Tax Treatment of Foreign Income of Persons Resident in India

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TAX TREATMENT OF FOREIGN INCOME OF PERSONS RESIDENT IN INDIA

DIRECTORATE OF INCOME TAX

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DISCLAIMER:

The purpose of this booklet is to inform the taxpayers about the broad tax treatment of foreign income of persons resident in India. It, however, does not have any statutory authority and cannot be cited in a Court of Law. In case of any doubt, taxpayers are advised to make reference to the relevant statutory provisions, as laid down in the Income Tax Act, 1961, Income tax Rules, 1962 and circulars/ instructions issued by the CBDT from time to time and the web-site https://www.incometaxindia.gov.in.

PREFACE

The Directorate of Income Tax(PR,P&P) is making continuous endeavors to increase the awareness of various categories of tax laws and the steps taken by the government to reduce the complexities of tax laws and improve Tax Payer Service. In a liberalized economy, more and more citizen of the country are travelling to work and earn income in foreign countries. Often these taxpayers are not adeuately equipped to understand the taxability of their foreign income. This booklet is written keeping in view the fact that the segment of global tax payers earning income from more than one country is growing.

Smt. Vatsala Jha, CIT(Transfer Pricing) has taken great pains to update the booklet which was last written by Shri Sanjay Puri (Presently PCIT, Udaipur) in the year 2009. The present edition incorporates the amendments in law made upto the Finance Act, 2017. The Booklet has also been vetted by Shri Kamlesh Varshney, CIT(International Taxation), New Delhi with all updates. We thank both Smt. Vatsala Jha and Shri Kamlesh Varshney for their efforts.

We are hopeful that readers will find this publication quite useful. This Directorate always welcomes suggestion for further improvement.

(Debjyoti Das)
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New Delhi
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TAX TREATMENT OF FOREIGN INCOME OF PERSONS RESIDENT IN INDIA

BASIS FOR TAX LIABILITY IN INDIA

1. The tax liability of a person under the Income-tax Act depends upon his residential status in the financial year in which the income accrues or arises to him or is received by him. Financial year means the period of twelve months commencing on the Ist day of April every year. The test of determining residential status of a person is laid down in section 6 of the Income-tax Act.

WHO IS A RESIDENT?

2.1 An **individual** is said to be resident in India in any financial year if he has been in India during that year:

- for a period or periods of 182 days or more; or
- for a period or periods of 60 days or more and has also been in India within the preceding four years for a period or periods of 365 days or more.

However, the period of 60 days is increased to 182 days (i) in the case of a citizen of India or a person of Indian origin who has been outside India and comes on a visit to India, and (ii) in a case when a citizen of

India leaves India for purposes of employment outside India or as a member of the crew of an Indian ship.

A person of Indian origin is one if he, or either of his parents or any of his grand parents, was born in undivided India.

Thus, the residential status of an individual generally depends on his physical presence or period of stay in India and not on his nationality or domicile.

2.2 A **Hindu undivided family** or a **firm** or all **association of persons** is said to be resident in India in every case except where the control and management of its affairs is situated wholly outside India, during the financial year. Thus, where the control and management of its affairs is situated even partly in India, a firm, etc., becomes a resident in India.

2.3 A **company** is said to be resident in India if it is an Indian company Or its place of effective management (POEM), in that year, is in India during the financial year. "Place of effective management" means a place where key management and commercial decisions that are necessary for the conduct of business of entity as a whole are, in substance made.

WHO IS A NON-RESIDENT?

2.4 A person who is not resident in India as above, is a non-resident.

CATEGORIES OF RESIDENTS

2.5 Residents are divided into two categories (a) resident and ordinarily resident, and (b) resident but not ordinarily resident. The status of 'resident but not ordinarily resident' is available only to the individuals and Hindu undivided families.

Who is a resident but not ordinarily resident?

2.6 An **individual** is said to be a "not ordinarily resident" in India in any financial year if :

(a) he has been a non-resident in India in nine out of ten financial years preceding that year; or

(b) he has been in India for a period of 729 days or less during the seven financial years preceding that year.

Thus an individual would be a "not ordinarily resident" (NOR) if he fulfils either of the aforesaid tests.

"One implication is that a newcomer to India would remain NOR for the first two financial years at least of his stay in India. Similarly, where a person who is a resident in India goes abroad and remains non-resident for at least nine out of the next ten financial years, he would on his return be treated as NOR for at least the two financial years (the financial year of returning to India and the immediately subsequent financial year).

Another implication is that a person may have been a resident or a non resident in India during the seven preceding financial years but if he was in India for 729 days or less during those seven preceding financial years, he will then be treated as NOR."

2.7 A **Hindu undivided family** is said to be 'not ordinarily resident' in India if its manager is 'not ordinarily resident' in India. For the purpose of calculating the length of the manager's stay in India, the periods of stay in India of the successive managers of a Hindu undivided family during its continued existence have to be added up.

EXTENT OF TAX LIABILITY

3.1 The provisions regarding scope of total income which is liable to income-tax in India are contained in section 5 of the Income tax Act.

3.2 In the case of a **person who is resident**, the total income of any financial year includes all income from whatever source derived which:

(a) is received or is deemed to be received in India in such year by him or on his behalf, or

(b) accrues or arises to him or is deemed to accrue or arise to him in India during such year, or

(c) accrues or arises to him outside India during such year.

3.3 However, in the case of a **person not ordinarily resident in India**, the income which accrues or arises to him outside India is not to be included in his total income unless it is derived from a business controlled in or a profession set up in India

3.4 The expressions "accrues" and "received" are to be understood in their plain general meaning, as there is no particular definition thereof in the Income-tax Act. The expressions "accrues" and "arises" are used in contradistinction to the expression "received" and indicate a right to receive income.

Tax liability of a resident on his foreign income

3.5 The total world income of a resident is liable to income tax in India. The foreign income i.e. income accruing or arising outside India in any financial year is liable to income-tax in that year even if it is not received or brought into India. There is no escape from liability to income-tax even if the remittance of income is restricted by the foreign country. However, in the case of income arising in a foreign country the laws of which prohibit or restrict the remittance of money to India, proceedings cannot be taken against the assessee for recovery of the tax assessed and due in respect of such foreign income until the prohibition or restriction is removed.

3.6 Income which has been included in the total income of a resident on the basis that it has accrued or arisen to him outside India, is not to be so included again

on the basis that it is received or deemed to be received in India.

