

**Computation of Tax Liability**

| Particulars                                   | Rs.             |
|-----------------------------------------------|-----------------|
| Tax@ 20% under section 115BBA on Rs. 5,00,000 | 1,00,000        |
| Add: Health and Education cess@4%             | 4,000           |
| <b>Total tax liability of Mr. Fedrick</b>     | <b>1,04,000</b> |

(ii) Yes, the above income is subject to tax deduction at source.

- Income referred to in section 115BBA (i.e., Rs. 5,00,000, in this case) is subject to tax deduction at source@ 20% under section 194E.
- Since Mr. Fedrick is a non-resident, the amount of tax to be deducted calculated at the prescribed rates mentioned above, would be increased by health and education cess@4%.

(iii) Section 115BBA provides that if the total income of the non-resident sportsman comprises of only income referred to in that section and tax deductible at source has been fully deducted, it shall not be necessary for him to file his return of income.

Since Mr. Fedrick does not have any other income, he is not required to file return provided tax deductible at source has been fully deducted.

**Readers Note:****(8) Definitions relevant for Chapter XII**

- (i) "Qualified Foreign Investor" shall have the meaning assigned to it in the Circular No. Cir/IMD/DF/14/2011, dated the 9th August, 2011, as amended from time to time, issued by the Securities and Exchange Board of India, under section 11 of the Securities and Exchange Board of India Act, 1992.
- (ii) "Overseas Financial Organisation" means any fund, institution, association or body, whether incorporated or not, established under the laws of country outside India which has entered into an arrangement for investment in India with any public sector bank or public financial institution or a mutual fund specified u/s.10 (23D) and such arrangement is approved by the *SEBI*.
- (iii) "Global Depository Receipts" means any instrument in the form of a depository receipt or certificate (by whatever name called) created by the Overseas Depository Bank outside India and issued to investors against the issue of,—
  - (a) ordinary shares of issuing company, being a company listed on a recognised stock exchange in India; or
  - (b) foreign currency convertible bonds of issuing company".
- (iv) "Foreign Institutional Investor" means such investor as the Central Government may, by notification in the Official Gazette, specify in this behalf.

**Practical 20**

X Ltd. Non-resident foreign Co., had entered into collaboration on **Feb. 21, 2019** with an Indian company and it is in receipt of following payments during previous year ending on **31-03-2020**. How do you deal with them for computation in case of X Ltd.

1. Interest on 8% debentures for Rs.50 Lacs issued by an Indian company on **01-07-2019** in consideration of providing technical know-how manufacturing process and design (date of payment of Interest every **31<sup>st</sup> March**)
2. Service charges @ 2.5% of face value of plant and machinery Rs.500 lakhs leased out to Indian company payable each year before **31<sup>st</sup> March**.