



International Taxation

(Some Important Concepts)

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Introduction

Double
Taxation
Avoidance
Agreement
(DTAA)

Equalization
Levy

Foreign Tax
Credit (Rule
128)

Transfer Pricing
(Introduction)

Taxation of Non
Resident Indian
(NRI's) (Chapter
XII-A)



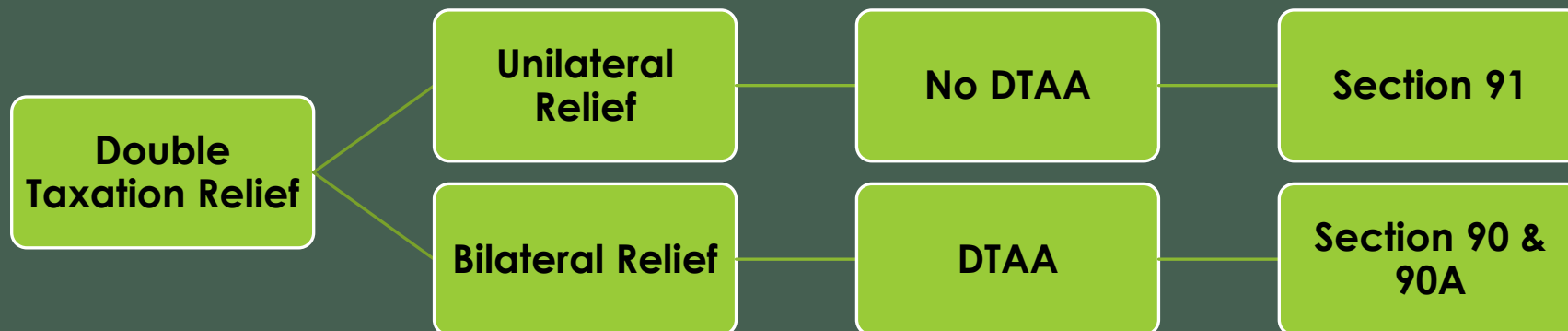
Double Taxation Avoidance Agreement (DTAA)

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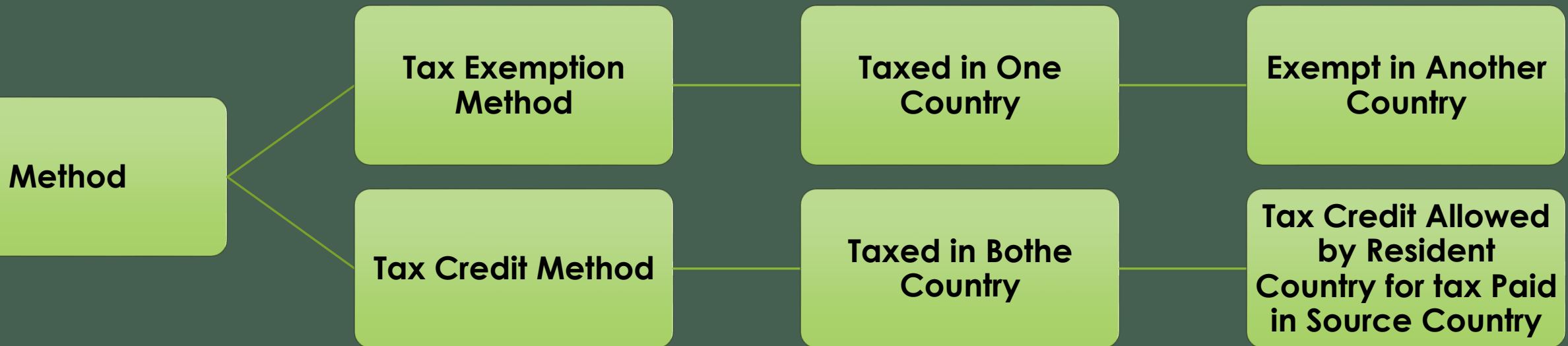
Introduction

- Double Taxation means Income is **Twice** in the hands of some Assessee.
- Income is Taxable in any country on Two Basis i.e. **Residence Rule** and **Source Rule**.
- Double Taxation is Arise when Assessee is one country on Resident Basis and in another country on Source Basis.





