



WY 18.48 ▲ +.65% GME 24.07 ▲ +.63% BKD 16.97 ▲ +.59% QGEN 13.65 ▲ +.59% DIS
% CLWR 1.91 ▼ -5.45% IPI 22.32 ▼ -5.02% WMS 19.94 ▼ -5.00% TEX 12.63 ▼ -4.75%



Tax Rates In India

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As the Global Financial Crisis rumbles on, with certain reduced growth rates on the horizon for Europe and the United States, multinationals are looking elsewhere to achieve their business goals. Asia, a region riddled with wars and ineffective economic policies for much of the past century, has finally stepped into the front line of global trade and commerce. Here we look at the taxes most applicable to foreign businesses and individuals in India, i.e., corporate income tax, value-added tax, goods and service tax, standard tax on dividends and individual income tax. These rates are based on domestic laws and do not take into consideration reductions or exemptions provided by double tax treaties.



Corporate Income Tax

Corporate income tax for domestic companies, including Limited Liability Partnerships (LLPs), is 30 percent, while foreign companies in India are taxable at 40 percent. A company is considered registered outside of India. Companies formed in India are considered domestic companies, including subsidiary unit foreign countries.

Foreign companies with contractual work in India will be subject to income tax of 40 percent on net income earned fr

Value-added Tax

Value-added tax (VAT) in India is imposed only on goods, not on services. VAT is applied at each stage of sale and of VAT paid.

There are four tiers of VAT, covering 550 items:

Essential commodities: 1%

Gold or silver bullion and precious stones: 1%

Industrial inputs, capital goods and items of mass consumption including medicine, drugs, agricultural and industrial goods: 4%

All other products, including petroleum products, tobacco, liquor, etc. (These items may attract higher VAT rates that textile and tobacco products are exempt from VAT for one year: 12.5%

Every business is required to undertake VAT registration, but businesses with less than INR500,000 turnover are ex VAT refunds against all categories of goods and services upon export.

Withholding Tax

When Indian companies repatriate dividends to their overseas parent companies, they are subject to 15 percent divid

Where foreign subsidiaries repatriate dividends to an Indian company, the dividend rate is currently 30 percent, but is percent in the future.

Individual Income Tax

India imposes different sets of progressive tax rates depending on gender and age group, with each group having a different set of rates. These rates range from 10-30 percent.

Individual income tax (IIT) calculation in India is also based on resident status and source of the income. An individual is considered a resident in India in any previous year if he/she meets any of the following two conditions:

- (a) He/she is in India in that year for a period or periods aggregating to 182 days or more, or
- (b) Within the four years proceeding that year, he/she has been in India for a period or periods aggregating to 365 days or more and in India for 60 days or more in that year.

Whereas residents are taxed on their global income, non-residents are only taxed on income that is sourced, received, or accrued in India, regardless of the employer's residence status, will be taxed.

Dividend income is exempt from tax in India.

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