

Q. Discuss the significance of Double Taxation Avoidance Agreements (DTAAs) in fostering international trade and investment. Highlight the key features and challenges associated with their implementation in India. (10 Marks)

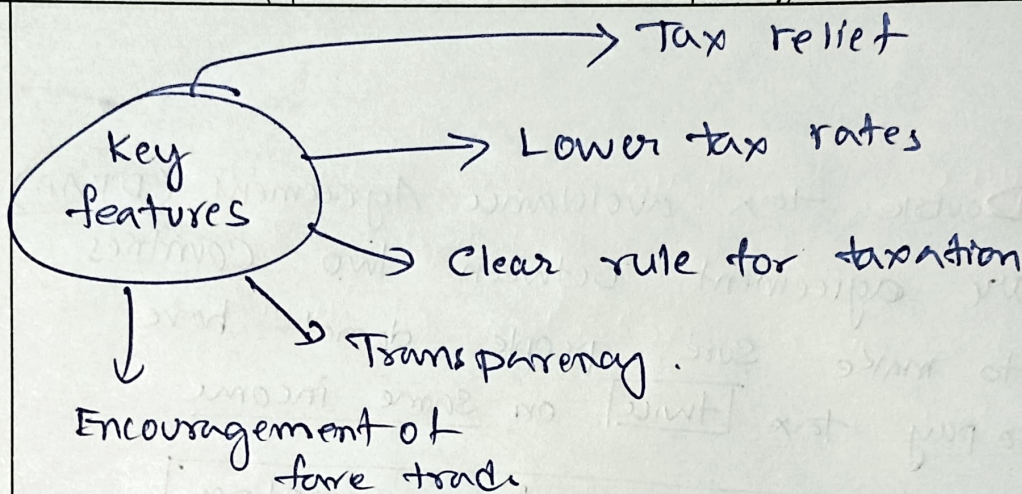
Double tax avoidance Agreement (DTAA) are agreement between two countries to make sure people do not have to pay tax twice on same income

DTAAs are crucial for promoting international trade & investment

- ① Eliminating risk of double taxation
- ② Encourage cross-border business & investments.
- ③ By providing tax reliefs or credits for taxes paid in other country.
- ④ Also By preventing tax evasion through information exchange.
- ⑤ Promote economic cooperation & transparency between countries.
- ⑥ DTAAs reduce overall tax burden on individuals and businesses operating internationally.

UPSC

Answer Questions in NOT MORE THAN the Word Limit specified for each in the Parenthesis.
(Specimen Answer Booklet - For Practice Purpose Only)



Challenges in Implementation in India

- Ambiguous provision & misuse of agreement.
- Conflicts with domestic Laws.
 - (eg) Switzerland suspend MFN (Most Favored Nation) Clause in DTAA with India due to Indian Supreme Court rule regarding interpretation of MFN provision.

Way forward

Thus, DTAA plays a crucial role in international trade & investment by preventing double taxation,

Aligning provision with domestic Law, simply process of interpreting etc can significantly boost cross-border economic activities.