

India steps back from building an honest, fair and open...

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The [Indian Financial Express](#) reports depressing news this morning, noting that:

Giving certainty to foreign investors, the government is likely to put off the controversial general anti avoidance rules (GAAR) by at least two years.

The decision, likely to be a key announcement of Budget 2013-14 is the lynchpin of a series of measures to help revive investments from abroad in the economy, especially at a time when the government has little space for fiscal sops.

The step underscores finance minister P Chidambaram's announcement on Wednesday. "I would like to once again underscore the crucial importance of FDI and FII. As I have said before, attracting foreign funds to India has become an economic imperative, " he told reporters at a briefing about the worsening current account deficit.

A senior official said, "Investors have been wary of the Indian economy ever since proposals relating to GAAR and retrospective taxation were announced. Deferring roll out of GAAR would give a lot more tax certainty to them, which is crucial for reviving growth".

Now this is speculation, of course, and probably highly biased speculation at that: most of the press signs to the tune of big business the world over. But if it is true then it is worrying.

GAARs do not reduce certainty for business: they increase it. What they make clear is that tax is not a matter for their judgement, [as Martin Sorrell would wish](#), but is a matter of complying with the law. In that case what India is actually indicating is that it's going to allow another two year period where tax payment is optional, rather than compulsory.

And that's the worst possible course of action for an economy that wants to build an honest, fair level playing field on which all can prosper.