India an Opportunity

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Shankarlal Jain And Associates
Chartered Accountants

Head Office :
12, Engineer Building, 265, Princess Street, Mumbai-400 002.
Phone :- 022-22036623, 22065739
FAX :- 91-22-22086269 • E-mail :- sljain@vsnl.com

Branch Office :
Shopper's Point, 5th Floor, H. B. Road, Fancy Bazar, Guwahati-781001.
Phone :- 0361-600471

1.
India : An Overview

- India, a sub-continent with **ancient civilisation** in the world, mingled with different races, religions, cultures, ways of life, rich in natural and human resources.
- India is the seventh largest country in the world, with a **land mass** of 3.29 million square kilometres and **population** of over 920 million.
- India is lying entirely in the **northern hemisphere** between $8^{O}4'$ and $37^{O}15'$ latitude and between $68^{O}7'$ and $97^{O}26'$ longitude from West to East. The country is adjoined in the North by China, Nepal and Bhutan; in the East by Myanmar and Bangladesh; in the West by Pakistan and Afghanistan; and in the South by Sri Lanka.
- India is the **largest practising democracy** in the world. The electoral process is well developed with free and fair elections at all levels, right down to individual villages, with universal adult suffrage. General elections, 12 of which have taken place in the 50 years of independence, are held every 5 years.
- India has a **federal policy**, with a Central Government in New Delhi, the capital and 26 State Governments and 6 Union Territories.
- India has a free and **vibrant press**, an **independent judiciary**, a **strong legal and accounting system** and **the use of English** as the principal language of business and administration are some of the attractive features of the business environment.
- India, possesses an abundance of **qualified and skilled manpower**.
- India is **secular country** with no official religion. The Constitution guarantees fundamental rights to the people, including freedom of speech, occupation and religion.
- India has essential **infrastructures of water, power,** railways, roads, airways, telecommunication, financial and banking institutions, educational and scientific institutions, technological and research organisations, **natural resources**, a variety of raw materials, large sector of producers and consumers, worldwide market of money and products, **skilled and unskilled labour** and technical, engineering and managerial personnel comparable to other developing countries in the world.
- India is the **fifth largest economy** in the world and has the second largest GDP among emerging economies, based on purchasing power parity.

Country rating on investment factors

Investment Factor	China	India	Indonesia
Economic Basic Conditions	8.3	6.9	7.5
Political Development	7.1	6.1	7.7
Legal Indicators	4.5	5.6	5.2
Infrastructural Standards	4.0	4.2	6.0
Total Expenditure Comparision	6.5	7.0	6.8
Financing and Taxation	6.9	6.3	6.1
Staff Management	4.0	5.8	4.6
Cultural Influences	5.5	7.5	7.0
Country rating (of maximum 1000 points)	608	629	653

Source : German Chambers of Commerce & Industry.

- India welcomes foreign investment and is generally treated at par with domestic investment. There is ample room for all modes of investment. The cumulative needs of investment in infrastructure over the next five years, is estimated to be Rs. 7,100 billion. It also encourages the inflow of modern technology and management practices into the country.
- India has drastically brought down **import barriers** including **tariffs brought down drastically**. **Capital markets** are open to foreign investment. Banking sector controls have been eased and private investment encouraged. The tax structure has been simplified and rates reduced.
- Indian economic policies have substantially relaxed **foreign exchange controls**. All transactions are conducted at a market determined rate of exchange. The Indian rupee is now convertible on the current account. For

foreign investors, it is also convertible on the capital account.

✲ Indian industry is in the process of **upgrading technology** and business processes to take on competition in the domestic and global markets. The economy is witnessing restructuring activity and entering in strategic alliances with foreign companies. Foreign investors gain by establishing themselves in one of the **largest consumers markets** in the world and acquiring a **low cost production base**. The process globalisation of the Indian economy is progressing apace.

✲ Indian **financial sector**, especially the banking and term lending institutions, was largely Government controlled, with allocation and cost of credit being determined by the State in accordance with developmental priorities. However, active primary and secondary markets existed for corporate securities. The trade and construction sectors were left largely to private initiative.

India aims its policies for raising **domestic savings** with a view to finance investments mainly from domestic sources. The gross savings rate rise steadily from 10 per cent of GDP in fifties to about 20 per cent in the mid-nineties. External capital has generally financed less than 10 per cent of gross investments in any particular year. External aid and commercial borrowings were the two main forms of external finance used by India, with direct foreign investment playing only a marginal role.

✲ India achieved **self-sufficiency** in **agriculture**, set up **extensive infrastructure** facilities and created a **modern industrial base** spanning almost all areas of manufacturing activities. A sophisticated **research and development** base has come up and the pool of scientific and technical manpower is among the largest in the world. The **banking sector** has penetrated deep into remote rural areas, integrating the country into a single, modern financial system. A **large marketing and distribution network** is in place enabling producers to distribute **products** and messages to over 3,800 towns and cities and over half a million villages.

✲ India intiated **economic reforms** since July 1991 marking a turning point in the country's economic policies. For almost three decades since independence, India's development strategy and economic policies were guided by objectives of accelerating the growth of output and employment with social justice and equity. This emphasis was on distributive justice, regional balance and alleviation of poverty. Since July 1991 far-reaching changes have been introduced in (i) trade and exchange controls, (ii) selective access to foreign investment, (iii) discretionary controls on industrial investment and capacity expansion, (iv) dominance of the public sector in industrial activity, and (v) public ownership and regulation of the financial sector.

✲ India is an **attractive investment option** combining safety, and political stability with impressive returns and immense market potential. With diverse industries spread across all parts of the country, and a mature and dynamic private sector, there are unlimited opportunities for business.

Advantage India

- One of the largest economies in the world.
- Strategic location-access to the vast domestic and South-Asian market
- A large and rapidly growing consumer market-upto 300 million people constitute the market for branded consumer products
- Foreign investment welcome; approval is required but is automatic for priority industries.
- Exchange controls reduced and rupee made converible
- Skilled manpower and professional managers available at competitive cost
- One of the largest manufacturing sectors in the world, spanning all areas manufacturing activities
- Established free market infrastructure
- Special incentives for export activities
- Sophisticated financial sector
- Vibrant capital market with over 9,000 listed companies
- Well-developed R&D infrastructure and technical and marketing services
- Policy environment that provides freedom of entry, investment, location, choice of technology, import and export.
- Well-balanced package of fiscal incentives a long history of stable Parliamentary democracy.

2.
Foreign Direct Investments (FDI)

Foreign direct investment comprises of capital provided by a foreign direct investor to an Indian enterprise. Foreign direct investment implies that the investor exerts a significant degree of influence on the management of the enterprise. There are three components in FDI: equity capital, reinvested earnings and intra-company loans.

- ***Equity -*** Equity capital is the foreign direct investor's purchase of shares of an Indian enterprise.
- ***Reinvest -*** Reinvested earnings comprise the direct investor's share (in proportion to direct equity participation) of earnings not distributed as dividends by affiliates or earning not remitted to the direct investor. Such retained profits by affiliates are reinvested.
- ***Loans/Debt -*** Intra-company loans or intra-company debt transactions refer to short- or long-term borrowing and lending of funds between direct investors (Parent enterprises) and affiliated enterprises.

Policy for foreign direct investments

Direct foreign investment upto 100 per cent of equity in 1 category of industries, upto 74 per cent of equity in 9 categories of industries, upto 51 per cent of equity in 48 categories of industries and upto 50 per cent of equity in 3 categories of industries of equity is allowed in priority industries requiring large investments and advanced technology. This group of industries has generally been known as "Annex III". There shall be no bottlenecks of any kind in this process. Indian policy on foreign investment is more transparent.

All proposals involving foreign investment and technology transfer require approval. Two routes are available for obtaining this approval. One route covers automatic approval cases where specified parameters are met. Such automatic approvals are given by the RBI. The second route covers all other cases, which are dealt with by the **Foreign Investment Promotion Board** (FIPB) or the **Secretariat for Industrial Assistance** (SIA).

Fast Track Approvals:
This approval process is a simple fast track mechanism for clearing proposals which satisfy specified criterias. Automatic approvals are granted for the following types of proposals:

❊ Upto 50/51/74/100 per cent foreign equity in:

- Priority industries.
- trading companies primarily engaged in exports.

❊ Upto 100 per cent foreign equity in :

- units set up in Export Processing Zones (EPZs) or for 100 per cent Export Oriented Units (EOUs) subject to specified norms.
- All foreign technology agreements involving a lumpsum payment of upto US $ 2 million and royalty upto 5 per cent on domestic sales and 8 per cent on exports for a period not exceeding 7 years from the date of commencement of commercial production or 10 years from the date of agreement, whichever is earlier.
- In the hotel industry, where proposals involve foreign technology transfer agreements envisaging payment of lumpsum fees for technical and consultancy services, management fees and franchising and marketing/publicity support within specified limits.

❊ To companies already operating in India that wish to increase their equity holdings from existing levels to 50/51/74/100 per cent as part of an expansion programme in a priority industry.

Procedure for foreign direct investment approval under the automatic route of RBI

The procedure for getting approvals under the automatic route of RBI together with allied information, is explained below :

Foreign direct investment in new project - Foreign direct investment in new projects will be approved as under :

Foreign investment up to 50 per cent, 51 per cent, 74 per cent and 100 per cent, as the case may be, under the automatic route of the Reserve Bank of India is granted in respect of industries/products/items finding place in list published in terms of Press Note No. 14 of 1997 Series dated 8.10.1997 as amended by Press Note No. 2 of 1998 Series dated 13.6.1998.

❇ Not exceeding 50 per cent of the equity capital in the project.

- In certain mining sector activities as indicated in Part A of the list[1].

  Note: Mining activity as a work has not been covered, but only certain types of mining activity, also furnishing the relevant NIC Code.

❇ Not exceeding 51 per cent of the equity capital in the project.

- For manufacture of products in Part B of the list[1].

❇ In tourism related industries as indicated in Part B of the list[1]. The term "tourism related industries" will include the following :

(i) Travel/tour operating/tourist transport operating agencies.

(ii) Units providing facilities for cultural, adventure and wildlife experience to tourist.

(iii) Surface/air/water transport facilities for tourists.

