Research Paper
Impact Factor: 3.072

IJBARR
E- ISSN -2347-856X
ISSN -2348-0653

A STUDY ON EFFECT OF TAX TREATIES ON FOREIGN INVESTMENT

Dr. Binoy Mathew
Associate Professor, Visvesvaraya Technological University, Centre for Post Graduate Studies, VIAT, Muddenahalli, Bangalore Region, Karnataka.

Abstract
Double Taxation is the levying of tax by two or more jurisdiction on the same declared income (in case of income taxes), asset (in case of capital taxes), or financial transactions (in the case of sales tax). This double liability is often mitigated by tax treaties between countries. Double taxation has harmful effects on the movement of capital and factors in the development of inter-country economic relations. Because of the negative effects, countries have developed tax treaties to eliminate the problem of double taxation; by harmonizing tax definitions, defining taxable bases, assigning taxation jurisdictions, and indicating the mechanisms to be used to remove double taxation when it arises. Other purpose of double tax treaties is to prevent tax evasion. The transactions between India and Mauritius have given rise to the maximum rate of tax evasion in the recent times. India and Mauritius are between discussions to review the treaty. This paper studies the change in both the rate of foreign investment and tax evasion from Mauritius.

Key Words: Tax avoidance, Tax evasion, Double taxation, Double Taxation Avoidance Agreement, Double Taxation Relief, Tax treaty.

INTRODUCTION

In simple words tax treaty is a government-to-government agreement to avoid double taxation and tax evasion by the resident of one country earning an income in the other. Double taxation occurs when the same transaction or income source is subject to two or more taxing authorities. These treaties benefit individuals and institutions who earn their income from a foreign country, provided an agreement exists between their country of residence and the country/countries from where their income sources are. The benefits they enjoy are lower withholding tax (tax deducted at source or TDS), credits for taxes paid on the doubly-taxed income that can be enchased at a later date and exemption from tax.

HISTORY

The first Double Taxation Avoidance Agreement was executed in 1899 between Prussia and the Austro Hungarian Empire. The problem of double taxation first occurred in the 13th century among France and Italy, where the property to be taxed was situated in one state but owned by a resident of the other state. In case of India, the first step against double taxation was taken in 1939 when the Income-tax (Double Taxation Relief) (Indian States) Rules were framed.

DOUBLE TAXATION RELIEF

Foreign income of a person generally becomes liable to tax in two countries, the country in which income is earned and the country in which the person is a resident. Double taxation of such income is avoided by means of double taxation avoidance agreement entered into by the Government of India with which no agreement exists. Unilateral tax relief is provided on the double taxed income under the provision of section 91.

Government of India has entered into comprehensive agreements for avoidance of double taxation with 88 countries. Besides, the government of India has entered into agreements which cover limited areas of activity like aircraft and shipping business.

GENERALLY THERE ARE TWO MODES OF GRANTING RELIEF

Exemption method: a particular income is taxed in one of the two countries.
Tax credit method: an income is taxable in both the countries in accordance with their respective tax laws and the Double Taxation Avoidance Agreement.

Tax Residency Certificate (TRC) is a crucial document that is to be submitted for availing the benefits of the Double Taxation Avoidance Agreement. It is obtained from the government or tax authorities of the foreign nation where the NRI is residing.

THE DIFFERENT INCOMES THAT ARE COVERED UNDER THE DOUBLE TAX TREATY ARE

Salary: In India, salary is taxed at three different rates in case it is for services rendered within the country. However, some treaties provide for exemption if the person stays in India for less than 183 days in a year and the salary is not borne by an employer or a permanent establishment in India.

Income from business/profession: India taxes income from a business connection in the country. However, most treaties provide for taxing business profits only when they are earned from a permanent establishment or a fixed base in India.
Dividends: Dividends can be taxed by the source country. But the rate cannot be more than what is agreed in the treaty. In India, though dividend is not taxed in the hands of investors, Double Taxation Avoidance Agreement is not of much help in such cases.

