Rule 128 → Foreign Tax Credit (FTC)

Tax Paid → Paid in foreign Country → Claimed as credit against tax liability in country of residence

Tax Deducted

↓

On income derived from foreign country

(Sec 90, 90A, 91)

Year of Credit → when tax is offered in India

↳ for multiple years → same proportion

Credit of FTC can be claimed against?

- Income Tax ✓ (Also against MAT/AMT but amount of credit is restricted to credit available on normal tax)
- Interest, fee, Penalty ✗
- Dispute on IT in Foreign Country
  ↓
  when dispute is resolved
  &
  Tax is offered in India ✓

Computation of FTC → Tax Payable under IT Act or Foreign Tax Paid w.e ↓

Documents required → 1. Computation of Income of foreign country (Form No. 67)

2. Certificate showing Nature of Income & Tax Paid: from either of the following:

(a) Tax Authorities

(b) Tax Deductor

(c) Assessee + Acknowledgement / Challan of Tax Paid

MAT / AMT Credit (Example) : MAT credit available only upto normal IT credit not on extra MAT amount

	MAT/AMT	Normal DT
Foreign Tax Credit available	₹10000	₹7000

MAT in India	10000
− FTC	7000
Net Payable	3000

Conversional Rate → $ $\xrightarrow[\text{TTBR on last Day of previous month in which tax is paid/deducted}]{}$ ₹

Time Limits for FTC → File Form No. 67 + Certificate before due date u/s 139(1) of filing return