(iv) Leisure, entertainment, amusement, sports and health units for tourists.

(v) Convention/Seminar units and organisations in connection with tourism.

The joint venture company requiring permission for foreign investment should be engaged in such tourism-related activities mentioned above.

❇ For certain activities in Services Sector indicated in Part B of the list of Priority Industries.

❇ In trading companies primarily engaged in exports. It may be noted that the applicant-company should get registered as a Trading/ Star Trading House, etc., in due course with Ministry of Commerce. The company will be permitted to remit dividend to foreign investor only after getting such registration.

❇ Not exceeding 74 per cent of the equity capital in the project.

1. Please refer to 'Annexure A'

Automatic Approval Routes

EQUITY PROPOSAL FOR PRIORITY INDUSTRIES FOREIGN EQUITY UPTO 100%	Apply to	Reserve Bank of India
FOREIGN TECHNOLOGY AGREEMENT which requires lumpsum & royalty payments within specified limits	Apply to	Reserve Bank of India
COMPOSITE / PROPOSAL for foreign investment/ Technology Transfer	Apply to	Reserve Bank of India
ALL SPECIFIED CONDITIONS FULFILLED for Export Oriented Unit with Foreign Equity upto 100%	Apply to	Secretariat for industrial Assistance/Foreign Investment Promotion Board (FIPB)
ALL SPECIFIED CONDITIONS FULFILLED for Export Processing Zone with Foreign Equity upto 100%	Apply to	DEVELOPMENT COMMISSIONER OF Export Processing Zones (EPZ's)

- Approval will be available in respect of either manufacture of certain products or for offering certain services as indicated in Part C - of priority industry list.
- In recent policy change it has been decided to increase the automation route for foreign direct investment in 'Pharmaceutical Sector' to 74% which was restricted to 54% earlier.

✻ 100 per cent of the equity capital in the project.

- Approval under the Automatic Route will be allowed in power project which does not exceed Rs. 1500 crore as indicated in Part D of Priority industry list.
- Only for Electric generation, transmission and distribution.
- In the recent ploicy announcement, projects for Construction and Maintenance and Roadways, Highways, Vehicular Bridges, Toll Roads, Vehicular Tunnel, Ports & Tunnels and also cigarettes will be considered.

Investment approvals through Government (SIA/FIPB) route

Proposals which do not satisfy the parameters prescribed for automatic approval by RBI, require clearance from Government of India (SIA/FIPB as the case may be).

Other foreign equity proposals, including proposals involving 50/51/74/100 per cent foreign equity which do not meet the criteria as mentioned above, will continue to need prior clearance. Foreign equity proposals need not necessarily be accompanies by foreign technology agreements.

To provided access to international markets, majority foreign equity holding upto 51 per cent equity will be allowed for trading companies primarily engaged in export activities. While the thrust would be on export activities, such trading houses shall be at par with domestic trading and export house in accordance with the EXIM Policy.

For increase/induction of foreign equity in the existing company, the request should be supported by a Board Resolution of the Indian Company.

The import of components, raw materials and intermediate goods, and payment of know-how fees and royalties will be governed by the general policy applicable to other domestic units.

Even in the event of approval through SIA/FIPB route, the permission will be granted within 30 days after filing of the necessary application.

Validity of foreign collaboration approval

Government approval for foreign collaboration is valid for an initial period of two years which may be extended for one more year. In case any further extension is needed, beyond the period of three years, it will be considered by the Foreign Investment Promotion Board on the recommendations of the administrative ministry on the ground of public interest.

Acquisition of an existing company

A foreign investor has the option of acquiring a company already existing in India. Such acquisition would take place through the issue of fresh capital and/or transfer of shares of the existing Indian company to the foreign investors with the effect of transfering its control. Shares of the Indian company could be acquired from another foreign investor, subject to RBI approval.

Non-resident Indians (NRIs), overseas corporate bodies (OCBs) are overseas units in which NRI holdings are 60 per cent or more and FIIs are allowed to acquire shares of listed companies by trading on the stock exchanges. Overall limits on such acquisition are, however, prescribed by the RBI (currently 10 per cent of paid-up capital for FIIs, subject to an overall limit of 30 per cent for all overseas investors including FIIs, NRIs and OCBs. Other acquisitions can only be made through private arrangements.

The FERA 1973 makes it necessary that RBI permission be taken prior to acquisition of shares in an Indian company by a foreign investor. Similar permission is required in the case of transfer of shares from a foreign national to a person resident in India. Either the transferor or the transferee can apply for permission.

If a foreign investor has already acquired an Indian company, then such an Indian company is not restricted from acquiring shares in other Indian companies.

In addition to the permissions required by the foreign investor, the existing Indian company is required to satisfy provisions of the Indian Companies Act. Securities Exchange Board of India (SEBI) guidelines and the listing agreement with the stock exchange.

Hundred per cent EOUs, FTZ and EPZ units

Units undertaking to export their entire production of goods may be set up under the export oriented unit (EOU) scheme or export processing zone (EPZ) scheme. Such units may be engaged in manufacture, production of software, agriculture, acquaculture, animal husbandry, floriculture, horticulture, pisciculture, poultry and sericulture. Units engaged in service activities may also be considered on merits.

Items reserved for public sector and small scale sector allowed for 100 per cent export

The industries that appear in Schedules I, II and III of Notification No. 477(E) dated 25.7.1991 of the Department of Industrial Development may also be permitted for being set up as 100 per cent EOUs, or in the Export Processing Zones.

Benefits for 100 per cent EOU/EPZ Units

The units set up in the EPZs will be eligible for concessional rent for lease of industrial plots and standard design factory (SDF) buildings/sheds allotted for the first three years at the following rates :

For plots - The concession is 75 per cent for the first year, 50 per cent for the second year and 25 per cent for the third year if production is commenced in the first year or the second year. The concession is not available for the third year if production is not commenced by the end of the second year.

For SDF buildings/sheds - The concession is 50 per cent for the first year and 40 per cent for the second year if production is commenced in the first year. The concession is 25 per cent for the third year if production is commenced in the first year. No concession is available if production is not commenced by the end of the first year.

FOB value of export - FOB value of export of an EOU/EPZ unit can be clubbed with FOB value of export of its parent company in the DTA for the purpose of according export house, trading house or star trading house status for the latter.

Hundred per cent foreign equity - Foreign equity upto 100 per cent is permissible in the case of EOUs and EPZ units.

Facilities for EOUs and EPZ units

The Government provided following for EOUs and EPZ units :

- EOUs/EPZ units can import industrial inputs free of customs duty.
- EOUs/EPZ units are exempt from the payment of central and state sales tax.
- EOUs/EPZ units are entitled to a tax holiday. They are exempt from payment of corporate income-tax for a block of five years in the first eight years of operation. Export earnings continue to be exempt from tax even after the tax holiday is over.
- Supplies from the DTA to EOUs/EPZ units are regarded as deemed exports and are, hence,

exempt from payment of excise duty, which means that high quality inputs are available at lower costs.

- EOUs/EPZ units may export goods through star trading houses, trading houses and export houses.
- FOB value of exports of EOUs/EPZ units are allowed to be clubbed with that of parent/ associate companies located in the domestic tariff area (DTA) for the purpose of getting Star Trading House, Trading House, Export House status.
- Hundred per cent foreign equity is welcomed in EOUs/EPZ units.
- Eous/EPZ units can raise foreign currency loans, subject to certain conditions.

Green cards for EOUs

EOUs may apply for Green Cards to the Development Commissioner of the EPZ concerned. These cards will enable entrepreneurs to seek clearances from all authorities on fast track basis.

Customs clearance requirement

As 100 per cent EOUs and EPZ units operate under customs bonding, these units have to meet the requirements of the Customs authorities in so far as they :

- involve manufacturing activities within the ambit of section 3 of the Central Excises Act, 1944
- are amenable to bonding by the Customs
- all the manufacturing operations are carried out in the same premises and where any raw materials, intermediate products are required to be sent out for job work/processing, such activity outside the unit does not envisage any change in the form, nature or character of the goods sent out and it is possible to identify and correlate the goods when received back after processing.

Two procedures for approval

Government have prescribed two routes for according approval to hundred per cent export oriented units and units to the set up in export promotion zones. Automatic approval shall be accorded by the concerned Development Commissioner export processing zone, within a fortnight to projects which are covered by prescribed parameters. Project which are outside these parameters will be examined by the Secretariat for Industrial Assistance and submitted for consideration by the Board of Approvals for 100 per cent EOUs where a decision would be available within 15 days.

Parameters for automatic approvals

Applications which fulfil the following conditions shall receive automatic clearance from the Development Commissioners of the EPZ concerned in the case of 100 per cent EOUs and units to be set up in the EPZs and free trade zones (FTZs):

- the item of manufacturer neither reserved for public sector nor covered by list of industries requiring compulsory licensing under the IDRA 1951
- the project is located either within an EPZ, for which availability of space and conformity with the environmental and other standards of the EPZ has been confirmed by the Development Commissioner, or in an area other than EPZs for which the locational conditions stipulated by the Department of Industrial Policy and Promotion have been complied with
- the project undertakes to achieve exports and value addition as per the norms' or at least 15 per cent for electronic hardware manufacturing units or 20 per cent in case of other industries
- the CIF value of imported capital goods is financed through foreign equity, or foreign exchange required for import of plant and equipment (net of taxes) is within the ceiling of Rs. 10 crore. Import of second-hand capital

goods may be allowed where import licence is not required

- the foreign technology agreement, if any entered into by the unit, is restricted to a lumpsum payment of not exceeding US $ 2 million or 8 per cent royalty on export and 5 per cent royalty on DTA sales (net of taxes), over a period of 5 years from the commencement of production
- the exports by the unit are to be physically made to the General Currency Area
- the unit meets the requirements of the Customs authorities insofar as:
  - it involves manufacturing activities within the ambit of section 3 of the Central Excises Act, 1944;
  - it is amenable to bonding by the Customs;
  - all the manufacturing operations are carried out in the same premises and the proposal does not envisage sending out of the bonded area any raw materials or intermediate products for any other manufacturing or processing activity.
- the unit has projected minimum export turnover
- The conditions relating to DTA sales are adhered to

Approval for 100 per cent EOUs for petroleum refineries

Approval for 100 per cent EOUs for petroleum refineries would be given in two stages.

