**France**

**Double Taxation Avoidance Agreement**

**Income-Tax Act,1961:Notification under section 90:Convention between the Government of the Republic of India and the Government of the French Republic for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital**

**Notification No. G.S.R.681(E),dtd.07.09.1994**

1.     Whereas the annexed Convention between the Government of the Republic of India and the Government of the French Republic for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital has come into force on the 1st day of August, 1994, on the notification by both the Contracting States to each other of the completion of the procedures required under their law for bringing into force of the said Convention in accordance with paragraph 1 of article 30 of the said Convention;

2.     Now, therefore, in exercise of the powers conferred by section 90 of the Income-tax Act, 1961 (43 of 1961), section 24A of the Companies (Profits) Surtax Act, 1964 (7 of 1964) and 44A of the Wealth-tax Act, 1957 (27 of 1957), the Central Government hereby directs that all the provisions of the said Convention shall be given effect to in the Union of India.

**ANNEXURE**

**CONVENTION BETWEEN THE GOVERNMENT OF THE REPUBLIC OF INDIA AND THE GOVERNMENT OF THE FRENCH REPUBLIC FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME AND ON CAPITAL**

The Government of the Republic of India and the Government of the French Republic, desiring to conclude a Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital;

Have agreed as follows:

**Article 1**

**PERSONAL SCOPE**

**This Convention 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 Convention shall apply are:

**a.     In India:**

                              i.        the income-tax including any surcharge thereon;

                             ii.        the surtax; and

                            iii.        the wealth-tax,

(hereinafter referred to as "Indian tax");

**b.    In France:**

                      i.        the income-tax (1'impot sur le revene' including any withholding tax, pre-payment (precompte) or advance payment with respect thereto;

                     ii.        the corporation tax (1'impot sur les soietes) including any withholding tax pre-payment (precompte) or advance payment with respect thereto; and

                    iii.        the wealth-tax (1'impot de solidarite sur la fortune).

(hereinafter referred to as "French tax").

2.     The Convention 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 Convention in addition to, or in place of, the taxes referred to in paragraph 1. 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**

**GENERAL DEFINITIONS**

In this Convention, unless the context otherwise requires:

a.     the term "India" means the territory of India and includes the territorial sea and air space above it, as well as any other maritime zone in which India, according to the Indian law, has sovereign rights, other rights and jurisdictions in accordance with international law;

b.    the term "France" means the European and overseas departments of the French Republic including the territorial sea and the air space above it as well as the areas within which, in accordance with International law, the French Republic has sovereign rights for the purpose of exploring and exploiting the natural resources of the sea-bed and its sub-soil and of the superjacent waters

c.     the terms "a Contracting State" and "the other Contracting State" mean India or France as the context requires;

d.    (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;

e.     the term "company" means any body corporate or any entity which is treated as a company or body corporate under the taxation laws in force in the respective Contracting States;

f.     the terms "enterprise of a Contracting State" and "enterprise of the other Contracting State" mean respectively an enterprise carried on by a resident of a Contracting State and an enterprise carried on by a resident of the other Contracting State;

g.    the term "competent authority" means, in the case of India, the Central Government in the Ministry of Finance (Department of Revenue) or their authorised representative; and in the case of France, the Minister in charge of the Budget or his authorised representative;

h.     (h)the term "national" means any individual possessing the nationality of a Contracting State and any legal person, partnership or association deriving its status from the laws in force in that Contracting State;

i.      the term "international traffic" means any transport by a ship or aircraft operated by an enterprise of a Contracting State except when the ship or aircraft is operated solely between places in the other Contracting State;

j.      (j)the term "fiscal year" in relation to Indian tax means "previous year" as defined in the Income-tax Act, 1961 (43 of 1961) and in relation to French income-tax means calendar year;

k.     (k) the term "tax" means Indian tax or French tax as the context requires.

As regards the application of the Convention by a Contracting State, any term not defined therein shall, unless the context otherwise requires, have the meaning which it has under the law of that Contracting State concerning the taxes to which the Convention applies.

**Article 4**

**RESIDENT**

For the purposes of this Convention, the term "resident of a Contracting State" means any person who, under the laws of that Contracting State, is liable to tax therein by reason of his domicile, residence, place of management or any other criterion of a similar nature.