Tax liability on foreign income of a person not ordinarily resident

3.7 In the case of a person resident but not ordinarily resident, income accruing or arising to him outside India in any financial year is not liable to income-tax in India only if :

(i) it is not derived from a business controlled in or a profession set up in India;

(ii) it is not received or deemed to be received in India in such year by him or on his behalf; and

(iii) it is not deemed to accrue or arise to him in India during such year.

Thus, the income-tax exemption on foreign income is confined to cases where income not only accrues or arises abroad but is also received abroad and is neither deemed to accrue or arise nor deemed to be received in India under the provisions of the Income-tax Act. But the income-tax exemption would not be lost merely because the foreign income received abroad is subsequently brought into India.

3.8 The expression "business controlled in India" means that the "head and brain" of the trading adventure should be situated in India and should direct the business

activities from India. Like income derived from a business controlled in India, income derived from a profession set up in India is also excluded from the scope of the foreign income. The expression "profession" includes vocation as well. A profession established abroad and afterwards established and continued in India would fall within the category of a profession set up in India.

The law specifically provides that income accruing or arising outside India is not to be deemed to be received in India by reason only of the fact that it is taken into account in a balance sheet prepared in India. Thus, no amount of book-keeping or entries in the accounts **kept in India would be equivalent to receipt of income from abroad.**

3.9 Section 9 of the Income-tax Act contains provisions in respect of income deemed to accrue or arise in India. These are:

(i) All income accruing or arising, whether directly or indirectly:

(a) through or from any business connection in India;

(b) through or from any property in India;

(c) through or from any asset or source of income in India;

(d) through the transfer of a capital asset situated in India.

However, in the case of a business of which all the operations are not carried out in India, the income of the business deemed to accrue or arise in India is to be only such part of the income as is reasonably attributable to the operations carried out in India.

The expression "through" means "by means of", "in consequence of" or "by reason of". The Finance Act 2012 inserted clarificatory amendments with retrospective effect from Assessment Year 1962-63 to clarify that an asset or capital asset, being any share or interest in a company or entity registered or incorporated outside India shall be deemed to be situated in India if the share or interest derives, directly or indirectly, its value substantially from the assets located in India.

(ii) Income which falls under the head "Salaries", if it is earned in India. Salary payable for services rendered in India is regarded as income earned in India, even though the employment contract is executed outside India and the salary is also payable outside India.

(iii) Income chargeable under the head "Salaries" payable by the Government to a citizen of India for service outside India.

(iv) A dividend paid by an Indian company outside India.

(v) Interest income if it is payable by :

(a) the Central Government or any State Government;

(b) a resident, except where the interest is payable in respect of any debt incurred or any moneys borrowed and used for the purposes of a business or profession carried on by him outside India or for the purposes of making or earning any income from any source outside India; and

(c) a non-resident in respect of any debt incurred or any moneys borrowed and used for the purpose of a business or profession carried on by him in India.

(vi) Royalty if it is payable by :

(a) the Central Government or any State Government;

(b) a resident, except where the royalty is payable in respect of any right, property or information used or services utilised for the purposes of a business or profession carried on by him outside India or for the purposes of making or earning any income from any source outside India; and

(c) a non-resident, where the royalty is payable in respect of any right, property or information used or services utilised for the purposes of a business or profession carried on by such person in India or for the purposes of making or earning any income from any source in India.

(vii) Income by way of fees for technical services if it is payable by :

(a) the Central Government or any State Government;

(b) a resident, except where the fees are payable in respect of services utilised in a business or profession carried on by him outside India or for the purposes of making or earning any income from any source outside India; and

(c) a non-resident, where the fees are payable in respect of services utilised in a business or profession carried on by such person in India or for the purposes of making or earning any income from any source in India.

BUSINESS CONNECTION

3.10.1 The expression "business connection", used in section 9 of the Income-tax Act, has a wide meaning. It is not defined; In fact, it admits of no precise definition. Whether there is a "business connection" or not, depends upon the particular facts of each case. The courts have held that "business connection" involves a relationship between a business carried on outside India, which yields profits or gains and some activity in India which in turn contributes to the earning of these profits or gains. It postulates a real and intimate relationship between trading activity carried on outside India and trading activity within India, the relationship between

the two contributing to the earning of the income by the non-resident or 'not ordinarily resident' in his trading activity. It is necessary that some of the operations are carried out in India in respect of which the income is sought to be assessed.

3.10.2 In the context of "business connection", the Central Board of Direct Taxes (hereinafter referred to as the Board) had issued circular No. 23, dated 23rd January, 1969, explaining its concept. The Board has vide Circular no. 7/2009 dated October 22, 2009 withdrawn Circular no. 23/1969 dated 23rd July, 1969. The Circular No. 7/2009 dated 22.10.2009 is reproduced as under:

CIRCULAR NO. 7/2009 [F. NO. 500/135/2007-FTD-I], DATED 22-10-2009

The Central Board of Direct Taxes had issued Circular No. 23 (hereinafter called "the Circular") on 23rd July 1969 regarding taxability of income accruing or arising through, or from, business connection in India to a non-resident, under section 9 of the Income-tax Act, 1961.

2. *It is noticed that interpretation of the Circular by some of the taxpayers to claim relief is not in accordance with the provisions of section 9 of the Income-tax Act, 1961 or the intention behind the issuance of the Circular.*

3. *Accordingly, the Central Board of Direct Taxes withdraws Circular No 23 dated 23rd July, 1969 with immediate effect.*

4. Even when the Circular was in force, the Income-tax Department has argued in appeals, references and petitions that :

(i) the Circular does not actually apply to a particular case, or

(ii) that the Circular cannot be interpreted to allow relief to the taxpayer which is not in accordance with the provisions of section 9 of the Income-tax Act or with the intention behind the issue of the Circular.

It is clarified that the withdrawal of the Circular will in no way prejudice the aforesaid arguments which the Income-tax Department has taken, or may take, in any appeal, reference or petition.

5. The Central Board of Direct Taxes also withdraws Circulars No. 163 dated 29th May, 1975 and No. 786 dated 7th February, 2000 which provided clarification in respect of certain provisions of Circular No 23 dated 23rd July, 1969.

3.10.3 The term "business connection" also includes any business activity carried out through a person who, acting on behalf of the non-resident :

(a) has and habitually exercises in India, an authority to conclude contracts on behalf of the non-resident, unless his activities are limited to the purchase of goods or merchandise for the non-resident; or

(b) has no such authority, but habitually maintains in India a stock of goods or merchandise from which he regularly delivers goods or merchandise on behalf of the non-resident; or

(c) habitually secures orders in India, mainly or wholly for the non-resident or for that non-resident and other non-residents controlling, controlled by, or subject to the same common control, as that non-resident.