First stage approval 'in-principle' - 'In-principle' approval will be given which will be valid for one year. At the end of one year and on fulfilment of milestones, which would include acquisition of land, mobilisation of subscription or sanction letter from mutual funds/financial institutions, evidence of efforts initiated to secure institutional loans and tie up for export of products, conversion of the 'in-principle' approval to a final approval would be considered.

Second stage approval - 'In the event of non-fulfilment of the aforesaid milestones within one year, the 'in-principle' approval would automatically lapse.

Setting up of 100 per cent EOUs for aquaculture and fish/prawn processing units.

Applications for 100 per cent EOUs (with or without foreign collaboration) may be submitted to the Secretariat for Industrial Assistance (SIA) and the Fisheries Department of the concerned State simultaneously. All applicants should also submit a Declaration that their proposed project falls outside 500 metres of the CRZ Area. The proposals for setting up such 100 per cent EOUs will be considered by the FIPB/Board of Approvals for 100 per cent EOUs and thereafter by Government, only on receipt of the clearance of the project by the aquaculture authority.

Procedure for non-automatic approvals

All cases not falling above shall come before FIPB. A decision in such cases may be taken within a period of 30 days of submission of the complete application. The receipt of the application will be acknowledged by the SIA or the DCs, as the case may be, and a reference number may be given, which the applicant should quote in all future correspondence. Letters of intent and letters of approvals will be issued by the SIA for 100 per cent EOUs and by the DCs for EPZ units.

'ANNEXURE A'

List of industries / items for automatic approval

PART 'A'

List of industries / items for automatic approval for foreign equity upto 50 per cent

Sl. No.	NIC Code Div.	Group	Class	Description
A-1	**12**			**Mining of iron ore**
		120		Mining of iron ore.
A-2	**13**			**Mining of metal ores other than iron ore (Mining of Uranium group ores is not covered)**
		130		Mining of manganese ore.
		131		Chromite.
		132		Bauxite.
		134		Copper ore.
		135		Mining of lead and zinc ores.
A-3	**15**			**Mining of non-metallic minerals not elsewhere classified**
		150		Mining and quarrying of rock aggregates, sand and clays.
		151		Mining/quarrying of minerals for construction other than rock aggregates, sand and clays.
		152		Mining of fertiliser and chemical minerals.
		153		Mining of ceramic, refractory and glass minerals.
		154		Salt mining and quarrying including crushing, screening and evaporating in pans.
		I55		Mining of mica.
		159		Mining of other non-metallic minerals.

PART 'B'

List of industries / items for automatic approval for foreign equity upto 51 per cent

Sl. No.	NIC Code Div.	Group	Class	Description
B-1	**00**			**Agricultural production**
		009		Agricultural production not elsewhere classified.
			009.9	Certified high yielding hybrid seeds and synthetic seeds.
B-2	**01**			**Plantations**
		019		Plantations, not elsewhere classified.

Sl. No.	NIC Code Div.	Group	Class	Description
			019.9	Certified high yielding plantations developed through plant tissue culture.
B-3	**20/21**			**Manufacture of food products.**
		200		Preparation and preservation of meat.
			200.5	Preservation of meats except by canning.
			200.6	Processing and canning of meat.
		201		Manufacture of dairy products.
			201.1	Manufacture of milk powder, ice-cream powder and condensed milk except baby milk foods.
			201.2	Manufacture of baby milk foods.
			201.3	Manufacture of butter, cream, ghee, cheese and khoya, etc.
			201.4	Manufacture of pasteurised milk whether or not in bottles/polythene packs, etc. (plain or flavoured).
			201.9	Manufacture of other dairy products not elsewhere classified.
		202		Canning and preservation of fruits and vegetables.
			202.1	Sun-drying of fruits and vegetables.
			202.2	Artificial dehydration of fruits and vegetables.
			202.3	Radiation preservation of fruits and vegetables.
			202.4	Manufacture of fruit/vegetable juices and their concentrates, squashes and powders.
			202.5	Manufacture of sauces, jams, jellies and marmalades, etc.
			202.7	Canning of fruits and vegetables.
			202.9	Fruit and vegetable preservation not elsewhere classified.
		203		Processing, canning and preserving of fish, crustacea and similar foods.
		204		Grain milling.
			204.1	Flour milling by power machine.
			204.9	Other grain milling and processing activities not elsewhere classified.
		208		Production of common salt.

Sl. No.	NIC Code Div.	Group	Class	Description
		209		Manufacture of cocoa products and sugar confectionery (including sweetmeats).
			209.1	Manufacture of cocoa products.
		218		Manufacture of starch and its derivatives.
		219		Manufacture of food products not elsewhere classified.
			219.9	Soya texture proteins, soya protein isolates, soya protein concentrates, other specified products of soya bean, winterised and deodorised refined soya bean oil.
B-4	**23**			**Manufacture of cotton textiles**
		235		Cotton spinning integrated mills.
B-5	**24**			**Manufacture or wool, silk and man-made fibre textiles**
		242		Wool spinning, weaving and processing in integrated mills.
		245		Spinning, weaving and processing of silk (textile) in integrated mills.
		247		Spinning, weaving and processing of man-made textiles fibres in integrated mills.
			247.1	Spinning of staple fibres in mills.
			247.2	Spinning of staple fibres and weaving of artificial/synthetic textile fabrics in mills.
			247.3	Weaving and processing (bleaching, dyeing and printing) of artificial/synthetic textile fabrics in mills.
			247.4	Composite artificial textile fibre mills (spinning, weaving and processing).
B-6	**26**			**Manufacture of textile products**
		268		Manufacture of water-proof textile fabrics.
B-7	**28**			**Manufacture of paper and paper products and printing publishing and allied industries**
		280		Manufacture of pulp, paper and paper board including manufacture or newsprint.
B-8	**30**			**Manufacture of basic chemicals and chemical products (except products of petroleum and coal)**
		300		Manufacture of industrial organic and inorganic chemicals.
		301		Manufacture of fertilisers and pesticides.

Sl. No.	NIC Code Div.	Group	Class	Description
		302		Manufacture of plastics in primary forms ; manufacture of synthetic rubber.
		303		Manufacture of paints, varnishes, and related products; artists' colours and ink.
		304		Manufacture of drugs, medicines and allied products.
		306		Manufacture of man-made fibres.
		309		Manufacture of chemical products not elsewhere classified.
B-9	**31**			**Manufacture of rubber plastic, petroleum and coal products**
		310		Tyre and tube industries.
		312		Manufacture of rubber products not elsewhere classified.
		313		Manufacture of plastic products not elsewhere classified.
		318		Manufacture of coke oven products.
		319		Manufacture of other coal and coal-tar products not elsewhere classified.
B-10	**32**			**Manufacture of non-metallic mineral products**
			320.7	Manufacture of non-refractory ceramic pipes, conduits, guttering and pipe fittings.
			320.8	Manufacture of non-refractory flooring blocks, support or filler tiles and roofing tiles.
		321		Manufacture of glass and glass products.
			321.1	Manufacture of glass in primary or semi-manufactured forms (such as sheet and plate glass) including mirror sheets.
			321 .2	Manufacture of glass fibre (including glass wool) and products therefrom.
			321.9	Manufacture of glass shells for television picture tubes.
		323		Manufacture of non-structural ceramic ware.
			323.3	Manufacture of ceramic insulators and insulating fittings for electrical machines, appliances and equipment.
		324		Manufacture of cement, lime and plaster.
			324.2	Manufacture of portland cement, aluminous cement, slag cement and similar hydraulic cements, except in the form of clinkers.

Sl. No.	NIC Code Div.	Group	Class	Description
		329		Manufacture of miscellaneous non-metallic mineral products not elsewhere classified.
			329.3	Manufacture of hume pipes and other pre-fabricated structural components of cement.
			329.4	Manufacture of gypsum boards.
			329.7	Midget carbon electrodes, graphite electrodes, and anodes and impervious graphite blocks and sheets.
			329.9	Manufacture of industrial synthetic diamonds.
B-11	**34**			**Manufacture of metal products and parts, except machinery and equipment**
		341		Manufacture of fabricated metal products.
			341.1	Manufacture of railway and ship containers used in container traffic.
			341.2	Manufacture of gas cylinders (industrial or household).
			341.3	Manufacture of tanks, reservoirs and containers of metals not elsewhere classified.
			341.4	Manufacture of reinforced safes, vaults, strong room doors and gates and the likes (manufacture of almirahs and filing cabinets, etc., is classified in Group 32).
			341.5	Manufacture of steel trunks.
			341.6	Manufacture of sanitary and plumbing fixtures and fittings of metals.
			341 .9	Manufacture of other fabricated metal products not elsewhere classified.
		344		Forgings, pressings, stampings and roll-forming of metal, power metallurgy.
		349		Manufacture of metal products (except machinery and equipment) not elsewhere classified.
			349.9	Iron and steel pipes/tubes and fittings; welding electrodes other than those for welding mild steel.
B-12	**35/36**			**Manufacture of machinery and equipment other than transport equipment**
		350		Manufacture of agricultural machinery and equipment and parts thereof.

Sl. No.	NIC Code Div.	Group	Class	Description
		351		Manufacture of machinery and equipment used by construction and mining industries.
		352		Manufacture of prime movers, boilers.
		353		Manufacture of industrial machinery for food and textile industries (including bottling and filling machinery).
		354		Manufacture of industrial machinery for other than food and textile industries.
		355		Manufacture of refrigerators, airconditioners and firefighting equipment and their parts and accessories.
		356		Manufacture of general purpose non-electrical machinery equipment, their components and accessories, not elsewhere classified.
		357		Manufacture of machine tools. Their parts and accessories including toolings and production aids.
		358		Manufacture of office, computing and accounting machinery and parts.
		359		Manufacture of special purpose machinery/equipment; their components and accessories not elsewhere classified.
			359.1	Manufacture of sewing and knitting machines.
			359.2	Manufacture of weighing machinery.
			359.3	Manufacture of washing and laundrying machine (including centrifugal clothes driers).
			359.5	Manufacture of filtering and purifying machinery for liquids and gases.
			359.6	Manufacture of distilling and rectifying plants (including heat exchangers).
			359.8	Manufacture of parts and accessories not elsewhere classified.
			359.9	Manufacture of other special purpose non-electrical machinery/equipment not elsewhere classified.
		360		Manufacture of electrical industrial machinery apparatus and parts thereof.
		361		Manufacture of insulated wires and cables, including manufacture of optical fibre cables.

