

**AGREEMENT<sup>1</sup> FOR THE AVOIDANCE OF DOUBLE  
TAXATION OF INCOME BETWEEN THE  
GOVERNMENT OF THE DOMINION OF  
INDIA AND THE GOVERNMENT OF  
THE DOMINION OF PAKISTAN  
New Delhi, 10 December 1947**

---

WHEREAS the Government of the Dominion of India and the Government of the Dominion of Pakistan desire to conclude an agreement for the avoidance of double taxation of income chargeable in the two Dominions in accordance with their respective laws :

NOW, THEREFORE, the said Governments do hereby agree as follows :—

*Article I*

The taxes which are the subject of the present Agreement are the taxes imposed in the Dominions of India and Pakistan by the Indian Income-tax Act, 1922 (XI of 1922), the Excess Profits Tax Act, 1940 (XV of 1940), and the Business Profits Tax Act, 1946 (XXI of 1947), as adapted in the respective Dominions.

*Article II*

Subject to the provisions of Article IX this Agreement shall continue in force so long as the basis of residence and the scope of charging provisions in the aforesaid Acts as adapted remain unaltered in both the Dominions, and shall apply to the following assessments made under the said Acts in the two Dominions :

- (i) Assessments made on or after 15th day of August, 1947, for the assessment year 1947-48 or for the corresponding chargeable accounting period.

---

1. Came into force on 10 December 1947 with retroactive effect as from 15 August 1947 by the exchange of letters.

- (ii) All other assessments made on or after 1st day of April, 1948, excepting excess profits tax assessments for chargeable accounting periods for which provisional assessments have been made before 1st day of April, 1948.

### *Article III*

Save under the provisions of Section 34 of the Income-tax Act, 1922, and Section 15 of the Excess Profits Act, 1940, as adapted neither Dominion shall charge to tax any income of a person whose assessment (whether regular or provisional) including such income had been completed before the 15th day of August, 1947, or 1st day of April, 1948, as the case may be, by an Income-tax Officer or Excess Profits Tax Officer functioning respectively under the Indian Income-tax Act, 1922, or the Excess Profits Act, 1940, or under those Acts as adapted and applied to any Areas or to either Dominion.

### *Article IV*

Each Dominion shall make assessment in the ordinary way under its own laws; and, where either Dominion under the operation of its laws charges any income from the sources or categories of transactions specified in column 1 of the Schedule to this Agreement (hereinafter referred to as the Schedule) in excess of the amount calculated according to the percentage specified in columns 2 and 3 thereof, that Dominion shall allow an abatement equal to the lower amount of tax payable on such excess in either Dominion as provided for in Article VI.

### *Article V*

Where any income accruing or arising without the territories of the Dominions is chargeable to tax in both the Dominions, each Dominion shall allow an abatement equal to one-half of the lower amount of tax payable in either Dominion on such doubly taxed income.

### *Article VI*

- (a) For the purposes of the abatement to be allowed under Article IV or V, the tax payable in each Dominion on the excess or the doubly taxed income, as the case may be, shall be such proportion of the tax payable in each Dominion as the excess or the doubly taxed income bears to the total income of the assessee in each Dominion.

- (b) Where at the time of assessment in one Dominion, the tax payable on the total income in the other Dominion is not known, the first Dominion shall make a demand without allowing the abatement but shall hold in abeyance for a period of one year (or such longer period as may be allowed by the Income-tax Officer in his discretion) the collection of a portion of the demand equal to the estimated abatement. If the assessee produces a certificate of assessment in the other Dominion within the period of one year or any longer period allowed by the Income-tax Officer, the uncollected portion of the demand will be adjusted against the abatement allowable under this Agreement; if no such certificate is produced, the abatement shall cease to be operative and the outstanding demand shall be collected forthwith.

*Article VII*

- (a) Nothing in this Agreement shall be construed as modifying or interpreting in any manner the provisions of the relevant taxation laws in force in either Dominion.
- (b) If any question arises as to whether any income falls within any one of the items specified in the Schedule and if so under which item, the question shall be decided without any reference to the treatment of such income in the assessment made by the other Dominion.

*Article VIII*

The Schedule to this Agreement may be modified from time to time by agreement between the Central Boards of Revenue of the two Dominions and references to the Schedule in the foregoing Articles shall be read as references to the Schedule as modified.

*Article IX*

Either of the Contracting Parties may, six months before the beginning of any financial year (beginning on the 1st day of April) give to the other Contracting Party, through diplomatic channels, notice of termination and in such event this Agreement shall cease to have effect in relation to any assessment to income-tax for the financial year beginning with the 1st day of April next following and in relation to assessments to any other tax on the income of the corresponding chargeable accounting period.

