

**Interest earned by a non-resident / foreign company on
specified Rupee Denominated Bonds shall be exempted from tax in India
(Press Release dtd. 17th September, 2018)**

Currently, interest payable by an Indian company or a business trust to a non-resident / foreign company, in respect of rupee denominated bond issued outside India is taxable at 5% and TDS is deducted accordingly u/s 194LC of the Income tax Act, 1961.

With a view to contain the Current Account Deficit and augment the foreign exchange inflow, it has been decided that interest payable by an Indian company or a business trust to a non-resident / foreign company, in respect of rupee denominated bond issued outside India during the period from 17th September, 2018 to 31st March, 2019 shall be exempt from tax, and consequently, no tax shall be deducted on the payment of interest in respect of the said bonds under section 194LC of the Act.

Annexure: Press release dated 17th Sep 2018

Government of India
Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

New Delhi, 17th September, 2018

PRESS RELEASE

**Exemption to interest income on specified off-shore Rupee
Denominated Bonds**

Interest payable by an Indian company or a business trust to a non-resident, including a foreign company, in respect of rupee denominated bond issued outside India before the 1st of July, 2020 is liable for concessional rate of tax of five percent. Consequently, section 194LC of the Income-tax Act, 1961 (the Act) provides for the deduction of tax at a lower rate of five percent on the said interest payment.

Consequent to review of the state of economy on 14th September, 2018 by the Prime Minister, the Finance Minister has announced a multi-pronged strategy to contain the Current Account Deficit (CAD) and augment the foreign exchange inflow. In this background, low cost foreign borrowings through off-shore rupee denominated bond have been further incentivised to increase the foreign exchange inflow.

Accordingly, it has been decided that interest payable by an Indian company or a business trust to a non-resident, including a foreign company, in respect of rupee denominated bond issued outside India during the period from 17th September, 2018 to 31st March, 2019 shall be exempt from tax, and consequently, no tax shall be deducted on the payment of interest in respect of the said bond under section 194LC of the Act.

Legislative amendments in this regard shall be proposed in due course.

(Surabhi Ahluwalia)
Commissioner of Income Tax
(Media & Technical Policy)
Official Spokesperson, CBDT.