Sl. No.	NIC Code Div.	Group	Class	Description
		362		Manufacture of accumulators primary cells and primary batteries.
		363		Manufacture of electric lamps.
			363.2	Manufacture of ultra-violet or infra-red lamps.
			363:3	Manufacture of discharge lamps, fluoroscent, hot-cathode or other discharge lamps.
			363.4	Manufacture of arc lamps.
			363.5	Manufacture of flash bulbs used in photography.
		368		Manufacture of electronic valves and tubes and other electronic components not elsewhere classified.
		369		Manufacture of radiographic X-ray apparatus, X-ray tubes and parts and manufacture of electrical equipment not elsewhere classified.
B-13	**37**			**Manufacture or transport equipment and parts**
		370		Ship and boat building.
			370.1	Making of ships and other vessels drawn by power upto 10,000 DWT.
			370.8	Manufacture of parts and accessories not elsewhere classified for ships and boats.
		371		Manufacture of industrial locomotives and parts.
			371.1	Manufacture of industrial diesel locomotives.
			371.8	Manufacture of parts and accessories not elsewhere classified for locomotives.
		372		Manufacture of railway or tramway wagons and coaches and other railroad equipment not elsewhere classified.
			372.2	Manufacture of railway or tramway passenger coaches.
			372.3	Manufacture of railway or tramway rolling stock, not self-propelled, other than passenger coaches.
			372.4	Manufacture of railway or tramway fixtures and fittings.
			372.5	Manufacture of mechanical and electro-mechanical signalling, safety or traffic control equipment for railways, tramways, etc.
			372.8	Manufacture of parts of railway rolling stock.

Sl. No.	NIC Code Div.	Group	Class	Description
	373			*Manufacture of heavy motor vehicles, coach work.*
	374			*Manufacture of motor cars and other more vehicles principally designed for the transport of less than 10 persons.*
			374.2	*Manufacture of jeeps and station wagons.*
			374.8	*Manufacture of internal combustion piston engines and other parts and accessories not elsewhere classified for motor vehicles classified in this group excluding for 374.1.*
	375			*Manufacture of motor-cycles and scooters and parts (including three-wheelers).*
			375. 1	*Manufacture of motor-cycles.*
			375.2	*Manufacture of scooters and scooterettes.*
			375.3	*Manufacture of three-wheelers.*
			375.8	*Manufacture of internal combustion piston engines and other parts and accessories not elsewhere classified for motor cycles, scooters and three-wheelers.*
B-14	***69***			***Restaurants and hotels***
		691		*Hotels, rooming houses, camps and other lodging places.*
B-15	***70***			***Land transport (support services)***
		708		*Supporting services to land transport, like operation of highway bridges, roll roads, vehicular tunnels.*
B-16	***71***			***Water transport (support services)***
		712		*Support services to water-transport like operation and maintenance of piers, loading and discharging of vessels.*
B-17	***73***			***Services incidental to transport not elsewhere classified.***
		730		*Cargo handling incidental to land transport.*
		731		*Cargo handling incidental to water transport.*
		732		*Cargo handling incidental to air transport.*
		733		*Renting and leasing (except financial leasing) of motor vehicles, without operator, for passenger transport.*
		734		*Renting and leasing (except financial leasing) of motor vehicles, without operator, forfreight transport:*
		739		*Renting and leasing of refrigerated/cold transport.*

Sl. No.	NIC Code Div.	Group	Class	Description
B-18	**85**			**Renting and leasing not elsewhere classified.**
		850		Renting of transport equipment without operator.
			850.9	Renting of other transport equipment not elsewhere classified.
		852		Renting of office accounting and computing machinery and equipment; without operator.
		853		Renting of other industrial machinery and equipment.
B-19	**89**			**Business services not elsewhere classified.**
		892		Data processing, software development and computer consultancy services.
			892.2	Software supply services.
		893		Business and management consultancy activities.
			893.2	Market research services.
		895		Technical testing and analysis services.
		899		Research and development services (excluding basic research and setting up of R&D / academic institutions which would award degrees/diplomas/certificates).
B-20	**93**			**Health and medical services**
B-21	**99**			**Services not elsewhere classified**
		990		Tourism related industry.

PART 'C'

List of industries / items for automatic approval for foreign equity upto 74 per cent

Sl. No.	NIC Code Div.	Group	Class	Description
C-1	**19**			**Mining services**
		190		Oil and gas field services, except exploration and production services.
		191		Services incidental to minings viz, drilling, shafting, reclamation of mines, surveys/mapping excluding services related to gold, silver and precious/ semi-precious stones.

Sl. No.	NIC Code Div.	Group	Class	Description
C-2	33			**Basic metals and alloys industries**
		330		Manufacture of iron ore pellets, pig iron, sponge iron and steel in primary/semi-finished/finished forms.
		331		Manufacture of semi-finished iron and steel products in re-rolling mills, cold-rolling mills and wire drawing mills.
		332		Manufacture of ferro-alloys
		333		Copper manufacturing.
		334		Brass manufacturing.
		335		Aluminium manufacturing.
		336		Zinc manufacturing.
		337		Casting of metal.
		339		Other non-ferrous metal industries, excluding gold, silver and platinum.
C-3	38			**Other manufacturing industries.**
		380		Manufacture of medical, surgical, scientific and measuring equipment except optical equipment.
			380.1	Manufacture of medical/surgical equipment and orthopaedic appliances (manufacture of apparatus based on the use of X-Ray or other radiators is classified in class 369.1).
			380.2	Manufacture of industrial process control equipment (this class includes manufacture of apparatus used for continuous measurement and control or variable such as temperature, pressure, viscosity, etc., of materials and products as they are being manufactured or otherwise processed.)
			380.3	Manufacture of regulating or controlling instruments and apparatus, except industrial process control equipment.
			380.4	Manufacture of supply meters for electricity, water or gas.
			380.5	Manufacture of sensitive balance and mathematical calculating instruments.
			380.6	Manufacture of laboratory and scientific instruments not elsewhere classified (including manufacture of non-optical microscopes, diffraction equipments; apparatus for measuring or checking electrical quantities, e.g., oscilloscopes, spectrum analysers, voltmeters, with or without recording device; apparatus for measuring non-electrical quantities, e.g., radia-

Sl. No.	NIC Code Div.	Group	Class	Description
				tion detectors and counters, cross-talk meters and other instruments specially designed for telecommunications; apparatus for testing the physical properties of materials, e.g., apparatus for testing hardness and other properties of metals, for testing the wear and tear and other properties of textiles and for testing the physical properties of paper, linoleum, plastic, rubber, wood concrete and so forth ; apparatus for carrying out physical or chemical analysis, e.g., polarimeters, refractometers, calorimeters, Orsob's apparatus, pH-meters, viscometers, surface tension instruments and so forth and instruments and apparatus for measuring or checking the flow, level, pressure or other variables of liquids or gases, e.g., flow meter, level gauges, manometers, heatmeters, and so forth, except industrial process control equipment).
			380.8	Manufacture of parts and accessories not elsewhere classified for instruments and apparatus included in this group.
			380.9	Manufacture of other medical surgical, scientific and measuring equipment not elsewhere classified includes manufacture of hydrometers, thermometers, pedometers, tachometers, balancing machines, test benches, comparators (include optical comparators and other optical type measuring and checking appliances and instruments) ; instruments for checking watches or watch parts and so forth.
		381		Manufacture of photographic, cinematographic and optical goods and equipment (excluding photochemicals, sensitised paper and film).
		388		Manufacture of items based on solar energy like solarcells, cookers, air and water heating systems and other related items.
C-4				**1[***]**
C-5	**43**			**Non-conventional energy generation and distribution.**
C-6	**50**			**Construction**
			501	Construction and maintenance of roads, railbeds, bridges, tunnels, pipelines, rope ways, ports harbours and runways.
			503	Construction and maintenance of waterways and water reservoirs.
			504	Construction and maintenance of hydroelectric projects.

Sl. No.	NIC Code Div.	Group	Class	Description
			505	Construction and maintenance of power plants.
			506	Construction and maintenance of industrial plants.
C-7	**70**			**Land transport.**
			707	Pipeline transport excluding crude oil, petroleum products and natural gas pipelines.
C-8	**71**			**Water transport**
			710	Ocean and water transport.
			711	Inland water transport.
C-9	**74**			**Storage and warehousing services**
			741	Warehousing of agricultural products with refrigeration (cold storages).

PART 'D'

List of industries / items for automatic approval for foreign equity upto 100 per cent

Sl. No.	NIC Code Div.	Group	Class	Description
D-1	**40**			**Electricity generation, transmission and distribution**
		400		Generation and transmission of electric energy (only for hydro-electric power plants, coal/lignite based thermal power plants, oil based thermal power plants, and gas based thermal power plants, and not for atomic reactor power plants)
			400.1	Generation and transmission of electric energy produced in hydro-electric power plants.
			400.2	Generation and transmission of electric energy produced in coal/lignite based thermal power plants.
			400.3	Generation and transmission of electric energy produced in oil based thermal power plants.
			400.4	Generation and transmission of electric energy produced in gas based thermal power plants.
		401		Distribution of electric energy to households, industrial, commercial and other users.

3.

Taxation

Indian Income Tax Overview

Income :

The term income is not defined exhaustively in the Indian Income-tax Act and hence has a very wide amplitude. It signifies not only such items as are normally considered as income but also includes artificial categories of income for e.g.. notional rent receivable on an unoccupied house property.

For the purpose of charge of the income tax, income is classified under :-

A. Salaries

B. Income from House Property

C. Profit and Gains of Business & Profession

D. Capital Gains

E. Income from Other Sources.

Residential Status & Tax Liability

❇ **Scope of Income liable to tax**

The scope of income liable to tax in India depends on the residential status of a tax payer. Indian resident tax payers (whether companies or individuals) are taxable on their worldwide income, whereas non-resident tax payers are taxable only on the income earned in India.