Where by reason of the provisions of paragraph 1, an individual is a resident of both Contracting States, then his status shall be determined as follows:

a.     he shall be deemed to be a resident of the Contracting State in which he has a permanent home available to him; if he has a permanent home available to him in both Contracting States, he shall be deemed to be a resident of the Contracting State with which his personal and economic relations are closer (centre of vital interests);

b.    if the Contracting State in which he has his centre of vital interests cannot be determined, or if he has not a permanent home available to him in either Contracting State, he hall be deemed to be a resident of the Contracting State in which he has an habitual abode;

c.     if he has an habitual abode in both Contracting States or in neither of them, he shall be deemed to be a resident of the Contracting State of which he is a national;

d.    if he is a national of both Contracting States or of neither of them, the competent authorities of the Contracting States shall settle the question by mutual agreement.

Where by reason of the provisions of paragraph 1, a person, other than an individual is a resident of both Contracting States, then it shall be deemed to be a resident of the Contracting State in which its place of effective management is situated.

**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" includes especially:

a.     a place of management;

b.    a branch;

c.     an office;

d.    a factory;

e.     a workshop;

f.     a mine, an oil or gas well, a quarry or any other place of extraction of natural resources;

g.    a warehouse in relation to a person providing storage facilities for others;

h.     a premises used as a sales outlet;

i.      an installation or structure used for the exploration of natural resources provided that the activities continue for more than 183 days.

3.     A building site or construction, installation or assembly project constitutes a permanent establishment only where such site or project continues for a period of more than six months.

4.     Notwithstanding the preceding provisions of this Article, the term "permanent establishment" shall be deemed not to include:

a.     the use of facilities solely for the purpose of storage or display of goods or merchandise belonging to the enterprise;

b.    the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage or display;

c.     the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;

d.    the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise or of collecting information, for the enterprise;

e.     the maintenance of a fixed place of business solely for the purpose of advertising for the supply of information, for scientific research, or for other activities which have a preparation or auxiliary character, for the enterprise;

f.     the maintenance of a fixed place of business solely for any combination of activities mentioned in sub-paragraphs (a) to (e), provided that the overall activity of the fixed place of business resulting from this combination is of preparatory or auxiliary character.

5.     Notwithstanding the provisions of paragraphs 1 and 2 where a person other than an agent of an independent status to whom paragraph 6 applies is acting in one of the Contracting States on behalf of an enterprise of the other Contracting State, that enterprise shall be deemed to have a permanent establishment in the first-mentioned Contracting State, if:

a.     he has and habitually exercises in that Contracting State an authority to conclude contracts on behalf of the enterprise, unless, his activities are limited to the purchase of goods or merchandise for the enterprise; or

b.    he has no such authority, but habitually maintains in the first mentioned Contracting State a stock of goods or merchandise from which he regularly delivers goods or merchandise on behalf of the enterprise.

6.     An enterprise of one of the Contracting States shall not be deemed to have a permanent establishment in the other Contracting State merely because it carries on business in that other Contracting State through a broker, general commission agent or any other agent of an independent status, provided that such persons are acting in the ordinary course of their business. However, when the activities of such an agent are devoted wholly or almost wholly on behalf of that enterprise, he will not be considered an agent of an independent status within the meaning of this paragraph if it is shown that the transactions between the agent and the enterprise were not made under at arm's length conditions.

7.     The fact that a company which is a resident of one of the Contracting States controls or is controlled by a company, which is a resident of the other Contracting State, or which carries on business in that other Contracting State (whether through a permanent establishment or otherwise), shall not of itself constitute either company a permanent establishment of the other.

**Article 6**

**INCOME FROM IMMOVABLE PROPERTY**

1.     Income derived by a resident of a Contracting State from immovable property (including income from agriculture or forestry) situated in the other Contracting State may be taxed in that other Contracting State.

2.     The term "immovable property" shall have the meaning which it has under the law of the Contracting State in which the property in question is situated. The term shall in any case include property accessory to immovable property, rights to which the provisions of general law respecting landed property apply, usufruct of immovable property and rights to variable or fixed payments as consideration for the working of, or the right to work, mineral deposits, sources and other natural resources. Ships, boats and aircraft shall not be regarded as immovable property.

3.     The provisions of paragraph 1 shall also apply to income derived from the direct use, letting, or use in any other form of immovable property.

4.     The provisions of paragraphs 1 and 3 shall also apply to the income from immovable property of an enterprise and to income from immovable property used for the performance of independent personal services.

