

No. 4560

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**CEYLON  
and  
INDIA**

**Agreement for relief from or the avoidance of double taxation of income (with schedule). Signed at Colombo, on 10 September 1956**

*Official texts: English and Hindi.*

*Registered by Ceylon on 11 November 1958.*

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**CEYLAN  
et  
INDE**

**Convention tendant à limiter ou à éviter la double imposition en matière d'impôts sur le revenu (avec annexe). Signée à Colombo, le 10 septembre 1956**

*Textes officiels anglais et hindoustani*

*Enregistrée par Ceylan le 11 novembre 1958.*

No. 4560. AGREEMENT<sup>1</sup> FOR RELIEF FROM OR THE AVOIDANCE OF DOUBLE TAXATION OF INCOME BETWEEN THE GOVERNMENT OF CEYLON AND THE GOVERNMENT OF INDIA. SIGNED AT COLOMBO, ON 10 SEPTEMBER 1956

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Whereas the Government of Ceylon and the Government of India desire to conclude an Agreement for relief from or the avoidance of double taxation of income chargeable in the two countries in accordance with their respective laws :

Now, therefore, the said two Governments do hereby agree as follows :

*Article I*

The taxes which are the subject of the present Agreement are :

(a) In India;

the taxes imposed by the Indian Income-Tax Act, 1922 (XI of 1922).

(b) In Ceylon;

(i) the tax imposed by the Ceylon Profits Tax Act, 1948 (No. 5 of 1948),

(ii) the tax imposed by the Ceylon Income Tax Ordinance, 1932 (2 of 1932) exclusive of the taxes mentioned in sub-clauses (i), (ii) and (iii) of section 45 (4) (b) of the said Ordinance.

The present Agreement shall also apply to taxes that may be levied in India under a Profits Tax Act, similar to the Ceylon Profits Tax Act, 1948 (No. 5 of 1948), passed after the date of the present Agreement.

*Article II*

The present Agreement shall come into force on the date on which the last of all such things shall have been done in India and Ceylon as are necessary to give the Agreement the force of law in India and Ceylon respectively, and shall thereupon have effect for the assessment year 1950-51 and subsequent assessment years,

Provided that in respect of the two assessment years 1950-51 and 1951-52, instead of the abatement provided for in Articles III, IV and V of this Agreement,

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<sup>1</sup> Came into force on 8 February 1957, in accordance with article II.

double income-tax relief in respect of incomes taxed both in India and Ceylon shall be computed and allowed as if the provisions of (i) the income Tax (Double Taxation Relief) (Ceylon) Rules, 1942 in India and (ii) section 46 of the Ceylon Income Tax Ordinance, 1932 (2 of 1932) in Ceylon, apply.

### *Article III*

Each country shall make assessment in the ordinary way under its own laws; and where either country under the operation of its laws charges any income from the sources or categories of transactions specified in column I of the Schedule<sup>1</sup> to this Agreement (hereinafter referred to as the Schedule) in excess of the amount calculated according to the percentages specified in Columns II and III thereof, that country shall allow an abatement equal to the lower of the amounts of tax attributable to such excess in either country.

### *Article IV*

Where any income accruing or arising outside the two countries is chargeable to tax in both the countries, each country shall allow an abatement equal to one half of the lower amount of tax attributable in either country to such doubly taxed income.

### *Article V*

Where at the time of assessment in one country the tax attributable in the other country to the excess or the doubly taxed income referred to in Articles III and IV is not known, the first country shall make a demand without allowing any abatement, but shall hold in abeyance for a period of one year (or such longer period as may be allowed by the Income-tax Officer in his discretion) the collection of a portion of the demand equal to an amount estimated by him to be the abatement likely to be due. If the assessee produces a certificate of assessment in the other country within the period of one year or any longer period allowed by the Income-tax Officer, the uncollected portion of the demand shall be adjusted against the abatement allowable under the Agreement; but if no such certificate is produced within the aforesaid period, the abatement shall cease to be operative and the outstanding demand shall be collected forthwith.

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<sup>1</sup> See p. 76 of this volume.

*Article VI*

An individual of Indian domicile, who is non-resident in Ceylon, shall be entitled to relief from the Ceylon Government equal to the excess of the Ceylon tax paid by him, by deduction or otherwise, on his Ceylon income for any assessment year over the amount which bears the same proportion to the amount which would be payable by him for that year by way of Ceylon tax if he were resident in Ceylon and chargeable in respect of his total income from all sources, wherever arising, as the amount of such Ceylon income bears to the amount of such total income from all sources :

- (a) in respect of the five assessment years commencing with the assessment year 1950-51, and
- (b) in respect of any assessment year subsequent to the assessment year 1954-55 provided that during that assessment year the option provided for in the first and second provisos to sub-section (1) of section 17 of the Indian Income-tax Act, 1922, is available to individuals resident in Ceylon in regard to the Indian tax payable by them.

*Article VII*

(1) The taxation authorities of the Contracting Governments shall exchange such information (being information which is at their disposal under their respective taxation laws in the normal course of administration) as is necessary for carrying out the provisions of the present Agreement. Any information so exchanged shall be treated as secret and shall not be disclosed to any person other than those concerned with the assessment and collection of the taxes which are the subject of the present Agreement. No information as aforesaid shall be exchanged which would disclose any trade, business, industrial or professional secret or trade process.

(2) As used in this Article, the term "taxation authorities" means, in the case of India, the Commissioners of Income-Tax, the Assistant Commissioners of Income-tax or the Income-tax Officers; in the case of Ceylon, the Commissioner of Income-tax or his authorised representative.

