India Ratifies Convention to Prevent BEPS

Recently India has ratified the Multilateral Convention to Implement Tax Treaty Related Measures (MLI) to prevent **Base Erosion and Profit Shifting (BEPS).**

- The MLI is aimed to prevent firms from moving profit out of country.
    - It ensures that profits are taxed where substantive economic activities generating the profits are carried out.
- Out of 93 tax treaties notified by India, 22 countries have already ratified the MLI so far and the **Double Taxation Avoidance Agreement (DTAA)** with these countries will be modified by MLI.
    - For the remaining countries with tax treaties with India, the MLI will come into force when they ratify it.
- The MLI will come into force for India from October 1, 2019.

The Multilateral Convention to Implement Tax Treaty Related Measures (MLI)

- The multilateral convention is an outcome of the **OECD/G20** project to tackle base erosion and profit shifting.
- This project was designed to work on anti-evasion measures that could curb tax planning strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations.
    - Such geographies have little economic activity, resulting in little or no overall corporate tax being paid.
- The MLI will be applied alongside existing tax treaties, modifying their application in order to implement the BEPS measures.
- It will lead to amendments to double taxation avoidance agreements (DTAA) with the countries signatories to the convention to plug revenue leakages.