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GOVERNMENT OF INDIA**

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**INDIA SIGNS DTAA WITH GEORGIA**

**New Delhi, Bhadrapada 2, 1933  
August 24, 2011**

The Government of India today signed an Agreement for Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and on Capital (DTAA) with Government of Georgia. The Agreement was signed today by Mr. M.C.Joshi, Chairman, Central Board of Direct Taxes(CBDT) on behalf of the Government of India and Mr. Zurab Katchkatchishvili, Ambassador of Georgia to India on behalf of the Government of Georgia.

The DTAA provides that business profits will be taxable in the source state 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 & installation PE, service PE, insurance 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 (10%), interest (10%) and royalties & fees for technical services (10%) will promote greater investments, flow of technology and technical services between the two countries.

The Agreement incorporates provisions for effective exchange of information between tax authorities of the two countries in line with best international standards, including exchange of banking information and supplying of information without recourse to domestic interest. The Agreement also provides for sharing of information to other agencies with the consent of supplying state.

The Agreement has an article on assistance in collection of taxes, including provision for taking measures of conservancy. The Agreement incorporates anti-abuse (limitation of benefits) 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 Georgia and will facilitate mutual economic cooperation between the two countries. It will also stimulate the flow of investment, technology and services between India and Georgia.

**DSM/SS/PM**