

## Appendix I

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### *Foreign Investment Protection Agreement (FIPA)*

A FIPA is a bilateral agreement primarily designed to protect and promote Canadian foreign investment abroad through legally-binding provisions on, for example, most-favoured-nation (MFN) and national treatment of investments; internationally-recognized standards of protection of investments and returns on investments; compensation for losses and expropriation; unrestricted transfer of funds in convertible currency; and state-to-state and investor-to-state dispute settlements. Countries like India sign these agreements with us because they want Canadian investment and the benefits which flow from it.

Canada and India are currently engaged in negotiations of a FIPA. The agreement will address aspects of investment such as: the transfer of funds; transparency; ownership and control; taxation; and dispute settlement mechanisms.

### *Agreement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income between Canada and India*

In brief, this agreement is a tax treaty which eliminates the problem of an enterprise being subject to tax in both of the contracting states (ie. Canada & India). In addition, under certain circumstances, it eliminates taxation of a Canadian enterprise operating in India without a permanent establishment; reduces the incidence of Indian tax on dividends paid by an Indian company to a Canadian corporation; reduces or exempts tax on interest payments made to Canadian lenders; encourages Canadian investment in India by awarding Canadian tax credits to off-set taxes paid in India; and exempts Canadian air transport and shipping companies from paying Indian tax.