



BACKGROUND Tax treaties are agreements between two sovereign countries or specified territories. The tax treaties are typically entered into for the granting of tax relief in respect of juridical double taxation, to promote mutual economic relations, trade and investment, and for exchange of information in order to prevent evasion or avoidance of tax or for recovery of tax. The taxing rights are allocated between the residence jurisdiction and source jurisdiction. Allocation of taxing rights typically depends upon the stream of income. Article 7 of OECD and UN Model Convention deals with the taxation of 'Business Profits'. Article 7 of the OECD and UN Model Convention allows the source country to tax business profits of the non-resident to the extent such business profits are attributable to a Permanent Establishment ('PE') of the non-resident in the source country. Thus, a 'Permanent Establishm.....