But, that such business connection shall not include any business activity carried out through a broker, general commission agent or any other agent having an independent status if such broker, general commission agent or any other agent having an Independent Status, if such broker, general commission agent or any other agent having an Independent Status is acting in the ordinary course of his business.

Also, where such broker, general commission agent or any other agent works mainly or wholly on behalf of a non-resident (hereafter in this proviso referred to as the principal non-resident) or on behalf of such non-resident and other non-residents which are controlled by the principal non-resident and or have a controlling interest in the principal non-resident or are subject to the same common control as the principal non-resident, he shall not be deemed to be a broker, general commission agent or an agent of an independent status.

Moreover, where a business is carried on in India through a person referred to in clause (a) or clause (b) or clause (c) mentioned above, only so much of income as is attributable to the operations carried out in India shall be deemed to accrue or arise in India.

3.10.4 From Assessment Year 2019-20 (FY 2018-19) and onwards; "business connection" shall also include any business activities carried through a person who, acting on behalf of the non-resident, habitually concludes contracts or habitually plays the principal role leading to conclusion of contracts by the non-resident . However, the contracts should be :

(i) in the name of the non-resident; or

(ii) for the transfer of the ownership of, or for the granting of the right to use, property owned by that non-resident or that the non-resident has the right to use; or

(iii) for the provision of services by that non-resident.

3.10.5 From Assessment Year 2019-20 (FY 2018-19) and onwards, "significant economic presence" in India shall also constitute "business connection". Further, "significant economic presence" for this purpose, shall mean :

(i) any transaction in respect of any goods, services or property carried out by a non-resident in India including provision of download of data or software in India if the aggregate of payments

arising from such transaction or transactions during the previous year exceeds the amount as may be prescribed; or

(ii) systematic and continuous soliciting of its business activities or engaging in interaction with such number of users as may be prescribed, in India through digital means.

However, only so much of income as is attributable to such transactions or activities shall be deemed to accrue or arise in India. The transactions or activities shall constitute significant economic presence in India, whether or not the non-resident has a residence or place of business in India or renders services in India.

3.10.6 Some of the instances of "business connection" are :

(i) maintaining in India of a branch office for the purchase or sale of goods or for transacting other business;

(ii) erecting a factory in India where the raw produce purhased locally is worked into a form suitable for export abroad;

(iii) appointing an agent in India for the systematic and regular purchase of raw materials or other commodities, or for the sale of goods or for other business purposes;

(iv) close financial association with a resident, etc.

3.10.7 Operations not taken as business connection :

The following operations do not amount to business connections :

(i) Where all operations are not carried out in India [Explanation 1(a) to Sec.9(1)(i) of the Act].- if all business operations are not carried out in India, the income of the business deemed to accrue or arise in India shall be only such part of income as is reasonably attributable to the operations carried out in India.

(ii) Purchase of goods for exports [Explanation 1(b) to Sec.9(1)(i)] – In the case of a non-resident no income shall be deemed to accrue or arise in India to him through or from operations which are confined to the purchase of goods in India for the purpose of exports.

(iii) Collection of news and views [Explanation 1(c) to Sec. 9(1)(i)]- No income shall be deemed to accrue or arise in the case of a non-resident engaged in the business of running a news agency or of pubishing newspapers, magazines or journals from activities confined to the collection of news and views in India for transmission out of India.

(iv) Shooting of cinematograph film in India [Explanation 1(d) to Sec. 9(1)(i)] – In the case of a non-resident no income shall be deemed to accrue or arise in India through or from operations which are confined to the shooting of any cinematograph film in India, if such a non-resident is either an individual who is not a citizen of India, or a firm which does not have any partner who is a citizen of India or is a resident in India.

(v) Display of uncut and unassorted diamond in a notified special zone [Explanation 1(e) to Sec. 9(1)(i)] – In case of a foreign company engaged in the business of mining of diamonds, no income shall be deemed to accrue or arise in India through or from the activities which are confined to the display of uncut and unassorted diamond in any special zone notified by the Central Government in the Official Gazette in this behalf (applicable from the Assessment Year 2016-17).

(vi) Section 9A – In the case of an "eligible investment fund", the fund management activity carried out through an "eligible fund manager" acting on behalf of such fund shall not constitute business connection in India of the said fund (applicable from Assessment Year 2016-17).

3.11 Royalty

The definition of "royalty" as given in the Explanation to Section 9(1)(vi) of the Act, is wide enough to cover industrial; commercial copyright and equipment royalties. Further, the definition specifically excludes income which would be chargeable to tax under the head "Capital Gains" and accordingly, such income is to be charged to tax as capital gains on a net basis (i.e. after deduction of related expenses) under the provisions of the Income-tax Act. Royalty for this purpose includes consideration for the transfer of any right in respect of a patent, invention, model, design, secret formula, or process or trademark or similar property. Royalty also includes consideration for the use of any patent, invention, model, design, secret formula, or process or trademark or similar property. The provision has been amended by the Finance Act, 2012, with retrospective effect from 01.06.1976 to include the following:

(i) Transfer of all or any right for use (or right to use) a computer software (including granting of licence) irrespective of the medium through which such right is transferred.

(ii) Any consideration in respect of any right, property or information, whether or not :

  (a) The possession or control of such right, property or information is with the payer;

  (b) Such right, property or information is used directly by the payer;

(c) The location of such right, property or information is in India.

(iii) The expression "process" includes transmission by satellite (including up-linking, amplification, conversion for down-linking of any signal), cable, optic fibre or by any other similar technology, whether or not such process is secret.

3.12 Fees for Technical Services

The expression "fees for technical services" has been defined to mean any consideration, including a lump sum consideration, for the rendering of managerial, technical or consultancy services, including the provision of services of technical or other personnel. It, however, does not include salary income or a consideration received for any construction, assembly, mining or like project undertaken by the recipient.

Tax reliefs on the foreign income of the residents

4.1 The Income-tax Act provides a number of reliefs, either by way of complete exemption or by way of deduction from the gross total income, in respect of the foreign income of the residents. Further, income-tax exemption is provided under the United Nations (Privileges and Immunities) Act, 1947 on the salaries of the officers of the United Nations, its specialised agencies and certain other international organisations notified by the Central Government.

