

Tax Hotline

February 22, 2008

INDIA AND LUXEMBOURG FINALLY CONCLUDE TAX TREATY

As a step in furtherance of strengthening bilateral trade and investment relations between India and Luxembourg, the Cabinet Committee on Economic Affairs ("CCEA") chaired by Prime Minister Manmohan Singh finally gave its assent on February 21, 2008 to the Double Taxation Avoidance Treaty ("DTAA") between the two countries, which was subject to extensive negotiations for five years. The primary objective of the said DTAA is the avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to taxes.

According to Minister Economy and Foreign Trade of Luxembourg, Mr. Jeannot Krecke, the negotiations took momentum in the first quarter of 2007, after Luxembourg's fund management industry expressed keenness on a DTAA between the two countries. He further stated that logistics companies from Luxembourg were keen to work with their Indian counterparts to offer supply chain services in the European markets. Whilst recognizing the strength of the Indian economy, Mr. Krecke said, "Luxembourg, which has investible funds of about 1,800 billion Euros and is also home to some of the most successful global companies, has more than 70 DTAA's with nations around the world, would like to have a DTAA with India also; and being an open economy Luxembourg would not resist any merger and acquisition bids by Indian firms. The absence of DTAA was the reason for bilateral trade being below potential and although the annual bilateral trade was growing, it was rather miniscule at 40 million Euros."

Indications are that the proposed DTAA would not be about financial services alone, but more about manufacturing and industry. It is expected to benefit the manufacturing and airline companies of Luxembourg having linkages with India.

Luxembourg being one of the major global centres of steel making, Mr. Krecke stated that Luxembourg would be willing to extend necessary technological assistance to the Indian Steel Industry in modernizing and expanding capacities in order to achieve better productivity in a cost effective manner. Mr. Krecke indicated that there was a great potential for mutual cooperation in many sectors other than steel and financial services such as Plastic Processing Technology and making Luxembourg a hub of the European market for Pharmaceuticals.

Luxembourg taxes individuals based on the concept of residence, irrespective of nationalities. Non-residents are liable to pay Luxembourg tax only on certain types of income arising in that country or from sources there. The tax regime for corporates is also liberal with no capital gains tax.

With the Indian economy growing at the rate of approximately 9% annually and Luxembourg being a prime financial centre with investible assets of approximately 1,800 billion Euros, it appears that the DTAA has created a very favourable environment for achieving the objectives aimed for by both countries to encourage flow of capital, technology and personnel.

- Hanisha Amesur, Advait Sethna & Bijal Ajinkya

Sources:

- Economic Times dated February 21, 2007;
- Financial Express dated February 21, 2007
- cainindia.org
- Moneycontrol.com

DISCLAIMER

The contents of this hotline should not be construed as legal opinion. View detailed disclaimer.

This Hotline provides general information existing at the time of preparation. The Hotline is intended as a news update and Nishith Desai Associates neither assumes nor accepts any responsibility for any loss arising to any person acting or refraining from acting as a result of any material contained in this Hotline. It is recommended that professional advice be taken based on the specific facts and circumstances. This Hotline does not substitute the need to refer to the original pronouncements.

This is not a Spam mail. You have received this mail because you have either requested for it or someone must have suggested your name. Since India has no anti-spamming law, we refer to the US directive, which states that a mail cannot be considered Spam if it contains the sender's contact information, which this mail does. In case this mail doesn't concern you, please unsubscribe from mailing list.

Research Papers

Taxing Offshore Indirect Transfers in India

February 28, 2025

Unlocking Corporate Philanthropy

February 27, 2025

Digital Health in India

February 26, 2025

Research Articles

Re-Evaluating Press Note 3 Of 2020: Should India's Land Borders Still Define Foreign Investment Boundaries?

February 04, 2025

INDIA 2025: The Emerging Powerhouse for Private Equity and M&A Deals

January 15, 2025

Key changes to Model Concession Agreements in the Road Sector

January 03, 2025

Audio

CCI's Deal Value Test

February 22, 2025

Securities Market Regulator's Continued Quest Against "Unfiltered" Financial Advice

December 18, 2024

Digital Lending - Part 1 - What's New with NBFC P2Ps

November 19, 2024

NDA Connect

Connect with us at events, conferences and seminars.

NDA Hotline

Click here to view Hotline archives.

Video

SIAC 2025 Rules: Key changes & Implications

February 18, 2025

How Cross Border M&A Will Shape