**THE SCHEDULE**

(See Article IV)

<i>Source of income or nature of transaction from which income is derived</i>	<i>Percentage of income which each Dominion is entitled to charge under the Agreement</i>		<i>Remarks</i>
1	2	3	4
1. (a) Salaries paid by employers other than Government.	100% by the Dominion in which the salary is earned by service.	<i>Nil</i> by the other.	
(b) Salaries paid by Government.	100% by the Dominion which pays the salary.	<i>Nil</i> by the other.	
2. (a) Interest on Government Securities.	100% by the Dominion where the securities are enfaced for payment of interest and principal.	<i>Nil</i> by the other.	
(b) Interest on securities other than Government Securities.	100% by the Dominion in which the investment is used.	<i>Nil</i> by the other.	
3. Income from property.	100% by the Dominion in which the property is situated.	<i>Nil</i> by the other.	
4. Income from profession or vocation.	100% by the Dominion in which professional service is rendered.	<i>Nil</i> by the other.	
5. Income from "Business" or "Other Sources".			
(a) Rent or royalty from lease, renting or hire of property.	100% by the Dominion in which the property is situated.	<i>Nil</i> by the other.	
(b) Rent or royalty or license fees or any like consideration from rights conceded in respect of property.			
(c) Rent or royalty or any like consideration from any interest in property.			

## 36 INDIA Bilateral Treaties and Agreements, Volume 1

1	2	3	4	
(d)	Profits or gains from dealing in property growing out of the ownership or use of or interest in such property.	100% by the Dominion in which the property is situated.	<i>Nil</i> by the other.	
(e)	Rent or royalty for the use of or for the privilege of using patents, copyrights, goodwill, trademarks and other like property.	100% by the Dominion in which the asset is used.	<i>Nil</i> by the other.	
(f)	Income derived from any money lent at interest and brought into a dominion in cash or in kind.	100% by the Dominion into which the money is brought.	<i>Nil</i> by the other.	
(g)	Transport Ships Air Road	100% by the Dominion in which the traffic originates.	<i>Nil</i> by the other	
6.	Capital gains :			
(a)	from sale, exchange or transfer of an immovable capital asset and any rights pertaining thereto.	100% by the Dominion in which the capital asset is situated.	<i>Nil</i> by the other.	
(b)	from the sale, exchange or transfer of other assets.	100% by the Dominion in which the sale, exchange or transfer takes place.	<i>Nil</i> by the other.	
7.	(a) Goods purchased in one Dominion and sold in the other in the same condition without any manufacturing process so as to change the identity of the goods.	10% of the profits by the Dominion in which goods are purchased provided there is a branch or regular purchasing agency in the dominion.	90% by the other.	If there is no regular purchasing agency, 100% shall be chargeable by the Dominion in which goods are sold and <i>Nil</i> by the other.
(b)	Goods merchandise or commodities manufactured in one Dominion and delivered by the manufacturer to a buyer in the same Dominion.	100% by the Dominion in which the goods are manufactured.	<i>Nil</i> by the other.	

1	2	3	4
(c) Goods merchandise or commodities manufactured in one Dominion and sold by the manufacturer in the other without any further process and without having a selling establishment or regular agency in the latter Dominion.	75% by the Dominion in which goods are manufactured.	25% by the Dominion in which goods are sold.	
(d) Goods merchandise or commodities manufactured in one Dominion and sold by the manufacturer in the other through a selling establishment or a regular agency.	50% by the Dominion in which goods are manufactured.	50% by the Dominion in which goods are sold.	
(e) Goods merchandise or commodities manufactured by the assessee partly in one Dominion and partly in the other.	50% of the profits by each Dominion.	50% of the profits by each Dominion.	
(f) Metal ores, minerals, mineral oils and forest produce extracted in one Dominion and delivered by the extractor to a buyer in the same Dominion.	100% by the Dominion in which the minerals are extracted.	<i>Nil</i> by the other.	
(g) Metal ores, minerals, mineral oils and forest produce extracted in one Dominion and sold in the other without any further manufacturing process and without selling establishment or a regular agency.	75% of the profits by the Dominion in which minerals are extracted.	25% by the Dominion in which goods are sold.	

## 38 INDIA Bilateral Treaties and Agreements, Volume 1

1	2	3	4
(h) As above but sold in the other Dominion through a branch or selling establishment or regular agency.	50% of the profits by the Dominions in which minerals are extracted.	50% of the profits by the Dominion in which goods are sold.	
8. Dividends.	By each Dominion in proportion to the profits of the company chargeable by each Dominion under this Agreement.	(As in preceding column.)	Relief in respect of any excess income-tax deemed to be paid by the shareholder shall be allowed by each Dominion in proportion to the profit of the company chargeable by each under this agreement.
9. Any income derived from a source or category of transactions not mentioned in any of the foregoing items of this Schedule.	100% by the Dominion in which the income actually accrues or arises.	<i>Nil</i> by the other.	