4.1.2 These reliefs, 'head of income-wise', are as under:

Salaries

4.2.1 'Salary' means all remuneration paid or due under an express or implied contract of employment except that received by a partner of a firm from the firm. It includes wages, annuity or pension, gratuity, fees, commission, perquisites or profits in lieu of or in addition to any salary or wages or any advance of salary or leave salary encashment.

4.2.2 The exemptions and deductions available in the Income-tax Act on the foreign income by way of salaries are indicated in following paragraphs.

Exemption on the allowances paid by Government

4.2.3 Any allowance or perquisite paid or allowed as such outside India by the Central Government or a State Government to a citizen of India for rendering service outside India, is exempt from income-tax. The relevant provisions are contained in section 10(7) of the Income tax Act.

Exemption of foreign income of persons assigned to duties in India under cooperative technical assistance programmes

4.2.4 In the case of individuals who are assigned to duties in India in connection with any cooperative technical assistance programmes and projects, in accordance with

an agreement between the Central Government and the Government of a foreign State, their foreign income is exempt from income-tax if they pay any income or social security tax on such income to the foreign State. To qualify for the exemption, such income should not be deemed to have accrued or arisen in India. Further, the terms of the agreement between the two governments must provide for such exemption. The relevant provisions of this exemption are contained in section 10(8) of the Income-tax Act.

4.2.5 Income-tax exemption on the aforesaid lines has also been provided on the foreign income of an individual who is assigned to duties in India in connection with any technical assistance programme and project in accordance with an agreement entered into by the Central Government and an international organisation. The exemption is available only if the following conditions are satisfied, namely:

(a) the individual is an employee of the consultant referred to in section 10 (8A) which provides that a consultant means a person engaged by an international organisation in connection with any technical assistance programme in accordance with an agreement between that organisation and the Central Government;

(b) he is either not a citizen of India or being a citizen of India, is not ordinarily resident in India; and

(c) the contract of service of the individual is approved by the Additional Secretary, Department of Economic Affairs, in the Ministry of Finance, Government of India in concurrence with Member (Income-tax) of the Board.

The relevant provisions of this exemption are contained in Section 10(8B) of the Income-tax Act.

Exemption under the United Nations (Privileges and Immunities) Act, 1947

4.2.6 The United Nations (Privileges and Immunities) Act, 1947, provides exemption from income-tax on the salaries and emoluments paid by the United Nations to its officials. Thus, the individuals who are resident in India in any financial year and are in receipt of income by way of salaries and emoluments from the United Nations as officials thereof, are exempt from income-tax on such income. As the expression "salaries" under the Income-tax Act includes pension also, the pension received from the United Nations by its former officials, is also exempt from income-tax.

4.2.7 Under section 3 of the United Nations (Privileges and Immunities) Act, 1947, the Central Government has the power to extend the benefit of the income-tax exemption to the officers of other international organisations on the lines of such exemption to U.N. Officials. The benefit of Income-tax exemption has been extended to the representatives and officers of the following specialised agencies of the United Nations or other international organisations.

Specialised agencies of United Nations

(i) International Civil Aviation Organisation;

(ii) World Health Organisation;

(iii) International Labour Organisation;

(iv) Food and Agriculture Organisation of the United Nations;

(v) United Nations Educational, Scientific and Cultural Organisation;

(vi) International Monetary Fund;

(vii) International Bank for Reconstruction & Development (World Bank);

(viii) Universal Postal Union;

(ix) International Atomic Energy Agency;

(x) International Telecommunication Union;

(xi) World Meteorological Organisation;

(xii) Inter-Governmental Maritime Consultative Organisation;

(xiii) United Nations Industrial Development Organisation;

(xiv) United Nations Conference on Trade and Development;

Other International Organisations

(i) League of Arab States;

(ii) Asian African Legal Consultative Committee;

(iii) Afro-Asian Rural Reconstruction Organisation;

(iv) Commonwealth Secretariat (applicable to non-Indian nationals who are visiting India and to Indian nationals who are on assignment outside India with the Common wealth Secretariat or other bodies constituted by it for furtherance of its objectives);

(v) Asian Development Bank (applicable to the Indian Executive Directors, Alternate Executive Directors, officials and experts who are posted outside India);

(vi) International Jute Organisation, Dhaka (applicable to the Indian nationals only);

(vii) African National Congress Mission;

(viii) International Court of Justice;

(ix) Palestinean Liberation Organisation;

(x) Customs Cooperative Council;

(xi) International Committee of Red Cross.

4.2.8 The Ministry of External Affairs has also clarified that the United Nations officials and the technical assistance experts may be treated at par. Moreover, the procedural distinction in the matter of extending privileges between officials and experts on mission has been dispensed with. As a result, experts on mission are also entitled to the same privileges and immunities as are enjoyed by the officials of the United Nations.

4.2.9 The administration of the United Nations (Privileges and Immunities) Act vests in the Ministry of External Affairs (U.N. Division).

Profits and gains of business or profession

4.3.1 Income from business or profession is computed in accordance with the provisions of sections 28 to 44DB of the Income-tax Act. The expression 'business or profession' includes any trade, commerce, manufacture or vocation.

4.3.2 The deductions available in the Income-tax Act on the foreign income by way of profits and gains of business or profession are indicated in the subsequent paragraphs.

Income from house property and capital gains

4.4.1.1 Income from house property is computed in accordance with the provisions of sections 22 to 27 of the Income-tax Act. It is determined with reference to its annual value i.e., the sum for which the property might reasonably

be expected to be let from year to year. However, where any property is tenanted and the annual rent received or receivable by the owner is in excess of the sum for which the property might reasonably be expected to be let from year to year, the actual rent received or receivable is taken as the annual value of the property.

4.4.1.2 Sections 45 to 55A of the Income-tax Act deal with the provisions relating to computation of income from capital gains and the various exemptions and deductions allowable in respect of the same.

4.4.2 There is no specific tax relief provided in respect of the foreign income of the residents falling under the aforesaid two sources of income (except for income from business/profession of a Resident but Not Ordinarily Resident where the business is controlled outside India or the profession is set up outside India)

Income from Other sources:

4.5.1.1 Sections 56 to 59 of the Income-tax Act deal with the provisions for computation of income under the head 'Income from other sources'. This is a residuary head covering all incomes which do not fall under any of the heads of income mentioned specifically in the Income-tax Act, i.e., (i) salaries, (ii) income from house property, (iii) profits and gains of business or profession, and (iv) capital gains.

