**German Democratic Republic**

**Double Taxation Avoidance Agreement**

**Agreement between the Government of Republic of the India and the Government of the German Democratic Republic for the avoidance of double taxation with respect to taxes on income and on capital**

**Notification No. G. S. R. 107(E), dtd. 2nd March, 1990.**

Whereas the annexed agreement between the Government of the Republic of India and the Government of the German Democratic Republic for the avoidance of double taxation with respect to taxes on income and on capital has come into force on the 24th November, 1989, on the notification by both the Contracting States to each other of the approval of the agreement under their laws in accordance with article 31 of the said agreement;

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

**ANNEXURE**

**AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF INDIA AND THE GOVERNMENT OF THE GERMAN DEMOCRATIC REPUBLIC FOR THE AVOIDANCE OF DOUBLE TAXATION WITH RESPECT TO TAXES ON INCOME AND ON CAPITAL.**

The Government of the Republic of India and the Government of the German Democratic Republic;

Desiring to promote economic co-operation between the two States through an Agreement for the avoidance of double taxation with respect to taxes on income and on capital;

Have agreed as follows:

**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 Republic of India:**

                              i.          the income-tax including any surcharge thereon imposed under the Income-tax Act, 1961 (43 of 1961); and

                             ii.          the wealth-tax imposed under the Wealth-tax Act, 1957 (27 of 1957) (hereinafter referred to as "Indian tax").

**b.    In the German Democratic Republic:**

                              i.          Einkommensteuer (income-tax);

                             ii.          Koerperschaftsteuer (corporate income-tax);

                            iii.          Gewinnabfuhrungen der Staatlichen Betriebe (revenue transfer by public enterprises);

                            iv.          Lohnsteue; (tax on wages);

                             v.          Steuer auf Lizenzgebuhren (tax on royalties);

                            vi.          Gewerbesteuer (trade-tax); and

                           vii.          Vermogensteuer (property-tax)

(hereinafter referred to as "German Democratic Republic tax").

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.

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**

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

a.             the terms "a Contracting State" and "the other Contracting State" mean Republic of India or the German Democratic Republic as the context requires;

b.            the term "tax" means Indian tax or German Democratic Republic tax as the context requires, but shall not include any amount which is payable in respect of any default or omission in relation to the taxes to which this Agreement applies or which represents a penalty imposed relating to those taxes;

c.             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;

d.            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;

e.             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;

f.             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 the German Democratic Republic, the Ministry of Finance;

g.            the term "national" means:

                                          i.    any individual possessing the nationality of a Contracting State under the laws in force in that State; and

                                         ii.    any legal person, partnership or Organisation deriving its status from the laws in force in the Contracting State;

h.     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.

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

**Article 4**

**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 other criterion of a similar nature.

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

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

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

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

3.             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 State in which its place of effective management is situated.

**Article 5**

**PERMANENT ESTABLISHMENT**

1.             For the purposes of this Agreement, the term "permanent establishment" means a fixed place of business through which the business of the 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 or a warehouse;

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

g.            a farm or plantation;

h.             a premises used as a sales outlet or for receiving or soliciting orders;

i.              an installation or structure used for the exploration or development of natural resources;

j.              a building site or construction, installation or assembly project or supervisory activities in connection therewith, where such site, project or activities (together with other such sites, projects or activities, if any) continue for a period of more than six months.

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

a.             a temporary building site or construction or installation project executed by the Government of a Contracting State in the other State;

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

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

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

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

f.             the maintenance of. a fixed place of business solely for the purpose of advertising, for the supply of information, for scientific research, or for similar activities which have a preparatory or auxiliary character, for the enterprise.

However, the provisions of sub-paragraphs (b) to (f) shall not be applicable where the enterprise maintains any other fixed place of business in the other Contracting State for any purposes other than the purposes specified in the said sub-paragraphs.

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

a.             he has and habitually exercises in that 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;

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

c.             he habitually secures orders in the first-mentioned State, wholly or almost wholly for the enterprise itself or for the enterprise and other enterprises controlling, controlled by, or subject to the same common control as, that enterprise.

