

Attempt any two Case Study out of three Case Study of 50 marks each.

CASE STUDY – 1

Introduction

Akash bricks Ltd. ("ABL") is a leading Indian company, having number of divisions and is engaged in manufacturing, as well as trading activities. It has global presence. It has few foreign subsidiaries also. For this case study, S Inc. (located in Singapore), N Inc (formed in New York, USA) and A LLC. (In Perth, Australia) are relevant.

A LLC., ("AL"), incorporated on 1-11-2018, is engaged in various types of e-commerce activities. It has a website present in Indian soil also.

N Inc., ("NI") provides technical know-how to an Indian company DC and is in receipt of royalty, as per an agreement for provision of know-how. The agreement is within the Industrial Policy conditions laid down by the Central Government.

S Inc., ("SI") is engaged in various types of trading activities. It has presence in India also, operating a branch at Delhi.

The company owns a ship and an aeroplane, which operate from Indian ports to various ports across the world. ABL is planning to file an application with the AAR for seeking advance ruling on certain issues.

Advertisement campaign

ABL decided to expand its overseas markets and in this context, it has engaged the services of two foreign companies PST and DLM. PST is a London-based company and has a branch office in India. DLM is incorporated in Colombo and does not have a PE in India.

During the year, ABL has spent Rs.2.10 crores on digital online advertisements. It has paid Rs.1.20 crores to PST and Rs.90 lakhs to DLM.

Net results of SI for the year ended 31-3-2019

For the branch of SI in India, the net results for the year ended 31-3-2019 were as under:

Particulars	Rs. In lakhs
Net profit prior to adjustment below	20
Share of HO expenses	45
Net loss (adjusted loss)	25

Royalty receipts of NI

NI has received royalty of Rs.30 lakhs from DC during the F.Y. 2018-19. It has incurred an expenditure of Rs.3 lakhs in India for earning the same.

I. MULTIPLE CHOICE QUESTIONS

Write the most appropriate option to each of the following questions by choosing one of the four options given. Each question carries two marks.

- NI has assets in India as well as outside India. The assets include building, machinery and land. As regards the assets test (for the POEM purposes), to be considered as a company having active business outside India (ABOI), one has to consider whether:
 - 50% or more of the total book value of assets are located outside India.
 - 50% or more of the total market value of land and book value of building and machinery are located outside India.
 - 50% or more of the average value of assets for tax purposes in USA at the beginning and end of the P.Y. is located outside India.
 - 50% or more of the average value of building and machinery for tax purposes in USA at the beginning and end of the P.Y. and value of land as per books of account is located outside India.
- Assume that the income of SI is as under (Rs. in crores):

Place of earning income	Total Income	Income from transactions where			
		Only purchase of goods is from associated enterprises (I)	Only sale of goods is to associated enterprises (II)	Both purchase and sale are made from/to associated enterprises (III)	Royalty/ dividend/ interest (IV)
Earned in India	75	10	18	15	10
Outside India	25	6	4	5	4

Which of the following statements is true?

- SI can be said to be engaged in ABOI, since its royalty/ dividend/ interest income is not more than 50% of its total income
 - SI is engaged in ABOI, since its income referred to in (III) & (IV) is not more than 50% of its total income
 - SI is not engaged in ABOI, since its income referred to in (I), (II), (III) & (IV) earned in India exceeds 50% of its total income earned in India
 - SI is not engaged in ABOI, since its income referred to in (I), (II), (III) & (IV) earned in and outside India exceeds 50% of its total income earned in India and outside India
- An Indian branch of a foreign bank has paid interest of Rs.2 crores to its head office and Rs.1 crore to the Colombo branch. Tax has to be deducted at source to the tune of
 - Nil
 - Rs.10,40,000
 - Rs.31,20,000
 - None of the above

4. The AAR will not allow an application made by a PSU if the question raised in the application
- (i) is pending before any income tax authority or ITAT
 - (ii) involves determination of fair market value of any property
 - (iii) is designed prima facie for avoidance of tax
- Which of the following option is correct?
- (a) Only (ii)
 - (b) (i) and (ii)
 - (c) (i) and (iii)
 - (d) (i), (ii) and (iii)
5. ABL is desirous of obtaining an advance ruling in respect of a transaction of Rs.100 crore proposed to be undertaken by it. It has to pay a fee of _____ while making an application for advance ruling.
- (a) Rs.2 lakh
 - (b) Rs.10 lakh
 - (c) Rs.5 lakh
 - (d) Rs.10,000
6. ABL has paid purchase commission of Rs.7 lakhs to Mr. Guru, a resident. Tax to be deducted at source is
- (a) Nil
 - (b) Rs.70,000
 - (c) Rs.36,400
 - (d) Rs.35,000
7. ABL has paid a sum of Rs.12 lakhs during the year ended 31-3-2019, to the Airports Authority of India, towards landing charges (for using the ground when the aircraft is stationary before and after landing or take off). The amount of tax to be deducted at source by ABL in this regard is
- (a) Nil
 - (b) Rs.24,000
 - (c) Rs.1,20,000
 - (d) Rs.24,960
8. The following residents can be an applicant for seeking advance ruling:
- I. Public Sector Undertaking
 - II. Resident entering into a transaction with a non-resident in relation to the tax liability of non-resident
 - III. Resident in relation to his tax liability arising out of one or more transactions valuing Rs.100 crore in total
 - IV. Resident in relation to his tax liability arising out of one or more transactions valuing Rs.1 crore in total

- (a) (II) & (III)
 - (b) (II) & (IV)
 - (c) (I), (II) & (III)
 - (d) (I), (II) & (IV)
9. ABL made an application seeking advance ruling on 2-1-2019. ABL wanted to withdraw the said application. Under normal circumstances, he may do so within
- (a) 1.2.2019
 - (b) 2.2.2019
 - (c) 28.2.2019
 - (d) 1.3.2019
10. The following persons are involved in an advance ruling.
- (i) Applicant who sought the ruling
 - (ii) Commissioner
 - (iii) Jurisdictional income tax authorities subordinate to the Commissioner
 - (iv) Jurisdictional Principal Chief Commissioner of Income-tax to whom the Commissioner is subordinate
- The advance ruling pronounced by the AAR is binding on
- (a) Only (i) above
 - (b) Only (i) and (ii) above
 - (c) (i), (ii) and (iii) above
 - (d) All four above

II. DESCRIPTIVE QUESTIONS

1. The Board of directors wish to know whether the existence of a website on Indian Soil constitutes a permanent establishment. You are required to give your expert opinion on the same. **(5 Marks)**
2. Briefly sketch the tax implications and the TDS implications (including consequence of non-deduction of TDS) in respect of the advertisement charges paid by the assessee ABL to PST and DLM. Brief note on the provisions involved is also required. **(8 Marks)**
3. Continuing 2 above, if the payment made is "net of tax", can the assessee claim that since it has borne the tax burden, it will not issue any tax deduction certificate to the payee? Advise the Board of Directors suitably. **(3 Marks)**
4. The Board of Directors desires to know the total income of SI in India for income-tax purposes. You are required to compute the same, and give a brief note on the applicable provisions. **(4 Marks)**
5. In the under-mentioned situations, what will be the tax liability (including TDS obligation) of NI and DC:
 - (i) The agreement having been entered into before 1st June, 2002; the tax payable by NI is paid to the Indian income-tax authorities by DC;
 - (ii) There is no clause in the agreement that DC has to undertake the tax liability; the royalty payable is decided to be Rs.30 Lakhs (net of taxes).