Introduction





Agreement with Foreign Countries - DTAA

Section 90

CG, enter into agreement with Govt. of Foreign Country or Specified Territory Outside India;

For Granting Relief for Double Taxed Income

Exchange of Information with each other.....

Important Points to Remember

- Prov" of DTAA or Income Tax, viz. more beneficial to Assessee shall Apply.
- Wherever DTAA Applies, Tax Residency Certificate is Must.



Double Taxation Relief- No DTAA

Section 91

Assessee

Resident

Income

From Foreign Country

Taxes

Deducted / Paid in Foreign Country

DTAA

NO

Steps to Determine Amount of Relief

1

Calculate NTI (Indian + Foreign Income)

2

Calculate Gross Tax Liability (Before claiming Prepaid Taxes)

3

Calculate Average Tax Rate on NTI (i.e. Gross Tax / NTI x 100)

4

Calculate Foreign Tax Rate

5

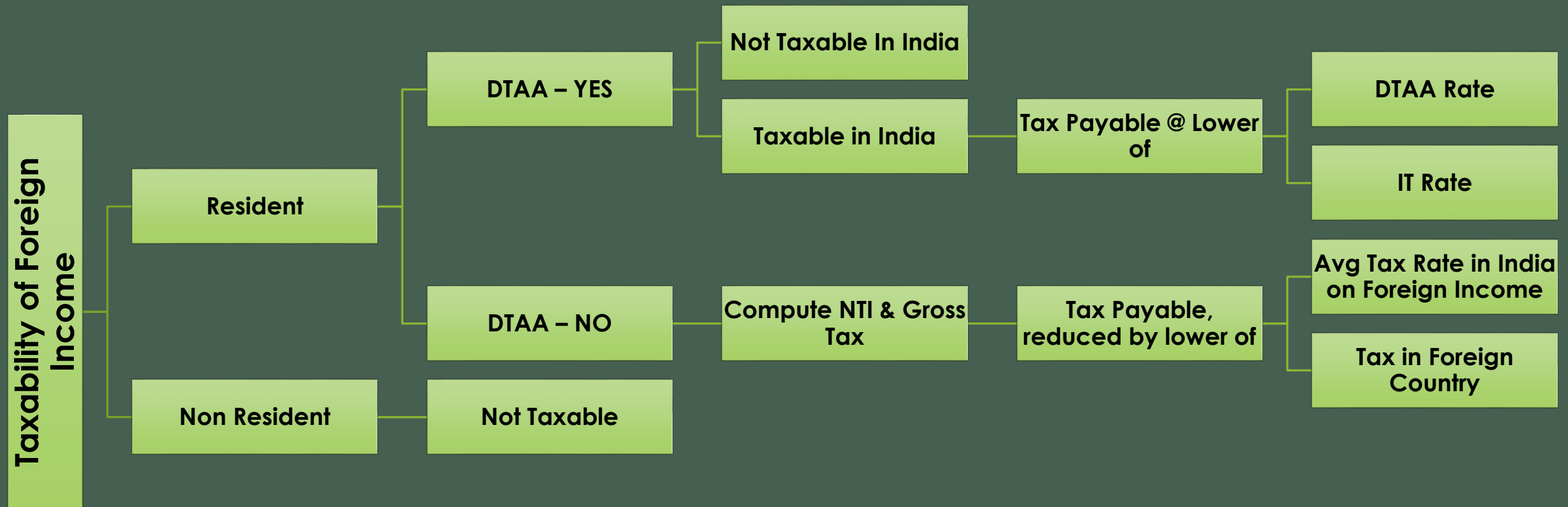
Determine the Lower out of 3 & 4

6

Relief = Foreign Income X Rate as per 5



Taxability of Foreign Income





Transfer Pricing

(Introduction)

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Introduction

Section 92

- Any Income, Expenditure, Interest & Allocation of Cost in Relation of
 - International Transaction
 - Specified Domestic Transaction
- Shall be computed @ ALP (i.e. Current Market Price, Fair Price)



