Double Taxation Avoidance Agreement (DTAA)

Double taxation is the levying of tax by two or more jurisdictions on the same declared income. Thus, to minimise this, DTAA is being passed.

Double Taxation Avoidance Agreement (DTAA) also referred as Tax Treaty is a bilateral economic agreement between two nations that aims to avoid or eliminate double taxation of the same income in two countries.

Scenario of DTAA in India:

As of now, India has DTAA with 84 nations, including Armenia, Bangladesh, Finland, Ireland, Japan, Kazakhstan, Greece, Italy and several others.

Government Working On DTAA To Avoid Tax Evasion

Recently, there were reports that the DTAA agreement with one of the leading countries through which a lot of inflows happens was being re-worked. The government has been worried that individuals are using the Double Taxation Avoidance Agreement to evade paying tax. In fact, the available of capital gains tax treaty through the DTAA many feel may have been exploited. The government is now looking at changing some provisions of the DTAA. Similarly, another tax haven from which a lot of inflows happens could be examined and re-worked. The list of countries with whom India has these DTAA agreements could be re-visited from time to time. Recently, the government of India signed a protocol amending the Double Taxation Avoidance Agreement with Mauritius. It would now allow India the ability to tax Mauritius residents for capital gains sale of share arising in India. For long there has been an argument that tax treaties from tax havens have been exploited. In India, there have been reports of round tripping, where money first leaves the country and then flows back to India into the stock markets through tax havens.