(6 Marks)

6. Assuming that another foreign company FC has entered into an identical technical know-how agreement with another Indian company and has obtained an advance ruling from the AAR, can NI make use of the said ruling for its tax purposes for the A.Y. 2019-20?

(4 Marks)

CASE STUDY – 2

M/s. Vaish & Co., an Indian firm, is a leading Delhi-based international tax consultant, specializing in transfer pricing assignments. The following are the details pertaining to some of its assignments:

- (1) ABC Ltd., an Indian Company, supplied steel manufactured by it to ABC Inc., Country A during the previous year 2017-18. ABC Limited also supplied the same product to another Country A based company, PQR Inc. The transactions with ABC Inc. are priced at Euro 800 per MT (FOB), whereas the transactions with PQR Inc. are priced at Euro 1200 per MT (CIF). Insurance and Freight amounts to Euro 400 per MT. ABC Ltd. wants to know if transfer pricing provisions would be attracted in such a case.
- (2) Sigma Ltd., operating in India, is one of the dealers for the goods manufactured by Epsilon Ltd., Country B. During the course of assessment, the Assessing Officer, after verification of transactions between Sigma Ltd. and Epsilon Ltd., opined that transfer pricing provisions would become applicable in this case. The Assessing Officer adjusted the total income of Sigma Ltd. by making an addition of Rs.2 crore to the declared income of Rs.6 crore for A.Y.2018-19. It also issued show cause notice asking the company to explain why penalty should not be levied for failure to report such transactions and maintain the requisite records. Sigma Ltd is of the opinion that transfer pricing provisions would not be applicable in its case and hence, there is no question of levy of such penalty. Sigma Ltd. wants to know the lines in which reply needs to be given to the show cause notice.
- (3) XYZ Motors Ltd., an Indian company declared business income of Rs.585 crores computed in accordance with Chapter IV-D of the Income-tax Act, 1961 but before making transfer pricing adjustments in respect of the following transactions for the year ended on 31.3.2018:
 - (i) 8,500 vans sold to LMN Inc., Country A, at a price which is less by Euro 280 each van than the price charged from PQR Inc., Country A.
 - (ii) 4500 vans sold to GHI Inc., Country D at a price which is less by Euro 100

each van than the price charged from PQR Inc., Country A.

- (ii) Royalty of \$ 80,00,000 was paid to RST Ltd., Country C, for use of technical know-how in the manufacturing of van. However, RST Ltd. had provided the same know-how to Birla Motors Ltd. for \$ 60,00,000.
- (iv) Loan of Euro 74 crores carrying interest @8% p.a. advanced by HIT Ltd., a Country D company, was outstanding on 31.3.2018. The said Country D company had also advanced a loan of similar amount to Aravalli Ltd. @7% p.a. Total interest paid for the year was EURO 5.92 crores.

XYZ Motors Ltd. wants to know the provisions of the Income-tax Act, 1961 affecting all these transactions. It also wants to know its business income chargeable to tax for A.Y.2018-19.

- (4) OMR Limited, an Indian company, is engaged in manufacturing electronic components. OMR Limited has borrowed Country L \$ equivalent to Rs.200 lakhs from Omega Inc., a Country L based company at LIBOR plus 200 points. The LIBOR prevalent at the time of borrowing is 5% for Country L \$. The borrowings allowed under the External Commercial Borrowings guidelines issued under Foreign Exchange Management Act are LIBOR plus 300 basis points. OMR Limited wants to know whether transfer pricing provisions are attracted in respect of this transaction.
- (5) The following clients want to know whether the operating profit margin declared by them would be accepted by the Income-tax Authorities. They have all exercised a valid option for application of safe harbour rules,—
 - a) Alpha Ltd., an Indian company, provides user documentation preparation services to Xylo Inc., which is a “specified foreign company” in relation to Alpha Ltd. The value of the transaction entered into in the P.Y.2017-18 is Rs.87 crore. The operating expenses incurred are Rs.68 crore. It has declared operating profit of Rs.10 crore.
 - b) Fulcrum Ltd. is an Indian company, solely engaged in the original manufacture and export of non-core auto components. It exports these parts to Gigo Inc., a foreign company. Fulcrum Ltd. appoints seven out of the twelve Directors of Gigo Inc. The aggregate value of transactions entered into in the P.Y.2017-18 is Rs.25 crore. The operating expenses incurred are Rs.18 crores. It has declared operating profit of Rs.1 crore.

- c) Buttons and Bows Ltd., an Indian company, provides call centre services with the use of information technology to Yale Inc., its foreign subsidiary. The aggregate value of transactions entered into in the P.Y.2017-18 is Rs.192 crore. The operating expenses incurred are Rs.160 crores. It has declared operating profit of Rs.32 crore.