4.5.1.2 There is no specific deduction available for foreign income of the resident falling under this head.

Double taxation relief

5.1 The foreign income of the residents i.e. the income accruing or arising outside India generally becomes liable to tax in India as well as in the country in which the income accrues or arises or is received. The double taxation of such income is avoided by means of double taxation avoidance agreements entered into by the Government of India with the Governments of other countries. Where the income accrues or arises in a country with which no agreement exists, unilateral tax relief is provided to the doubly taxed income under the provisions of section 91 of the Income-tax Act.

Double taxation avoidance agreements

5.2 The Government of India has entered into comprehensive agreements for avoidance of double taxation with 93 countries. The list of such countries and certain details of the agreements including the assessment year from which they take effect, are available at the official website of the department incometaxindia.gov.in. Besides, the Government of India has also entered into agreements which cover limited areas of activity like aircraft and shipping business. For sake of convenience, the list of countries with which India has comprehensive agreements and limited agreements are provided below as Annexure 'A' & Annexure 'B' respectively.

5.3.1 There are two methods of granting relief under the double taxation avoidance agreements :

(i) **Method of exemption :**

Under this, the income which according to the source rule arises in one country is not taxed in the other country, though it can be taken into account for purpose of determining the rates of tax.

(ii) **Method of tax credit :**

Under this, the income is taxed in both the countries in accordance with their respective tax laws read with the bilateral double taxation avoidance agreements. However, the country of residence of the taxpayer allows him credit for the tax charged there on in the country of source against the tax charged on such income in the country of residence. Credit is also to be given for the tax that would have been paid but for certain tax incentives, if the bilateral tax agreements so provide.

5.3.2 Essentially, the difference between the exemption method and the credit method is that the former looks at income and the latter looks at tax on income.

5.3.3. To see whether exemption income is to be allowed or credit system, one must look at the particular DTAA involved. If the DTAA says that a particular income shall be taxed only in source/resident country, it means that the income cannot be taxed by the other country. However, if the DTAA says that the income may be taxed in source country, it means that both source and resident country have the right to tax that income.

However, resident country would then relieve double taxation in accordance with the provision in the DTAA concerning this. In most of our treaty India has provided that it would eliminate double taxation in such situation by following credit method. That means it would allow credit of tax paid in source country by the Indian resident while taxing that income in India..

5.4 So far as taxation of business profits is concerned, these agreements generally provide that the profits would the taxed only in the country of residence of the taxpayer unless the taxpayer has a permanent establishment in the country in which the profits arise. The expression 'permanent establishment' normally means a fixed place of business and includes certain activities which are specified in the tax agreements. Where there is a permanent establishment, the business profits of the taxpayer arising in the country of source may be taxed there. The incomes such as royalties, fees for technical services, dividends and interest are generally taxed in both the countries and for taxing them in the source country there is no requirement of permanent establishment. But in the country in which the income arises according to the source rule, these incomes are to be taxed at a fixed rate on gross basis. The rates of tax on such incomes specified in India's bilateral tax agreements are given at Annexure 'C'. Capital gains are generally taxed according to the respective laws of the countries. However, in certain tax agreements, it has been provided that the capital gains accruing to the taxpayer in the country of source from alienation of certain properties will be taxed only in the country of residence.

Unilateral relief from double taxation

5.5.1 Section 91 of the Income-tax Act contains provisions for the grant of unilateral relief in the case of resident taxpayers on incomes which have suffered tax both in India and in the country with which there is no agreement for the avoidance of double taxation. The relief is worked out as follows:

(i) The amount of doubly taxed income is first ascertained. This consists of such income as has accrued or arisen to the taxpayer in a foreign country and has been subjected to income-tax in that country as well as in India. It does not include income which is deemed to have accrued or arisen to the taxpayer in India even though it has been charged to income-tax in a foreign country.

(ii) On the amount of the doubly taxed income so ascertained, the income-tax is calculated at:

(a) the Indian rate of tax; and

(b) the rate of tax of the foreign country.

(iii) Relief is granted by allowing to the taxpayer a deduction from the tax chargeable on his total income of an amount equal to the tax calculated at the Indian rate of tax or the amount of tax calculated at the rate of tax of the other country on the doubly taxed income, whichever is lower. Such tax relief is deducted from the total amount of tax payable by the assessee and the balance alone is to be recovered from him. If the assessee

has already paid the tax, he becomes entitled to a corresponding refund.

5.5.2 The Indian rate of tax means the rate determined by dividing the amount of Indian income-tax after deduction of any relief due under the provisions of the Income-tax Act but before deduction of any relief due under sections 90 and 91, by the total income. For example, if deduction under section 8ORRA of the Income-tax Act has been allowed in computing the total income, the assessee will be entitled to the double taxation relief, under section 91, only on the amount of the tax paid on 25% of the remuneration received in foreign currency from an employer.

5.5.3 The rate of tax of the foreign country means income-tax and super tax actually paid in that country in accordance with the corresponding laws in force there after deduction of all relief due, but before deduction of any relief due in the said country in respect of double taxation, divided by the whole amount of the income as assessed in that country.

5.6 The doubly taxed income means the foreign income which is again subjected to tax by its inclusion in the computation of income under the Income-tax Act. Its scope is not to be restricted to income under the same head. For example, an assessee has an income of Rs. 2,00,000 from money-lending business in Malaysia and in India, he has a business loss of Rs. 60,000 and income from other sources of Rs. 40,000. The double taxation relief will be available on the total income of Rs. 1,80,000 (Rs. 2,40,000 minus Rs. 60,000). The relief will

not be restricted to Rs. 1,40,000 (Rs. 2,00,000 minus Rs. 60,000), i.e. the income under the head 'Profits and gains of business or profession'.

5.7 Payment of income-tax by the assessee in the foreign country in respect of foreign income is a pre-requisite for the grant of unilateral relief from double taxation. Since the firm and its partners are separate taxable entities under the Income-tax Act, a partner is not entitled to relief in respect of his proportionate share of the income-tax paid by the firm in a foreign country on the income arising to it in such country.

Bar on recovery

5.8 In the case of income arising in a foreign country the laws of which prohibit or restrict the remittance of money to India, proceedings cannot be taken against the assessee for recovery of the tax assessed and due in respect of such foreign income until the prohibition or restriction is removed.