International Transactions

Section 92B

Transaction b/w
Two or more
**Associated
Enterprises**

At Least One
must be **Non
Resident**



Associated Enterprises

Section 92A

- one enterprise holds, directly or indirectly, shares carrying not less than 26% of the voting power in the other enterprise; or
- any person or enterprise holds, directly or indirectly, shares carrying not less than 26% of the voting power in each of such enterprises; or
- a loan advanced by one enterprise to the other enterprise constitutes not less than 51% of the book value of the total assets of the other enterprise; or
- one enterprise guarantees not less than 10% of the total borrowings of the other enterprise; or
- more than half of the board of directors or members of the governing board, or one or more executive directors or executive members of the governing board of one enterprise, are appointed by the other enterprise; or
- more than half of the directors or members of the governing board, or one or more of the executive directors or members of the governing board, of each of the two enterprises are appointed by the same person or persons; or
- the manufacture or processing of goods or articles or business carried out by one enterprise is wholly dependent on the use of know-how, patents, copyrights, trade-marks, licenses, franchises or any other business or commercial rights of similar nature, or any data, documentation, drawing or specification relating to any patent, invention, model, design, secret formula or process, of which the other enterprise is the owner or in respect of which the other enterprise has exclusive rights; or



Associated Enterprises

Section 92A

- 90% or more of the raw materials and consumables required for the manufacture or processing of goods or articles carried out by one enterprise, are supplied by the other enterprise, or by persons specified by the other enterprise, and the prices and other conditions relating to the supply are influenced by such other enterprise; or
- the goods or articles manufactured or processed by one enterprise, are sold to the other enterprise or to persons specified by the other enterprise, and the prices and other conditions relating thereto are influenced by such other enterprise; or
- where one enterprise is controlled by an individual, the other enterprise is also controlled by such individual or his relative or jointly by such individual and relative of such individual; or
- where one enterprise is controlled by a Hindu undivided family, the other enterprise is controlled by a member of such Hindu undivided family or by a relative of a member of such Hindu undivided family or jointly by such member and his relative; or
- where one enterprise is a firm, association of persons or body of individuals, the other enterprise holds not less than ten per cent interest in such firm, association of persons or body of individuals; or
- there exists between the two enterprises, any relationship of mutual interest, as may be prescribed.

