

What's New

News Flash



August 2018

CBDT has expressed its view on manner of computation of admissible deduction under section 10A of the Income-tax Act, 1961

The Central Board of Direct Taxes (CBDT) issued circular no. 4 of 2018 (circular) on 14 August 2018, expressing its view on the manner of computation of admissible deduction under section 10A of the Income-tax Act, 1961 (the Act). The circular seeks to maintain parity while deducting specific expenses from export turnover and total turnover of the undertaking for computing deduction under section 10A of the Act. To elaborate, the circular provides as follows –

- a) Freight, telecommunication charges and insurance expenses are to be excluded both from export turnover and total turnover, while computing deduction admissible under section 10A of the Act to the extent they are attributable to the delivery of articles or things or computer software outside India.
- b) Expenses incurred in foreign exchange for providing technical services outside India are to be excluded from both export turnover and total turnover while computing deduction admissible under section 10A of the Act.

The circular provides that all charges or expenses specified in Explanation 2 (iv) to section 10A of the Act, are liable to be excluded from total turnover also for the purpose of computation of deduction under section 10A of the Act.

The circular has been issued by the CBDT following the Supreme Court's verdict in the case of *Commissioner of Income Tax, Central-III v. M/s HCL Technologies Limited [2018] 404 ITR 719 (SC)*, wherein the matter was decided in taxpayer's favour by observing that the specific expenses excluded from the export turnover should also have been excluded from the total turnover in order to arrive at the profit from export business which is the objective of the formula prescribed in section 10A of the Act. Any other interpretation will render the formula of calculation futile and meaningless.

The CBDT has also directed the department to withdraw or not to press upon appeals already filed on this settled issue.

Key takeaways

The circular is a welcome move by the Income-tax department in order to put an end to a long standing issue faced by various taxpayers under section 10A of the Act. However, while the circular does not cover the issue in the context of section 10AA of the Act, the principles laid down by this circular could be relied upon while computing deduction admissible under section 10AA of the Act.

If your interest lies in a specific area or subject, do advise us so we can send you only the relevant alerts. For any additional information, please reach out to your PwC relationship manager or write in to [***pwctrs.knowledgemanagement@in.pwc.com***](mailto:pwctrs.knowledgemanagement@in.pwc.com)

With Best Regards
PwC TRS Team

About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 158 countries with more than 236,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

In India, PwC has offices in these cities: Ahmedabad, Bengaluru, Chennai, Delhi NCR, Hyderabad, Jamshedpur, Kolkata, Mumbai and Pune. For more information about PwC India's service offerings, visit **www.pwc.com/in**

PwC refers to the PwC International network and/or one or more of its member firms, each of which is a separate, independent and distinct legal entity. Please see www.pwc.com/structure for further details.

©2018 PwC. All rights reserved

Follow us on [Facebook](#), [LinkedIn](#), [Twitter](#) and [YouTube](#).

© 2018 PricewaterhouseCoopers Private Limited. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers Private Limited (a limited liability company in India having Corporate Identity Number or CIN : U74140WB1983PTC036093), which is a member firm of PricewaterhouseCoopers International Limited (PwCIL), each member firm of which is a separate legal entity

Our Tax & Regulatory Services **Direct Tax** **Indirect Tax** **Transfer Pricing** **Regulatory** **M & A**
Tax Controversy and Dispute Resolution **Financial Services**

NOTE : If you wish to unsubscribe receiving communications, please send in a blank email as reply to this mail with subject line "Unsubscribe".