Rate of exchange for conversion into rupees of income expressed in foreign currency

6.1 Rule 115 of the Income-tax Rules prescribes the rate of exchange for the conversion of the value in rupees, of any income accruing or arising to or received or deemed to be received by an assessee or on his behalf in any foreign currency. The rate of exchange is to be the telegraphic transfer buying rate of the foreign currency, as on a specified date, which is adopted by the State Bank of India. Item (2) to the Explanation to the rule

115 defines the expression 'specified date' for different types of income in respect of which the conversion, in rupees, is required to be made. Rule 115, however, does not apply in respect of the income chargeable under the head 'Income from house property', 'Profits and gains of business or profession' and `Income from other sources' (not being dividends and interest on securities), where such income is received in, or brought into, India by an assessee or on his behalf before the specified date in accordance with the provisions of the Foreign Exchange Regulation Act, 1973.

6.2 The specified date for different sources of income has been prescribed in rule 115 as under:

(i) Salaries: In respect of income chargeable under the head 'salaries', it is the last day of the month immediately proceedings the month in which the salary is due or is paid in advance or in arrears. For example, if the salary of US $ 10,000 for February, 2006 due on 28th February, is paid on 7th March, 2006, together with arrears of salary for the months of October, 2005 to January, 2006, of US $ 2,000, the conversion rate for $ 10,000 would be the TT buying rate of U.S. dollars on 31st January, 2006 while for the arrears of U.S. $ 2,000, it would be that of 28th February, 2006, except if the arrears of salary have already suffered tax on 'due' basis.

(ii) In respect of income by way of 'interest on securities', it is the last day of the month immediately preceding the month in which the

income is due. For example, if the due date for payment of interest on debentures, etc., is 7th May, 2006, the TT buying rate for conversion into Indian rupees would be of 30th April, 2006.

(iii) 'Income from house property', 'Profits and gains of business or profession' and 'Income from other sources' (not being dividends and interest on securities): In respect of income chargeable under these heads of income, it is the last day of the previous year of the assessee. This is subject to the exception mentioned in paragraph 6.1.

(iv) In respect of income by way of dividends, it is the last day of the month immediately preceding the month in which the dividend is declared, distributed or paid by the company.

(v) Capital gains: In respect of income chargeable under the head 'Capital gains', it is the last day of the month immediately preceding the month in which the capital asset is transferred. For example, if the asset is transferred on 31st July, 2006, the TT buying rate would be of the last day of the preceding month i.e. 30th June, 2006.

6.3 Rule 115 is applicable even if the foreign country where the income accrues or arises, has placed restrictions on the remittance of funds. This is because the accrual of income is the relevant factor for the applicability of the rule and not its remittance into India.

ANNEXURE-A

COMPREHENSIVE AGREEMENTS - WITH RESPECT TO TAXES ON INCOME

List of Countries having Double Taxation Treaty with India

The following are the list of countries having Double Taxation Treaty with India:

1. Argentina
2. Albania
3. Armenia
4. Australia
5. Austria
6. Bangladesh
7. Belarus
8. Belgium
9. Bhutan
10. Botswana
11. Brazil
12. Bulgaria
13. Canada
14. China
15. Colombia

16. Croatia
17. Cyprus
18. Czech Republic
19. Denmark
20. Estonia
21. Ethiopia
22. Finland
23. Fiji
24. France
25. Georgia
26. Germany
27. Greece
28. Hashemite kingdom of Jordan
29. Hungary
30. Iceland
31. Indonesia
32. Ireland
33. Israel
34. Italy
35. Japan
36. Kazakastan
37. Kenya
38. Korea
39. Kuwait
40. Kyrgyz Republic
41. Latvia

42. Libya
43. Lithuania
44. Luxembourg
45. Macedonia
46. Malaysia
47. Malta
48. Mauritius
49. Mongolia
50. Montenegro
51. Morocco
52. Mozambique
53. Myanmar
54. Namibia
55. Nepal
56. Netherlands
57. New Zealand
58. Norway
59. Oman
60. Philippines
61. Poland
62. Portuguese Republic
63. Qatar
64. Romania
65. Russia
66. Saudi Arabia
67. Serbia

68. Singapore
69. Slovenia
70. Slovak Republic
71. South Africa
72. Spain
73. Sri Lanka
74. Sudan
75. Sweden
76. Swiss Confederation
77. Syrian Arab Republic
78. Tajikistan
79. Tanzania
80. Thailand
81. Trinidad and Tobago
82. Turkey
83. Turkemistan
84. UAE
85. UAR (Egypt)
86. UGANDA
87. United Kingdom
88. Ukraine
89. United Mexican States
90. United States of America
91. Uzbekistan
92. Vietnam
93. Zambia

ANNEXURE-B

LIMITED AGREEMENTS – WITH RESPECT TO INCOME OF AIRLINES/MERCHANT SHIPPING

1. Afghanistan
2. Bulgaria
3. Czechoslovakia
4. Ethiopia
5. Iran
6. Kuwait
7. Lebanon
8. Oman
9. Pakistan
10. Russian Federation
11. Suadi Arabia
12. Switzerland
13. UAE
14. Yemen Arab Republic
15. People's Democratic Republic of Yemen

ANNEXURE-C

WITHHOLDING TAX RATES

[Tax rates applicable in India under DTA Agreement]

Country	Dividend [not being covered by Section 115-O]		Interest		Royalty		Fee for technical services	
	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate
Albania	Both	10%	Both	10%	Both	10%	Both	10%
Armenia	Both	10%	Both	10%	Both	10%	Both	10%
Australia	Both	15%	Both	15%	Both	[Note 2]	Both	[Note 2]
Austria	Both	10%	Both	10%	Both	10%	Both	10%
Bangladesh	Both	(a)10%(if at least 10% of the capital of the company paying the dividend is held by the recipient) (b) 15% in all other cases	Both	10% (Note 1)	Both	10%	No separate provision	No separate provision

Country	Dividend [not being covered by Section 115-O]		Interest		Royalty		Fee for technical services	
	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate
Belarus	Both	10% if paid to a company holding 25% shares; otherwise 15%	Both	10% (Note 1)	Both	15%	Both	15%
Belgium	Both	15%	Both	15% (10% if loan is granted by a bank)	Both	10%	Both	10%
Botswana		(a) 7.5%, if shareholder is a company and holds atleast 25% shares in the investee company (b) 10% in all other cases		10% (Note 1)		10%		10%

Country	Dividend [not being covered by Section 115-O]		Interest		Royalty		Fee for technical services	
	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate
Brazil	Both	15%	Both	15% (Note 1)	Both	25% for use of trademark; 15% for others	Both	No separate provision
Bulgaria	Both	15%	Both	15% (Note 1)	Both	15% of royalty relating to literary, artistic, scientific works other than films or tapes used for radio or television broadcasting 20% in other cases.	Both	20%