5.             An enterprise of a Contracting State shall not be deemed to have a permanent establishment in the other Contracting State merely because it carries on business in that other 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 itself or on behalf of that enterprise and other enterprises controlling, controlled by, or subject to the same common control, as that enterprise, he will not be considered an agent of an independent status within the meaning of this paragraph.

6.             The fact that a company which is a resident of a Contracting State 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 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, livestock and equipment used in agriculture and forestry, rights to which the provisions of the law of the Contracting State 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 a Contracting State shall be taxable only in that 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 State but only so much of them as are attributable to (a) that permanent establishment; (b) sales in that other State of goods or merchandise of the same or similar kind as those sold through that permanent establishment; or (c) other business activities carried on in that other State of the same or similar kind as those effected through that permanent establishment.

2.             Subject to the provisions of paragraph 3, where an enterprise of a Contracting State carries on business in the other Contracting State through a permanent establishment situated therein, there shall in each Contracting State be attributed to 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 a reasonable basis.

3.             In the determination of the profits of a permanent establishment, there shall be allowed as deductions expenses which are incurred for the purposes of the business of the permanent establishment including executive and general administrative expenses so incurred, whether in the 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 State. 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, know-how or other rights, or by way of commission or other charges 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 amount 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, know-how or other rights, or by way of commission or other charges 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 purposes 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 Agreement, 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 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 purposes of this article, interest on the 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.             Income derived by an enterprise of a Contracting State from the operation of ships in international traffic may be taxed in the other Contracting State.

2.             No income-tax and/or turnover-tax shall be levied or collected by the Government of the German Democratic Republic on the freight earnings and/or profits on national cargo carried by the Indian vessels including those under time-charter between ports of the two States, and, similarly, no income-tax and/or turnover-tax shall be levied or collected by the Government of the Republic of India on the freight earnings and/or profits on an national cargo carried by the vessels of the German Democratic Republic including those under time-charter between ports of the two States.

3.             Income derived by an enterprise of a Contracting State from the operation of ships in international traffic for the transport of cargo other than that belonging to either Contracting State may be taxed also in that other Contracting State; but such tax shall be restricted to 50 per cent. of the tax otherwise leviable in the source country.

4.             The provisions of this article 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.

5.             For the purposes of this article:

a.             interest on funds connected with the operation of ships in international traffic shall be regarded as income from the operation of such ships and the provisions of article 12 shall not apply in. relation to such interest; and

b.            income from the operation of ships includes income derived from the use, maintenance or rental of containers (including trailers and related equipment for the transport of containers) in connection with the transport of goods or merchandise in international traffic.

**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 a resident of a Contracting State to a resident of the other Contracting State may be taxed in that other 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 State, but if the recipient is the beneficial owner of the dividends, the tax as charged shall not exceed:

a.             15 per cent. of the gross amount of the dividends if the beneficial owner is a company which owns at least 25 per cent. of the shares of the company paying the dividends;

b.            25 pet cent. of the gross amount of the dividends in all other cases.

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

3.             The term "dividends" as used in this article means income from shares or other rights, not being debt-claims, participating in profits, as well as income from other corporate rights which is subjected to the same taxation treatment as income from shares by the laws of the State of which the company making the distribution is a resident.

4.             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 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 a case, the provisions of article 7 or article 15, as the case may be, shall apply.

5.             Where a company which is a resident of a Contracting State derives profits or income from the other Contracting State, that other 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 State or 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 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 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 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 15 per cent. of the gross amount of the interest.

3.             Notwithstanding the provisions of paragraph 2,--

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

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

                                                 ii.    the Central Bank of the other Contracting State;

b.            interest arising in a Contracting State shall be exempt from tax in that Contracting State to the extent approved by the Government of that State if it is derived and beneficially owned by any person other than a person referred to in sub-paragraph (a) who is a resident of the other Contracting State provided that the transaction giving rise to the debt-claim has been approved in this regard by the Government of the first-mentioned Contracting State.

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 State independent personal services from a fixed base situated therein and the debt-claim in respect of which the interest is paid is effectively connected with such a 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 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 Agreement.

**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 laws of that State, but if the recipient is the beneficial owner of the royalties, or fees for technical services, the tax so charged shall not exceed 22.5 (twenty-two and a half) per cent. of the gross amount of the royalties or fees for technical services.

