

**PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA**

**AN AGREEMENT AND AGREED NOTE
SIGNED BETWEEN INDIA AND LATVIA FOR THE AVOIDANCE OF DOUBLE
TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES
ON INCOME (DTAA)**

New Delhi: September 18, 2013
Bhadrapada 27, 1935

The Government of India today signed an Agreement and the Agreed Note for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (DTAA) with the Government of Latvia. The Agreement and the Agreed Note were signed by Shri Salman Khurshid, External Affairs Minister, on behalf of the Government of India and Mr. Edgars Rinkevics, Minister of Foreign Affairs, on behalf of the Government of Latvia here today. Latvia is the third Baltic country with which DTAA has been signed by India. Earlier DTAA's have been signed and have come into force with Lithuania and Estonia.

The DTAA provides that business profits will be taxable in the source 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 or assembly PE, service PE, Off-shore exploration/exploitation PE and agency PE.

The Agreement incorporates 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, interest and royalties and 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 Agreements are availed of by the genuine residents of the two countries.

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