**Article 7**

**BUSINESS PROFITS**

1.     The profits of an enterprise of one of the Contracting States shall be taxable only in that Contracting State unless the enterprise carries on business in the other Contracting State through a permanent establishment situated therein. If the enterprise carries on business as aforesaid, the profits of the enterprise may be taxed in the other Contracting State but only so much of them as is attributable to that permanent establishment.

2.     Subject to the provisions of paragraph 3, where an enterprise of one of the Contracting States carries on business in the other Contracting State through a permanent establishment situated therein, there shall in each Contracting State be attributed that permanent establishment the profits which it might be expected to make if it were a distinct and separate enterprise engaged in the same or similar activities under the same or similar conditions and dealing wholly independently with the enterprise of which it is a permanent establishment. In any case where the correct amount of profits attributable to a permanent establishment is incapable of determination or the determination thereof presents exceptional difficulties, the profits attributable to the permanent establishment may be estimated on the basis of an apportionment of the total profits of the enterprise to its various parts, provided, however, that the result shall be in accordance with the principles contained in this Article.

3.

a.     In determining the profits of a permanent establishment, there shall be allowed as deductions expenses which are incurred for the purposes of the permanent establishment, including executive and general administrative expenses so incurred, whether in the Contracting State in which the permanent establishment is situated or elsewhere, in accordance with the provisions of and subject to the limitations of the taxation laws of that Contracting State. Provided that where the law of the Contracting State in which the permanent establishment is situated imposes a restriction on the amount of the executive and general administrative expenses which may be allowed, and that restriction is relaxed or overridden by any Convention, Agreement or Protocol signed after 1st January, 1990, between that Contracting State and a third State which is a member of the OECD, the competent authority of that Contracting State shall notify the competent authority of the other Contracting State of the terms of the corresponding paragraph in the Convention, Agreement or Protocol with that third State immediately after the entry into force of that Convention, Agreement or Protocol and, if the competent authority of the other Contracting State so requests, the provisions of that paragraph shall apply under this Convention from that entry into force.

b.    However, no such deduction shall be allowed in respect of amounts, if any, paid (otherwise than towards reimbursement of actual expenses) by the permanent establishment to the head office of the enterprise or any of its other offices, by way of royalties, fees or other similar payments in return for the use of patents or other rights, or by way of commission for specific services performed or for management, or, except in the case of a banking enterprise, by way of interest on moneys lent to the permanent establishment. Likewise, no account shall be taken, in the determination of the profits of a permanent establishment, for amounts charged (otherwise than towards reimbursement of actual expenses), by the permanent establishment to the head office of the enterprise or any of its other offices, by way of royalties, fees or other similar payments in return for the use of patents or other rights, or by way of commission for specific services performed or for management, or, except in the case of a banking enterprise, by way of interest on moneys lent to the head office of the enterprise or any of its other offices.

4.     No profits shall be attributed to a permanent establishment by reason of the mere purchase by that permanent establishment of goods or merchandise for the enterprise.

5.     For the purpose of the preceding paragraphs, the profits to be attributed to the permanent establishment shall be determined by the same method year by year unless there is good and sufficient reason to the contrary.

6.     Where profits include items of income which are dealt with separately in other Articles of this convention, then the provisions of those Articles shall not be affected by the provisions of this Article.

**Article 8**

**AIR TRANSPORT**

1.     Profits derived by an enterprise of a Contracting State from the operation of aircraft in international traffic shall be taxable only in that Contracting State.

2.     The provisions of paragraph 1 shall also apply to profits from the participation in a pool, a joint business or an international operating agency.

3.     For the purpose of this article, interest on funds connected with the operation of aircraft in international traffic shall be regarded as profits derived from the operation of such aircraft, and the provisions of article 12 shall not apply in relation to such interest.

4.     The term "operation of aircraft" shall mean business of transportation by air of passengers, mail, livestock or goods carried on by the owners or lessees or charterers of aircraft, including the sale of tickets for such transportation on behalf of other enterprises, the incidental lease of aircraft and any other activity directly connected with such transportation.

**Article 9**

**SHIPPING**

1.     Profits derived by an enterprise of a Contracting State from the operation of ships in international traffic shall be taxable only in that Contracting State.