Based on the facts given above and the exhibits given at the end, you are required to answer the following questions:

I. MULTIPLE CHOICE QUESTIONS

Write the most appropriate answer to each of the following questions by choosing one of the four options given. Each question carries two marks

- 1 If Fulcrum Ltd. had entered into an agreement for sale of 1000 units of non-core auto components to Mr. Rajiv, an unrelated party, on 13.7.2017, and Mr. Rajiv had entered into an agreement for sale of such components with Gigo Inc. on 8.7.2017, which of the following statements is correct?
 - (a) Transfer pricing provisions would not be attracted since Fulcrum Ltd. and Mr. Rajiv are not associated enterprises
 - (b) Transaction between Fulcrum Ltd. and Mr. Rajiv would be deemed to be an international transaction between associated enterprises, only if Mr. Rajiv is a non-resident.
 - (c) Transaction between Gigo Inc. and Mr. Rajiv would be deemed to be an international transaction between associated enterprises, only if Mr. Rajiv is a non-resident.
 - (d) Transaction between Fulcrum Ltd. and Mr. Rajiv would be deemed to be an international transaction between associated enterprises, whether or not Mr. Rajiv is a non-resident.
- 2 In respect of the transaction referred to in Q.1 above, what would be the penalty leviable if Fulcrum Ltd. fails to report the above transaction?
 - (i) 2% of the value of transaction
 - (ii) 50% of tax payable on under-reported income
 - (iii) 200% of tax payable on under-reported income
 - (a) Only (i) above
 - (b) (i) and (ii) above
 - (c) (i) and (iii) above
 - (d) No penalty is leviable since Fulcrum Ltd. and Rajiv are not associated enterprises
- 3 Let us suppose Alpha Ltd. has entered into an advance pricing agreement (APA) in respect of its transactions with Xylo Inc. for the P.Y.2016-17. The company decides to make an application for roll back of the said APA. However, rollback provision shall not be available in respect of the said transaction for a rollback year, if –
 - (i) such application has the effect of reducing total income declared in the return of income of the said year

- (ii) determination of the arm's length price of the said transactions for the said year has been the subject matter of appeal before Commissioner (Appeals) and the Commissioner (Appeals) has passed an order disposing of such appeal at any time before signing of the agreement
- (iii) determination of the arm's length price of the said transactions for the said year has been the subject matter of appeal before the Appellate Tribunal and the Appellate Tribunal has passed an order disposing of such appeal at any time before signing of the agreement
- (iv) return of income for the relevant roll back year has been furnished by the company under section 139(4)

The most appropriate answer is -

- (a) (i) and (ii) above.
- (b) (i) and (iii) above
- (c) (i), (ii) and (iv) above
- (d) (i), (iii) and (iv) above.

- 4 Assuming that Fulcrum Ltd.'s business income of A.Y.2018-19 has increased by Rs.2 crores due to application of arm's length price by the Assessing Officer, and the same has been accepted by Fulcrum Ltd., then, -

- (a) business loss of A.Y.2017-18 cannot be set-off against the enhanced income
- (b) deductions under Chapter VI-A cannot be claimed in respect of the enhanced income.
- (c) unabsorbed depreciation of A.Y.2012-13 cannot be set-off against the enhanced income
- (d) business loss referred to in (a) above, deductions referred to in (b) above and unabsorbed depreciation referred to in (c) above cannot be set-off against the enhanced income.

- 5 Assuming that there has been an increase in the total income of Alpha Ltd. by Rs.3 crores due to application of arm's length price, and the same has been accepted by Alpha Ltd., the said sum of Rs.3 crores

- (a) is not required to be repatriated if the said increase is as per the safe harbor rules
- (b) is not required to be repatriated if the said increase is determined by an advance pricing agreement
- (c) need not be repatriated in both cases (a) and (b) mentioned above. However, had the increase been made by the Assessing Officer during the course of assessment,

the same has to be repatriated failing which it would be treated as a deemed advance.

- (d) has to be repatriated in both cases (a) and (b) mentioned above, failing which the same would be treated as a deemed advance.

6 Which of the following pairs of companies are Associated Enterprises/deemed to be associated enterprises?

- (i) ABC Ltd. & ABC Inc.
- (ii) Satpura Ltd. & Sigma Ltd.
- (iii) XYZ Motors Ltd. & RST Ltd.
- (iv) XYZ Motors Ltd. & HIT Ltd. The correct answer is -

- (a) Only (i) above
- (b) (i) and (ii) above
- (C) (i) and (iii) above
- (d) (i), (iii) and (iv) above.

7 If Himalaya Ltd. has two Units, Unit 1 is engaged in power generation business and Unit 2 is engaged in manufacture of wires. Both the units were set up in Himachal Pradesh in the year 2014. In the year 2017-18, fourteen lakh metres of wire are transferred from Unit 2 to Unit 1 at Rs.150 per metre when the market price per metre was Rs.200. Which of the following statements is correct?

- (a) Transfer pricing provisions would be attracted in this case
- (b) Transfer pricing provisions would not be attracted in this case, since Unit 1 and Unit 2 belong to the same company and are not associated enterprises.
- (c) Transfer pricing provisions would not be attracted in this case as it is not an international transaction as both the Units are in India. For the purpose of Chapter VIA deduction, the profits of power generation business shall, however, be computed as if the transfer has been made at the market value of Rs.200 per MT.
- (d) Transfer pricing provisions would not be attracted in this case due to reasons mentioned in both (b) and (c) above.

8 Ram, an individual aged 35 years resident in India, bought 3,000 equity shares of Rs.10 each of ABC Ltd. at Rs.70 per share on 1.6.2017. He sold 1800 equity shares at Rs.50 per share on 3.11.2017 and the remaining 1200 shares at Rs.60 per share on 23.3.2018. ABC Ltd. declared a dividend of 40%, the record date being 14.8.2017. On 15.3.2018, Ram sold a house from which he derived a long-term capital gain of Rs.1,25,000. Assuming Ram's interest income from bank fixed deposit is Rs.3,00,000, his tax liability (rounded off) for A.Y.2018-19 would be –

- (a) 18,440
 - (b) 18,810
 - (c) 19,920
 - (d) 19,410
- 9 Which of the following is not an eligible international transaction for application of safe harbor rules?
- (i) Preparation of user documentation
 - (ii) Receipt of intra-group loans where the amount of loan is denominated in Indian rupees
 - (iii) Providing implicit corporate guarantee
 - (iv) Purchase and export of core auto components
 - (v) Receipt of intra-group services from group member
- (a) Only (ii)
 - (b) (ii) and (v)
 - (c) (ii), (iv) and (v)
 - (d) (ii), (iii), (iv) and (v)
10. Let us consider two hypothetical cases -
- Case 1: Ganga Ltd., Yamuna Ltd. and Saraswati Ltd. amalgamate to form Ganga Ltd.
- Case 2: Ganga Ltd., Yamuna Ltd. and Saraswati Ltd. merge to form new company, Triveni Sangam Ltd.
- Which companies are eligible to apply for rollback provisions post amalgamation/merger in the above cases, assuming that all other conditions are satisfied?
- (a) In Cases 1 & 2: Ganga Ltd., Yamuna Ltd. and Saraswati Ltd.
 - (b) In Case 1: Ganga Ltd and in Case 2 : Ganga Ltd., Yamuna Ltd. and Saraswati Ltd.
 - (c) In Case 1: Ganga Ltd., Yamuna Ltd. and Saraswati Ltd. and in Case 2, None.
 - (d) In Case 1: Ganga Ltd. and in Case 2, None.