Interest: In India, interest earned from bank deposits is added to the income and taxed according to the person's tax slab. Tax is withheld at 30% on interest income earned on deposits held by non-residents in India. However, under Double Taxation Avoidance Agreements, interest earned from bank deposits is taxed at a concessional rate of 10-15%.

Royalty and fee for technical services: These are taxed at 25% on a gross basis in India. However, Double Taxation Avoidance Agreements usually has a rate of 10-15%.

Capital Gains: Tax treaties with most countries do not exempt capital gains from tax, except Double Taxation Avoidance Agreements with Mauritius, Singapore and Cyprus. Based on clauses in the treaty, the resident country gives credits for capital gains tax paid in the source country.

"Only a few tax treaties (such as Mauritius and some other countries) offer tax benefit on capital gains. Other tax treaties do offer benefit of lower tax on interest income, royalties and fees for technical services, but not on capital gains tax. So, if an NRI is resident of the US, UK or Dubai, and he is selling shares in India, he does not get any benefit as the tax treaty with these countries does not provide for tax exemption on capital gains," says Punit Shah, Co-head, Tax, KPMG India.
"In case of treaties with certain countries such as Mauritius and Singapore, capital gains are taxed in the country of residence and, hence, are frequently used to claim exemption and avoid tax in India," says Amit Maheshwari, Head, Direct Tax, Ashok Maheshwary & Associates.

Income from immovable property: Rental income from immovable property in India is taxed in the country, under most tax treaties in case where the source country has the first right to tax such income.

In case of sale of immovable property, most Double Taxation Avoidance Agreements allow capital gains to be taxed in the country where the property is situated. Hence, NRIs will be taxed according to the Indian laws in such a case.

The source of the double taxation problem is that the countries do not follow a common principle of taxation. One country might tax income at its source, while others will tax income based on the residence or nationality of the recipient. Indeed, a country might use all three of these basic approaches in imposing taxes. These treaties are based on the general principles laid down in the model draft of the Organization for Economic Co-operation and Development (OECD) with suitable modifications as agreed to by the other contracting countries. In case of countries with which India has double taxation avoidance agreements, the tax rates are determined by such agreements.

Foreign Investment: The income tax treatment of foreign investment income is governed by tax treaties between the country of the owner of the investment and the country where the investment is located.

Foreign investment comes in several forms. Portfolio investment, foreign loans and foreign direct investment are the three important types. Of these foreign direct investments in industry and services are the most useful.

RESEARCH DESIGN

STATEMENT OF THE PROBLEM

India has entered into around eighty eight bilateral tax treaties. Some which has been entered into by force. It has to be studied if these tax treaties have any positive effect on the economy, especially on the inflow of foreign investments. The foreign investments are affected by tax treaties initially. A few of these treaties have been amended since and the rate of inflow of foreign investment has also been changing due to various factors. Of these factors only few treaties effect the foreign investment. The investors also misuse these tax treaties for tax evasion which is illegal. It is hard to keep record of the revenue loss India suffers because of tax evasion, especially because of the treaty between India and Mauritius. According to the treaty, income arising out of Mauritius is not taxed in India and taxed really low in Mauritius. Investors tend to misuse it. So this study focuses on the Double Taxation Avoidance Agreement and its impact on India.

IJBARR
E- ISSN -2347-856X
ISSN -2348-0653

NEED AND IMPORTANCE OF THE STUDY

Over the last few decades, the number of bilateral tax treaties has increased dramatically. Developing countries are increasingly entering into tax treaties with other developing countries and developed countries in order to ease cross border trade and investment. Although there is a vast and growing body of literature dealing with the provisions of tax treaties of a country's domestic law, relatively little information is available about the practical application of tax treaties. Since these treaties can affect foreign investment prospects for the economy, it is necessary to examine their effects on overall foreign investment activity in a country. This issue is of importance also because of the sizeable costs and efforts involved in treaty formation. Governments invest time and other resources to negotiate, conclude and sign Double Taxation Treaties. In the light of the costs involved, it is important to determine the potential gains of treaty formation

