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GOVERNMENT OF INDIA

**INDIA AND TANZANIA SIGNED DOUBLE TAXATION AVOIDANCE
AGREEMENT**

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The Government of the Republic of India signed a Double Taxation Avoidance Agreement (DTAA) with the United Republic of Tanzania for the avoidance of double taxation and for the prevention of fiscal evasion with respect to taxes on income on 27th May, 2011 at Dar-es-Salaam. The Agreement was signed by Shri K V Bhagirath, High Commissioner of India on behalf of the Government of India and by Mr Pereira Ame Silima, Deputy Minister of Finance on behalf of the United Republic of Tanzania in the presence of the Prime Minister, Dr Manmohan Singh and the President of Tanzania Mr Kikwete.

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 270 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 and royalties 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 a two-tier 5% or 10% in the case of dividends and 10% in the case of interest and royalties. 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 Tanzania and facilitate mutual economic cooperation as well as stimulate the flow of investment, technology and services between India and Tanzania.

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