

New DTAA With Malaysia To Bring Relief For Indian Firms
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NEW DELHI, Feb 4 (Bernama) -- Dividends paid by Indian companies to Malaysian investors or entities will attract a lower withholding tax of 5 per cent against 10 per cent earlier..

This is provided for in the new India-Malaysia double-taxation avoidance agreement (DTAA), which came into force on December 26, The Hindu reported.

The new agreement, signed in May, will be effective in India from April 1 while in Malaysia, it became effective from January 1.

Besides providing a mechanism for exchanging banking information for tax administration, the new agreement also contains a limitation of benefit clause and an anti-abuse provision, the English daily reported.

One of the new features in the agreement is that it provides for corresponding transfer pricing adjustment in the other country, said accounting firm, Ashok Maheshwary & Associates's Partner, Amit Maheshwari.

Simply put, if an Indian transfer pricing officer makes a transfer pricing adjustment to an Indian affiliate of a Malaysian company, then a corresponding adjustment can be made by Malaysian authorities in the books of the Malaysian entity.

Earlier, this provision was absent and led to double taxation.

The new agreement has also, in line with international practice, introduced a new article for taxing capital gains from alienation of property.

The concept of service permanent establishment has also been introduced with a threshold of 90 days within any 12-month period, said the report.

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