OBJECTIVES OF THE STUDY

- To study the effect of change in Double Taxation Avoidance Agreement has on foreign investment in India.
- To study the effect of change in Double Taxation Avoidance Agreement between India and Mauritius on the rate of tax evasion
- To offer suggestions and recommendations based on the findings of the study

SCOPE OF THE STUDY

This study aims to analyse the effect, the changes in Double tax treaties between India and its highest contributors of foreign investment and also if the tax evasion rate from Mauritius will vary according to the change in Double Taxation Avoidance Agreement between the two countries. Tax evasion from Mauritius is on the rise and the government is trying to revise the treaty. This paper tries to study if there will be any changes hence and if the major decisions of the foreign investors are based on the tax treaties or other economic factors. As India has around 88 treaties it is important to study if the treaties have any effect on the inflow of investment into the country.

RESEARCH METHODOLOGY

This is a descriptive study in which only secondary data has been used. .

Sources of Data

The study is based on the secondary data collected from various books, journals, government websites which includes the RBI website and the IMF websites and also the government websites of the countries which is taken into consideration for the purpose of research. These websites gives the accurate data about their economy. Also reliable newspaper articles are also referred.

India and Double Taxation Avoidance Agreements

India has comprehensive Double Taxation Avoidance Agreements (DOUBLE TAXATION AVOIDANCE AGREEMENT) with 88 countries. This means that there are agreed rates of tax and jurisdiction on specified types of income arising in a country to a tax resident of another country. Under the Income Tax Act 1961 of India, there are two provisions, Section 90 and Section 91, which provide specific relief to taxpayers to save them from double taxation. Section 90 is for taxpayers who have paid the tax to a country with which India has signed Double Taxation Avoidance Agreements, while Section 91 provides relief to tax payers who have paid tax to a country with which India has not signed a Double Taxation Avoidance Agreements. Thus, India gives relief to both kind of taxpayer.

A large number of foreign institutional investors who trade on the Indian stock markets operate from Mauritius and the second being Singapore. According to the tax treaty between India and Mauritius, capital gains arising from the sale of shares are taxable in the country of residence of the shareholder and not in the country of residence of the company whose shares have been sold. Therefore, a company resident in Mauritius selling shares of an Indian company will not pay tax in India. Since there is no capital gains tax in Mauritius, the gain will escape tax altogether. The Indian and Cypriot tax treaty is the only other such Indian treaty to provide for the same beneficial treatment of capital gains.

India and Mauritius

History of the Double Taxation Avoidance Agreement between India and Mauritius

India and Mauritius shared a double tax avoidance treaty during colonial times under the British Empire. However, Mauritius signed the tax treaty relationship when it became independent in 1968.

Acknowledging the strong ties between the two countries, a comprehensive double tax avoidance treaty was signed on 24 August 1982 and became effective on 1 April 1983. India also wanted to liberalise trade barriers and promote trade relations with neighbouring countries, especially Africa via the preferential agreement that Mauritius had with African countries. Thus, the purpose of the treaty was to encourage mutual trade and investments. During the initial years, the treaty was used mainly for Indian outbound investments into Mauritius and a number of Indian companies set up operations in Mauritius.

A decade after, the situation reversed. By the year 2010, foreign direct investment in India from Mauritius crossed the US$50 billion and accounted for 42 per cent of the total foreign investment, followed by Singapore, USA, UK and Netherlands with nine per cent, seven per cent, five per cent and four per cent respectively. During the same period, India's foreign exchange reserves grew steadily from a low US$5.8 billion at end of March 1991 to US$38 billion by the end of March 2000 and surged to over US$300 billion in 2008.

Mauritius as a route for Indian FDI

The use of the DTA, however, has not been without controversy. In early 2000, the Indian Revenue Authorities once again sought to deny treaty benefits to some Mauritius entities and the response to this controversy, the Central Board of Direct Taxes in India issued a circular No 789 on 13 April 2000 to Tax Officers stating that a Tax Residence Certificate issued by the Mauritian tax authorities would be considered as prima facie evidence that the Mauritius company was a Mauritius tax resident and entitled to claim treaty benefits.