2.     Notwithstanding the provisions of paragraph 1, such profits may be taxed in the other Contracting State from which they are derived provided that the tax so charged shall not exceed:

a.     during the first five fiscal years after the entry into force of this Convention, 50 per cent., and

b.    during the subsequent five fiscal years, 25 per cent.,of the tax otherwise imposed by the internal law of that Contracting State. Subsequently, only the provisions of paragraph 1 shall be applicable.

3.     The provisions of paragraphs 1 and 2 shall also apply to profits from the participation in a pool, a joint business or an international operating agency engaged in the operation of ships.

4.     For the purposes of this article interest arising on funds connected with the operation of ships in international traffic shall be regarded as profits derived from the operation of such ships, and the provisions of Article 12 shall not apply in relation to such interest.

**Article 10**

**ASSOCIATED ENTERPRISES**

Where:

a.     an enterprise of a Contracting State participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting State, or

b.    the same persons participate directly or indirectly in the management, control or capital of an enterprise of a Contracting State and an enterprise of the other Contracting State,

and in either case conditions are made or imposed between the two enterprises in their commercial or financial relations which differ from those which would be made between independent enterprises, then any profits which would, but for those conditions, have accrued to one of the enterprises, but, by reason of those conditions have not so accrued, may be included in the profits of that enterprise and taxed accordingly.

**Article 11**

**DIVIDENDS**

1.     Dividends paid by a company which is resident of a Contracting State to a resident of the other Contracting State may be taxed in that other Contracting State.

2.     However, such dividends may also be taxed in the Contracting State of which the company paying the dividends is a resident and according to the laws of that Contracting State, but if the recipient is the beneficial owner of the dividends the tax so charged shall not exceed 15 per cent. of the gross amount of the dividends.

This paragraph shall not affect the taxation of the company in respect of the profits out of which the dividends are paid.

3.

a.     A resident of India who receives dividends from a company which is a resident of France which, if received by a resident of France, would entitle such resident to a tax credit (avoir fiscal), shall be entitled from the French Treasury to a payment equal to such tax credit (avoir fiscal) subject to the deduction of tax as provided for under paragraph 2 of this Article.

b.    The provisions of sub-paragraph (a) of this paragraph shall apply only to a resident of India who is

                              i.          an individual; or

                             ii.          a company which holds directly or indirectly less than 10 per cent. of the capital of the French company paying the dividends.

c.     The provisions of sub-paragraph (a) of this paragraph shall not apply if the recipient of the payment from the French Treasury provided for in sub-paragraph (a) of this paragraph is not subject to Indian tax in respect of the payment.

d.    Payments from the French Treasury provided for under sub-paragraph (a) of this paragraph shall be deemed to be dividend for the purpose of this Convention.

4.     When the prepayment (pre-compute) is levied in respect of dividends paid by a company which is a resident of France to a resident of India who is not entitled to the payment from the French Treasury referred to in paragraph 3 of this article with respect to such dividends, such resident shall be entitled to the refund of that prepayment, subject to the deduction of the withholding tax with respect to the refunded amount in accordance with paragraph 2 of this Article.

5.     As used in this Article the term "dividends" means income from shares or other rights, not being debt-claims participating in profits, as well as income from other corporate rights treated in the same manner as income from shares by the taxation laws of the Contracting State of which the company making the distribution is a resident and any other item (other than interest which falls within the provisions of Article 12) treated as a dividend or distribution under that law.

6.     The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the dividends, being a resident of a Contracting State, carries on business in the other Contracting State of which the company paying the dividends is a resident, through a permanent establishment situated therein or performs in that other Contracting State independent personal services from a fixed base situated therein, and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment or fixed base. In such case, the provisions of Article 7, or Article 15, as the case may be, shall apply.

7.     Where a company which is a resident of a Contracting State derives profits or income from the other Contracting State, that other Contracting State may not impose any tax on the dividends paid by the company except in so far as such dividends are paid to a resident of that other Contracting State or in so far as the holding in respect of which the dividends are paid is effectively connected with a permanent establishment or a fixed base situated in that other Contracting State, nor subject the company's undistributed profits to a tax on the company's undistributed profits, even if the dividends paid or the undistributed profits consist wholly or partly of profits or income arising in such other Contracting State.

