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

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PRESS RELEASE

The Government of India today signed an Agreement and Protocol for Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and on Capital (DTAA) with Government of Lithuania. The Agreement and the Protocol were signed by Shri Prakash Chandra, Chairman, Central Board of Direct Taxes, on behalf of the Government of India and Mr. Petras Simeliunas, Ambassador, Republic of Lithuania to India, on behalf of the Government of Lithuania. Lithuania is the first Baltic country with which DTAA has been signed by India.

The DTAA provides that business profits will be taxable in the source state if the activities of an enterprise constitute a permanent establishment (PE) in the source state. The Agreement provides for fixed place PE, building site, construction & installation PE, service PE, Off-shore exploration / exploitation PE and agency PE.

The Agreement incorporate para 2 in Article concerning Associated Enterprises. This would enhance recourse to Mutual Agreement Procedure to relieve double taxation in cases involving transfer pricing adjustments.

Dividends, interest and royalties & fees for technical services income will be taxed both in the country of residence and in the country of source. The low level of withholding rates of taxation for dividend (5% & 15%), interest (10%) and royalties & fees for technical services (10%) will promote greater investments, flow of technology and technical services between the two countries.

The Agreement further incorporates provisions for effective exchange of information between tax authorities of the two countries in line with latest international standard, including exchange of banking information and supplying of information without recourse to domestic interest. Further, the Agreement provides for sharing of information to other agencies with the consent of supplying state.

The Agreement also has an article on assistance in collection of taxes. This article also includes provision for taking measures of conservancy. The Agreement incorporates anti-abuse (limitation of benefits) provisions to ensure that the benefits of the Agreement are availed of by the genuine residents of the two countries.

The Agreement will provide tax stability to the residents of India and Lithuania and will facilitate mutual economic cooperation between the two countries. It will also stimulate the flow of investment, technology and services between India and Lithuania.
