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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 the Republic of India signed a Double Taxation Avoidance Agreement (DTAA) with the Federal Democratic Republic of Ethiopia for the avoidance of double taxation and for the prevention of fiscal evasion with respect to taxes on income on 25th May, 2011 at Addis Ababa. The Agreement was signed by Shri S.M. Krishna, External Affairs Minister on behalf of the Government of India and by Mr. Sufian Ahmed, Minister of Finance and Economic Development on behalf of the Federal Democratic Republic of Ethiopia in the presence of the Prime Minister, Dr. Manmohan Singh and the Ethiopian Prime Minister. Mr. Meles Zenawi.

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. Examples of permanent establishment include a branch, factory, etc. Profits of a construction, assembly or installation projects will be taxed in the state of source if the project continues in that state for more than 183 days.

Profits derived by an enterprise from the operation of ships or aircrafts in international traffic shall be taxable in the country of residence of the enterprise. Dividends, interest, royalties and fees for technical services income 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 7.5% in the case of dividends and 10% in the case of 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 in line with internationally accepted standards including exchange of banking information and incorporates anti-abuse 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 Ethiopia and facilitate mutual economic cooperation as well as stimulate the flow of investment, technology and services between India and Ethiopia.
