

SATURDAY INTERNATIONAL

TAX GYAN !!!

#taxmadeeasy

SITG NO.

138

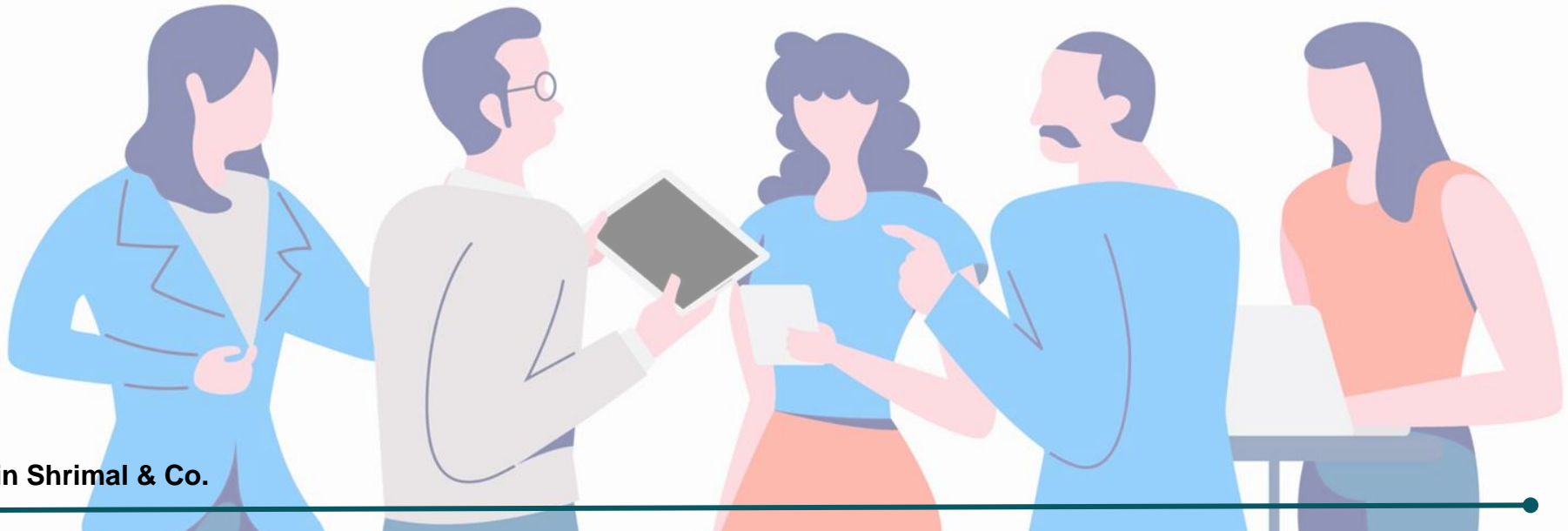


Introduction To Multi Lateral Instruments (MLI)

What is Multilateral Instrument (MLI)?

- ❖ MLI is a single agreement or an instrument.
- ❖ It enables to **modify multiple bilateral tax treaties** in a synchronized and efficient manner to implement tax treaty related BEPS measure.
- ❖ MLI **will not replace the existing tax treaties**, instead shall apply alongside existing tax treaties and either supplement, complement, supersede or modify their application

Let's Discuss some basic terminology which describes MLI



Covered Tax Agreement

An existing bilateral tax treaty which is to be modified by the provision of the MLI is called "CTA"

Following are the conditions to be satisfied by both the countries for Existing Bilateral treaty to be considered as CTA :

Signed the MLI



Ratified the MLI under domestic procedure



Deposited the Ratified Copy with OECD



Listed each other in List of tax treaties

Example to check whether tax treaties constitute CTA or Not?

Country A	Country B	Whether Country A Notified name of Country B in tax treaties	Whether Country B Notified name of Country A in tax treaties	Whether it constitute CTA?
India	UAE	Yes	Yes	Yes
India	Mauritius	Yes	No	No
India	Germany	Yes	No	No

Date of Entry into Force

First 5 Tax Jurisdiction

1 July, 2018 for Republic of Austria, the Isle of Man, Jersey, Poland and Slovenia

Other Jurisdiction

First day of the calendar month after the expiry of 3 months from the date of deposit of ratified copy of MLI with OECD

