

**PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA**

**DOUBLE TAXATION AVOIDANCE AGREEMENT (DTAA) SIGNED BY INDIA
AND BHUTAN ; TO PROVIDE TAX STABILITY TO THE RESIDENTS OF INDIA AND
BHUTAN AND FACILITATE MUTUAL ECONOMIC COOPERATION AND
STIMULATE THE FLOW OF INVESTMENT, TECHNOLOGY AND SERVICES
BETWEEN TWO COUNTRIES**

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The Government of the Republic of India signed a Double Taxation Avoidance Agreement (DTAA) with the Royal Government of Bhutan for the avoidance of double taxation and for the prevention of fiscal evasion with respect to taxes on income on 4th March, 2013. The Agreement was signed by Shri P. Chidambaram, Minister of Finance on behalf of the Government of India and by Mr. Lyonpo Wangdi Norbu, Bhutanese Finance Minister, on behalf of the Royal Government of Bhutan. This is the first ever DTAA for Bhutan with any country.

The DTAA provides that business profits will be taxable in the source state if the activities of an enterprise constitute a permanent establishment in the source state. Profits derived by an enterprise from the operation of aircraft in international traffic shall be taxable in the country of place of effective management of the enterprise. Dividends, interest, royalty income and fees for technical or professional services will be taxed both in the country of residence and in the country of source. However, the maximum rate of tax to be charged in the country of source will not exceed 10% on such dividends, interest, royalties and fees for technical services. Capital gains from the sale of shares will be taxable in the country of source.

The Agreement further incorporates provisions for effective exchange of information and assistance in collection of taxes between tax authorities of the two countries including exchange of banking information and also incorporates anti-abuse provisions to ensure that the benefits of the Agreement are availed of by the genuine residents of the two countries.

The Finance Minister Shri P. Chidambaram speaking on the occasion stated that the need for the DTAA between the countries was felt and negotiations were completed in 2011 and that the Agreement will provide tax stability to the residents of India and Bhutan and facilitate mutual economic cooperation as well as stimulate the flow of investment, technology and services between India and Bhutan.
