

Tax Hotline

May 02, 2002

FOREIGN CONSULTANCY FIRMS MAY FALL IN THE INDIAN TAX NET

In a dispute between Clifford Chance, a U.K. based solicitor firm and the income tax department, the Income Tax Appellate Tribunal, Mumbai ("Tribunal") recently gave a ruling that foreign consulting or solicitors firms would have to pay tax on the income earned from the business they do in India even if professionals, other than their partners, employed by these firms spend more than 90 days in a year in India. The ruling further states that the days spent by the employees of the foreign firm on activities other than the project they are working on would also be included for calculating the 90-day period.

The UK firm's stand was that it need not pay tax on its fees earned in India as the number of days of the visits to India by its partners did not add up to 90 days in a year. However, for the purpose of calculating tax, the Tribunal has interpreted the treaty between India and UK to include official visits by the employees who need not be partners of the firm.

This ruling would certainly cause difficulty and hardship to the many foreign consultancy and law firms who undertake substantial amount of work in India even if based abroad since it intends to bring them under the Indian tax net. Now, these firms would have to keep track of the days spent in India by their employees who are not necessarily partners.

Source: *The Economic Times*, May 2, 2002 (Bangalore)

DISCLAIMER

The contents of this hotline should not be construed as legal opinion. View detailed disclaimer.

This Hotline provides general information existing at the time of preparation. The Hotline is intended as a news update and Nishith Desai Associates neither assumes nor accepts any responsibility for any loss arising to any person acting or refraining from acting as a result of any material contained in this Hotline. It is recommended that professional advice be taken based on the specific facts and circumstances. This Hotline does not substitute the need to refer to the original pronouncements.

This is not a Spam mail. You have received this mail because you have either requested for it or someone must have suggested your name. Since India has no anti-spamming law, we refer to the US directive, which states that a mail cannot be considered Spam if it contains the sender's contact information, which this mail does. In case this mail doesn't concern you, please unsubscribe from mailing list.

Research Papers

Mergers & Acquisitions

July 11, 2025

New Age of Franchising

June 20, 2025

Life Sciences 2025

June 11, 2025

Research Articles

2025 Watchlist: Life Sciences Sector India

April 04, 2025

Re-Evaluating Press Note 3 Of 2020: Should India's Land Borders Still Define Foreign Investment Boundaries?

February 04, 2025

INDIA 2025: The Emerging Powerhouse for Private Equity and M&A Deals

January 15, 2025

Audio

CCI's Deal Value Test

February 22, 2025

Securities Market Regulator's Continued Quest Against "Unfiltered" Financial Advice

December 18, 2024

Digital Lending - Part 1 - What's New with NBFC P2Ps

November 19, 2024

NDA Connect

Connect with us at events, conferences and seminars.

NDA Hotline

Click here to view Hotline archives.

Video

Reimagining CSR: From Grant Giving to Blended Finance & Outcome Based Funding

June 16, 2025

Courts vs Bankruptcy code: The