A company can apply for a Tax Residence Certificate (TRC) from the Mauritius tax authorities if certain conditions are satisfied, namely, the company has a minimum of two directors resident in Mauritius; it maintains its principal bank account in Mauritius; all statutory and accounting records are maintained at its registered office in Mauritius; financial statements are audited in Mauritius and the board meetings must include at least two resident directors.

Over the years there have been negative comments about the Mauritius route for Indian FDI. The main concerns as reported in the Indian press are set out below:

Allegations of Round Tripping and lack of Exchange of information

Press allegations against Mauritius are that the Mauritius IFC is a haven for Indian residents wishing to route gains made outside of India back into India by using shell structures in Mauritius or make an abuse of the Treaty by investing funds derived from India back into the country only to take benefits of the Treaty. In fact, there has been no proven case of round-tripping.

Commercial Substance

It is easy for a company to demonstrate commercial substance in Mauritius. The good repute of its IFC, the legal, regulatory, financial and technological facilities and expertise; the cost and ease of doing business and Mauritius as an ideal gateway to other markets namely Africa.

Global Business Companies can furthermore deal with Mauritius residents and the island's diversified and open economy provides numerous investment opportunities in the country. More recently, the proposed introduction of General Anti Avoidance Rules (GAAR) in India has motivated many companies to enhance substance in Mauritius by doing more than just meeting the statutory requirements for tax residence.

Mauritius has been very prompt in addressing the various concerns. Measures taken include:

- Stringent licensing conditions have been introduced to ensure that Indian sourced funds are not re-invested in India through Mauritius;
- Indian auditors have been allowed to practice in Mauritius – Global Business Companies investing in India may use the services of Indian auditors to have their accounts audited for Mauritian regulatory purposes;
- Mauritius law has been amended to provide for wider Exchange of Information with Indian authorities. A Mutual Assistance in Criminal and Related Matters Act has been introduced and provides for requests for judicial assistance;
- The entering into an MOU with the Securities and Exchange Board of India (SEBI) providing for exchange of information. Mauritius has further agreed to the stationing of an officer from the Revenue Department of India at the High Commission of India in Port Louis for better exchange of information; and
- Issuance of TRCs on an annual basis, upon the recommendation of the Financial Services Commission which will supervise full compliance with the undertakings provided by applicants for the TRC.

IJBARR
E- ISSN -2347-856X
ISSN -2348-0653

Amidst concerns and in view of increasing revenue collection, India publicly announced its intention to renegotiate the DTA with Mauritius. It has been observed that each time there has been talks of renegotiations of the DTA in India and loss of taxing rights by Mauritius, the Bombay Stock Exchange has experienced panic selling.
It is a fact that Mauritius has played a central role in fuelling India's economy over the last two decades. The Indian Finance Ministry stated that India needs approximately US$1 trillion of new FDI up 2020 to finance its infrastructure development plans. The Mauritius IFC can help India in increasing the inbound investments and meet its objectives.

ANALYSIS AND INTERPRETATION OF DATA

1) Effect of change in tax treaty with Mauritius on foreign investment

The Double Taxation Avoidance Agreement between India and Mauritius came into effect as on 1st April 1983. There have been discussions as to the change in the terms and conditions of the agreement but none has come into effect.

There is only a slight variation in the rate in foreign investment during 2008-10 due the global recession. But it dropped drastically during 2010-11. This was because Mauritius has agreed to hold negotiations on amending the existing Double Taxation Avoidance Agreement on 22nd June 2011. Even though it was just a negotiation for a proposal the investors were doubtful whether to invest or not.

The negotiations between the two countries are still going on. Thus, as there was no change in the treaty the investment into India increased during the next year.

Thus, it can be concluded that the Double Taxation Avoidance Agreement between India and Mauritius do affect the inflow of foreign investment.