II. DESCRIPTIVE QUESTIONS

1. (i) Would transfer pricing provisions be attracted in respect of the transaction of supply of steel by ABC Ltd. to ABC Inc.? If so, compute the arm's length price of such transaction. **(4 Marks)**
- (ii) Examine whether transfer pricing provisions would be attracted in respect of transactions between Sigma Ltd. and Epsilon Ltd. If so, what is the penalty

leviable for defaults, if any, by Sigma Ltd. in compliance of the requisite provisions under the Income-tax Act? **(6 Marks)**

2. (i) Examine whether transfer pricing provisions are attracted in respect of the transactions entered into by XYZ Motors Ltd. Also, compute the total income of XYZ Motors Ltd. chargeable to tax for A.Y.2018-19. **(7 Marks)**

- (ii) Would transfer pricing provisions be attracted in respect of the transaction of borrowal of funds by OMR Ltd. from Omega Inc? Examine. **(3 Marks)**

3. With respect to the transactions listed in (a) to (c) under para (5) in the case study, you are required to analyze –

- (i) the basis on which the parties to the transactions can be deemed as associated enterprises for attracting transfer pricing provisions
- (ii) how the transactions qualify as eligible international transactions.
- (iii) whether the transfer price declared by the assessee in each case can be accepted by the Income-tax authorities, without making any adjustment thereto.

Would your answer change if Yale Inc. is located in a notified jurisdictional area? Examine.

(10 Marks)

Exhibit A: Shareholding pattern of ABC Ltd.

Shareholder	Number of equity shares
Ganga Ltd., India	20,000
Yamuna Ltd., India	10,000
Saraswati Ltd., India	10,000
Thames Inc., Country A	30,000
ABC Inc., Country A	1,20,000
General public	1,10,000

Exhibit B : Details relating to PQR Inc.

- (1) Shareholding pattern of PQR Inc.**

Shareholder	Number of equity shares
Peru Inc., Country A	30,000
Andes Inc., Country A	40,000
Niagra Inc., Country A	25,000

Atlanta Inc., Country A	15,000
EFG Ltd., India	50,000
General Public	80,000

(2) List of Lenders:

1	Barclays Bank
2	Grindlays Bank
3	Bank of America
4	American Express Bank

(3) List of Borrowers:

1	Titanic Inc., Country A
2	Bolivia Inc., Country A
3	Detro Inc., Country A
4	Santro Inc., Country A

(4) PQR Inc. has not provided guarantee in respect of loan taken by any person

(5) PQR Inc's loans are guaranteed by Peru Inc. and Andes Inc.

(6) The directors of PQR Inc. are appointed by Peru Inc. and Andes Inc.

(7) PQR Inc. purchases steel from different suppliers in India. Only 10% of its requirement is met out of supplies from ABC Ltd.

(8) PQR Inc. manufactures auto parts using steel purchased from different suppliers. It is also a dealer in automobiles.

(9) Apart from XYZ Motors Ltd., it is a dealer for automobiles manufactured by several other companies in India and other countries.

(10) List of Debtors for sales:

1	Michigan Inc., Country A
2	Celro Inc., Country A
3	Dolphin Inc., Country A
4	Elephanta Inc., Country A

Exhibit C: Details relating to Sigma Ltd.

(1) Shareholding pattern of Sigma Ltd.

Shareholder	Number of equity shares
Himalaya Ltd., India	75,000
Satpura Ltd., India	90,000
Vindhyas Ltd., India	45,000
Epsilon Ltd., Country B	1,40,000
Aravalli Ltd., India	25,000
General public	1,50,000

(2) Particulars of turnover of Sigma Ltd.

Previous Year	Turnover
2014-15	Rs.35 crores
2015-16	Rs.55 crores
2016-17	Rs.82 crores
2017-18	Rs.117 crores

Exhibit D: Details relating to XYZ Motors Ltd.

(1) Shareholding pattern of XYZ Motors Ltd.

Shareholder	Number of equity shares
DEF Ltd., India	6,000
GHI Inc., Country D	3,000
LMN Inc., Country A	50,000
RST Ltd., Country C	10,000
HIT Ltd., Country D	1,000
Others	60,000

(2) Total book value of its assets. as on 31.3.2018 : Rs.12,000 crores.

- (3) XYZ Motors Ltd. has neither entered into advance pricing agreement nor has it opted for safe harbor rules.
- (4) The manufacture of vans by XYZ Motors Ltd is wholly dependent on the use of know-how owned by RST Ltd. RST Ltd. is the sole owner of such technical knowhow.
- (5) The value of 1 Country C \$ and of 1 EURO was Rs.60 and Rs.81, respectively, throughout the year.

Exhibit E : Details relating to Birla Motors Ltd., India

(1) Shareholding pattern of Birla Motors Ltd.

Shareholder	Number of equity shares
Sahara Ltd., India	15,000
Thar Ltd., India	20,000
Gobi Ltd., India	7,000
Sunderbans Ltd., India	8,000
General Public	1,50,000

(2) List of Lenders:

1	State Bank of India
2	Bank of Baroda
3	Union Bank of India
4	Sundaram Finance Ltd.
5	Apple Finance Ltd.

(3) List of Borrowers:

1	Xansa Ltd., India
2	Munnar Ltd., India
3	Podhigai Ltd., India
4	Vanasthali Ltd., India

- (4) Birla Motors Ltd. has not provided guarantee in respect of loan taken by any person.

- (5) Birla Motors Ltd.'s loans are guaranteed by Sahara Ltd. and Thar Ltd.
- (6) The directors of Birla Motors Ltd. are appointed by Sahara Ltd. and Thar Ltd.
- (7) Birla Motors Ltd. uses the technical know how provided by a few companies outside India, including RST Ltd.
- (8) Birla Motors Ltd. is not a shareholder of RST Ltd; It does not appoint any of the directors of RST Ltd.

Exhibit F : Details relating to OMR Ltd.

(1) Shareholding pattern of OMR Ltd.

Shareholder	Number of equity shares
A Ltd., India	5,000
B Inc., Country L	7,000
C Inc., Country L	14,000
D Ltd., India	12,000
E Inc., Country L	8,000
Omega Inc., Country L	10,000
Others	24,000

- (2) Total book value of assets of OMR Ltd as on 31.3.2018 : Rs.3,000 crores.
- (3) OMR Ltd. has neither entered into advance pricing agreement nor has it opted for safe harbor rules.
- (4) Loan advanced by Omega Inc., Country L to OMR Ltd : Rs.1,600 crores

Note: In all the above exhibits, the shareholding pattern is reflective of the voting power, i.e., all shares have equal voting rights.