Country	Dividend [not being covered by Section 115-O]		Interest		Royalty		Fee for technical services	
	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate
Canada	Both	(a) 15%, if atleast 10% of the voting powers in the company, paying the dividends, is controlled by the recipient company (b)25% in other cases	Both	15% (Note 1)	Both	10%-20%	Both	10%-15%
China	Both	10%	Both	10% (Note 1)	Both	10%	Both	10%

Country	Dividend [not being covered by Section 115-O]		Interest		Royalty		Fee for technical services	
	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate
Cyprus	Both	(a) 10%, if atleast 10% of the capital of the company, paying the dividend, is held by the recipient company (b)15% in other cases	Both	10% (Note 1)	Both	15%	Both	15%/ 10%
Czech Re-public	Both	10%	Both	10% (Note 1)	Both	10%	Both	10%

Country	Dividend [not being covered by Section 115-O]		Interest		Royalty		Fee for technical services	
	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate
Denmark	Both	(a) 15%, if atleast 25% of the shares of the company, paying the dividend is held by the recipient company (b)25% in other cases	Both	10% if loan is granted by bank, otherwise 15%	Both	20%	Both	20%
Estonia	Both	10%	Both	10% (Note 1)	Both	10%	Both	10%
Ethiopia	Both	7.5%	Both	10% (Note 1)	Both	10%	Both	10%
Finland	Both	10%	Both	10% (Note 1)	Both	10%	Both	10%
Fiji	Both	5%	Both	10% (Note 1)	Both	10%	Both	10%
France	Both	10%	Both	10% (Note 1)	Both	10%	Both	10%

Country	Dividend [not being covered by Section 115-O]		Interest		Royalty		Fee for technical services	
	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate
Greece	Source	20%	Source	20%	Source	30%	No separate provision	
Georgia	Both	10%	Both	10% (Note 1)	Both	10%	Both	10%
Germany	Both	10%	Both	10% (Note 1)	Both	10%	Both	10%
Hungary	Both	10%	Both	10% (Note 1)	Both	10%	Both	10%
Indonesia	Both	(a) 10%, if atleast 25% of the shares of the company, paying the dividend is held by the recipient company (b)15% in other cases	Both	10% (Note 1)	Both	15%	No separate provision	
Iceland	Both	10%	Both	10% (Note 1)	Both	10%	Both	10%

Country	Dividend [not being covered by Section 115-O]		Interest		Royalty		Fee for technical services	
	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate
Ireland	Both	10%	Both	10% (Note 1)	Both	10%	Both	10%
Israel	Both	10%	Both	10% (Note 1)	Both	10%	Both	10%
Italy	Both	15%, if atleast 10% of the shares of the company paying the dividend is beneficially owned by the recipient company; 25% in other cases	Both	15% (Note 1)	Both	20%	Both	20%
Japan	Both	10%	Both	10% (Note 1)	Both	10%	Both	10%
Jordan	Both	10%	Both	10% (Note 1)	Both	20%	Both	20%
Kazakhstan	Both	10%	Both	10% (Note 1)	Both	10%	Both	10%

Country	Dividend [not being covered by Section 115-O]		Interest		Royalty		Fee for technical services	
	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate
Kenya	Both	15%	Both	15% (Note 1)	Both	20%	Both	17.5%
Korea	Both	(a) 15%, if atleast 25% of the capital of the company paying the dividend is held by the recipient company (b)20% in other cases	Both	(a) 10%, if interest is paid to a bank; (b) 15% for others [Note1]	Both	15%	Both	15%
Kuwait	Both	10% (Note 1)	Both	10%	Both	10%	Both	10%
Kyrgyz Republic	Both	10%	Both	10% (Note 1)	Both	15%	Both	15%
Libyan Arab Jamahiriya	Source	20%	Source	20%	Source	30%	No separate provision	
Latvia	Both	10%	Both	10% (Note 1)	Both	10%	Both	10%

Country	Dividend [not being covered by Section 115-O]		Interest		Royalty		Fee for technical services	
	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate
Lithuania	Both	5%, 15%	Both	10% (Note 1)	Both	10%	Both	10%
Luxembourg	Both	10%	Both	10% (Note 1)	Both	10%	Both	10%
Malaysia	Both	5%	Both	10% (Note 1)	Both	10%	Both	10%
Malta	Both	10%	Both	10% (Note 1)	Both	10%	Both	10%
Mongolia	Both	15%	Both	15% (Note 1)	Both	15%	Both	15%
Mauritius	Both	(a) 5%, if atleast 10% of the capital of the company paying the dividend is held by the recipient company (b)15% in other cases	Both	No rates specified	Both	15%	No separate provision	

Country	Dividend [not being covered by Section 115-O]		Interest		Royalty		Fee for technical services	
	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate
Montenegro	Both	5% (in some cases 15%)	Both	10% (Note 1)	Both	10%	Both	10%
Myanmar	Both	5%	Both	10% (Note 1)	Both	10%	No separate provision	
Morocco	Both	10%	Both	10% (Note 1)	Both	10%	Both	10%
Mozambique	Both	7.5%	Both	10% (Note 1)	Both	10%	No separate provision	
Namibia	Both	10%	Both	10% (Note 1)	Both	10%	Both	10%
Nepal	Both	5%., 10%	Both	10% (Note 1)	Both	15%		
Netherlands	Both	10%	Both	10% (Note 1)	Both	10%	Both	10%
New Zealand	Both	15%	Both	10% (Note 1)	Both	10%	Both	10%
Norway	Both	10%	Both	10% (Note 1)	Both	10%	Both	10%

Country	Dividend [not being covered by Section 115-O]		Interest		Royalty		Fee for technical services	
	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate
Oman	Both	(a) 10%, if atleast 10% of the Shares of the company paying the dividend is held by the recipient company (b)12.5% in other cases	Both	10% (Note 1)	Both	15%	Both	15%
Philippines	Both	(a) 15%, if atleast 10% of the shares of the company paying the dividend is held by the recipient company (b)20% in other cases	Both	(a) 10% , if interest is received by a financial institution or insurance company (b) 15% in other cases	Both	15% if it is payable in pursuance of any collaboration agreement approved by the Govt. of India	--	--