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 tapes used for radio or television broadcasting, any patent, trade mark, design or model, plan, secret formula or process, or for the use of, or the right to use, industrial, commercial or scientific equipment, 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 amount to any person other than payments to an employee of a person making payments, in consideration for the services of a managerial, technical or consultancy nature, including the provision of services of technical or other personnel.

5.             The provisions of paragraphs 1 and 2 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 or article 15, as the case may be, shall apply.

6.             Royalties and fees for technical services shall be deemed to arise in a Contracting State when 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 liability to pay the royalties or fees for technical services was incurred, and such royalties or fees for technical services are borne by such permanent establishment or fixed base, then such royalties or fees for technical services shall be deemed to arise in the State in which the permanent establishment or fixed base is situated.

7.             Where, by reason of special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of royalties or fees for technical services paid exceeds 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 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 Agreement.

**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 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 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 State.

5.             Gains from the alienation of shares other than those mentioned in paragraph 4 in a company which is a resident of a Contracting State may be taxed in that State.

6.             Gains from the alienation of any property other than that mentioned in paragraphs 1, 2, 3, 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 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.    (b)if his stay in the other Contracting State is for a period or periods amounting to or exceeding in the aggregate 90 days in the relevant "previous year" or "year of income", as the case may be; 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.

**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 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 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 firstmentioned State if:

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

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

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

4.     Exports of either Contracting State delegated to the other Contracting State under Agreements for Scientific Exchanges and Co-operation between India and the German Democratic Republic in force from time to time shall be exempted by the other State from payment of income-tax on the salaries and allowances paid to them by their respective States.

**Article 17**

**DIRECTORS' FEES AND REMUNERATION OF TOP LEVEL MANAGERIAL OFFICIALS**

1.             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 State.

2.             Salaries, wages and other similar remuneration derived by a resident of a Contracting State in his capacity as an official in a top-level managerial position of a company which is a resident of the other Contracting State may be taxed in that other State.

**Article 18**

**INCOME EARNED BY ENTERTAINERS**

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 from his personal activities as such exercised in the other Contracting State may be taxed in that other State:

Provided that income derived by individuals or groups of persons from activities exercised in the framework of cultural exchanges agreed between the Contracting States on a bilateral or multilateral basis may be taxed only in the State of which they are residents.

**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 to an individual in respect of services rendered to that State or sub-division or authority shall be taxable only in that State.

b.            However, such remuneration shall be taxable only in the other Contracting State if the services are rendered in that other State and the individual is a resident of that State who:

1.             is a national of that State; or

2.             did not become a resident of that State solely for the purpose of rendering the services

2.

a.             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 State or sub-division or authority shall be taxable only in that State.

b.            However, such pension shall be taxable only in the other Contracting State if the individual is a resident of, and a national of, that other State.

3.     The provisions of articles 16, 17 and 18 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 may be taxed 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.

**Article 21**

**PAYMENTS RECEIVED BY STUDENTS AND APPRENTICES**

1.             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 State solely for the purpose of his education or training, shall be exempt from tax in that other State on:

a.             payments made to him by persons residing outside that other State for the purposes of his maintenance, education or training; and

b.            remuneration from employment in that other State in an amount not exceeding Rs.15,000 or its equivalent in "Mark of the GDR" during any "previous year" or the "year of income", as the case may be, provided that such employment is directly related to his studies or is undertaken for the purpose of his maintenance.

2.             The benefits of this article shall extend only for such period of time as may be reasonable or customarily required to complete the education or training undertaken, but in no event shall any individual have the benefits of this article, for more than six consecutive years from the date of his first arrival in that other Contracting State.

**Article 22**

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

1.             A professor or teacher 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 exempt from tax in that other 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 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 "previous year" or the "year of income", as the case may be, in which he visits the other Contracting State or in the immediately preceding "previous year" or the "year of income".

4.             For the purposes of paragraph 1, "approved institution" means an institution which has been approved in this regard by the competent 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 Agreement, 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 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 a 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 resident of a Contracting State not dealt with in the foregoing articles of this Agreement and arising in the other Contracting State may be taxed in that other State.

