

DTA

(DOUBLE TAX AGREEMENT)



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TAXES

Purpose of DTA's

A DTA is an agreement signed by two countries to avoid tax complications for their citizens and businesses



Example of when we use a DTA

A South African resident earns income in a foreign country. To determine who has taxing rights over that income earned (Foreign country or resident country), we may find relief in a DTA that exists between the foreign country and resident country



**A DTA does not always
exist between two
countries!**



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**And this may result in
double tax being paid
by the taxpayer**

(Potential relief provided by Section 6quat)



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How to read a DTA

The contracting state-
Foreign Country

The other contracting state-
Resident country (In our case, South Africa)

IS taxed- Only one of the countries can tax

MAY tax- Both countries have taxing rights



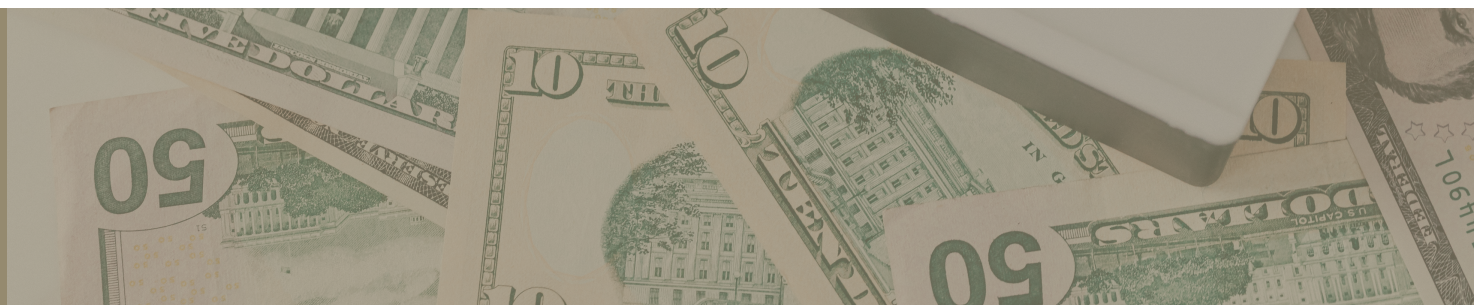
EXAMPLE

Article 4

Where -

- (a) an enterprise of one of the Contracting States participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting State; or
- (b) the same persons participate directly or indirectly in the management, control or capital of an enterprise of one of the Contracting States and an enterprise of the other Contracting State;

and in either case, conditions are made or imposed between the two enterprises, in their commercial or financial relations, which differ from those which would be made between independent enterprises, then any profits which would but for those conditions have accrued to one of the enterprises but by reason of those conditions have not so accrued may be included in the profits of that enterprise and taxed accordingly.



Questions?

Drop them in the comments!



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