The residential status in India for the purposes of income-tax depends on physical presence in India and not on citizenship, nationality, etc. An individual is "resident" in India if he is physically present in India in the tax year (for example 1st April 1998 to 31st March 1999) either.

- for 182 days or more; or
- for 60 days or more during the tax year, and in aggregate for 365 days or more in the preceding four tax years.

An individual is considered a non-resident if the "above basic conditions" are not fulfilled. An individual that fulfills any of the above conditions must also examine whether he is ordinarily resident in any tax year in order to be taxable on worldwide income. An individual is ordinarily resident if :

- he has been "resident" in India in nine out of ten preceding tax years; and
- has been in India for 730 days or more during the seven preceding tax years.

A resident is "not ordinarily resident" in any tax year if he does not fulfill any of the above 2 conditions. Such an individual is taxable only on Indian source income and overseas income that is earned from a business or profession controlled in India.

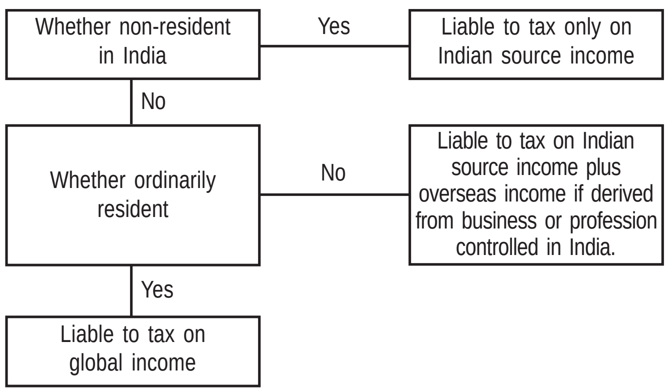
❇ **Corporate tax payer**

- A corporate tax payer is resident in India if :
- it is a company registered in India and has its registered or principal office in India, or
- The control and management of its affairs is situated wholly in India.

“Control and Management" signifies a place from where the affairs, policies and vital matters concerning management of the company is situated.”

Companies resident in India are taxable on their "worldwide income". Companies resident outside India and doing business in India are taxed only on Indian source income. For example, a Foreign company that forms a branch in India is taxable in India only in respect of interest, royalties, capital gains, etc. earned in India whereas the subsidiary in India is taxable on its worldwide income.

Individuals



In case of non-resident doing business in India, the following categories of income are deemed to be Indian source income under the Indian Income-tax Act:

- Income through the transfer of a capital asset situated in India
- Salaries earned in India
- Dividends paid by an Indian company.
- Interest income earned from a business carried on in India.
- Royalty and technical service fees, earned from a business carried on in India.
- Income accruing or arising by virtue of a business connection in India.
- Income through and from any property, asset or source of income in India.

However, incase of following activities, carried out by an resident, no income will be deemed to be earned in India

- Purchase of goods in India for the purpose of export.
- Collection of news and view in India by the news agencies publishing news paper, magazine etc.
- Shooting of any cinematograph film in India by a non resident, individual or a firm or company in which non of the partner or share holder is a citizen of India or a Indian resident.

Previous Year:

Means the financial year immediately preceding the assessment year. For e.g. in case of assessment year 1999-2000 the previous year for which income will be brought to tax as per the recent budget will be from 1-4-1999 to 2000.

TAX RATES

The tax rates applicable for income earned during the period 1st April 1999 to 31st March 2000 are as under:

In case of every Individual :

		Rate of Tax
(1)	Where the total income does not exceed Rs. 50,000	Nil;
(2)	Where the total income exceeds Rs. 50,000 but does not exceed Rs. 60,000	10%
(3)	Where the total income exceeds Rs. 60,000 but does not exceed Rs. 1,50,000	20%
(4)	Where the total income exceeds Rs. 1,50,000	30%

In the case of a Company

		Rate of Tax
I.	In the case of a domestic company	35%
II.	In the case of a company other than a domestic company,- (non-resident company)	
(i)	on so much of the total income as consists of,	
(a)	royalties received from Govt. or an India concern in pursuance of an agreement made by it with the Government or the India concern after the 31st day of March, 1961 but before the 1st day of April, 1976, or	50%
(b)	fees for rendering technical services received from Government or an India concern in pursuance of an agreement made by it with the Government or the India concern after the 29th day of February, 1964 but before the 1st day of April,1976,	
(ii)	on the balance if any, of the total income.	48%

Surcharge of Income Tax

The amount of income-tax computed in accordance with the preceding provisions shall :

(i) in the case of every individual or Hindu undivided family or association of persons or body of individuals having a total income exceediing sixty thousand rupees, be reduced by the amount of rebate of income-tax calculated under Chapter VIII-A, 5 and the income-tax as so reduced,

(ii) in the case of every person, other than those mentioned in item (i) be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax:

Provided that no such surcharge shall be payable by a non-resident.

Rate for Deduction of tax at source in certain cases

In every case in which under the provisions of sections 193,194,194A,194B,194BB,194D and 195 of the Income-tax, tax is to be deducted at the rates in force, deduction shall be made from the income subject to the deduction at the following rates :-

	Rate of Income Tax
1. In the case of a person other than a company-	
(a) Where the person is resident in India -	
(i) on income by way of interest other than "Interest on securities"	10 per cent.;
(ii) on income by way of winning from lotteries and crossword puzzles	40 per cent.;
(iii) on income by way of winnings from horse races	40 per cent.;
(iv) on income by way of insurance commission	10 per cent.;
(v) on income by way of interest payable on-	10 per cent.;
(A) any debentures or securities other than a security of the central or state Government for money issued by or on behalf of any local authority or a corporation established by a Central, State or Provincial Act.	
(B) any debentures issued by a company where such debentures are listed on a recognised stock exchange in India in accordance with the Securities Contracts (Regulation) Act, 1956 and any rules made thereunder	
(vi) on any other income	20 per cent.;
(b) where the person is not resident in India-	
(i) in the case of a non-resident India-	
(A) on any investment income	20 per cent.;
(B) on income by way of long-term capital gains referred to in section 115E	10 per cent.;
(C) on other income by way of long-term capital gains	20 per cent.;
(D) on income by way of interest payable by Government or an Indian concern on moneys borrowed or debt incurred by Government or the Indian concern in foreign currency	20 per cent.;
(E) on income by way of winnings from lotteries and crossword puzzles	40 per cent.;
(F) on income by way of winnings from horse races	40 per cent.;
(G) on the whole of the other income	30 per cent.;
(ii) in the case of any other person-	
(A) on income by way of interest payable by Government or an Indian concern on moneys borrowed or debt incurred by Government or the Indian concern in foreign currency	20 per cent.;
(B) on income by way of winnings from lotteries and crossword puzzles	40 per cent.;
(C) on income by way of winnings from horse races	40 per cent.;
(D) on income by way of long-term capital gains	20 per cent.;
(E) on the whole of the other income	30 per cent.;

	Rate of Tax
2. In the case of a company-	
(a) where the company is a domestic company-	
(i) on income by way of interest other than "Interest on securities"	20 per cent.;
(ii) on income by way of winnings from lotteries and crossword puzzles	40 per cent.;
(iii) on income by way of winnings from horse races	40 per cent.;
(iv) on any other income	20 per cent.;
(b) where the company is not a domestic company-	
(i) on income by way of winnings from lotteries and crossword puzzles	40 per cent.;
(ii) on income by way of wining from horse races	40 per cent.;
(iii) on income by way of interest payable by Government or an Indian concern on moneys borrowed or debt incurred by Government or the Indian concern in foreign currency	20 per cent.;
(iv) on income by way of royalty payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 31st day of March, 1976, where such royalty is in consideration for the transfer of all or any rights (Including the granting of a licence) in respect of copyright in any book on a subject referred to in the first proviso to sub-section (1A) of section 115A of the Income-tax Act, to the Indian concern, or in respect of any computer software referred to in the second proviso to sub-section (1A) of section 115A of the Income-tax Act, to a person resident in India-	
(A) where the agreement is made before the 1st day of June, 1997	30 per cent.;
(B) where the agreement is made on or after the 1st day June, 1997	20 per cent.;
(v) on income by way of royalty [not being royalty of the nature referred to in sub-item (b)(iv)] payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern and where such agreement is with an Indian concern, the agreement is approved by the Central Government or where it relates to a matter included in the industrial policy for the time being in force, of the Government of India, the agreement is in accordance with that policy-	
(A) where the agreement is made after the 31st day of March,1961 but before the 1st day of April. 1976	50 per cent.;
(B) where the agreement is made after 31st day of March, 1976 but before the 1st day of June, 1997	30 per cent.;
(C) where the agreement is made or after the 1st day of June, 1997	20 per cent.;
(vi) on income by way of fees for technical services payable by Government	

or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern and where such agreement is with an Indian concern, the agreement is approved by the Central Government or where it relates to a matter included in the industrial policy, for the time being in force, of the Government of India,
the agreement is accordance with that policy-

(A) where the agreement is made after the 29th day of February, 1964 but before the 1st day of April, 1976	50 per cent.;
(B) where the agreement is made after 31st day of March, 1976 but before the 1st day of June, 1997	30 per cent.;
(C) where the agreement is made or after the 1st day of June, 1997	20 per cent.;

(vii)	on income by way of long-term capital gains	20 per cent.;
(viii)	on any other income	48 per cent.;

Explanation-For the purpose of item 1(b)(i) of this Part, "investment income" and "non-resident Indian" shall have the meanings assigned to them in Chapter XII-A of the Income-tax Act.

Surcharge on income-tax

The amount of income-tax deducted in accordance with the provisions of-

(a) sub-item (a) of item 1 of this Part shall be increased by a surcharge for the purposes of the Union; and

(b) sub-item (a) of item 2 of this Part shall be increased by a surcharge,

Calculated at the rate of ten per cent. of such income-tax.