**Article 24**

**CAPITAL**

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

2.             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 State.

3.             Capital represented by ships or aircraft, operated in international traffic and by movable property pertaining to the operation of such ships or aircraft shall be taxed only in the Contracting State of which the enterprise owning such property is a resident.

4.             All other elements of capital of a resident of la Contracting State may be taxed in both Contracting States.

**Article 25**

**ELIMINATION OF DOUBLE TAXATION**

1.             The laws in force in either of the Contracting States shall continue to govern the taxation of income and capital in the respective Contracting States except where an express provision to the contrary is made in this Agreement.

2.             Where a resident of a Contracting State derives income or owns capital which, in accordance with the provisions of this Agreement may be taxed in the other Contracting State, the first-mentioned State shall, subject to the provisions of paragraph 3, exempt such income or capital from tax.

3.             Where in accordance with any provision of the Agreement income derived or capital owned by a resident of a Contracting State is exempt from tax in that State, such State may nevertheless, in calculating the amount of tax on the remaining income or capital of such resident, take into account the exempted income or capital.

**Article 26**

**NON-DISCRIMINATION**

1.             The nationals of a Contracting State shall not be subjected in the other Contracting State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which nationals of that other State in the same circumstances and under the same conditions are or may be subjected.

2.             The taxation on a permanent establishment which an enterprise of a Contracting State has in the other Contracting State shall not be less favourably levied in that other State than the taxation levied on enterprises of that other State carrying on the same activities in the same circumstances and under the same conditions.

3.             Nothing contained in this article shall be construed as obliging a Contracting State to grant to persons not resident in that State any per sonal allowances, reliefs, reductions and deductions for taxation purposes which are by law available only to persons who are so resident.

4.             Enterprises of a Contracting State, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Contracting State, shall not be subjected in the first-mentioned Contracting State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which other similar enterprises of that first-mentioned State are or may be subjected in the same circumstances and under the same conditions.

5.             In this article, the term "taxation" means taxes which are the subject of this Agreement.

**Article 27**

**MUTUAL AGREEMENT PROCEDURE**

1.             Where a resident of a Contracting State considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with this Agreement, he may, notwithstanding the remedies provided by the national laws of those States, present his case to the competent authority of the Contracting State of which he is a resident. The case must be presented within three years of receipt of notice of the action which gives rise to taxation not in accordance with the Agreement.

2.             The competent authority shall endeavour, if the objection appears to it to be justified and if it is not itself able to arrive at an appropriate solution, to resolve the case by mutual agreement with the competent authority of the other Contracting State, with a view to avoidance of taxation not in accordance with the Agreement. Any agreement reached shall be implemented notwithstanding any time limits in the national laws of the Contracting States.

3.             The competent authorities of the Contracting States shall endeavour to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of the Agreement. They may also consult together for the elimination of double taxation. in cases not provided for in the Agreement.

4.             The competent authorities of the Contracting States may communicate with each other directly for the purpose of reaching an agreement in the sense of the preceding paragraphs. When it seems advisable in order to reach Agreement to have an oral exchange of opinions, such exchange may take place through a Commission consisting of representatives of the competent authorities of the Contracting States.

**Article 28**

**EXCHANGE OF INFORMATION**

1.             The competent authorities of the Contracting States shall exchange such information (including documents) as is necessary for carrying out the provisions of the Agreement or of the domestic laws of the Contracting States concerning taxes covered by the Agreement, in so far as the taxation thereunder is not contrary to the Agreement, in particular for the prevention of fraud or evasion of such taxes. Any information received by a Contracting State shall be treated as, secret in the same manner as information obtained under the domestic laws of that State. However, if the information is originally regarded as secret in the transmitting State, it shall be disclosed only to persons or authorities (including courts and administrative bodies) involved in the assessment or collection of, the enforcement or prosecution in respect of, or the determination of appeals in relation to, the taxes which are the subject of the Agreement. Such persons or authorities shall use the information only for such purposes but may disclose the information in public court proceedings or in judicial decisions. The competent authorities shall, through consultation, develop appropriate conditions, methods and techniques concerning the matters in respect of which such exchange of information shall be made, including, where appropriate, exchange of information regarding tax avoidance.