2)Effect of change in tax treaty with Singapore on foreign investment

The Double Taxation Avoidance Agreement between India and Singapore came into on 27th May 1994. The treaty was first amended on 25th June 2005, effective from 1st august 2005. The amendments were to decrease the withholding tax to 10% from 15 % and charges to capital gains only chargeable in the beneficiary's country of residence. But there was a limitation clause, thus it did not induce the typical Mauritius agreement. So it didn't increase the inflow of investment.

The next amendment was signed on 24th June 2011, which came into effect on 1st September 2011. This amendment was for facilitating effective exchange of information in tax matters. During the same period discussion about amendment of Mauritius Double Taxation Avoidance Agreement was going on. The Double Taxation Avoidance Agreement between India and Singapore was less stringent than the Mauritius agreement. So fear that the tax authorities might take a closer look at funds flowing from Mauritius to India has resulted in increase in flows from Singapore.

It may be concluded that even if there is change in Double Taxation Avoidance Agreement between India and Singapore the inflow of investment depends on the Double Taxation Avoidance Agreement between India and Mauritius.

3)Effect of change in tax treaty with USA on foreign investment

The Double Taxation Avoidance Agreement between India and U.S.A have been in effect from 1st April 1991. And since then there has not been any major amendment in the agreement. Still there have been changes in the inflow of foreign investment into the country.

During 2008-09 USA was going through recession, still their investment into the country didn't fall. Due to global recession FIIs made withdrawal of $5.5 billion, whereas the inflow of foreign direct investment (FDI) doubled from $7.5biilion in 2007-08 to $19.3 billion in 2008. Even the drop in inflow was due the after effects of global recession in U.S.A.It is concluded that there is no effect in the rate of foreign investment and the tax treaty of India and U.S.A.

4)Effect of change in tax treaty with Cyprus on foreign investment

The Double Taxation Avoidance Agreement between India and Cyprus was effective from 1st April 1994. There hasn't been any change in the treaty between the two countries. But during 2012-13 India declared Cyprus as a notified jurisdiction and this increased the scrutiny of the transactions. And there was negotiation of amending the treaty. Since then the investment from Cyprus has dropped.

The analysis reveals that the inflow of foreign investment is affected by Double Taxation Avoidance Agreement between the two countries.

5)Effect of change in tax treaty with Japan on foreign investment
The Double Taxation Avoidance Agreement between India and Japan was signed on 29th December 1989. The first amendment in the treaty was signed on 24th February 2006 and effective on 28th June 2006. The withholding tax rate son dividends, interests and royalties were reduced to 10%. This amendment was a big step in the relationship between the two countries. The foreign investment from Japan increased during the year 2006- 07.

The next amendment became effective on 1st April 2012. It was provide relief in tax, but the inflow of investment fell during the year 2012-13.

The analysis reveals that the change in tax treaty doesn't have any effect on the foreign investment.

6)Effect of change in tax treaty with Netherlands on foreign investment
The treaty between India and Netherlands came into effect on 1st April 1990. It ranks sixth among the countries that invest in India. There has not been any change in the Double Taxation Avoidance Agreement between the two countries. Due to other factors the foreign investment has changed over the years.

7)Effect of change in tax treaty with U.K. on foreign investment
The Double Taxation Treaty between India and UK was effective from 1994. There has been no change or amendment in the agreement thereafter until the protocol has been agreed on 14th November 2011.

Here we can see that the foreign investment from United Kingdom increased during the year 2008-09 and dropped in the following year. The Euro was affected by the global economic and financial crisis. This is the reason for the fall in the inflow of foreign investment in during 2009-11. During 2011-12 the projects from UK, increased 25% to 864 in the 11 months to November, up from 691 projects in 2010. The reason behind this is the high potential of the domestic market driven by an emerging middle class and the cost competitiveness.

Even though a protocol for amending the Double Taxation Avoidance Agreement between India and UK has been conformed on 14th November 2011, it was signed only on October 30th 2012. The amendment was to increase the relief for the tax payers. The investment was supposed to increase but it dropped during period (2012-13). This was due to the record of low economic growth, very high current deficit, depreciating value of rupee and mainly the political issues in the country which has affected the investors' confidence to invest in India.