CASE STUDY – 3

M/s Gryffindors LLP ("the firm") is a Country X based partnership firm engaged in the practice of law. The firm is the largest law firm in Country X and advises fortune 500 clients on various legal matters namely Corporate Mergers & Acquisitions, Tax, Trade law, Construction, Arbitration, Anti-trust laws, Energy, Banking laws etc. The firm has global offices in Country Y and Country Z. The firm does not have any presence in India owing to regulatory requirements and, therefore, does not have any office in India. The firm is a tax resident of Country X but by virtue of the tax laws in Country X, it is a fiscally transparent entity.

The following are the assignments entered into by the firm and its global offices . Assignment A is a completed assignment, Assignment B is an ongoing assignment and Assignment C pertains to a future assignment which the firm is proposing to undertake. The facts and nature of the assignments containing India nexus are provided below.

Assignment A

Client Name: Connors & Ann, Country X

Nature of Assignment: Connors & Ann had entered into a joint venture agreement with an Indian party in March, 2017 for construction of a nuclear thermal power plant in Tamil Nadu, India during the financial year 2017-18.

Additional Details:

- As per the scope of work, the firm had
 - advised on all aspects of structuring and drafting, negotiation, construction contract and maintenance contracts;
 - advised on procurement structures, multi contract/onshore offshore structures;
 - provided specialised project finance expertise and ensured to reduce the risks associated with operating in foreign jurisdiction;
 - advised on tax and regulatory implications from a Country X law perspective; and
 - attended meetings with project sponsors, negotiated floating rate issues and advisory on any other overseas jurisdiction related regulatory aspects etc.
- The execution of work was done partly from India and partly from Country X office.
- The firm's employees and partners were in India for 120 days.
- The firm's billing model for the services rendered were as follows:
 - each partner and employee of the firm who was involved in doing work for the clients was required to maintain detailed time sheets recording the time spent by them on such work; the said time sheets separately showed the time spent on doing such work in India and outside India;
 - the time so spent was multiplied by the hourly billing rates applicable to each respective partner/employee as specified in the terms of appointment between the firm and the client;
 - the bills so raised were paid to the firm by the client outside India.

Based on the above details, the firm is of the view that the income attributable to the services rendered in India would be taxable in India. The said income would be arrived at based on "estimation of fees with reference to the fees rates at which such services could have been procured from corresponding professionals acting in India".

The firm intends to claim the following expenditure -

- (a) direct costs allocated on the basis of number of hours spent at the pro-rated Country X salary cost; and

(b) general overheads have been allocated @5% of income on an ad-hoc basis.

Assignment B

Client Name: Vidyut India Limited, an Indian Company which is a subsidiary of a Vidyut AG, an entity in Country Y.

Nature of Assignment: Vidyut India has entered into a contract with an Indian construction company for construction of a pharma research and development unit in India. Vidyut India also has a group entity, Vidyut Z Inc, in Country Z, from whom necessary inputs are obtained for construction of the pharma research and development centre. The construction agreement provided that the law in Country Y will govern the contract. There is currently a dispute in the contract and as per the agreement, the adjudication proceedings were initiated on 30th August 2017. Gryffindors Y is a registered firm in Country Y engaged by Vidyut India to represent it in the adjudication proceedings in India. Further, as part of the adjudication proceedings, site visits are essential in India and Country Z. For the site visit in Country Z, Gryffindors Z, a Country Z registered partnership firm was engaged for which Vidyut India would compensate the Country Z firm separately.

Additional Details:

- As per the terms of agreement, the activities are to be carried on in Country Y, Country Z and India.
- Except a site visit and an adjudication hearing in Chennai between 21st and 24th September, 2017, no other activity is carried on in India by Gryffindors Y. The total time spent in India was 6 days between 19th September and 24th September, 2017.
- Meanwhile, another site visit in Country Z was for 10 days for which partners from Gryffindors Z undertook the visit and provided its report to Gryffindors Y, Country Y. For the time spent by the Country Z firm, it had raised an invoice to Vidyut India.
- Apart from the 6 days in India and 10 days in Country Z, major part of the adjudication proceedings were at Country Y.
- Gryffindors Y produced a tax residency certificate from Country Y. It is also to be noted that Gryffindors Y is a fiscally transparent entity as per the tax laws of Country Y. Gryffindors Y is only liable for trade tax in Country Y.
- Gryffindors Z produced a tax residency certificate from Country Z tax authorities certifying that it is a tax resident of Country Z. It is also to be noted that Gryffindors Z is a fiscally transparent entity as per the Country Z tax laws.

Assignment C

Client Name: Abhimanyu Holdings Bank Limited, a banking company registered in India.

Nature of Assignment: Abhimanyu Holdings Bank Limited is contemplating to acquire a Country X based national bank. Therefore, it has approached Gryffindors LLP, Country X ('the Firm') for a counsel opinion for the proposed acquisition.

Additional Details:

- The scope of work for the firm shall be the following:
 - Phase I: Education & Training
 - Phase II: Acquisition Transaction
 - Phase III: Regulatory approval for the transaction.
- As part of the first phase, on education and training, the firm will provide a detailed document to Abhimanyu India on the legal framework on banking and regulatory laws in Country X. Further, apart from the document, the firm will provide presentation and discuss the various legal and regulatory requirements in Country X for setting up a bank branch or acquiring a bank in Country X.
- The presentation to be made by the firm will be to the bank officials of Abhimanyu India . The presentation will be made from the law firm's office in Country X. The purpose of the training is to ensure that if the bank sets up a branch or office in Country X, the said officials will be deputed to the Country X entity.
- The work shall be undertaken by the firm from its office in Country X and there will be no visit in India.
- As mentioned previously, the firm is a tax resident of Country X and is a fiscally transparent entity for tax purpose in Country X.
- Phase II and Phase III are subject to the conditions and legal environment being favourable, and hence, the happening of the same is not certain. However, Phase I: Education is certain and a fee of foreign currency equivalent to Rs.1,50,000 has been agreed upon by the firm to render Phase I services, which would be paid in Country X.

I. MULTIPLE CHOICE QUESTIONS

Based on the above facts, you are required to answer the following questions:

Write the correct answer to each of the following questions by choosing one of the four options given. Each question carries two marks.