2.             The exchange of information or documents shall be either on a routine basis or on a request with reference to particular cases or both. The competent authorities of the Contracting States shall agree from time to time on the list of information or documents which shall be furnished on a routine basis.

3.             In no case shall the provisions of Paragraph 1 be construed so as to impose on a Contracting State the obligation:

a.             to carry out administrative measures at variance with the laws or administrative practice of that or of the other Contracting State;

b.            to supply information or documents which are not obtainable under the laws or in the normal course of the administration of that or of the other Contracting State;

c.             to supply information or documents which would disclose any trade, business, industrial, commercial or professional secret or trade process or information the disclosure of which would be contrary to public policy.

**Article 29**

**ASSISTANCE IN COLLECTION**

1.             The Contracting States undertake to lend assistance and support to each other, in the collection of the taxes to which this Agreement relates, in the cases where the taxes are definitely due according to the laws of the State making the request.

2.             In the case of a request for enforcement of collection, tax claims of either of the Contracting States which have been finally determined will be accepted for enforcement by the other Contracting State to which the request is made and collected in that State in accordance with the laws applicable to the enforcement and collection of its taxes.

3.             In the case of Indian tax, the request will be sent by the Central Board of Direct Taxes, Department of Revenue to the Ministry of Finance of the German Democratic Republic, and will be accompanied by such certificate as is required by the laws of India to establish that the taxes have been finally determined on the basis of the relevant domestic laws and are due from the taxpayer.

4.             In the case of the German Democratic Republic tax, the request will be sent by the Ministry of Finance to the Central Board of Direct Taxes, Department of Revenue, in India and will be accompanied by such certificate as is required by the laws of the German Democratic Republic to establish that the taxes have been finally determined on the basis of the relevant domestic laws, and are due from the taxpayer.

5.             Where the tax claim has not become final by reason of its being subject to appeal or any other proceeding, a Contracting State may, in order to protect its revenues, request the other Contracting State to take such interim measures in this behalf as are lawful under the laws of that other Contracting State.

6.             A request for assistance in collection of taxes due from a taxpayer shall be made only if adequate income or assets of that taxpayer are not available for recovering the taxes from him in the Contracting State making the request.

7.             The Contracting State in which tax is recovered in pursuance of Paragraphs 1, 2 and 5 of this article shall immediately thereafter remit the amount so recovered to the Contracting State which made the request but it shall be entitled to reimbursement of costs, if any, incurred in the course of rendering assistance in the recovery of such tax but in no event, such costs shall exceed 10 per cent. of the amount so recovered.

**Article 30**

**DIPLOMATIC AND CONSULAR ACTIVITIES**

Nothing in this Agreement shall affect the fiscal privileges of diplomatic or consular officials under the general rules of international law or under the provisions of special agreements.

**Article 31**

**ENTRY INTO FORCE**

1.             This Agreement shall be ratified or approved in accordance with the laws in force in the two Contracting States.

2.             This Agreement shall enter into force upon the exchange of notes notifying the approval or ratification of the Agreement in accordance with the laws in force.

3.             The provisions of the Agreement shall apply:

a.             in the Republic of India, to taxes covered by this Agreement which are levied for any year of assessment, beginning on or after the first day of April, 1985;

b.            in the German Democratic Republic, to taxes covered by this Agreement which are levied for any year of assessment, beginning on or after the first day of January, 1985.

**Article 32**

**PERIOD OF VALIDITY**

1.             This Agreement is concluded for unlimited duration but either Contracting State may terminate the Agreement by giving written notice after five years from the day of its entry into force, so however, that at least six months remain before the end of the calendar year in which the notice is given. 2. In such event, the Agreement shall cease to have effect:

a.             in the Republic of India, in respect of income arising in any previous year beginning on or after the 1st day of January next following the calendar year in which the notice is given;

b.            in the German Democratic Republic, in respect of income arising in any year of income beginning on or after the 1st day of January next following the calendar year in which the notice of termination is given.

IN WITNESS WHEREOF the undersigned, being duly authorised thereto,