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INCOME-TAX ACT, 2025

B: Double taxation relief

Section 159 - Agreement with foreign countries or specified territories and adoption by Central Government of agreement between specified associations for double taxation relief.

(1) The Central Government may enter into an agreement with the Government of—

(a) any other country; or

(b) any specified territory,

for the purposes mentioned in sub-section (3), and may, by notification, make such provisions as necessary for implementing the agreement.

(2) Any specified association in India may enter into an agreement with any specified association in the specified territory for the purposes mentioned in sub-section (3) and the Central Government may, by notification, make such provisions as may be necessary for adopting and implementing such agreement.

(3) The agreement mentioned in sub-section (1) or (2) may be entered for—

(a) the granting of relief in respect of—

(i) income on which income-tax under this Act and income-tax in that country or specified territory, as the case may be have been paid;

(ii) income-tax chargeable under this Act and under the corresponding law in force in that country or specified territory, as the case may be, to promote mutual economic relations, trade and investment; or

(b) the avoidance of double taxation of income under this Act and under the corresponding law in force in that country or specified territory, as the case may be, without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided in the said agreement for the indirect benefit to residents of any other country or territory);

(c) exchange of information for––

(i) the prevention of evasion or avoidance of income-tax chargeable under this Act or under the corresponding law in force in that country or specified territory, as the case may be; or

(ii) investigation of cases of such evasion or avoidance; or

(d) recovery of income-tax under this Act and under the corresponding law in force in that country or specified territory, as the case may be.

(4) Where,––

(a) the Central Government has entered into an agreement with the Government of any country or specified territory, as the case may be, under sub-section (1); or

(b) a specified association in India has entered into an agreement with a specified association of any specified territory under sub-section (2) and such agreement has been notified under that sub-section,

for granting relief of tax, or avoidance of double taxation, then, in relation to the assessee to whom such agreement applies, the provisions of this Act shall apply to the extent they are more beneficial to that assessee.

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(5) The charge of tax,––

(a) in respect of a foreign company at a rate higher than the rate at which a domestic company is chargeable; or

(b) in respect of a company incorporated in the specified territory at a rate higher than the rate at which a domestic company is chargeable,

shall not be regarded as less favourable charge or levy of tax in respect of such foreign company or such company incorporated in the specified territory, as the case may be.

(6) Irrespective of anything contained in sub-section (4), the provisions of Chapter XI shall apply to the assessee, even if such provisions are not beneficial to him.

(7) Where, any––

(a) term used in an agreement entered into under sub-section (1) or (2), is defined under the said agreement, the said term shall have the same meaning as assigned to it in that agreement and where the term is not defined in that agreement, but defined in this Act, it shall have the same meaning as assigned to it in this Act and the explanation, if any, given to it by the Central Government; or

(b) term is used but not defined in this Act or in the agreement referred to in sub-section (1) or (2), it shall, unless the context otherwise requires, and is not inconsistent with the provisions of this Act or the said agreement, have the same meaning as assigned to it in the notification issued by the Central Government in this behalf, and the meaning assigned to such term shall be deemed to have effect from the date on which that agreement came into force; or

(c) term is used in any agreement entered into under sub-section (1) or (2), and not defined under the said agreement or this Act, or in any notification issued under clause (b), then, unless the context otherwise requires, it shall have the same meaning as assigned to it––

(i) in any Act of the Central Government related to taxes; and

(ii) in any other case, in any other law of the Central Government,

and shall be deemed to have effect from the date on which the said agreement came into force.

(8) An assessee, not being a resident, shall be entitled to claim any relief under an agreement mentioned in sub-section (1) or (2), only when––

(a) a certificate of his being a resident in any country or specified territory, is obtained by him from the Government of that country or Government of that specified territory, as the case may be; and

(b) he provides such other documents and information, as may be prescribed.

(9) For the purposes of this section,––

(a) “specified associations” means any institution, association or body, whether incorporated or not––

(A) functioning under any law for the time being in force in India or the laws of the specified territory; and

(B) which may be notified as such by the Central Government for the purposes of this section;

(b) “specified territory” means any area outside India which may be notified as such by the Central Government.

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