**Article 12**

**INTEREST**

1.     Interest arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other Contracting State.

2.     However, such interest may also be taxed in the Contracting State in which it arises and according to the laws of that State, but if the recipient is the beneficial owner of the interest, the tax so charged shall not exceed:

a.     10 per cent. of the gross amount of the interest on loans made or guaranteed by a bank or other financial institution carrying on bona fide banking or financing business or by an enterprise which holds directly or indirectly at least 10 per cent. of the capital of the company paying the interest;

b.    15 per cent. of the gross amount of the interest in all other cases.

3.     Notwithstanding the provisions of paragraph 2:

a.     Interest arising in a Contracting State shall be exempt from tax in that Contracting State provided it is derived and beneficially owned by:

                                          i.    the Government, a political sub-division or local authority of the other Contracting State; or

                                         ii.    the "Reserve Bank of India" in the case of India and the 'Banque de France" in the case of France; or

                                        iii.    any other institution as may be agreed from time to time between the competent authorities of the Contracting States;

a.     interest arising in a Contracting State shall be exempt from tax in that Contracting State if it is beneficially owned by a resident of the other Contracting State and is derived in connection with a loan or credit extended or endorsed by:

                                          i.    in the case of France, the Banque Francaise du Commerce Exterieur, or the Compagnie Francaise d'Assurance pour le Commerce Exterieur (COFACE);

                                         ii.    in the case of India, the Export-Import Bank of India;

                                        iii.    any institution of the other Contracting State in charge of the public financing of external trade.

4.     The term "interest" as used in this Article means income from debt-claims of every kind, whether or not secured by mortgage and whether or not carrying a right to participate in the debtor's profits, and in particular, income from Government securities and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures. Penalty charges for late payment shall not be regarded as interest for the purpose of this Article.

5.     The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the interest, being a resident of a Contracting State, carries on business in the other Contracting State in which the interest arises, through a permanent establishment situated therein, or performs in that other Contracting State independent personal services from a fixed base situated therein, and the debit-claim in respect of which the interest is paid is effectively connected with such permanent establishment or fixed base. In such case, the provisions of Article 7 or Article 15, as the case may be, shall apply.

6.     Interest shall be deemed to arise in a Contracting State when the payer is that Contracting State itself, a political sub-division, a local authority or a resident of that Contracting State. Where, however, the person paying the interest, 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 indebtedness on which the interest is paid was incurred, and such interest is borne by such permanent establishment or fixed base, then such interest shall be deemed to arise in the Contracting State in which the permanent establishment or fixed base is situated.

7.     Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the interest, having regard to the debt-claim for which it is paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply to the last mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Convention.

**Article 13**

**ROYALTIES AND FEES FOR TECHNICAL SERVICES AND PAYMENTS FOR THE USE OF EQUIPMENT**

1.     Royalties, fees for technical services and payments for the use of equipment arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other Contracting State.

2.     However, such royalties, fees and payments may also be taxed in the Contracting State in which they arise and according to the laws of that Contracting State, but, if the recipient is the beneficial owner of these categories of income the tax so charged shall not exceed 20 per cent. of the gross amount of such royalties, fees and payments.

3.     The term "royalties" as used in this Article means payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work including cinematograph films, or films or tapes used for 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.

4.     The term "fees for technical services" as used in this Article means payments of any kind to any person, other than payments to an employee of the person making the payments and to any individual for independent personal services mentioned in Article 15, in consideration for services of a managerial, technical or consultancy nature.

5.     The term "payments for the use of equipment" as used in this Article means payments of any kind received as a consideration for the use of, or the right to use, industrial, commercial or scientific equipment.

6.     The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the royalties, fees for technical services or the payments for the use of equipment being a resident of a Contracting State, carries on business in the other Contracting State in which the royalties, fees for the technical services or the payments for the use of equipment arises, through a permanent establishment situated therein, or performs in that other Contracting State independent personal services from a fixed base situated therein, and the royalties, fees for technical services or the payments for the use of equipment are effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 15, as the case may be, shall apply.

7.     Royalties, fees for technical services or payments for the use of equipment shall be deemed to arise in a Contracting State when the payer is that Contracting State itself, a political sub-division, a local authority or a resident of that Contracting State. Where however, the person paying the royalties, fees for technical services or the payments for the use of equipment, 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 contract under which the royalties, fees for technical services or the payments for the use of equipment are paid was concluded, and such royalties, fees for technical services or payments for the use of equipment are borne by such permanent establishment or fixed base, then such royalties, fees for technical services or payments for the use of equipment shall be deemed to arise in the Contracting State in which the permanent establishment or fixed base is situated.

