

Tax Hotline

July 03, 2002

TRIBUNAL RULING ON USANCE INTEREST PAID TO NON RESIDENTS

In a recent decision the Rajkot Income Tax Appellate Tribunal, held that payments made in the nature of usance interest by an Indian shipping company to a non resident would not attract withholding taxes. The underlying principle behind it being that usance interest does not partake the same character as other interests which arise from some debt claim.

The tribunal upheld that usance interest so paid in fact forms part of the purchase price as agreed between the contracting parties in their memorandum of understanding.

Source: *Economic Times*, July 3, 2002

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