Rate of tax applicable to non-residents in certain specialised transactions

	Category of Income	**Rate of Tax**
i)	Dividend on shares	Nil
ii)	Units issued by mutual funds	Nil
iii)	Interest payable on money borrowed in foreign currency	20%
iv)	Royalty and fees for technical services received as per agreement made on or before 31st May, 1997	30%
v)	Royalty and fees for technical services received as per agreement made on or after 31st May, 1997	20%
vi)	In case of overseas financial organisations (offshore funds) on long term capital gain on transfer of units of mutual funds purchased in foreign currency	10%
vii)	In case of non-residents, interest received on bonds and shares acquired in foreign currency and income by way of long term capital gain	10%
viii)	In case of foreign institutional investors, income by way of interest, securities listed on stock exchange not being	
a)	Interest	20%
b)	On short term capital gain	30%
c)	on long term capital gain	10%

A special provisions for computation of income for non residents.

Shipping business : 7 1/2% of aggregate amount received or receivable by the ship operator or on his behalf of any body else on account of carriage of passenger, livestock, mail or goods shipped at any port in India. Receipt will also include receipts such as demurrage charges or handling charges or any charge of similar nature.

Exploration of mineral oils : 10% of income received from services or facilities provided in connection with exploration of mineral oil supplying plant and machinery on hire and used in prospecting for extraction of mineral oils.

Operation of aircraft : 5% of amount received or deemed to be received by a non resident carrying out operation of aircraft on account of carriage of passengers, livestock, mail or goods from any places in India.

Business civil construction in Turn Key Power Projects : By foreign companies. A foreign company engaged in the business of Civil Construction or erection of plant and machinery or testing or commissioning thereof in connection with a Turn key Power Project approved by Indian government and financed under international aid programme amount equal to 10% amount received or deemed to be received by such non resident foreign company, shall be deemed with the income from such operations.

However, while computing any category of above income, no other expenses incurred for business will be allowable.

Capital Gains

Capital gains earned on the transfer of a capital asset held for more than 36 months (12 months in case of securities listed on a stock exchange or units of a mutual fund) are referred to as long-term capital gains. Resident individuals, domestic companies and non-residents (whether foreign companies or individuals) are taxed on long-term capital gains @ 20% Short-term capital gains are taxed at the normal rates applicable to ordinary income. Concessional rates of tax have been provided for special categories such as Foreign Institutional Investors, Venture Capital Companies, Offshore Funds, etc. as detailed here in above. In case of long term capital gain benefit for inflation in taxation is available.

Dividends

The Finance Bill 1997 has abolished tax on dividends declared and distributed by India companies to resident or non-resident shareholders. Thus, a Foreign companies earning dividend income in India will be tax exempt. However, the domestic company that is declaring such dividends will be subject to an additional tax of 10% of the dividends declared. The Finanace Bill 1999 has exempted dividend declared by mutual fund from taxation.

Minimum Alternate Tax (MAT)

All corporate tax payers are subject to MAT. This tax applies where the total income of the company, as computed under the Indian Income-tax Act is less than 30% of book profits as computed under the Indian Companies Act. In such a case, the total income of the company is deemed to be 30% of the book profits and is charged to tax at the rates described above. However, the difference between the regular tax liability and MAT can be carried forward for a period of 5 years for set off against the excess of regular tax payable over MAT in a future year. However, companies involved in generation and distribution of power, infrastructure, companies setup in notified backward areas, exports of goods and software are exempt from MAT.

Provisions Reducing Tax Base

- Income of a venture Capital Fund or Company approved by Central Government from capital gain, earned on investment made in equity shares of unlisted Indian Companies engaged in business of software, information technology, production of basic drugs, bio-technology, agriculture and allied sectors, etc.
- Income of an infrastructure Capital Fund or Company duly approved by Central Government by way of interest, capital gain earned on investment made in share or providing long-term finance to any enterprise wholly engaged in business of developing, maintaining and operating any infrastructure facility as prescribed
- 100% profit derived by an industrial undertaking set up in free trade zone or Electronic Hardware Technology park or Software Technology park, as approved by government, is exempt for a period of 5 years consecutively out of 8 years, if at least 75% of its production is exported outside India

- 100% profit derived by an industrial undertaking set up as 100% export oriented undertaking (100% EOU) duly approved, is exempt for period of 5 consecutive years out of 8 years, if at least 75% of its production is exported outside India.
- 100% profit of an Indian Company engaged in export outside India is exempt.
- 50% of profit derived by an Indian Company, in foreign exchange, engaged in business of hotel, tour operator shall be exempt from tax and balance income to the extent it is transferred to a reserve account for being utilised for prescribed activities. Income received in foreign exchange shall be entitled for exemption on proportionate basis.
- Profit derived by an Indian Company out of export from India of computer software or technical services in connection there with shall be exempt 100% from tax, if realised in foreign exchange.
- 50% of profit derived by Indian Company from execution of a housing project awarded on the basis of global tender and is aided by World Bank. Similarly, 50% of the profit is exempt from tax, earned from the execution of a Foreign project, on compliance of certain conditions,
- 100% of the profit derived by an Indian Company is exempt from tax for a period of five consecutive years out of 15 years or 20 years, as may be applicable and 30% of the profit will be exempt from tax for the next period of 5 years of the companies engaged in developing, maintaining and running infrastructure facilities such as

    i) Generation or generation and distribution of power.

    ii) Telecommunication services

    iii) Highways

    iv) Airports

    v) Ports

    vi) Road bridge

    vii) Inland water ways

    viii) Inland Ports

    ix) Rail Systems

    x) Water supply projects

    xi) Irrigation projects

    xii) Sanitation and sewage systems

    xiii) Industrial Park

- 100% profit derived from an industrial undertaking established in a backward state or backward industrial district as prescribed if such industrial units is set up prior to 31st March, 2000.

Computation of Business Income.

Income derived by a non resident from a business or profession will be computed on the basis of normal accounting principles followed in India. However, depreciation on assets is allowable at a higher rate as prescribed under Income Tax Act. In certain other category of expenses, certain incentives are prescribed with higher allowances as expenses on Research and Development.

However, allowance of expenditure in the nature of head office expenditure shall be limited to 5% of business income computed before deduction of depreciation and carried forward losses etc. in the year of loss such amount will be limited to 5% of such adjusted income worked out on the basis of average income earned in earlier years, as per method prescribed.

Salary and Remuneration of non residents:

Income earned by a non resident by way of salary or remuneration for services rendered in India will be taxable in India whether such remuneration/salary is paid to the non resident in foreign country or India by the employer. Income subject to tax in India will also include allowance paid to such employee in India for it's living and staying. However, in following cases such salary/remuneration will not be taxable in India.

i) A non resident and not citizen of India who comes to India in connection with shooting of cinematography film in India by an individual firm or company referred to above.

ii) Remuneration of any employee of foreign enterprises who's stay in India does not exceed 90 days in previous year and such remuneration paid by foreign employee is not deductible in India while computing income of such foreign enterprise in India.

iii) Remuneration received by a non resident employee or consultant of an institution or association formed and established out side India, for philanthropic purposes, for services rendered in India in connection with such purpose provided such institution is duly recognised by government.

iv) Remuneration received by a non resident for service rendered on a foreign ship where total stay in India of such employee does not exceed 90 days in a previous year.

v) Passage money received by non resident employee from his employer for self his spouse and children in connection with his proceeding on home live out of India or for his children having educational institution out side India or at the time of his retirement or termination of services.

vi) Remuneration of a consultant out of fund made available by international organisation under technical grant subject to certain conditions.

However as per provisions of double taxation treaty entered with most of the countries, remuneration received by a non resident employee from foreign employer is not taxable in India if stay of such non resident employee in India in a previous year does not exceed 182 days.

Permanent Account Number (PAN)

❇ Every tax payer that has not been allotted a PAN, is required to apply to the Assessing Officer for the allotment of a PAN on or before May 31 immediately succeeding the financial year ending on March 31 during which he has income taxable under the Indian Income-tax Act. Similarly, every other tax payer carrying on any business whose total sales turnover or gross receipts are or is likely to exceed Rs. 50,000/- in any financial year has also to apply for allotment of PAN even though his income remains below taxable limits before the end of the financial year.

❇ The tax payer is required to quote the PAN in his returns or correspondence with any Income-tax authority and all receipts for the payments of any sum due under the Act.

❇ The tax payer is also required to intimate the Assessing Officer any change in address or the name or nature of business on the basis of which the PAN is allotted.

Advance - Tax

❇ Meaning:

Advance-tax means paying tax in advance or, in other words, paying tax on income while earning it during the tax year itself, even before the due date of furnishing the return of income.

❇ Liability to pay advance tax:

Advance tax is payable during a tax year in every case where the amount of such tax payable by the tax payer during that year is Rs. 5,000 or more.

❇ Time of payment of advance tax instalments:

Advance-tax is payable by a tax payer in three/four installments during the tax year. The due date and amount payable in each such installment is specified in the table below:

Date of Installment	**Corporate tax payer**	**Other than corporate tax payer**
On or before 15th June	15% of the income-tax payable for the year	-
On or before 15th September	45% less tax paid in earlier installment	30% of the income-tax payable for the year
On or before 15th December	75% less tax paid in earlier installment	60% less tax paid in earlier installment
On or before 15th March	100% less tax paid in earlier installment	100% less tax paid in earlier installment

Compulsory audit of accounts

Financial statements of all resident corporate tax payers are subject to audit under the Companies Act. Further, every tax payer carrying on business or profession is compulsorily required to get his accounts audited before the specified date if:

- the total sales, turnover or gross receipts of the business carried on by him are more than Rs. 4 Million during the Financial year.
- the gross receipts of the professional activity in which he is engaged are more than Rs. 1 Million.
- An audit report under the Income-tax Act has to be obtained in the prescribed form before the following dates:

- By Company - Before November 30 immediately succeeding the financial year.
- By Other assessee - Before October 31 immediately succeeding the financial year.

Due dates for filing return of income

Status of tax payer	Due date
Corporate tax payer	30th November
Other than comporate tax payer: Who is required to get his accounts audited under any law in force:	31st October
Who derives income from business, but does not have to get his accounts audited	31st August
Who does not derive any business income	30th June

Scrutiny Assessment

In the event that the Assessing Officer decides to scrutinize the return of income filed by the tax payer, a notice is issued before expiry of 12 months from the end of the month in which the return of income is filed. In such a case, the tax payer shall appear before the Assessing Officer, either personally or through an authorized representative. All the necessary financial statements and documents in evidence of the return of income filed is required to be submitted to the Assessing Officer.