Country	Dividend [not being covered by Section 115-O]		Interest		Royalty		Fee for technical services	
	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate
Poland	Both	15%	Both	15% (Note 1)	Both	22.5%	Both	22.5%
Portuguese Republic	Both	10%/15%	Both	10% (Note 1)	Both	10%	Both	10%
Qatar	Both	(a) 5%, if atleast 10% of the shares of the company paying the dividend is held by the recipient company (b)10% in other cases	Both	10% (Note 1)	Both	10%	Both	10%
Romania	Both	10%	Both	10% (Note 1)	Both	10%	Both	10%
Russian Federation	Both	10%	Both	10% (Note 1)	Both	10%	Both	10%
Saudi Arabia	Both	5%	Both	10% (Note 1)	Both	10%	No separate provision	

Country	Dividend [not being covered by Section 115-O]		Interest		Royalty		Fee for technical services	
	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate
Serbia	Both	(a) 5%, if recipient is company and holds 25% shares (b)15% in other cases	Both	10% (Note 1)	Both	10%	Both	10%
Singapore	Both	(a) 10%, if atleast 25% of the shares of the company paying the dividend is held by the recipient company (b)15% in other cases	Both	(a)10%, if loan is granted by a bank or similar institute including an insurance company (b) 15% in all other cases	Both	10%	Both	10%

Country	Dividend [not being covered by Section 115-O]		Interest		Royalty		Fee for technical services	
	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate
Slovenia	Both	(a) 5%, if atleast 10% of the shares of the company paying the dividend is held by the recipient company (b)15% in other cases	Both	10% (Note 1)	Both	10%	Both	10%
South Africa	Both	10%	Both	10% (Note 1)	Both	10%	Both	10%
Spain	Both	15%	Both	15% (Note 1)	Both	10%/20% [Note 3]	Both	20% [Note 3]
Sri lanka	Both	7.5%	Both	10% (Note 1)	Both	10%	Both	10%
Sudan	Both	10%	Both	10% (Note 1)	Both	10%	Both	10%
Sweden	Both	10%	Both	10% (Note 1)	Both	10%	Both	10%

Country	Dividend [not being covered by Section 115-O]		Interest		Royalty		Fee for technical services	
	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate
Swiss Confederation	Both	10%	Both	10% (Note 1)	Both	10%	Both	10%
Syrian Arab Republic	Both	(a) 5%, if atleast 10% of the shares of the company paying the dividend is held by the recipient company (b)10% in other cases	Both	10% (Note 1)	Both	10%	Both	No separate provision

Country	Dividend [not being covered by Section 115-O]		Interest		Royalty		Fee for technical services	
	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate
Tajikistan	Both	(a) 5%, if atleast 25% of the shares of the company paying the dividend is held by the recipient company (b)10% in other cases	Both	10% (Note 1)	Both	10%	Both	No separate provision
Tanzania	Both	5% ,10%	Both	10% (Note 1)	Both	10%	Both	No separate provision

Country	Dividend [not being covered by Section 115-O]		Interest		Royalty		Fee for technical services	
	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate
Thailand	Both	(a) 15%, if dividend is paid by an industrial company and atleast 10% of the capital of such company is held by the recipient company (b)20% in other cases	Both	(a)10% if it is received by a financial institution or insurance company (b)25% for others	Both	15%	Both	No separate provision
Trinidad and Tobago	Both	10%	Both	10% (Note 1)	Both	10%	Both	10%
Turkey	Both	15%	Both	(a)10% if loan is granted by a bank etc. (b)15% in other cases	Both	15%	Both	15%

Country	Dividend [not being covered by Section 115-O]		Interest		Royalty		Fee for technical services	
	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate
Turkmenistan	Both	10%	Both	10% (Note 1)	Both	10%	Both	10%
Uganda	Both	10%	Both	10% (Note 1)	Both	10%	Both	10%
Ukraine	Both	(a) 10%, if atleast 25% of the shares of the company paying the dividend is held by the recipient company (b)15% in other cases	Both	10% (Note 1)	Both	10%	Both	10%

Country	Dividend [not being covered by Section 115-O]		Interest		Royalty		Fee for technical services	
	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate
United Arab Emirates	Both	10%	Both	(a)5% if loan is granted by a bank/ similar financial institution including insurance company (b) 12.5% in other cases	Both	10%	No separate provision	
United Arab Republic	Source	20%	Source	20%	Source	30%	No separate provision	
United Mexican States	Both	10%	Both	10% (Note 1)	Both	10%	Both	10%
United Kingdom	Both	15%/10% [Note 4]	Both	(a)10% if interest is paid to a bank. (b)15% in other cases	Both	10%/15% [Note 2]	Both	10%/ 15%

Country	Dividend [not being covered by Section 115-O]		Interest		Royalty		Fee for technical services	
	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate
United States	Both	(a) 15%, if atleast 10% of the voting stock of the company paying the dividend is held by the recipient company (b)25% in other cases	Both	(a)10% if loan is granted by a bank/ similar institute including insurance company. (b)15% in other cases	Source	10%/15% [Note2]	Source	10%/ 15%
Uruguay	Both	5%	Both	10% (Note 1)	Both	10%	Both	10%
Uzbekistan	Both	10%	Both	10% (Note 1)	Both	10%	Both	10%
Vietnam	Both	10%	Both	10% (Note 1)	Both	10%	Both	10%

Country	Dividend [not being covered by Section 115-O]		Interest		Royalty		Fee for technical services	
	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate	Right of State to tax	Tax rate
Zambia	Both	(a) 5%, if atleast 25% of the shares of the company paying the dividend is held by the recipient company for a period of atleast 6 months prior to the date of payment of the dividend. (b)15% in other cases	Both	10% (Note 1)	Both	10%	No separate provision	

Note:

1. Dividend/interest earned by the Government and certain specified institutions, inter alia, Reserve Bank of India is exempt from taxation in the country of source.

2. Royalties and fees for technical services would be taxable in the country of source at the rates prescribed for different categories of royalties and fees for technical services. These rates shall be subject to various conditions and nature of services/royalty for which payment is made. For detailed conditions refer to relevant Double Taxation Avoidance Agreements.

3. Royalties and fees for technical services would be taxable in the country of source at the following rates:

(a) 10% in case of royalties relating to the payments for the use of, of or the right to use, industrial, commercial or scientific equipment;

(b) 20% in case of fees for technical services and other royalties.

4. (a) 15% of the gross amount of the dividends where those dividends are paid out of income (including gains) derived directly or indirectly from immovable property within the meaning of Article 6 by an investment vehicle which distributes most of this income annually and whose income from such immovable property is exempted from tax;

(b) 10% of the gross amount of the dividends, in all other cases.