

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS
LOK SABHA
UNSTARRED QUESTION NO. 3319
TO BE ANSWERED ON FRIDAY, THE 05TH AUGUST, 2016
SHRAVANA 14, 1938 (SAKA)**

Dividend and Royalty Payment by Foreign Companies

3319. SHRI ANANTKUMAR HEGDE:

Will the Minister of FINANCE be pleased to state:

- (a) whether foreign investors are earning high dividend by making capital investment in the country or in the form of royalty;
- (b) if so, the dividend and royalty amount sent out of the country during 2014-15 and 2015-16 so far, country-wise;
- (c) whether this earning of foreign investors is taxable; and
- (d) if so, the details thereof and if not, the reasons therefor?

ANSWER

Minister of State in the Ministry of Finance (SHRI ARJUN RAM MEGHWAL)

(a) & (b) Government does not maintain segregated country-wise details of remittance on account of dividend or royalty. However, the aggregate amount with regard to the royalties, copyright and license fees and dividends during last two years as recorded in India's Balance of Payments statistics are set out in table below.

Table : Details of Royalties and Dividend Payments

(Amount in US\$ million)

| Year | Royalties, copyright and license fees | Dividend |
|---------|---------------------------------------|----------|
| | Debit | Debit |
| 2014-15 | 4,820 | 3,290 |
| 2015-16 | 4,891 | 4,127 |

Source: Balance of payments statistics, RBI.

(c) & (d) Section 115A of the Income-Tax Act, 1961 (the Act) provides for taxability as under:

(i) The dividend is taxable at the rate of twenty percent. However, dividend which has suffered taxation under section 115-O of the Act, is exempt.

(ii) The royalty is taxable at the rate of ten percent. However, in case of non-residents (not being a company) or a foreign company which carries on business in India through a permanent establishment (PE) and the royalty is connected to that PE; it is taxable as Profits and gains from business or profession under section 44DA of the Act.

Further, in respect of foreign investors of countries or territories with which India has Double Taxation Avoidance Agreement (DTAA), out of the provisions of the Act as above and those of the DTAA; those provisions are applicable which are more beneficial to such foreign investors.