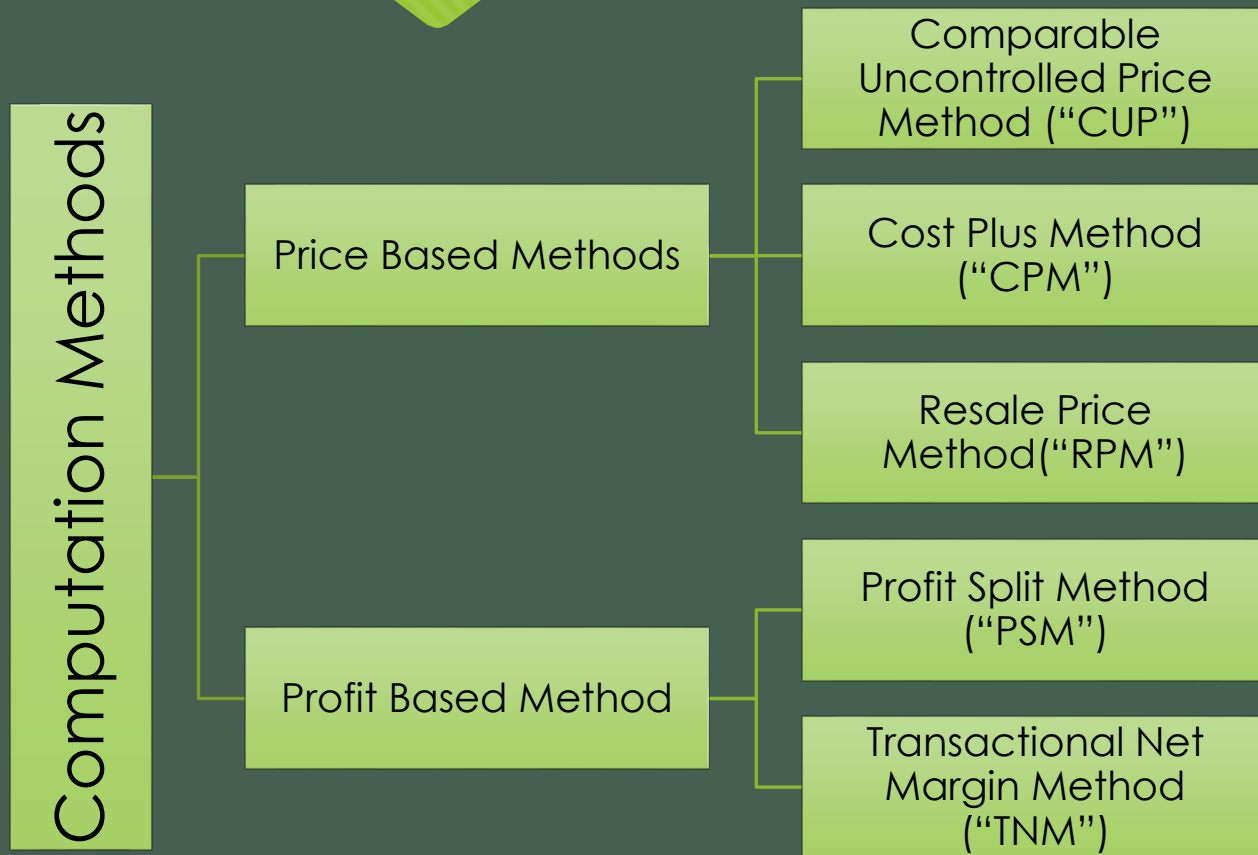


Computation

ALP



Computation Methods for ALP





Computation Method for ALP

Comparable Uncontrolled Price Method (“CUP”)

Particular	Amount
Price Charged(Paid) – Comparable un-Controlled Tran”	xx.xx
Adjustment – Diff” b/w International Transaction and Comparable Uncontrolled Transaction	xx.xx
Arm Length Price (“ALP”)	XX.XX

Comparable Uncontrolled Transactions Available



Computation Method for ALP

Cost Plus Method (“CPM”)

Particular	Amount
Cost of Production (Direct + Indirect)	XX.XX
Less:- Gross Profit Margin – Similar Transaction	XX.XX
Adjustment – Diff” b/w International Transaction and Comparable Uncontrolled Transaction	XX.XX
Arm Length Price (“ALP”)	XX.XX

**Goods Manufactured by
one AE Sold to Another AE.**



Computation Method for ALP

Retail Price Method (“RPM”)

Particular	Amount
Price Charged for Goods (Sold to Unrelated Party)	XX.XX
Less:- Gross Profit Margin – Similar Transaction	XX.XX
Less:- Purchase Related Expenses	XX.XX
Arm Length Price (“ALP”)	XX.XX

**Goods Purchased from AE is
Transferred to Unrelated Party**



Computation Method for ALP

Profit Split Method (“PSM”)

Particular	Amount
Cost Incurred by Assessee	xx.xx
Add:- Share of Profit of Such Enterprises	xx.xx
Arm Length Price (“ALP”)	XX.XX

**Assessee execute an Order
in Joint Venture with its AE.**



Computation Method for ALP

Transactional Net Margin Method (“TNM”)

Profit earned by other players in the Same Industry under the same or similar consideration taken into account for Calculating ALP



Equalisation Levy

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Equalisation Levy

Equalisation Levy @ 6%
applicable

If Payment made for
Specified Services
received / Receivable
by Non-Resident from

A person in INDIA &
Carrying Business or
Profession

Non Resident having
P.E. in India



Equalisation Levy

Equalisation
Levy, Not
Applicable

NR having PE in
India & Service
Connected with
Such PE

Aggregate
Amount Recd by
NR from Payer is up
to INR 1,00,000 in
PY

Specified Service

Online
Advertisements

Any Provision of
Digital Advt. Space
or any other facility
or service for the
purpose of online
Advt.



