



Global Business Tax Alert Sharp Insights

Compliances on foreign remittances to undergo a change effective 1 April 2016

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In this issue:

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The CBDT has issued a Notification dated 16 December 2015 to substitute the Rules prescribing the information required to be furnished while making payment to a non-resident. The proposed changes shall come into force from 1 April 2016.

The revised Rule 37BB has been notified subsequent to an amendment brought by the Finance Act, 2015 whereby information regarding all foreign remittances are required to be furnished, whether or not such sum was chargeable to tax under the Act.

Unlike the existing Rule 37BB which seeks information only with respect to sums chargeable to tax, the revised Rule 37BB deals separately with sums that are chargeable to tax under the Act, and those that are not liable for tax withholding.

With respect to the reporting requirements in Form 15CA for payments chargeable to tax, the revised Rules require furnishing of information:

- In Part A, where the amount of payment or aggregate of payments in a financial year does not exceed INR 500,000;
- For taxable payments other than cases covered in Part A, in:
 - Part B, where a certificate for lower withholding of tax has been obtained;
 - Part C, where an accountant's certificate is obtained in Form 15CB.

As regards payments which are not chargeable to tax, information is required to be furnished in Part D to Form 15CA. Further, an exemption from the procedures (including filing of Part D to Form 15CA) have also been provided in the following two circumstances where the payments are not chargeable to tax:

1. The remittance is made by an individual under the Liberalised Remittance Scheme of the Reserve Bank of India ('RBI') and does not require RBI's prior approval.
2. The remittance is of the nature as provided in the 'specified list'. It may be noted that the specified list is expanded to cover 33 transactions as against 28 transactions in the current Rule. Notable additions to this list include advance payments against imports and payment towards settlement of import invoices.

The revised Rule requires Form 15CA to be furnished electronically under digital signature or in accordance with procedures to be specified by the Principal Director General of Income-tax (Systems) ('PDGIS'). Form 15CB is also required to be furnished and verified electronically.

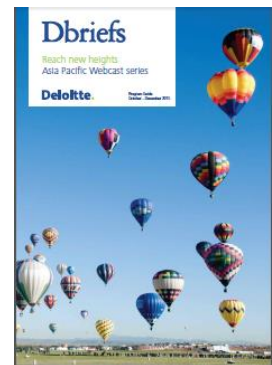
Under the revised Rule, the Authorised Dealers are also required to furnish quarterly statements in Form 15CC to the PDGIS.

The revised Rule is a welcome move providing clarity with respect to payments which are not liable for tax withholding. The increase in the threshold limit to INR 500,000 on an aggregate basis, and exempting certain transactions from reporting requirements, is directed towards balancing the need to obtain the relevant information and reducing the compliance burden.

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