1. ABC Ltd. an Indian company paid dividend distribution tax under section 115 -O in respect of dividend distributed by it to its resident and non-resident shareholders. Mr. John, a shareholder of ABC Ltd. and a resident of Country X, has to pay tax in Country X on dividend received by him from ABC Ltd., as per the domestic tax laws of Country X. This is an example of:
 - (a) Juridical double taxation
 - (b) Territorial double taxation
 - (c) Economic double taxation
 - (d) Municipal double taxation

2. Tax treaty is part of international law; hence its interpretation should be based on a certain set of principles and rules of interpretation. Which convention is used globally for interpretation of tax treaties?
 - (a) The UN Model Convention
 - (b) The OECD Model Convention
 - (c) Either (a) or (b) [Except in case of USA, where US Model Convention is used]
 - (d) The Vienna Convention
3. Can benefit of India-Country X tax treaty be availed by M/s. Gryffinders LLP ("the firm"), Country X in respect of income earned by it in India from Assignment A, which is taxable in both India and Country X, by virtue of the respective domestic tax laws?
 - (a) Yes, since the income is subject to tax in both countries albeit in the hands of different persons
 - (b) No, since as per the laws of Country X, the firm is a fiscally transparent entity. Hence, there is no double taxation of income in its hands.
 - (c) Yes, since the firm's employees and partners stayed in India for more than 100 days. Hence, the requisite condition for availing treaty benefit under the DTAA is satisfied.
 - (d) Yes, since the execution of work was done partly from India and partly from Country X. Hence, treaty benefit can be availed.
4. A fiscally transparent entity means –
 - (a) An entity entitled to concessional rate of tax
 - (b) An entity enjoying tax pass through status
 - (c) An entity entitled to benefits of DTAA
 - (d) An entity which is subject to distribution tax on profits distributed by it.
5. What are the tax implications under the Income-tax Act, 1961 in respect of income earned from assignment A by M/s. Gryffindors LLP, a Country X based partnership firm (You may ignore the provisions of the DTAA for the purpose of answering this question) -
 - (a) the entire income from the assignment is taxable in India
 - (b) Only income attributable to the services rendered in India is taxable in India
 - (c) No part of the income is taxable in India since the firm does not have a permanent establishment in India
 - (d) No part of the income is taxable in India since the income was received outside India.
6. In order to claim relief under the tax treaty in India, a non-resident –

- (a) should have a business presence in India
 - (b) should produce his Permanent Account Number
 - (c) should produce Tax Residency Certificate (TRC)
 - (d) should produce his income-tax return filed in the home country.
7. As per the provisions of the Income-tax Act, 1961, which of the following is **not** an objective of the Central Government to enter into tax treaty with another Country:
- (a) For granting relief in respect of income-tax chargeable to tax in India and the other country
 - (b) For enabling round tripping of unaccounted money into India
 - (c) For recovery of income-tax
 - (d) For exchange of information for prevention of evasion or avoidance of income tax
8. When a term used in a tax treaty is not defined in the tax treaty or in the Act, but the same is defined subsequently through a notification in the Official Gazette by the Central Government, then, in such a case:
- (a) The notification shall take effect from the date of its publication in the Official Gazette
 - (b) The notification shall be deemed to be effective from the date when the tax treaty came into force
 - (c) The notification shall be deemed to be effective from the date when the tax treaty was last modified
 - (d) The notification shall take effect from 1st April and be effective from the current assessment year.
9. In order to invoke the tax treaty for a person who is a dual resident i.e. tax resident in both the countries, which rule may be applied under the relevant article of the tax treaties to resolve the issue?
- (a) Force of Attraction
 - (b) Tie-breaker
 - (c) Equivalent beneficiary
 - (d) Non-discrimination
10. Under the provisions of the Income-tax Act, 1961, the term "Person" would not include:
- (a) A body corporate incorporated in a country outside India
 - (b) A Limited Liability Partnership (LLP)
 - (c) Indian branch of a foreign company
 - (d) A co-operative society

II. DESCRIPTIVE QUESTIONS

1. (i) For making the payment to Gryffindors Y and Gryffindors Z, Vidyut India Limited's tax advisor has opined that the Country Y firm and the Country Z firm are not eligible to access India -Country Y DTAA and India-Country Z DTAA, respectively, even though TRC has been provided by such firms. The Indian client's tax advisor has formed this view based on Article 1 read with the relevant articles of the India- Country Y DTAA and India Country Z DTAA coupled with the fact that both the firms are fiscally transparent entities as per the tax laws of the respective countries. Examine the correctness of the view taken by the tax adviser by analysing the relevant Articles of the India-Country Y DTAA and India Country Z DTAA

(6 Marks)

- (ii) Assuming that the tax treaty benefit is available for both the foreign entities, namely, Gryffindors Y and Gryffindors Z your views are solicited as to whether Article 14 of India-Country Y and India-Country Z tax treaty can be invoked.

(4 Marks)

- (iii) The firms want clarification as to whether surcharge, education cess and secondary and higher education cess need to be separately added to the withholding tax rate specified in the tax treaty while invoking the tax treaty rate. Examine.

(5 Marks)

2. (i) What are the tax implications under the Income-tax Act, 1961 in respect of income earned by the firm, M/s. Gryffindors X from the proposed phase I service to be rendered by it in respect of Assignment C?

(4 Marks)

- (ii) Assuming that the above-referred income is not chargeable to tax in India in the hands of the firm as per the Indian tax laws, is it possible to bring it into tax by invoking the India-Country X DTAA provisions?

(4 Marks)

- (iii) Assuming that the above-referred income is chargeable to tax in India, how can the tax liability of the firm be mitigated? Your answer should be based on the relevant provision(s) of the Income-tax Act, 1961.

(4 Marks)

- (iv) Assuming that the tax consequences in the above case are not certain, what is the option available to M/s. Gryffindors X to ensure tax certainty.

(3 Marks)

EXHIBIT A

Extract of the relevant Articles of India - Country X DTAA

ARTICLE 1

SCOPE OF THE CONVENTION

1. This Convention shall apply to persons who are residents of one or both of the Contracting States.
2. This Convention extends to the territory of each Contracting State, including its territorial sea, and to those areas of the exclusive economic zone or the continental shelf adjacent to the outer limit of the territorial sea of each State over which it has, in accordance with international law, sovereign rights for the purpose of exploration and exploitation of the natural resources of such areas, and references in this Convention to the Contracting State or to either of them shall be construed accordingly.