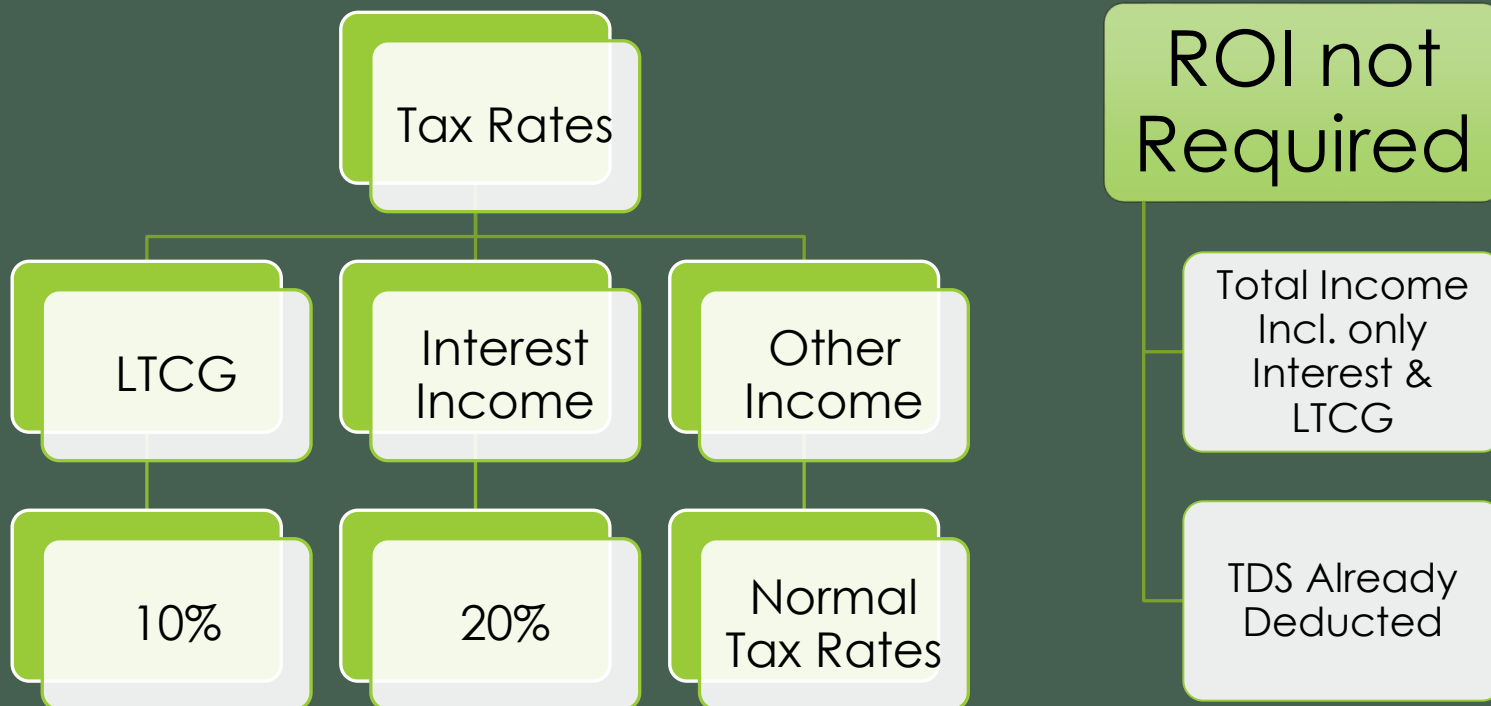
Taxation of Non Resident Indian (NRI's) (Chapter XII-A)

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Taxation of Non Resident Indian (NRI's)

Optional Provisions for NRI (NR + IC/PIO)





Foreign Tax Credit (Rule 128)

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Foreign Tax Credit

FTC

Taxes Paid /
Deducted in
Foreign
Country,

Credit is
available in the
country of
Resident

Credit Claim

When Income
Offered to Tax
in INDIA

S/o. With
Income Tax,
Surcharge &
Cess only

Amount

Lower of
Foreign Tax &
Indian Tax

Excess of
Foreign Tax
shall be
Ignored

Documents Requirement

Foreign
Computation
of Income

Form No. 67

Conversion Rate

SBI – TTBR

TTBR - Last day
of PY



THANKYOU ConsulatEase

&

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