global's Mauritius entities lacked independent commercial substance, had no employees or offices, and were ultimately controlled by the US parent. Funding decisions were made outside Mauritius, boards did not exercise independent judgment, and income was effectively passed through to the US parent, making the entities mere conduits.
- It is further noted that TRCs cannot shield sham arrangements and must be read alongside surrounding facts, with GAAR principles applying where arrangements lack commercial substance.
- Court then concluded that Tiger Global deliberately chose Mauritius for tax reasons without evidence of genuine business activity, thereby engaging in impermissible tax avoidance.

The Court accepted the Revenue's *prima facie* case, holding that once tax avoidance indicators are established, the burden shifts to the assessee to prove substance, which Tiger Global failed to do. The Revenue has proved that the transactions in the instant case are impermissible tax-avoidance arrangements, and the evidence *prima facie* establishes that they do not qualify as lawful. Consequently, Chapter X-A becomes applicable. The judgment of the High Court therefore set aside.

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