The analysis reveals that the Double Taxation Avoidance Agreement between India and UK doesn't have much effect on the investment decisions of the investors.

8)Effect of change in tax treaty with Germany on foreign investment
The Double Taxation Avoidance Agreement between India and Germany came into effect on 29th November 1996. Even though there was discussions about revising the treaty no action was taken. Still there is variation in the inflow of investment from Germany.
The study reveals that the tax treaty between India and Germany doesn't affect the inflow of foreign investment.

9)Effect of change in tax treaty with UAE on foreign investment
The Double Taxation Avoidance Agreement between India and UAE came into effect on 1st April 1994. The first amendment in the treaty was affective from April 2008. The amendment included the capital gains to be charged, and also the Limitation on Benefits clause. Still there was no major change in the inflow of investment.

On 16th April 2012 the Double Taxation Avoidance Agreement was revised and it will only come into effect after 31st march 2013. There is a change in the inflow of investment from UAE during 2012-13 even though the treaty had not come into come into effect.

It can be concluded that the change in Double Taxation Avoidance Agreement between UAE and India doesn't affect the foreign investment.

10) Effect of change in tax treaty with Switzerland on foreign investment
The Double Taxation Avoidance Agreement between India and Switzerland came into effect on 1st April 1996. Switzerland and India has amended the treaty for the exchange of tax information between the countries. They revised he treaty twice on

10th October 2011 and 30th April 2012. This mostly will affect the inflow into Switzerland. Even though there was no change in the treaty the investment increased.

It can be concluded that the foreign investment is not relied on the tax treaty.

11)Effect of change in Double Taxation Avoidance Agreement between India and Mauritius on the evasion of tax.

The Indian government recognizes an estimate of US$600 million of untaxed money flows out of India every year without being taxed in India or Mauritius as consequence of the Double Taxation Avoidance Agreement and also the ability to increase tax collection without directly burdening taxpayers is too provoking the government, especially when the businesses misuse the provision of the treaty for impermissible tax avoidance. The revision of the Double Taxation Avoidance Agreement will have a significant impact on the foreign investors.

The treaty between the two countries is misused by the Indian investors. Mauritius has transformed from and offshore banking jurisdiction to an offshore holding company jurisdiction used by investors making investment into India. This has increased the concern about the terms of the treaty. The treaty is being used for tax avoidance by the Indian investor.

The foreign investors they set up a subsidiary company in Mauritius and route their investments through it to India. The Indian government cannot tax it because it is a Mauritian company and Mauritius has exempted investors from capital gain tax. And on top of that Mauritius has low tax on dividend and income taxes. Most of the subsidiaries exist only on papers. The Double Taxation Avoidance Agreement on 2008 was under negotiation to change the terms. It included FII s without an effective management in Mauritius to pay capital gains and dividend taxes. This announcement only decreased the investment in two days. Later it was clarified that a certificate of residence issued by the Mauritius government will be enough to prove the residence of the company. If the Double Taxation Avoidance Agreement is altered the e foreign investment will go down and so will the rate of tax evasion. People invest in Mauritius mostly to avoid taxes. Of the foreign investment received by India, 41% of it is routed through Mauritius. There is no public register of the investors shareholders maintained so the information remains private.

India has a similar Double Taxation Avoidance Agreement with Singapore but it has a Limitation on Benefits (LOB) clause which leads to scrutiny of the transactions. The effect was two ways it decreased the inflow of foreign investment, on the other hand it has reduced the rate of tax evasion from Singapore. The same can be done in the case of Double Taxation Avoidance Agreement between India Mauritius. They use the Mauritius route to evade tax and converting the black money to legal currency. The statistics is not published. But the amount of loss of revenue is high.

The tax evasion does reduce if the Limitation on Benefits clause is made in the Double Taxation Avoidance Agreement. But the side effect is it will reduce the inflow of investment from Mauritius.

