



INDIA BRIEFING

TAX, ACCOUNTING, AND AUDIT IN INDIA

2016 - 2017

(2nd Edition)

Produced in association with

 **DEZAN SHIRA & ASSOCIATES**



Disclaimer

This edition of Tax, Accounting, and Audit in India was produced by a team of tax professionals and consultants at Dezan Shira & Associates, with Siddhartha Thyagarajan acting as the technical editor and Samuel Wrest as managing editor.

Creative design of the guide was provided by Jessica Huang and Belén Rodríguez.

© 2016 Asia Briefing Ltd.

ISBN: 978-988-14804-8-4

Preface

Taxation permeates business transactions in India, and a strong understanding of tax liabilities can enable foreign investors to maximize the tax efficiency of their investments while ensuring full compliance with all tax laws and regulations. This guide provides an overview of taxes for businesses and individuals in India and discusses accounting and audit practices in the country.

This guide was created in 2016 based on the most current information available at the time. As the tax situation of each enterprise is unique and India's regulatory environment is subject to change, it is advisable that firms and investors seek professional tax advice. India Briefing's "Tax, Accounting, and Audit in India" is produced in collaboration with the tax experts at Dezan Shira & Associates, a specialist foreign direct investment practice providing corporate establishment, business advisory, tax advisory and compliance, accounting, payroll, due diligence, and financial review services to multinationals investing in emerging Asia.

Making a strategic and informed decision about investing in India requires a thorough understanding of the diverse options for investment in the country, in addition to the regulatory structures that govern operations and compliance. This tax guide will shed light upon some of these regulatory and legal structures, and can be used as a guidebook for companies and investors seeking to operate a business in India.