*Article VIII*

(a) Nothing in this Agreement shall be construed as modifying or interpreting in any manner the provisions of the relevant taxation laws in force in either country.

(b) If any question arises in any country as to whether any income falls within any one of the items specified in the Schedule and if so under which item, the question shall be decided without any reference to the treatment of such income in the assessment made by the other country.

*Article IX*

The Schedule to this Agreement may be modified from time to time by agreement between the Governments of the two countries and reference to the Schedule in the foregoing Articles shall be read as references to the Schedule as modified.

*Article X*

The present Agreement shall continue in effect indefinitely but either of the Contracting Governments may, on or before the 30th September in any calendar year, give to the other Contracting Government written notice of termination, and in such event the present Agreement shall cease to have effect in relation to assessments for the years of assessment commencing after the said date.

## THE SCHEDULE

(See Article III)

<i>Source of income or nature of transaction from which income is derived</i> I	<i>Percentage of income which each country is entitled to charge under the Agreement</i>		<i>Remarks</i>
	II	III	IV
1. (a) Salaries including pension paid by employers other than Government	100 per cent. by the country in which the salary is earned by service	Nil by the other	
(b) Salaries including pension paid by Government	100 per cent. by the country which pays the salary	Nil by the other	
2. (a) Interest on Securities issued by the Central Government or a State Government in India	100 per cent. by India	Nil by Ceylon	
(b) Interest on securities issued by the Government of Ceylon	100 per cent. by Ceylon	Nil by India	
(c) Interest on securities other than Government securities	100 per cent. by the country in which the local authority or company issuing the securities is situated	Nil by the other	
3. Income from house property	100 per cent. by the country in which the property is situated	Nil by the other	

<i>Source of income or nature of transaction from which income is derived</i> I	<i>Percentage of income which each country is entitled to charge under the Agreement</i>		<i>Remarks</i> IV
	II	III	
4. Income from profession or vocation	100 per cent. by the country in which the services are rendered	Nil by the other	
5. (a) Rent or royalty from lease or hire of property	100 per cent. by the country in which the property is situated	Nil by the other	Property in sub-items (a), (b), (c) & (e) herein shall not include house property referred to in item 3 above
(b) Rent or royalty or licence fees or any like consideration arising from rights granted in respect of property			
(c) Rent or royalty or any like consideration arising from any interest in property			
(d) Profits or gains from dealings in property or any interest in property			
(e) Rent or royalty for the use of or for the privilege of using patents, copyrights, goodwill, trade marks and other like property	100 per cent. by the country in which the asset is used	Nil by the other	
(f) Interest derived from money lent in one country and utilised by the borrower in the other	100 per cent. by the country in which the money is utilised	Nil by the other	
(g) Transport by Sea or Air	100 per cent. by the country in which the traffic originates	Nil by the other	
6. (a) Goods manufactured or purchased in one country and sold to a buyer in the other country without having a branch or regular agency in the latter country	100 per cent. by the country in which the goods are manufactured or purchased	Nil by the other	
(b) Goods manufactured by or on behalf of a person in one country and sold by him in the other country through a branch or regular agency	50 per cent. by each country	50 per cent. by each country	
(c) Goods purchased by a merchant in one country and sold through a branch or regular agency in the other country	$33\frac{1}{3}$ per cent. by the country in which the goods are purchased	$66\frac{2}{3}$ per cent. by the other	

<i>Source of income or nature of transaction from which income is derived</i>	<i>Percentage of income which each country is entitled to charge under the Agreement</i>		<i>Remarks</i>
	<i>I</i>	<i>II</i>	
(d) Goods purchased through a buying establishment in one country and sold by a merchant in the other country		12½ per cent. by the country in which the goods are purchased	87½ per cent. by the other
(e) Metal ores, minerals, mineral oils and forest produce extracted in one country and sold to a purchaser in the other without any further manufacturing process and without a branch or regular agency in the latter country		100 per cent. by the country in which minerals are extracted	Nil by the other
(f) As above but sold in the other country through a branch or regular agency in that country		75 per cent. by the country in which minerals are extracted	25 per cent. by the country in which sales are made
7. (a) Films produced in one country and sold to a purchaser in the other without any further process and without having an agency in the latter country		100 per cent. by the country of production	Nil by the other
(b) Films produced in one country and exhibited by the producer in the other country through a regular agency in that country		50 per cent. by each country	50 per cent. by each country
(c) Films exhibited in one country by distributors (other than producers) in the other country		75 per cent. by the country in which they are exhibited	25 per cent. by the other
8. Any income derived from a source or category of transactions not mentioned in any of the foregoing items of the Schedule		100 per cent. by the country in which the income actually accrues or arises	Nil by the other

IN FAITH WHEREOF, the plenipotentiaries of Ceylon and India have signed the present Agreement in Hindi and English languages (the English text shall prevail in case of conflict between the two texts) and have affixed thereto their seals.

DONE in duplicate in Colombo on the 10th day of September, 1956.

For the Government of Ceylon :

*Signed by* Stanley DE ZOYSA

In the presence of : (*Signed*) S. F. AMERASINGHE  
Permanent Secretary to the Ministry of Finance

For the Government of India :

*Signed by* B. N. CHAKRAVARTY

In the presence of : (*Signed*) K. RANGASWAMI  
First Secretary (Commercial) High Commission for India in Ceylon, Colombo