SUMMARY OF FINDINGS

The following are the summary of findings of the study

- Among the top ten investors in India only two countries (Mauritius and Cyprus) are affected by the change in the terms and conditions of Double Taxation Avoidance Agreement.
- The countries which are not affected by the change are developed countries or more developed than India. Thus they don’t take their decisions based on the tax treaties with India. They look into other factors of the economy. Few of the countries like Switzerland Germany and U.S.A have not even amended the treaty for better provisions.
- Investment from Mauritius and Cyprus is affected because investors use these countries for round tripping of money and tax evasion.
- Tax evasion on the investments from Mauritius does change according to the change in tax treaty. If the treaty is made stringent the tax evasion rate will fall but so would the inflow of investments into the country.

CONCLUSION

With a view to provide an advantageous environment to foreign investment, many countries, including India, have redesigned their tax systems to make them internationally competitive. Bilateral tax treaties are made and entered into, to alleviate the problem of international double taxation. Bilateral tax treaties are signed, to facilitate the inflow of foreign investment. The more liberal and open the policies are there will be more inflows in the economy.

In contrast, Indian investors set up subsidiaries in Mauritius to avoid tax. This will continue until the treaty is revised but the

inflow of investment will fall. Developed countries are not affected by the changes in the treaty. They don't even bother to amend their tax treaty. Tax treaties are basically used by the developing countries. Tax treaties don't have significant effect on the rate of foreign investment.

SUGGESTIONS

- India should include the Limitation on Benefit clause in the Double Taxation Avoidance Agreement between India and Mauritius. It will reduce the tax evasion which is rising.
- India could include General Anti-Avoidance Rule as it empowers the Indian Tax
- Authorities to declare any "arrangement" as "impermissible avoidance arrangement" if the whole purpose of the arrangement is tax benefit.
- India could simplify its taxation and regulatory systems. Then much of the investments might directly flow to India.

BIBLIOGRAPHY

1. Karl p. Sauvant & Lisa e. Sachs (2009) "the effect of treaties on foreign direct investment: bilateral investment treaties, double taxation treaties, and investment flows" . Oxford University Press..
2. **Working papers and Journals**
3. Bruce A. Blonigen& Ronald B. Davies "do Bilateral Tax Treaties Promote Foreign Direct Investment?".
4. Reuven S. Avi-Yonah "Double Taxation Treaties".
5. Timothy Goodspeed, Jorge Martinez-Vazquez & Li Zhang "Are Other Government Policies More Important than Taxation Attracting FDI?".
6. Eric Neumayer "Do double taxation treaties increase foreign direct investment to developing countries ?".
7. Mihir A. Desai, C. Fritz Foley James & R. Hines Jr. "The Demand for Tax Haven Operations".
8. Dhammika Dharmapalaand & James R. Hines Jr "Which Countries Become Tax Havens?".
9. Ms. Svetlana Patel & Mr. Dhvanish Mehta A Study on FDI Inflows and Reasons for Low FDI Inflows in India.
10. Jacques Morisset & Neda Pirnia "How Tax Policy and Incentives Affect Foreign Direct Investment a review".
11. Arindam Das-Gupta "Economic Analysis of India's Double Tax Avoidance".
12. Fabian Barthel , Matthias Bussel & Eric Neumayer "The Impact of Double Taxation Treaties on Foreign Direct Investment" Tsilly Dagan "The Tax Treaties a Myth".
13. K. V. Bhanu Murthy & Niti Bhasin "The Impact of Bilateral Tax Treaties on FDI Inflows: The Case of India""Mauritius"(2005) Tax Times issue No 2 Price Waterhouse Coopers.
14. Foreign Direct Investment Flows to India from www.rbi.org.
15. "Administration of Double Tax Treaties for Developing Countries"(2013) United Nations Handbook.
16. Annexure 19, Annual report from www.rbi.org.

- **E newspaper articles from**
- www.articles.economictimes.indiatimes.com
- www.articles.timesofindia.indiatimes.com
- www.bbc.co.uk
- www.currentaffairs-businessnews.com
- www.caclubindia.com
- www.dbie.rbi.org.in
- www.in.emb-japan.go.jp
- www.incometaxindia.gov.in
- www.internationaltaxreview.com