

## PRESS RELEASE

### Heading: India signs Double Taxation Avoidance Agreement with Luxembourg

The Government of the Republic of India signed a Double Taxation Avoidance Agreement (DTAA) with the Government of the Grand Duchy of Luxembourg for the avoidance of double taxation and for the prevention of fiscal evasion with respect to taxes on income and on capital, today i.e., 2nd June, 2008. This Agreement shall enter into force on a date to be notified in due course. The Agreement also aims at promoting economic cooperation between the two countries. The Agreement was signed by Shri R.S. Mathoda, Chairman, Central Board of Direct Taxes on behalf of the Government of India and Mr. Marc Courte, Ambassador extraordinary and plenipotentiary on behalf of the Government of Grand Duchy of Luxembourg.

The DTAA between India and Luxembourg will cover in the case of India, the income-tax and the wealth tax including any surcharge thereon. In the case of Luxembourg it would cover the income tax on individuals, the corporation tax, capital tax and the communal trade tax.

The DTAA provides for taxation of dividend, interest, royalties and fees for technical services- both in the country of residence as well as the country of source. However, the rate of tax in the country of source shall not exceed ten percent of the gross amount of payment in case the beneficial owner of the payments is a resident of the other Contracting State.

The DTAA provides that capital gains from alienation of shares of a company shall be taxable in the country where the company is a resident.

The incidence of double taxation shall be avoided by one country giving credit for taxes paid by its residents in the other country.

There is a provision for exchange of information in cases, which are under investigation in either of the two countries.

Both the countries shall assist each other in collection of revenue claims.

There is also a provision for limitation of benefits under the DTAA to prevent misuse of the provisions of the DTAA.

The Agreement will further stimulate the flow of capital, technology and personnel between the two countries. It will also contribute to the tax stability and facilitate mutual cooperation.