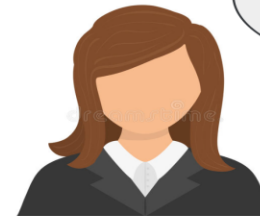
Example



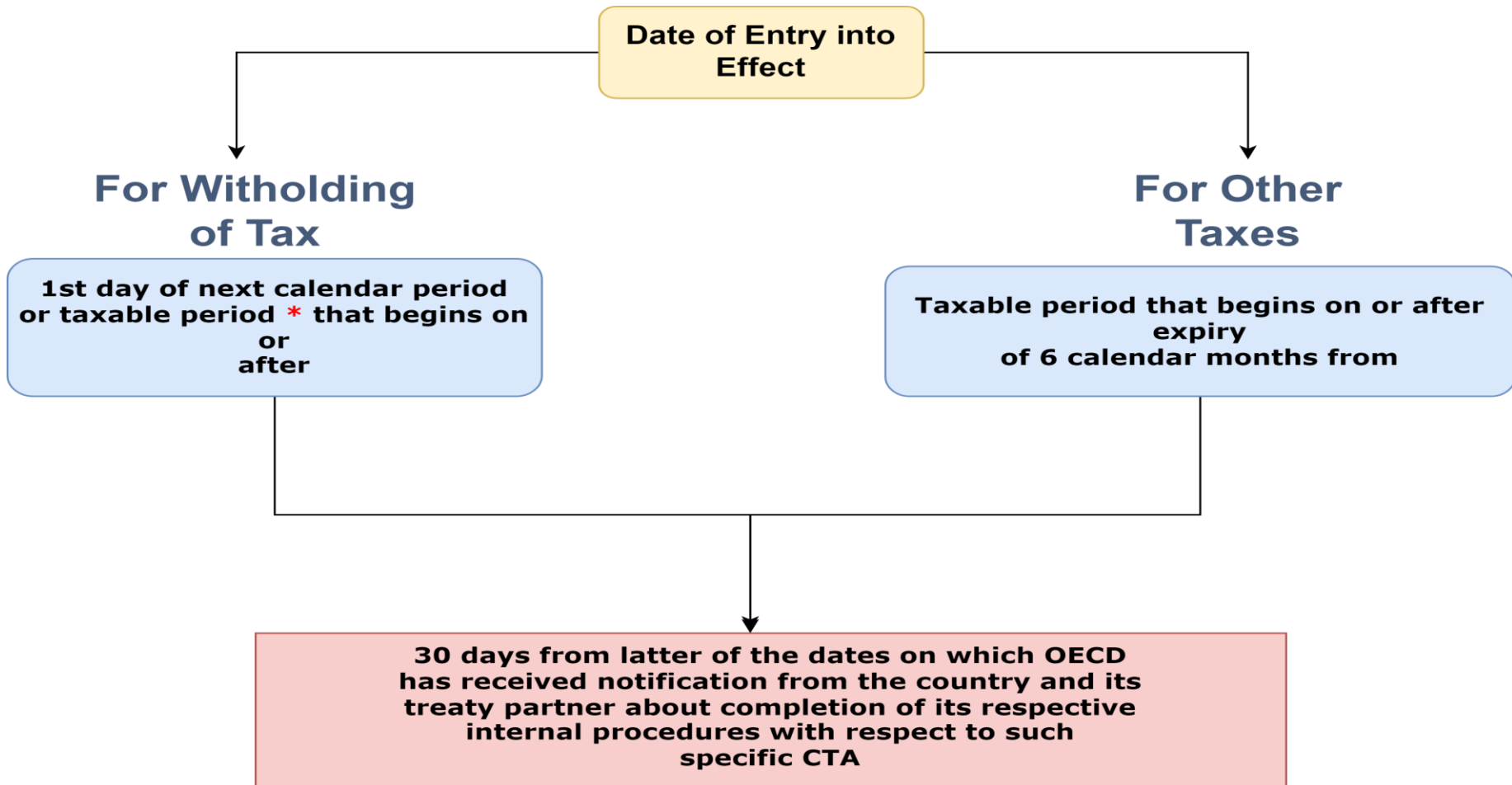
Deposited ratified copy on 25.06.2019



Date of Entry into Force??



It is 01.10.2019



***India has chosen the option of Taxable period i.e. Financial year beginning on 1st April**

Example of Date of Entry into Effect



Completed Internal Procedure on 14 Mar, 2020



Completed Internal Procedure on 1 Oct, 2019

30 Days from Letter of 14 March, 2020 or 1 Oct, 2019

13 April, 2020

Date of Entry into effect of MLI for India

For WHT
1 April, 2021

For Other taxes
1 April, 2021

Date of Entry into effect of MLI for UK

For WHT
1 Jan, 2021

For Other Taxes
1 Jan, 2021

Documents can be referred for Interpretation of MLI

Basic Documents:

- BEPS Action Plan 15
- Explanatory Statement to MLI
- MLI Positions adopted and deposited by Various MLI signatories with OECD
- Report on BEPS Action Plan 2,6,7,14
- Existing tax treaty
- OECD Model Convention of Tax treaty and OECD Commentaries
- Synthesized text of MLI between parties to CTA

Other Documents available on OECD website:

- List of Signatories and parties to MLI
- Frequently Asked Questions (FAQs) on MLI
- Flow chart on matching of reservations and notifications of MLI
- Legal note on functioning on MLI under public international law
- Step by step on applying the MLI
- MLI Matching Database

Link of OECD Website: <https://www.oecd.org/>

Reference of Previous SITG of MLI for beginners Series

S.NO	Particulars	Link
1	Basic (BEPS)	<u>Click here</u>

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