8.     Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the royalties, fees for technical services or the payments for the use of equipment, having regard to the royalties, technical services or the use of equipment for which they are paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess Part of the payment shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Convention.

**Article 14**

**CAPITAL GAINS**

1.     Gains derived by a resident of a Contracting State from the alienation of immovable property, referred to in Article 6, and situated in the other Contracting State may be taxed in that other Contracting State.

2.     Gains from the alienation of movable property forming part of the business property of a permanent establishment which an enterprise of a Contracting State has in the other Contracting State or of movable property pertaining to a fixed base available to a resident of a Contracting State in the other Contracting State for the purpose of performing independent personal services, including such gains from the alienation of such a permanent establishment (alone or together with the whole enterprise) or of such fixed, base, may be taxed in that other Contracting State.

3.     Gains, from the alienation of ships or aircraft operated, in international traffic or, movable property pertaining to the operation of such ships or aircraft shall be taxable only in the Contracting State of which the alienator is a resident.

4.     Gains from, the alienation of shares of the capital stock of a company the property of which consists directly or indirectly principally of immovable property situated in a Contracting State may be taxed in that Contracting State. For the purposes of this, provision, immovable property pertaining to the industrial or commercial operation of such company shall not be taken into account.

5.     Gains from the alienation of shares other than those mentioned in paragraph 4 representing a participation of at least 10 per cent. in a company which is a resident of, a Contracting State may be taxed in that Contracting State.

6.     Gains, from the alienation of any property other than that mentioned in paragraphs: 1, 2, 4 and 5 shall be taxable only in the Contracting State of which the alienator is a resident.

**Article 15**

**INDEPENDENT PERSONAL SERVICES**

1.     Income derived, by an individual or, a partnership of individuals 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 Contracting 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 Contracting State; or

b.    if his stay in the other Contracting State is for a period or periods amounting to or exceeding in the aggregate 183 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 Contracting State may be taxed in that other Contracting 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.

**Article 16**

**DEPENDENT PERSONAL SERVICES**

1.     Subject to the provisions of Articles 17, 18, 19, 20, 21 and 22, salaries, wages and other similar remuneration derived by a resident of a Contracting State in respect of an employment shall be taxable only in that Contracting State unless the employment is exercised in the other Contracting State. If the employment is so exercised, such remuneration as is derived therefrom may be taxed in that other Contracting State.

2.     Notwithstanding the provisions of paragraph 1, remuneration derived by a resident of a Contracting State in respect of an employment exercised in the other Contracting State shall be taxable only in the first mentioned Contracting State if:

a.     the recipient is present in the other Contracting State for a period or periods not exceeding in the aggregate 183 days in the relevant "fiscal year"; and

b.    the remuneration is paid by, or on behalf of, an employer who is not a resident of the other Contracting State; and

c.     the remuneration is not borne by a permanent establishment or a fixed base which the employer has in the other Contracting State.

3.     Notwithstanding the preceding provisions of this Article, remuneration derived in respect of an employment exercised aboard a ship or aircraft operated in international traffic by an enterprise of a Contracting State may be taxed in that Contracting State.

**Article 17**

**DIRECTORS' FEES**

Directors' fees and similar payments derived by a resident of a Contracting State in his capacity as a member of the board of directors of a company which is a resident of the other Contracting State may be taxed in that other Contracting State.

**Article 18**

**INCOME EARNED BY ENTERTAINERS AND ATHLETES**

1.     Notwithstanding the provisions of Articles 15 and 16, income derived by a resident of a Contracting State as an entertainer such as a theatre, motion picture, radio or television artiste or a musician or as an athlete, from his personal activities as such exercised in the other Contracting State may be taxed in that other Contracting State.

2.     Where income in respect of personal activities exercised by an entertainer or athlete in his capacity as such accrues not to the entertainer or athlete himself but to another person, that income may, notwithstanding the provisions of Articles 7, 15 and 16, be taxed in the Contracting State in which the activities of the entertainer or athlete are exercised.

3.     Notwithstanding the provisions of paragraph 1, income derived by an entertainer or an athlete who is a resident of a Contracting State from his personal activities as such exercised in the other Contracting State, shall be taxable only in the first-mentioned Contracting State, if the activities in the other Contracting State are supported wholly or substantially from the public funds of the first-mentioned Contracting State, including any of its political sub-divisions or local authorities.

