**French Republic**

**Notification No. S. O. 650(E), dated 10th July, 2000.**

Whereas the Convention between the Republic of India and the French Republic for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital came into force on the 1st day of August, 1994, after the notification by both the Contracting States to each other of the completion of the procedures required under their laws for bringing into force the said Convention.

And whereas the Central Government 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 1969) and section 44A of the Wealth-tax Act, 1957 (27 of 1957), had directed that all the provisions of the said Convention annexed to the notification of the Government of India in the Ministry of Finance (Department of Revenue) (Foreign Tax Department) No. G.S.R. 681(E), dated 7th September, 1994, shall be given effect to in the Union of India.

And whereas paragraph 7 of the Protocol dated 29th September, 1992, to the aforesaid Convention provides that if after 1st day of September, 1989, under any Convention Agreement or Protocol concluded between India and a third State which is a member of the Organisation for Economic Co-operation and Development, India should limit its taxation at source on dividends, interest, royalties, fees for technical services or payments for the use of equipment to a rate lower or a scope more restricted than the rate or scope provided for in this Convention on the said items of income, then, as from the date on which the Convention between India and France or the relevant India Convention, Agreement or Protocol enters into force, whichever enters into force later, the same rate or scope as provided for in that Convention, Agreement or Protocol on the said items of incomes shall also apply under this Convention;

And whereas in the Convention between India and Germany which entered into force on 26th October, 1996, and the Convention between India and the United States of America which entered into force on 18th December, 1990, which States are members of the Organisation for Economic Co-operation and Development, the Government of India has limited the taxation at source on dividends, interest, royalties, fees for technical services and payments for the use of equipment to a rate lower or a scope more restricted than that provided in the Convention between India and France on the said items of income;

Now, therefore, in exercise of the powers conferred under section 90 of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby directs that the following modifications shall be made in the Convention notified by the said notification which are necessary for implementing the aforesaid Convention between India and France, namely:

I.      With effect from 1st April, 1997, for the existing paragraph 2 of article 11 relating to "Dividends", the following paragraph shall be read;

"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 10 per cent. of the gross amount of the dividends."

II.     With effect from 1st April, 1995, for the existing paragraph 2 of article 12 relating to "Interest", the following paragraph shall be read:

"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 financial business or an insurance company or by an enterprise which holds directly or indirectly at least 10 per cent. of the capital of the company paying interest;

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

III.    With effect from 1st April, 1997, for paragraph 2 of article 12 relating to "Interest", referred to in paragraph II above, the following paragraph shall be read:

" 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 10 per cent. of the gross amount of the interest."

IV.   With effect from 1st April, 1995, for the existing paragraph 2 of article 13 relating to "Royalties and fees for technical services and payments for the use of equipment", the following paragraph shall be read:

"However, such royalties and fees 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---

a.     in the case of royalties and fees 20 per cent. of the gross amount of such royalties or fees; and

b.    in the case of payments referred to in paragraph 5 of this article, 10 per cent. of the gross amount of such payments."

V.    With effect from 1st April, 1997, for paragraph 2 of article 13 relating to "Royalties and fees for technical services and payments for the use of equipment", referred to in paragraph IV above, the following paragraph shall be read:

"However, such royalties and fees 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 10 per cent. of the gross amount of such royalties, fees and payments."

[Notification No. 11438/F. No. 501/16/80-FTD