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DOUBLE TAXATION AVOIDANCE AGREEMENT ON SPECIFIC TAX HAVEN COUNTRIES – A FLEETING LOOK

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ABSTRACT

A Double Taxation avoidance agreement is an agreement entered into between two countries in order to avoid taxing the same income twice, promote exchange of goods, persons, services and investment of capital. International juridical double Taxation can be generally defined as, The Imposition of comparable taxes in two or more states on the same tax payer in respect of the same subject matter and for identical periods. Its harmful effects on the exchange of goods and services and movements of capital technology and persons are so well known that it is scarcely necessary to stress the importance of removing the obstacles that double taxation present to the development of economic relations between countries. Double Taxation Avoidance Agreement is a tax treaty that India has with 101 countries. In simple language, what it means for an NRI is, if he/she is a resident in any of those 101 countries and is paying taxes on the income earned in that country, then he/she is eligible for a lower deduction of tax on income earned in India in that financial year.

In the present scenario Double Taxation Avoidance Agreement in India with Tax Haven countries are misused by the individual, corporate etc. to be more specific, India is also in the list of nations who loses huge revenue because of tax havens. Though the Government had entered into DTAA with tax haven countries, there is lack of transparency and lack of establishment of effective exchange of information in tax matters. It does not generate enough revenue from both tax and non-tax sources. This contributes to budget deficit on an annual basis and impacts negatively on development and economic growth, creating a culture of aid dependency. Limited revenue mobilization may result from failure by governments to rally enough taxes through revenue administration.

KEY WORDS: DTAA, FDI, DIPP, OFDI etc.