



Income Tax Department

Government of India

PAKISTAN *

Agreement for avoidance of double taxation of income from international air transport with Pakistan

Whereas the annexed Agreement between the Republic of India and the Islamic Republic of Pakistan for the avoidance of double taxation of income derived from international air transport has entered into force on the 1st day of August, 1989 on the notification by both the Contracting States to each other on completion of the procedures required by their respective laws, as required by Article 5 of the said Agreement;

Now, therefore, in exercise of the powers conferred by section 90 of the Income-tax Act, 1961 (43 of 1961), and section 24A of the Companies (Profits) Surtax Act, 1964 (7 of 1964), the Central Government hereby directs that all the provisions of the said Agreement shall be given effect to in the Union of India.

Notification : No. GSR 792(E), dated 29-8-1989.

ANNEXURE

AGREEMENT BETWEEN THE REPUBLIC OF INDIA AND THE ISLAMIC REPUBLIC OF PAKISTAN FOR THE AVOIDANCE OF DOUBLE TAXATION OF INCOME DERIVED FROM INTERNATIONAL AIR TRANSPORT

The Government of the Republic of India and the Government of the Islamic Republic of Pakistan desiring to conclude an agreement for the avoidance of double taxation of income derived from international air transport have agreed as follows :

* See also 'SAARC Agreement' under Limited Multilateral Agreements.
See also Circular No. 127, dated 10-1-1974.

ARTICLE 1

TAXES COVERED

1. This Agreement shall apply to taxes on income imposed on behalf of a Contracting State of its political sub-divisions or local authorities irrespective of the manner in which they are levied.

2. The existing taxes to which this Agreement shall apply are :

- (a) in the case of Pakistan :
 - (i) the income-tax ;
 - (ii) the super tax ; and
 - (iii) the surcharge ;
 (hereinafter referred to as "Pakistan tax")
- (b) in the case of India :
 - (i) the income-tax including surcharge thereon ; and
 - (ii) the surtax ;
 (hereinafter referred to as "Indian tax").

3. This Agreement shall also apply to any identical or substantial similar taxes which are imposed after the date of signature of this Agreement in addition to, or in place of, the taxes referred to in paragraph 2 of this Article. The competent, authority of a Contracting State shall, as soon as possible or at least at the end of each year, notify the other of any substantive changes which are made in its taxation law.

ARTICLE 2

DEFINITIONS

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

- (a) the terms "a Contracting State" and "the other Contracting State" mean Pakistan or India, as the context requires;
- (b) the term "tax" means "Pakistan tax", or "Indian tax" as the context requires;
- (c) the term "enterprise of a Contracting State" means :
- (i) an airline designated by the Government of that State in pursuance of the Agreement between the Government of the Islamic Republic of Pakistan and the Government of the Republic of India relating to air services dated 16th July, 1976 (as amended or revised from time to time); or
- (ii) an airline which is authorised by the Government of that State by a general or special arrangement between the two Contracting States to operate chartered flights between or beyond their territories;
- (d) the term "international traffic" means any transport by an aircraft operated by an enterprise of a Contracting State, except when the aircraft is operated solely between places in the other Contracting State;
- (e) the term "competent authority" means:
- (i) in the case of India, the Central Government in the Ministry of Finance (Department of Revenue) or their authorised representative ; and
- (ii) in the case of Pakistan, the Central Board of Revenue or their authorised representative.

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 under the law of that State concerning the taxes to which the Agreement applies.

ARTICLE 3

AVOIDANCE OF DOUBLE TAXATION

1. Profits derived by an enterprise of a Contracting State from the operation of aircraft in international traffic shall be exempt from tax in the other Contracting State.
2. The provisions of paragraph 1 shall also apply to the profits from the participation in a pool, a joint business or an international operating agency.
3. For the purposes of paragraph 1, interest on funds connected with the operation of aircraft in international traffic shall be regarded as profits derived from the operation of such aircraft.

ARTICLE 4

RESIDUAL PROVISIONS

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

ARTICLE 5

ENTRY INTO FORCE

Each Contracting State shall notify to the other the completion of the procedure required by its law for the bringing into force of this Agreement. The Agreement shall enter into force on the first day of the second month following the month in which the later of these notifications has been given and shall have effect in respect of income derived on or after the 1st day of July, 1986.

ARTICLE 6

TERMINATION

1. This Agreement shall continue in effect indefinitely but either Contracting State may, on or before the thirtieth day of June in any calendar year beginning not earlier than the expiry of a period of five years from the date of its entry into force, give notice of termination to the other Contracting State and in such event this Agreement shall cease to be effective :

- (a) in Pakistan, in respect of any assessment year on or after the 1st day of July of the second calendar year following the year in which the notice is given ;
- (b) in India, in respect of any assessment year commencing on or after the 1st day of April of the second calendar year following the year in which the notice is given.

2. In case a comprehensive agreement for the avoidance of double taxation with respect to taxes on income, including, *inter alia*, income derived from International Air Transport is concluded between the Contracting States, then notwithstanding anything to the contrary in paragraph 1, this Agreement shall cease to have effect from the date on which such comprehensive Agreement enters into force.

IN WITNESS whereof the undersigned, duly authorised thereto, have signed this Agreement.

DONE at Islamabad on this thirty-first day of December, one thousand nine hundred and eighty-eight in two originals, each in the Hindi and English languages, both texts being equally authentic. In case of divergence between the two texts, the English text shall be operative one.

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