Deduction of Tax at Source (Withholding Tax)

Certain categories of tax payers (whether taxpayers or not) are required to deduct tax at source before making certain specified payments or at the time of crediting the account of the payee, whichever is earlier and should pay the tax so deducted to the Central Government of India within the specified period.

❇ The different types of payments liable for deduction of tax at source are:

  ❇ Payment of Salaries

  ❇ Fees for professional or technical services

  ❇ Payment of Interest

  ❇ Payment to contractors or sub contractors.

  ❇ Payment to non-residents.

  ❇ Rent

❇ Every tax payer deducting tax at source is required to apply to the Assessing Officer for allotment of a Tax Deduction Account, within one month from the end of the month in which tax is deducted for the first time.

There are various formalities to be observed with regard to withholding tax from various payments. A brief synopsis of the procedures is given herein below :

Particulars	Time of Deposit of withholding tax	Certificate of tax deduction to be issued	Returns of tax deduction to be filled		
			Particulars	Form No.	Time Limit
Salary	tax should be deposited within seven days of deduction	Issue certificate in Form No. 16 within one month from the close of the financial year	Annual Return	24	May 31, every year
Payment to contractors & Sub-contractors	where amount is credited to payee's account on the last day of accounting year. Within 2 months from the end of the month in which credit is made. In any other case : within one week from the last day of the month in which deduction is made.	Issue certificate in form No. 16A within one month from the end of the month in which income is credited. Where amount is credited to the payees account on the last day of the accounting year; Issue Form No. 16A within a week after the expiry of two months from the month in which income is so credited	Annual return	26C	June 30, every year
Rent	Same as above	Same as above	Annual return	26J	June 30, every year
Fees for professional or technical services	Same as above	Same as above	Annual return	26K	June 30, every year
Payment to non resident	Same as above	Same as above	Annual return	27	within 14 days from the end of quarter
Interest on securities	Same as above	Same as above	Annual return	25	June 30, every year
Interest other than interest on securities	Same as above	Same as above	Annual return	26A	June 30, every year

Note : Where more than one certificate is required to be furnished to a payee for deduction of withholding tax during a financial year, a consolidated certificate may be issued in Form No. 16A within one month from the close of the financial year at the request of the payee.

DOUBLE TAXATION RELIEF

- The provisions of Indian Tax Act or of a Double Taxation Treaty whichever favourable to the assessee will be applicable.
- Where a business is carried on between a resident and a non-resident and it appears to the tax authorities that owing to close connection between them, the transactions are so arranged that business transaction produced to the resident no profit or profit lesser than one earned in normal course of business, the tax authorities will be entitled to determine the profit which may reasonably be deemed to be derived from such transactions. These provisions are for controlling transfer pricing in case of transaction with non-residents.

  The list of such countries with which India has a Double Taxation Treaty is covered along with a birds eyeview of such existing treaty..

List of countries with whom India has entered into double taxation avoidance agreements

1. Afghanistan
2. Australia
3. Austria
4. Bangladesh
5. Belarus
6. Belgium
7. Brazil
8. Bulgaria
9. Canada
10. China
11. Cyprus
12. Czechoslovakia
13. Denmark
14. Ethiopia
15. Finland
16. France
17. Germany
18. Greece
19. Hungary
20. Indonesia
21. Iran
22. Israel
23. Italy
24. Japan
25. Kazakstan
26. Kenya
27. Korea
28. Kuwait
29. Lebanon
30. Libya
31. Malaysia
32. Malta
33. Mangolia
34. Mauritius
35. Nepal
36. Netherlands
37. New Zealand
38. Norway
39. Oman
40. Pakistan
41. People's Democratic Republic of Yemen
42. Phillipine
43. Poland
44. Romania
45. Russian Federation
46. Saudi Arabia
47. Singapore
48. South Africa
49. Spain
50. Sri Lanka
51. Sweden
52. Switzerland
53. Syria
54. Tanzania
55. Thailand
56. Turkey
57. Turkmenistan
58. United Arab Emirates
59. United Arab Republic
60. United Kingdom of Great Britain
61. United States of America
62. Uzbekistan
63. Vietnam
64. Yemen Arab Republic
65. Zambia

Note : The countries in this list are referred to by names prevalent at the time of signing the Double Taxation Agreement with them.

DOUBLE TAXATION TREATIES AT A GLANCE

Sl. No.	Name of the Country	Dividend	Interest	Royalty	Fee for technical services/included services
1.	*Afghanistan (L)*	*Income derived from the operation of aircraft by the airlines is exempt from the tax.*			
2.	*Australia (C)*	*15 per cent of gross amount*	*15 per cent of gross amount*	*I. If royalties pertain to use of industrial, commercial or scientific equipment and/or technical or consultancy services ancillary or subsidiary thereto, 10 per cent of gross amount;* *II. In case of other royalties.* *(i) During the first five years, 15 per cent of gross amount, if payer is Government or Public sector company; and 20 per cent of gross amount, if payer is any other person;* *(ii) During all subsequent years, 15 per cent of gross amount.*	*No separate provision.*
3.	*Austria (C)*	*Not Mentioned.*	*Not Mentioned.*	*Not Mentioned.*	*Exempt, except on amount (net) attributable to activities performed in India.*
4.	*Bangladesh (C)*	*10 per cent of gross amount, if shareholding is 10 per cent or more; 15 percent of gross amount in other cases.*	*Exempt if payment, made to government or the Bangladesh Bank; 10 per cent of gross amount in other cases.*	*10 per cent of gross amount.*	*Nil*

Sl. No.	Name of the Country	Dividend	Interest	Royalty	Fee for technical services/included services
5.	Belarus (C)	10 per cent of gross amount, if shareholding is 25 per cent or more; 15 percent of gross amount in other cases.	10 per cent of gross amount.	15 per cent of gross amount.	15 per cent of gross amount.
6.	Belgium (C)	15 per cent of gross amount.	10 per cent when paid to banks. 15 per cent in regard to the rest.	20 per cent of gross amount.	20 per cent of gross amount.
7.	Brazil (C)	15 per cent of gross amount.	15 per cent of gross amount.	25 per cent of gross amount, if the royalties arise from the use or the right to use trade marks; 15 per cent of gross amount in other cases.	No separate provision.
8.	Bulgaria (C)	15 per cent of gross amount.	15 per cent of gross amount.	15 per cent of gross amount, relating to copyrights; with certain exclusions, 20 per cent of gross amount in all other cases.	20 per cent of gross amount.
9.	Canada (C)	15 per cent of gross amount, if shareholding is 10 per cent or more; 25 percent of gross amount, in other cases.	15 per cent of gross amount, with provisions for exemption in certain cases e.g. Government/Local Authorities.	15 per cent of gross amount, in the case of Government and Local bodies and 20 per cent in other cases. After five years, 15 per cent in all cases. 10 per cent in regard to scientific equipment etc. and subsidiary services.	15 per cent of gross amount, in case of Government and Local bodies and 20 per cent in other cases. After five years, 15 per cent in all cases. 10 per cent in regard to scientific equipment etc. and subsidiary services.

Sl. No.	Name of the Country	Dividend	Interest	Royalty	Fee for technical services/included services
10.	China (C)	10 per cent of gross amount.	10 per cent of gross amount.	10 per cent of gross amount.	10 per cent of gross amount.
11.	Cyprus (C)	10 per cent of gross amount, if beneficial owner is a company owning at least 10 per cent of the shares; 15 per cent of the gross amount in other cases.	10 per cent of gross amount.	15 per cent of gross amount.	15 per cent of gross amount.
12.	Czechoslovakia (C) & (L)	15 per cent of gross amount, if shareholding is 25 per cent or more; 25 percent of gross amount in other cases.	15 per cent of gross amount.	30 per cent of gross amount.	30 per cent of gross amount.
13.	Denmark (C)	15 per cent of gross amount, if shareholding is 25 per cent or more; 25 percent of gross amount in other cases.	10 per cent of gross amount, if paid to Bank, 15 percent of gross amount in other cases.	20 per cent of gross amount.	20 per cent of gross amount.
14.	Ethiopia (L)	Income derived from the operation of aircraft by the airlines is exempt from the tax.			
15.	Finland (C)	15 per cent of gross amount, if shareholding is 10 per cent or more; 25 percent of gross amount in other cases.	15 per cent of gross amount.	30 per cent of gross amount.	30 per cent of gross amount.

Sl. No.	Name of the Country	Dividend	Interest	Royalty	Fee for technical services/included services
16.	France (C)	15 per cent of gross amount.	10 per cent of gross amount, made or guaranteed by a bank or other financial institutions; 15 percent of the gross amount.	20 per cent of gross amount.	20 per cent of gross amount.
17.	Germany (C) & (L)	10 per cent of gross amount.	10 per cent of gross amount.	10 per cent of gross amount.	10 per cent of gross amount.
18.	Greece (C)	Not mentioned.	Not mentioned.	Not mentioned.	No separate provision.
19.	Hungary (C)	15 per cent of gross amount.	15 per cent of gross amount.	40 per cent of gross amount.	20 per cent of gross amount.
20.	Indonesia (C)	10 per cent of gross amount, if the beneficial owner owns 25 per cent or more shares; 15 per cent of gross amount, in other cases.	10 per cent of gross amount.	15 per cent of gross amount.	No separate provision.
21.	Iran (C)	Income derived from the operation of aircraft by the airlines is exempt from the tax.			
22.	Israel (C)	10 per cent of gross amount.	10 per cent of gross amount.	10 per cent of gross amount.	10 per cent of gross amount.
23.	Italy (C)	15 per cent of gross amount if beneficial owner is a company owning at least 10 per cent of the shares; 25 per cent of gross amount in all other cases.	15 per cent of gross amount.	20 per cent of gross amount.	20 per cent of gross amount.