4.     Notwithstanding the provisions of paragraph 2 and Articles 7, 15 and 16, where income in respect of personal activities exercised by an entertainer or an athlete in his capacity as such in a Contracting State accrues not to the entertainer or athlete himself but to another person, that income shall be taxable only in the other Contracting State, if that other person is supported wholly or substantially from the public funds of that other Contracting State, including any of its political sub-divisions or local authorities.

**Article 19**

**REMUNERATION AND PENSIONS IN RESPECT OF GOVERNMENT SERVICE**

1.

a.     Remuneration, other than a pension, paid by a Contracting State or a political sub-division or a local authority thereof or out of public funds of that Contracting State to an individual in respect of services rendered to that Contracting State or sub-division or authority shall be taxable only in that Contracting State.

b.    However, such remuneration shall be taxable only in the other Contracting State if the services are rendered in that other Contracting State and the individual is a resident of that other Contracting State who is a national of that other Contracting State without being a national of the Contracting State to which the services are rendered.

2.     Any pension paid by, or out of funds created by a Contracting State or a political sub-division or a local authority thereof to an individual in respect of services rendered to that Contracting State or subdivision or authority shall be taxable only in that Contracting State.

3.     The provisions of Articles 16, 17 and 20 shall apply to remuneration and pensions in respect of services rendered in connection with a business carried on by a Contracting State or a political sub-division or local authority thereof.

**Article 20**

**NON-GOVERNMENT PENSIONS AND ANNUITIES**

1.     Any pension, other than a pension referred to in Article 19, or any annuity derived by a resident of a Contracting State from sources within the other Contracting State shall be taxable only in the first-mentioned Contracting State.

2.     The term "pension" means a periodic payment made in consideration of past services or by way of compensation for injuries received in the course of performance of services.

3.     The term "annuity" means a stated sum payable periodically at stated times during life or during a specified or ascertainable period of time, under an obligation to make the payments in return for adequate and full consideration in money or money's worth.

4.     Notwithstanding the provisions of paragraph 1, pensions paid and other payments made under a public scheme which is a part of the social security system of a Contracting State or a political sub-division or a local authority thereof shall be taxable only in that Contracting State.

**Article 21**

**PAYMENTS RECEIVED BY STUDENTS AND APPRENTICES**

A student or business apprentice who is or was a resident of one of the Contracting States immediately before visiting the other Contracting State and who is present in that other Contracting State solely for the purpose of his education or training, shall be exempt from tax in that other Contracting State on payments made to him by persons residing outside that other Contracting State for the purposes of his maintenance, education or training.

**Article 22**

**PAYMENTS RECEIVED BY PROFESSORS, TEACHERS AND RESEARCH SCHOLARS**

1.     A professor, teacher, or a research scholar who is or was a resident of one of the Contracting States immediately before visiting the other Contracting State for the purpose of teaching or engaging in research, or both, at a university college, school or other approved institution in that other Contracting State shall be taxable only in the first-mentioned Contracting State on any remuneration for such teaching or research for a period not exceeding two years from the date of his arrival in that other Contracting State.

2.     This Article shall not apply to income from research if such research is undertaken primarily for the private benefit of a specific person or persons.

3.     For the purposes of this Article and Article 21, an individual shall be deemed to be a resident of a Contracting State if he is resident in that Contracting State in the "fiscal year" in which he visits the other Contracting State or in the immediately preceding "fiscal year".

4.     For the purposes of paragraph 1, "approved institution" means an institution which has been approved as an educational or research institution by the appropriate authority of the concerned Contracting State.

**Article 23**

**OTHER INCOME**

1.     Subject to the provisions of paragraph 2, items of income of a resident of a Contracting State, wherever arising, which are not expressly dealt with in the foregoing Articles of this Convention, shall be taxable only in that Contracting State.

2.     The provisions of paragraph 1, shall not apply to income, other than income from immovable property as defined in paragraph 2 of Article 6, if the recipient of such income, being a resident of a Contracting State, carries on business in the other Contracting State through a permanent establishment situated therein, or performs in that other Contracting State independent personal services from a fixed base situated therein, and the right or property in respect of which the income is paid is effectively connected with such permanent establishment or fixed base. In such case, the provisions of Article 7 or Article 15, as the case may be, shall apply.

