

Sharing insights

News Alert
2 May 2013



Key amendments to Finance Bill, 2013

The Finance Bill, 2013 was approved by the Lok Sabha (the Lower House of the Parliament) earlier this week with certain amendments. The Bill is now required to be passed by the Rajya Sabha (the Upper House of the Parliament) and has to receive the assent of the President before it is enacted as a law.

Key amendments to the Finance Bill, 2013 are summarised below:

Tax Residency Certificate (TRC)

Non-resident taxpayers are entitled to choose whether to be taxed in terms of India's Income Tax law or in terms of the tax treaty, whichever is more beneficial. To avail tax treaty benefits, non-residents were required to obtain a TRC

containing prescribed particulars. Many non-residents were facing difficulties in obtaining TRC containing all the prescribed particulars.

To alleviate these difficulties, it is now proposed that non-residents would be required to only obtain a TRC that certified their residence in their home country. The requirement of obtaining TRC containing prescribed particulars has been deleted with effect from tax year 2012-13.

The Finance Bill, 2013 had proposed an amendment suggesting that obtaining a TRC would be a necessary, but not sufficient, condition in order to avail treaty benefits. This proposal has been withdrawn.

However, non-residents will be required to furnish such other documentation and information as may be prescribed by the Indian Revenue authorities.

Withholding tax rate on interest on long-term infrastructure bonds

A provision had been introduced by Finance Act, 2012, to allow a concessional tax rate of 5% * on interest payments to non-residents on certain approved loans and on foreign currency-denominated long-term infrastructure bonds, so long as the interest rate did not exceed a specified limit. However, a general provision exists to provide that if the non-resident does not furnish PAN (which is the tax registration number in India), the applicable withholding tax rate would be 20%*.

Now, an exception has been made to this general provision with effect from 1 June, 2013, under which the concessional withholding tax rate of 5%* would apply to payment of interest on long-term infrastructure bonds even if the non-resident payee has not obtained a PAN. The exception has not been extended to approved loans, which seems to imply that non-resident recipients of interest on such approved loans would have to continue to obtain and provide a PAN in order to enjoy the concessional rate of withholding tax.

Interest payable to Foreign Institutional Investors (FIIs) and Qualified Foreign Investors (QFIs) on rupee denominated corporate bonds or government securities

A new provision has been inserted to provide concessional rate of tax at 5%* on interest on rupee-denominated corporate bonds or Government securities payable to FIIs and QFIs.

Withholding tax rate on interest payable to FIIs and QFIs on rupee denominated corporate bonds and government securities is proposed to be reduced to 5%* if the following conditions are satisfied:

- Interest is payable on or after 1 June 2013 but before 1 June 2015;
- Rate of interest in respect of corporate bond shall not exceed the rate to be notified by the Central Government.

The tax rates on such interest are proposed to be aligned with the withholding tax rates. However, the higher rate of 20%* continues to apply if the FII/QFI has not obtained PAN.

Commodity derivatives trading

Trading in commodity derivatives in a 'recognised association' shall not be regarded as a 'speculative transaction', if certain conditions that have been prescribed, are fulfilled.

** The rates are excluding applicable surcharge and cesses.*

About PwC

PwC* helps organisations and individuals create the value they're looking for. We are a network of firms in 158 countries with more than 180,000 people who are committed to delivering quality in assurance, tax and advisory services.

PwC India refers to the network of PwC firms in India, having offices in: Ahmedabad, Bangalore, Chennai, Delhi NCR, Hyderabad, Kolkata, Mumbai and Pune. For more information about PwC India's service offerings, please visit www.pwc.in.

*PwC refers to PwC India and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details. Tell us what matters to you and find out more by visiting us at www.pwc.com/in.

Our offices

For private circulation only

<p>Ahmedabad President Plaza, 1st Floor Plot No 36 Opp Muktidham Derasar Thaltej Cross Road, SG Highway Ahmedabad, Gujarat 380054 Phone +91-79 3091 7000</p>	<p>Bangalore 6th Floor, Millenia Tower 'D' 1 & 2, Murphy Road, Ulsoor, Bangalore 560 008 Phone +91-80 4079 7000</p>	<p>Chennai 8th Floor, Prestige Palladium Bayan 129-140 Greams Road, Chennai 600 006, India Phone +91 44 4228 5000</p>	<p>Hyderabad #8-2-293/82/A/113A Road no. 36, Jubilee Hills, Hyderabad 500 034, Andhra Pradesh Phone +91-40 6624 6600</p>	<p>Kolkata 56 & 57, Block DN. Ground Floor, A- Wing Sector - V, Salt Lake. Kolkata - 700 091, West Bengal, India Telephone: +91-033 - 2357 9101/4400 1111 Fax: (91) 033 - 2357 2754</p>
<p>Mumbai PwC House, Plot No. 18A, Guru Nanak Road - (Station Road), Bandra (West), Mumbai - 400 050 Phone +91-22 6689 1000</p>	<p>Gurgaon Building No. 10, Tower - C 17th & 18th Floor, DLF Cyber City, Gurgaon Haryana -122002 Phone : +91-124 330 6000</p>	<p>Pune GF-02, Tower C, Panchshil Tech Park, Don Bosco School Road, Yerwada, Pune - 411 006 Phone +91-20 4100 4444</p>	<p>For more information contact us at, pwctr.knowledgemanagement@in.pwc.com</p>	

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PwCPL, its members, employees and agents accept no liability, and disclaim all responsibility, for the consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it. Without prior permission of PwCPL, this publication may not be quoted in whole or in part or otherwise referred to in any documents.

©2013 PricewaterhouseCoopers. All rights reserved. "PwC", a registered trademark, refers to PricewaterhouseCoopers Private Limited (a limited company in India) or, as the context requires, other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.