Sl. No.	Name of the Country	Dividend	Interest	Royalty	Fee for technical services/included services
24.	Japan (C)	15 per cent of gross amount.	10 per cent of gross amount, if paid to Bank; 15 per cent of gross amount, in other cases.	20 per cent of gross amount.	20 per cent of gross amount.
25.	Kazakstan (C)	10 per cent of gross amount.	10 per cent of gross amount.	10 per cent of gross amount.	10 per cent of gross amount.
26.	Kenya (C)	15 per cent of gross amount.	15 per cent of gross amount.	20 per cent of gross amount.	17.5 per cent of gross amount.
27.	Korea (C)	15 per cent of gross amount, if shareholding 20 per cent or more; 20 per cent of gross amount, in other cases.	10 per cent of gross amount, if paid to Bank; 15 per cent of gross amount, in other cases.	15 per cent of gross amount.	15 per cent of gross amount.
28.	Kuwait (C)	Income derived from the operation of aircraft by the airlines is exempt from the tax.			
29.	Lebanon (C)	Income derived from the operation of aircraft by the airlines is exempt from the tax.			
30.	Libya (C)	Not Mentioned.	Not Mentioned.	Not Mentioned.	No separate provision.
31.	Malaysia (C)	Not Mentioned.	Not Mentioned.	Not Mentioned.	No separate provision.
32.	Malta (C)	10 per cent of gross amount, if beneficial owner is a company owning at least 25 per cent of shares; 15 per cent of gross amount in all other cases.	10 per cent of gross amount.	15 per cent of gross amount of royalty or fee for included services.	10 per cent of gross amount.

Sl. No.	Name of the Country	Dividend	Interest	Royalty	Fee for technical services/included services
33.	Mongolia (C)	15 per cent of gross amount	15 per cent of gross amount	15 per cent of gross amount	15 per cent of gross amount
34.	Mauritius (C)	5 per cent of gross amount, if shareholding 10 percent or more; 15 per cent of gross amount, in other cases	Not mentioned.	15 per cent of gross amount.	No separate provision.
35.	Nepal (C)	10 per cent of gross amount, if shareholding is 10 per cent or more; 15 per cent of gross amount, in other cases.	10 per cent of gross amount, if paid to Bank; 15 per cent of gross amount, in other cases.	15 per cent of gross amount	No separate provision.
36.	Netherlands (C)	15 per cent of gross amount	10 per cent of gross amount, if paid to Bank or enterprise holding at least 10 per cent of the capital ; 15 per cent of the gross amount, in other cases.	20 per cent of gross amount	20 per cent of gross amount
37.	New Zealand (C)	20 per cent of gross amount	15 per cent of gross amount	30 per cent of gross amount	30 per cent of gross amount
38.	Norway (C)	15 per cent of gross amount, if shareholding 25 per cent or more and dividend attributable to new contribution ; 25 per cent of gross amount in other cases	15 per cent of gross amount	20 per cent of gross amount	20 per cent of gross amount

Sl. No.	Name of the Country	Dividend	Interest	Royalty	Fee for technical services/included services
39.	Oman (C)	10 per cent of gross amount of the dividends if the beneficial owner is a company which owns at least 10 per cent of the shares of the company paying the dividends; 12 1/2 per cent of the gross amount of the dividends in all other cases.	10 per cent of gross amount.	15 per cent of gross amount.	15 per cent of gross amount.
40.	Pakistan (L)	Income derived from the operation of aircraft by the airlines is exempt from the tax.			
41.	People's Democratic Republic of Yemen (L)	Income derived from the operation of aircraft by the airlines is exempt from the tax.			
42.	Philippines (C)	15 per cent of gross amount if beneficial owner is a company owing at least 10 per cent of the shares ; 20 per cent of gross amount in all other cases.	10 per cent of gross amount in the case of financial institution (Including insurance companies); 15 per cent of gross amount in all other cases.	15 per cent of gross amount	No separate provision
43.	Poland (C)	15 per cent of gross amount	15 per cent of gross amount	22.5 per cent of gross amount	22.5 per cent of gross amount
44.	Romania (C)	15 per cent of gross amount, if shareholding 25 per cent or more; 20 per cent of gross amount in other cases.	15 per cent of gross amount.	22.5 per cent of gross amount.	22.5 per cent of gross amount.

Sl. No.	Name of the Country	Dividend	Interest	Royalty	Fee for technical services/included services
45.	Russian Federation (C) and (L)	15 per cent of gross amount.	15 per cent of gross amount.	15 per cent of gross amount (copyright); 20 per cent of gross amount in other cases.	20 per cent of gross amount.
46.	Saudi Arabia (L)	Income derived from the operation of aircraft by the airlines is exempt from the tax.			
47.	Singapore (C)	10 per cent of gross amount, if shareholding at least 25 per cent; 15 per cent of gross amount in other cases.	10 per cent of gross amount, if paid by a bank or other financial institution; 15 per cent of gross amount, in other cases.	10 per cent of gross amount relating to payment for use of industrial/commercial/ scientific equipment; 15 per cent in all other cases	No separate provision.
48.	South Africa (C)	10 per cent of gross amount.	10 per cent of gross amount.	10 per cent of gross amount.	10 per cent of gross amount.
49.	Spain (C)	15 per cent of gross amount.	15 per cent of gross amount.	10 per cent of gross amount relating to payment for use of industrial/commercial/scientific equipment; 20 per cent in all other cases.	10 per cent of gross amount relating to payment for use of industrial/commercial/scientific equipment; 20 per cent in all other cases.
50.	Sri Lanka (C)	15 per cent of gross amount.	10 per cent of gross amount.	10 per cent of gross amount.	No separate provision.
51.	Sweden (C)	10 per cent of gross amount.	10 per cent of gross amount. Exempt in certain cases, e.g. interest paid to government, local authorities, etc.	10 per cent of gross amount.	10 per cent of gross amount.

Sl. No.	Name of the Country	Dividend	Interest	Royalty	Fee for technical services/included services
52.	Switzerland (C)	15 per cent of gross amount.	10 per cent of gross amount, if paid to bank, or if recipient hold at least 20 per cent of capital of paying company ; 15 per cent of gross amount in other cases.	I.(i) During first 5 taxable years - 15 per cent of gross amount relating to payments for use of copyright, patent trade mark, etc., where the payments are made by the government or a public sector company ; 20 per cent in all other cases. (ii) During subsequent years 15 per cent of the gross amount. II. 10 per cent of the gross amount relating to payment for use of industrial/commercial/ scientific equipment.	I.(i) During first 5 taxable years - 15 per cent of gross amount relating to payments for rendering technical consultancy services of such services are ancillary/subsidiary and make available technical know how, etc., where the payments are made by the government or a public sector company ; 20 per cent in all other cases. (ii) During subsequent years 15 per cent of the gross amount. II. 10 per cent of the gross amount relating to payment for rendering technical consultancy services if such services are ancillary to supply of industrial, etc., equipment.
53.	Syria (C)	Not mentioned.	7.5 per cent of gross amount.	10 per cent of gross amount.	No separate provision
54.	Tanzania (C)	10 per cent of gross amount, if shareholding at least 10 per cent during six mounts, immediately preceding the date of payment of dividend; 15 per cent of gross amount in all other cases.	12.5 per cent of gross amount	20 per cent of gross amount	20 per cent of gross amount

Sl. No.	Name of the Country	Dividend	Interest	Royalty	Fee for technical services/included services
55.	Thailand (C)	15 per cent of gross amount, if payee company is an industrial undertaking and shareholding at least 10 per cent; 20 per cent of gross amount, if case not covered above and the payee company is an industrial undertaking or shareholding at least 25 per cent.	10 per cent of gross amount, if interest paid to a financial institution; 25 per cent of gross amount, in all other cases.	15 per cent of gross amount	No separate provision.
56.	Turkey (C)	15 per cent of gross amount.	10 per cent of gross amount, if interest paid to a banker or Financial Institution; 15 per cent of gross amount in other cases.	15 per cent of gross amount.	15 per cent of gross amount.
57.	Turkmenistan (C)	10 per cent of gross amount.	10 per cent of gross amount.	10 per cent of gross amount.	10 per cent of gross amount.
58.	UAE (C) and (L)'	5 per cent of gross amount of beneficiary owner of the company shareholding at least 10 per cent; 15 per cent of gross amount in all other cases.	5 per cent of gross amount if paid to the bank; 12.5 per cent of gross amount in other all cases.	10 per cent of gross amount.	No separate provision.
59.	UAR (Egypt) (C)	Not mentioned.	Not mentioned.	Not mentioned.	No separate provision.

Sl. No.	Name of the Country	Dividend	Interest	Royalty	Fee for technical services/included services
60.	UK (C) and (L)'	15 per cent of gross amount.	10 per cent of gross amount if paid to bank; 15 per cent of gross amount in all other cases.	15 per cent of gross amount for first 5 years (Govt. contracts); 20 per cent of gross amount for first 5 years in other cases; 15 per cent of gross amount in subsequent years.	15 per cent of gross amount for first 5 years (Govt. contracts); 20 per cent of gross amount for first 5 years in other cases; 15 per cent of gross amount in subsequent years plus 10 per cent of gross amount for industrial/ commercial/ scientific equipments.
61.	USA (C)	15 per cent of gross amount, if shareholding 10 percent or more; 25 per cent of gross amount, in all other cases.	10 per cent of gross amount if paid to bank; 15 per cent of gross amount in all other cases.	15 per cent of gross amount for first 5 years (Govt. contracts); 20 per cent of gross amount for first 5 years in other cases; 15 per cent of gross amount in subsequent years.	15 per cent of gross amount for first 5 years (Govt. contracts); 20 per cent of gross amount for first 5 years in other cases; 15 per cent of gross amount in subsequent years plus 10 per cent of gross amount for industrial/ commercial/ scientific equipments.
62.	Uzbekistan (C)	15 per cent of gross amount.	15 per cent of gross amount.	15 per cent of gross amount.	15 per cent of gross amount.
63.	Vietnam (C)	10 per cent of gross amount.	10 per cent of gross amount.	10 per cent of gross amount.	10 per cent of gross amount.
64.	Yemen Arab Republic (L)	Income derived from the operation of aircraft by the airlines is exempt from the tax.			
65.	Zambia	5 per cent of gross amount, if shareholding 25 per cent or more during six months immediately preceding payment of dividend; 15 per cent of gross amount in other case	10 per cent of gross amount.	10 per cent of gross amount.	10 per cent of gross amount.