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PRESS RELEASE

India and Syrian Arab Republic have revised the existing Double Taxation Avoidance Agreement (DTAA) for the avoidance of double taxation and for the prevention of fiscal evasion with respect to taxes on income. The provisions of the revised DTAA, which was signed earlier on 18th June 2008 and notified on 30th March, 2009 in the Gazette of India (Extraordinary) through S.O. 884(E) (Notification No.33/2009-FTD-II), have come into effect in India from the first day of April, 2009 and in Syria from the first day of January, 2009.

The revised DTAA incorporates improvements over the existing DTAA by including anti-abuse provisions and providing for source based taxation of capital gains from alienation of shares. The anti-abuse provisions in the revised Agreement will ensure that the genuine residents of the two countries avail of its benefits.

The revised DTAA provides that business profits may be taxed in the source state if the activities of an enterprise constitute a permanent establishment in the source state. Profits of a building site, construction, assembly or installation projects may be taxed in the state of source if the site, project or activities continue in that state for 270 days or more. Profits from the furnishing of services including consultancy services may also be taxed in the state of source if activities of this nature continue within that state for more than a period of 183 days within any 12-month period. Profits derived by an enterprise from the operation of ships or aircraft in international traffic shall be taxable in the country of residence of the enterprise. The Agreement provides for a maximum rate of tax to be charged in the country of source on dividends at 5 % of the gross amount of dividends if the beneficial owner of the dividends is a company which holds at least 10% of the share capital of the company paying the dividends and 10% of the gross amount of dividends in all other cases. The Agreement further provides for maximum rate of taxation in the source state at 10% in the case of interest and royalties. Capital gains from the sale of shares may be taxed in the country of source.

The revised Agreement will provide further impetus to the economic ties between India and Syria by facilitating mutual economic cooperation as well as stimulating the flow of investment, technology and services between the two countries.

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