

## What does PoEM stand for?

Place of effective management.

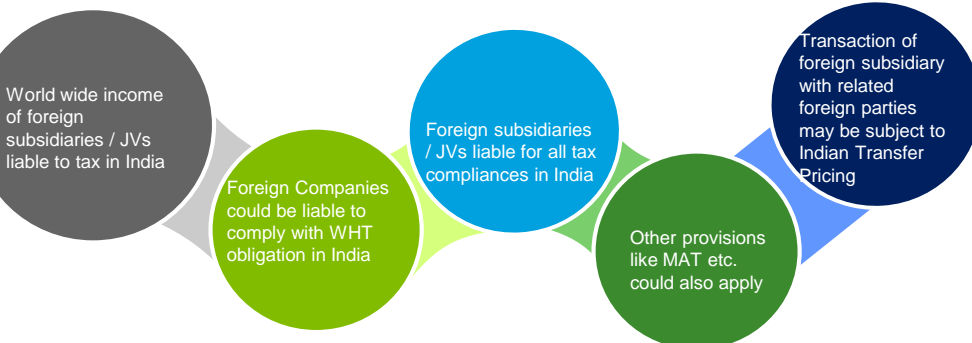
The Finance Act 2015 has proposed to amend the test of residence for foreign companies to provide that a company would be treated as resident in India if its place of effective management in the previous year is in India.

“Place of effective management” has been defined to mean a place where key management and commercial decisions that are necessary for the conduct of the business of an entity as a whole are, in substance made. A set of guiding principles to determine POEM is also proposed to be issued

## Likely trigger of PoEM

Tax payers likely to be affected by PoEM	Activities likely to trigger PoEM?	Ambiguity in PoEM
Foreign companies having Indian branches	Board meeting in India	Any decision in India?
Foreign subsidiaries of Indian parents	Decisions taken by a Director, Executive Committee, Key Management Personnel in India Delegation of authority from India	Place where functions are performed vs. place where decisions are taken?
Foreign company having global reporting structure with an India Connection	Regional roles e.g. Group CEOs / CFOs sitting in India and approving decisions for foreign affiliates	Actions to be taken by the entity as a whole are determined?
Regional headquarters	Functions carried on in India e.g. Global Procurement Cell of foreign companies	Can presence in another country be used to demonstrate absence of PoEM in India?

## Impact of PoEM



# PoEM

## Place your management effectively now

### Residential status for companies – change in definition

#### Existing Provisions under the IT Act

A company is said to be resident in India if:

- It is an Indian company;
- During that year, the control and management of its affairs is situated wholly in India

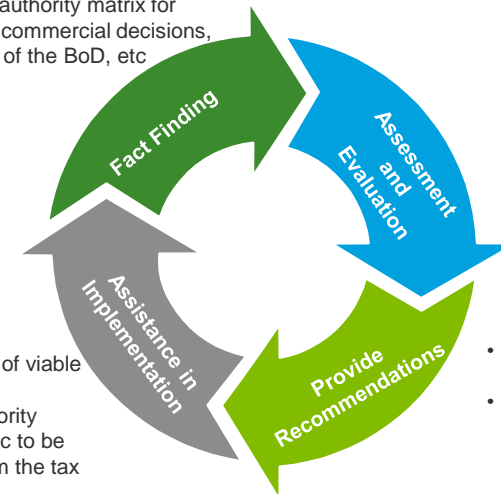
#### Proposed Provisions under Finance Act 2015

A company is said to be resident in India if:

- It is an Indian company;
- Its place of effective management in that year is in India

## How Deloitte can help?

- Collect relevant information for review which includes understanding the group structure, nature of business of the companies, the authority matrix for managerial and commercial decisions, the composition of the BoD, etc
- Evaluation of the information and assessing potential impact



- Assist in the implementation of viable solutions
- Reviewing authority matrix, SOPs etc to be put in place from the tax perspective
- Review the effective implementation on an on-going basis
- Discuss our findings with the management
- Provide Recommendations

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