ARTICLE 2

TAXES COVERED

1. The taxes which are the subject of this Convention are :
 - (a) in Country X :
 - (i) the income-tax;
 - (ii) the corporation tax;
 - (iii) the capital gains tax; and
 - (iv) the petroleum revenue tax;(hereinafter referred to as "Country X tax");
 - (b) in India;
the income-tax including any surcharge thereon;
(hereinafter referred to as "Indian tax").
2. This Convention shall also apply to any identical or substantially similar taxes which are imposed by either Contracting State after the date of signature of this Convention in addition to, or in place of, the taxes of that Contracting State referred to in paragraph 1 of this Article. The competent authorities of the Contracting States shall notify each other of any substantial changes which are made in their respective taxation laws.

ARTICLE 3 (EXTRACT)

GENERAL DEFINITIONS

1. In this Convention, unless the context otherwise requires:

 (f) the term "person" includes an individual, a company, a body of persons and any other entity which is treated as a taxable unit under the taxation laws in force in the respective Contracting States;

ARTICLE 4

FISCAL DOMICILE

1. For the purposes of this Convention, the term "resident of a Contracting State" means any person who, under the laws of that State, is liable to tax therein by reason of his domicile, residence, place of management, place of incorporation, or any other criterion of a similar nature, provided, however, that:
 - (a) this term does not include any person who is liable to tax in that State in respect only of income from sources in that State; and
 - (b) in the case of income derived or paid by a partnership, estate, or trust, this term applies only to the extent that the income derived by such partnership, estate, or trust is subject to tax in that State as the income of a resident, either in its hands or in the hands of its partners or beneficiaries.

ARTICLE 5

PERMANENT ESTABLISHMENT

1. For the purposes of this Convention, the term "permanent establishment" means a fixed place of business through which the business of an enterprise is wholly or partly carried on.
2. The term "permanent establishment" shall include especially:
 - (a) a place of management
 - (b) a branch;
 - (c) an office
 - (d) a factory;
 - (e) a workshop;
 - (f) premises used as a sales outlet or for receiving or soliciting orders;
 - (g) a warehouse in relation to a person providing store facilities for others;
 - (h) a mine, an oil or gas well, quarry or other place of extraction of natural resources;
 - (i) an installation or structure used for the exploration or exploitation of natural resources;

- (j) a building site or construction, installation or assembly project or supervisory activities in connection therewith, where such site, project or supervisory activity continues for a period of more than six months, or where such project or supervisory activity, being incidental to the sale of machinery or equipment, continues for a period not exceeding six months and the charges payable for the project or supervisory activity exceed 10 per cent of the sale price of the machinery and equipment;
- (k) the furnishing of services including managerial services, other than those taxable under Article 13 (Royalties and fees for technical services), within a Contracting State by an enterprise through employees or other personnel, but only if:
 - (i) activities of that nature continue within that State for a period or periods aggregating more than 90 days within any twelve month period; or
 - (ii) services are performed within that State for an enterprise within the meaning of paragraph 1 of Article 10 (Associated enterprises) and continue for a period or periods aggregating more than 30 days within any twelve-month period:

Provided that for the purposes of this paragraph an enterprise shall be deemed to have a permanent establishment in a Contracting State and to carry on business through that permanent establishment if it provides services or facilities in connection with, or supplies plant and machinery on hire used or to be used in, the prospecting for, or extraction or production of, mineral oils in that State.

ARTICLE 13

ROYALTIES AND FEES FOR TECHNICAL SERVICES

1. Royalties and fees for technical services arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.
2. However, such royalties and fees for technical services may also be taxed in the Contracting State in which they arise and according to the law of that State; but if the beneficial owner of the royalties or fees for technical services is a resident of the other Contracting State, the tax so charged shall not exceed :
 - (a) in the case of royalties within paragraph 3(a) of this Articles, and fees for technical services within paragraphs 4(a) and (c) of this Article,—
 - (i) during the first five years for which this Convention has effect ;
 - (aa) 15 per cent of the gross amount of such royalties or fees for technical services when the payer of the royalties or fees for technical services is the Government of the first -mentioned Contracting State or a political sub-division of that State, and
 - (bb) 20 per cent of the gross amount of such royalties or fees for technical services in all other cases; and

- (ii) during subsequent years, 15 per cent of the gross amount of such royalties or fees for technical services; and
 - (b) in the case of royalties within paragraph 3(b) of this Article and fees for technical services defined in paragraph 4(b) of this Article, 10 per cent of the gross amount of such royalties and fees for technical services.
3. For the purposes of this Article, the term "royalties" means :
- (a) payments of any kind received as a consideration for the use of, or the right to use, any copyright of a literary, artistic or scientific work, including cinematography films or work on films, tape or other means of reproduction for use in connection with radio or television broadcasting, any patent, trade mark, design or model, plan, secret formula or process, or for information concerning industrial, commercial or scientific experience; and
 - (b) payments of any kind received as consideration for the use of, or the right to use, any industrial, commercial or scientific equipment, other than income derived by an enterprise of a Contracting State from the operation of ships or aircraft in international traffic.
4. For the purposes of paragraph 2 of this Article, and subject to paragraph 5, of this Article, the term "fees for technical services" means payments of any kind of any person in consideration for the rendering of any technical or consultancy services (including the provision of services of a technical or other personnel) which:
- (a) are ancillary and subsidiary to the application or enjoyment of the right, property or information for which a payment described in paragraph 3(a) of this article is received ; or
 - (b) are ancillary and subsidiary to the enjoyment of the property for which a payment described in paragraph 3(b) of this Article is received ; or
 - (c) make available technical knowledge, experience, skill know-how or processes, or consist of the development and transfer of a technical plan or technical design.
5. The definition of fees for technical services in paragraph 4 of this Article shall not include amounts paid :
- (a) for services that are ancillary and subsidiary, as well as inextricably and essentially linked, to the sale of property, other than property described in paragraph 3(a) of this Article;
 - (b) for services that are ancillary and subsidiary to the rental of ships, aircraft, containers or other equipment used in connection with the operation of ships, or aircraft in international traffic;
 - (c) for teaching in or by educational institutions ;
 - (d) for services for the private use of the individual or individuals making the payment ; or

- (e) to an employee of the person making the payments or to any individual or partnership for professional services as defined in Article 15 (Independent personal services) of this Convention.
6. The provisions of paragraphs 1 and 2 of this Article shall not apply if the beneficial owner of the royalties or fees for technical services, being a resident of a Contracting State, carries on business in the other Contracting State in which the royalties or fees for technical services arise through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the right, property or contract in respect of which the royalties or fees for technical services are paid is effectively connected with such permanent establishment or fixed base. In such case, the provisions of Article 7 (Business profits) or Article 15 (Independent personal services) of this Convention, as the case may be, shall apply.
 7. Royalties and fees for technical services shall be deemed to arise in a Contracting State where the payer is that State itself, a political sub-division, a local authority or a resident of that State. Where, however, the person paying the royalties or fees for technical services, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment or a fixed base in connection with which the obligation to make payments was incurred and the payments are borne by that permanent establishment or fixed base then the royalties or fees for technical services shall be deemed to arise in the Contracting State in which the permanent establishment or fixed base is situated.
 8. Where, owing to a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the royalties or fees for technical services paid exceeds for whatever reason the amount which would have been paid in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In that case, the excess part of the payments shall remain taxable according to the law of each Contracting State, due regard being had to the other provisions of this Convention.
 9. The provisions of this Article shall not apply if it was the main purposes or one of the main purposes of any person concerned with the creation or assignment of the rights in respect of which the royalties or fees for technical services are paid to take advantage of this Article by means of that creation or assignment.