3.     Notwithstanding the provisions of paragraphs 1 and 2, items of income of a resident of a Contracting State not dealt with in the foregoing Articles of this Convention, and arising in the other Contracting State may be taxed in that other Contracting State.

**Article 24**

**CAPITAL**

1.     Capital represented by immovable property referred to in article 6 or rights treated as immovable property, owned by a resident of a Contracting State and situated in the other Contracting State, may be taxed in that other Contracting State.

2.     Capital represented by shares of the capital stock of a, company the property of which consists directly or indirectly principally of immovable property situated in a Contracting State may be taxed in that Contracting State. For the purposes of this provision, immovable property pertaining to the industrial or commercial operation of such company shall not be taken into account.

3.     Capital represented by movable property forming part of the business property of a permanent establishment which an enterprise of a Contracting State has in the other Contracting State or by movable property pertaining to a fixed base available to a resident of a Contracting State in the other Contracting State for the purpose of performing independent personal services may be taxed in that other Contracting State.

4.     Capital represented by ships and aircraft operated in international traffic and by movable property pertaining to the operation of such ships and aircraft shall be taxable only in the Contracting State in which the place of effective management of the enterprise is situated.

5.     All other elements of capital of a resident of a Contracting State shall be taxable only in that Contracting State.

**Article 25**

**ELIMINATION OF DOUBLE TAXATION**

**Double taxation shall be avoided in the following manner:**

1.     In the case of India:

a.     Where a resident of India derives income or owns capital which, in accordance with the provisions of this Convention, may be taxed in France, India shall allow as a deduction from the tax on the income of that resident an amount equal to the income tax paid in France, whether directly or by deduction; and as a deduction from the tax on the capital of that resident an amount equal to the capital tax paid in France. Such deduction in either case shall not, however, exceed that part of the income tax or capital tax (as computed before the deduction is given) which is attributable, as the case may be, to the income or the capital which may be taxed in France. Further, where such resident is a company by which surtax is payable in India, the deduction in respect of income tax paid in France shall be allowed in the first instance from income tax payable by the company in India and as to the balance, if any, from surtax payable by it in India.

b.    Where a resident of India derives income which, in accordance with the provisions of this Convention shall be taxable only in France, India may include this income in the tax base but shall allow as a deduction from the income tax that part of the income tax which is attributable to the income derived from France.

2.     In the case of France:

a.     Profits and other positive income arising in India and which are taxable in that Contracting State in accordance with the provisions of this Convention, are taken into account for the computation of the French tax where such income is received by a resident of France. The Indian tax shall not be deductible from such income. The beneficiary shall be entitled to a tax credit against French tax attributable to such income. Such tax credit shall be equal:

                                                  i.    in the case of income referred to in paragraph 2 of Article 9, Articles 11, 12, 13, paragraph 5 of Article 14, paragraph 3 of Article 16, Article 17, paragraphs 1 and 2 of Article 18, and paragraph 3 of article 23, to the amount of tax paid in India in accordance with the provisions of those articles. However, it shall not exceed the amount of French tax attributable to such income;

                                                 ii.    in the case of other income, to the amount of French tax attributable to such income, which is thus exempted. This provision shall apply also to the remuneration referred to in Article 19 and in paragraph 4 of Article 20.

b.    As regards the application of sub-paragraph (a) to income referred to in articles 12 and 13, where the amount of tax paid in India in accordance with the provisions of these articles exceeds the amount of French tax attributable to such income, the resident of France receiving such income may present his case to the French competent authority. If it appears that such a situation results in taxation which is not comparable to taxation on net income, that competent authority may allow the non credited amount of tax paid in India as a deduction from the French tax levied on other income from foreign sources derived by that resident. The provisions of this sub-paragraph shall not apply where tax is deemed to be paid in India according to the provisions of sub-paragraphs (c) and (d).

c.     For the purposes of the tax credit referred to in sub-paragraph (a) (i) the term "tax paid in India" shall be deemed to include any amount which would have been payable as Indian tax under the laws of India, and within the limits provided for by this Convention, for any year but for an exemption from, or reduction of, tax granted for that year under:

                                                  i.    Sections 10(4), 10(4B), 10(15)(iv) covering interest section 10(6)(viia) covering salaries and section 80L covering interest and dividends, of the Income-tax Act, 1961 (43 of 1961), so far as they were in force on, and have not been modified since, the date of the signature of this Convention, or have been modified only in minor respects so as