

Did you know?



British
High Commission
New Delhi



Non-residents making payments to Indian entities or non-residents could also be subject to Indian withholding tax compliance.

Issue 2: Extra-territorial applicability of withholding tax compliance to foreign entities

Section 195(1) of the Act mandates non-residents to deduct Indian taxes on payments to even if they do not have a residence, place of business, business connection or any presence in India in any manner whatsoever. On the contrary, section 1 of the Act states that the applicability of the Act extends to only to the whole of India. This poses an administrative challenge for non-residents to comply with the Indian withholding tax processes.



Impact

This discourages UK companies from directly engaging Indian companies for contracts that may require withholding tax.

Proposed solution

The Act should include a suitable clarification that there is no withholding tax obligation on a non-resident where the non-resident does not have any presence in India.

PwC-India British High Commission joint tax project seeks to understand direct tax issues faced by UK-based companies in India