EXHIBIT B

Extract of the relevant Articles of India - Country Y DTAA

ARTICLE 1

PERSONAL SCOPE

This Agreement shall apply to persons who are residents of one or both of the Contracting States.

ARTICLE 2

TAXES COVERED

- 1 This Agreement shall apply to taxes on income and on capital imposed on behalf of a Contracting State, of a land or a political sub-division or local authority thereof, irrespective of the procedure in which they are levied.
- 2 There shall be regarded as taxes on income and on capital all taxes imposed on total income, on total capital, or on elements of income or of capital, including taxes on gains from the alienation of movable or immovable property, and the pay roll tax.
- 3 The existing taxes to which this Agreement shall apply are in particular:
 - (a) in the Federal Republic of Country Y : income-tax,

corporation-tax,

capital tax, and

trade tax

(hereinafter referred to as "Country Y tax");
 - (b) in the Republic of India,

the income-tax including any surcharge tax thereon, and the wealth-tax (hereinafter referred to as "Indian tax").
- 4 This Agreement shall apply also to any identical or substantially similar taxes which are imposed after the date of signature of this Agreement in addition to, or in place of, the existing taxes. The competent authorities of the Contracting States shall notify each other of changes of importance which have been made in their respective taxation laws.

ARTICLE 3 (EXTRACT)

GENERAL DEFINITIONS

1. For the purposes of this Agreement, unless the context otherwise requires, -
 - (d) the term "person" includes an individual, a company and any other entity which is treated as a taxable unit under the taxation laws in force in the respective Contracting States ;

ARTICLE 4 (EXTRACT)

RESIDENT

1. For the purposes of this Agreement, the term "resident of a Contracting State" means any person who, under the laws of that State, is liable to tax therein by reason of his domicile, residence, place of management or any criterion of a similar nature. But this term does not include any person who is liable to tax in

that State in respect only of income from sources in that State or capital situated therein.

ARTICLE 14

INDEPENDENT PERSONAL SERVICES

1. Income derived by an individual who is a resident of a Contracting State from the performance of professional services or other independent activities of a similar character shall be taxable only in that State except in the following circumstances when such income may also be taxed in the other Contracting State:
 - (a) if he has a fixed base regularly available to him in the other Contracting State for the purpose of performing his activities, in that case, only so much of the income as is attributable to that fixed base may be taxed in that other State ;
or
 - (b) if his stay in the other Contracting State is for a period or periods amounting to or exceeding in the aggregate 120 days in the relevant fiscal year; in that case, only so much of the income as is derived from his activities performed in that other State may be taxed in that other State.
2. The term "professional services" includes independent scientific, literary, artistic, educational or teaching activities, as well as the independent activities of physicians, surgeons, lawyers, engineers, architects, dentists and accountants.

EXHIBIT C

Extract of the relevant Articles of India – Country Z DTAA

ARTICLE 1

PERSONAL SCOPE

This Agreement shall apply to persons who are residents of one or both of the Contracting States.

ARTICLE 2

TAXES COVERED

1. The taxes to which this Agreement shall apply are:

(a) in the case of India :

the Income-tax including any surcharge thereon; and

(b) in the case of Country Z:

the federal, cantonal and communal taxes on income (total income, earned income, income from capital, industrial and commercial profits, capital gains, and other items of income).

2. The Agreement shall also apply to any identical or substantially similar taxes which are imposed by either Contracting State after the date of signature of the present Agreement in addition to, or in place of, the taxes referred to in paragraph 1 of this Article.
3. In this Agreement, the term "Indian tax" means tax imposed by India, being tax to which this Agreement applies; the term "Country Z tax" means tax imposed in Country Z, being tax to which this Agreement applies; and the term "tax" means Indian tax or Country Z tax, as the context requires; but the taxes in the preceding paragraphs of this Article do not include any penalty or interest imposed under the law in force in either Contracting State relating to the taxes to which this Agreement applies.
4. The competent authorities of the Contracting States shall notify to each other any significant changes which have been made in their relevant respective taxation laws.

ARTICLE 3 (EXTRACT)

GENERAL DEFINITIONS

1. In this Agreement, unless the context otherwise requires:
 - (d) the term "person" includes an individual, a company, a body of persons, or any other entity which is taxable under the laws in force in either Contracting State;

ARTICLE 4

FISCAL DOMICILE

1. For the purposes of this Convention, the term "resident of a Contracting State" means any person who, under the laws of that State, is liable to tax therein by reason of his domicile, residence, place of management, place of incorporation, or any other criterion of a similar nature, provided, however, that:
 - (a) this term does not include any person who is liable to tax in that State in respect only of income from sources in that State; and
 - (b) in the case of income derived or paid by a partnership, estate, or trust, this term applies only to the extent that the income derived by such partnership, estate, or trust is subject to tax in that State as the income of a resident, either in its hands or in the hands of its partners or beneficiaries.

ARTICLE 14

INDEPENDENT PERSONAL SERVICES

1. Income derived by an individual or a firm who is a resident of one of the Contracting States in respect of professional services or other independent activities of a similar character shall be taxable only in that State unless:

- (a) the individual or firm has a fixed base regularly available to the individual or firm in the other Contracting State for the purpose of performing the individual's or the firm's activities, in which case the income may be taxed in that other State but only so much of it as is attributable to activities exercised from that fixed base; or
 - (b) the stay by the individual or, in the case of a firm, by one or more members of the firm (alone or together) in the other Contracting State is for a period or periods amounting to or exceeding 183 days in a year of income, in which case only so much of the income as is derived from the activities of the individual, that member or those members, as the case may be, in that other State may be taxed in that other State.
- 2. The term "professional services" includes services performed in the exercise of independent scientific, literary, artistic, educational or teaching activities as well as in the exercise of the independent activities of physicians, surgeons, lawyers, engineers, architects, dentists and accountants.