Rohit Kapur
Country Manager
Dezan Shira & Associates India



FOR MORE INFORMATION

Contact

Dezan Shira & Associates China

india@dezshira.com

www.dezshira.com

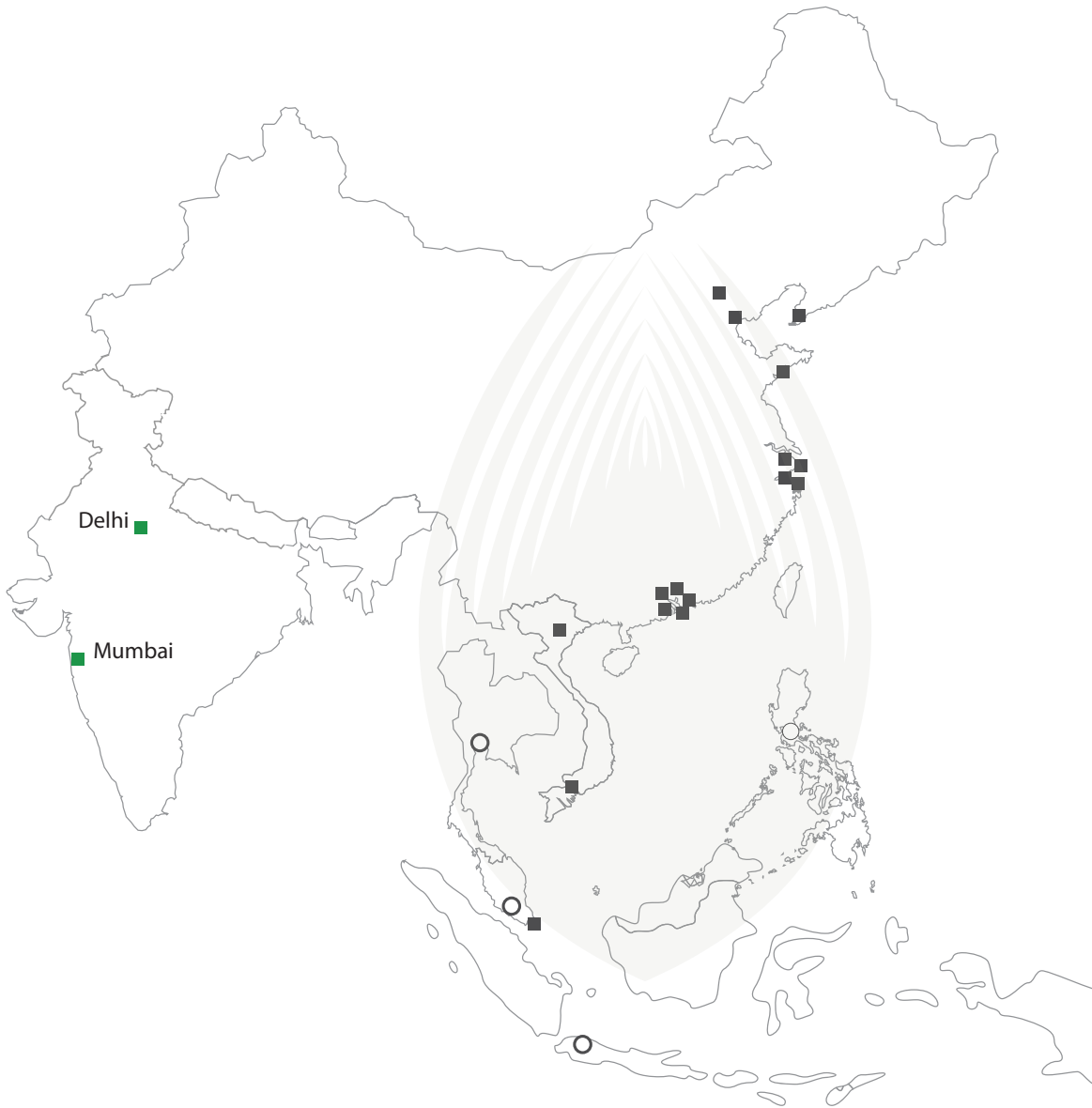
About Dezan Shira & Associates

At Dezan Shira & Associates, our mission is to guide foreign companies through Asia's complex regulatory environment and assist them with all aspects of establishing, maintaining and growing their business operations in the region. With over 20 years of on-the-ground experience and a large team of professional advisers, we are your reliable partner in Asia. Since its establishment in 1992, Dezan Shira & Associates has grown into one of Asia's most versatile full-service consultancies with operational offices across China, Hong Kong, India, Singapore and Vietnam, as well as liaison offices in Germany, Italy and the United States, and partner firms across the ASEAN region.

An Overview of Our Services

Dezan Shira & Associates is a pan-Asia, multi-disciplinary professional services firm, providing legal, tax and operational advisory to international corporate investors. Operational throughout China, India and ASEAN, our mission is to guide foreign companies through Asia's complex regulatory environment and assist them with all aspects of establishing, maintaining and growing their business operations in the region. With more than two decades of on-the-ground experience and a large team of lawyers, tax experts and auditors, in addition to researchers and business analysts, we are your partner for growth in Asia.

- > Pre-investment, Market Entry Strategy Advisory
- > Business Model Comparison
- > Corporate Establishment
- > Business Strategy & Operation Advisory
- > Legal & Financial Due Diligence
- > International Tax Planning
- > Accounting & Reporting
- > Tax Compliance
- > Audit & Financial Review
- > Treasury Administration
- > Transfer Pricing
- > Information Technology Solutions
- > Payroll & Human Resource Administration



- Dezan Shira & Associates Offices
- Dezan Shira Asian Alliance Members

Dezan Shira & Associates India

Dezan Shira & Associates expanded into India in 2007, opening offices in Mumbai and later New Delhi in 2008. The launch of Dezan Shira's India offices was coupled with the launch of India Briefing, which is now a premier source of business and regulatory intelligence related to the Indian market.

Our services in India include corporate establishment, business advisory, tax advisory and compliance, accounting, payroll, due diligence, and financial review. Dezan Shira & Associates' experienced business professionals in India are committed to improving your understanding of investing and operating in emerging Asian markets.

Dezan Shira & Associates Delhi



Unit No. T-15, Third Floor, Rasvilas
Saket District Centre
New Delhi 110017, India

Tel: +91 955 544 0455
Fax: +91 11 235 0245
Email: delhi@dezshira.com

Dezan Shira & Associates Mumbai



35, 3rd Floor Mittal Chambers.
Nariman Point
Mumbai 400021, India

Tel: +91 22 2204 6117
Fax: +91 022 3953 7200
Email: mumbai@dezshira.com

Contents

1. India's Tax Laws: An Introduction	9
1.1. India's Tax Laws: A History of Taxation in India	10
1.2. India's Corporate Tax	13
1.2.1. Calculating CIT	14
1.2.2. Tax Treatment of Fixed Assets	16
1.3. Tax Incentives	18
1.3.1. Infrastructure Sector	18
1.3.2. Mineral Oil	18
1.3.3. Deduction for Specified Businesses	18
1.3.4. Undertakings in India's North Eastern States	19
1.3.5. Storage and Sale of Crude Oil	19
1.3.6. Real Estate Investment Trusts (REITs)	20
1.3.7. Tax Exemptions	20
1.4. Minimum Alternate Tax	21
1.5. Deferred Tax Assets and Liabilities	24
1.6. Advance Tax	24
1.7. Withholding Tax	25
1.8. Person Treated as 'Agent'	27
1.9. Individual Income Tax	28
2. Indirect Taxes	30
2.1. Custom Duties	31
2.1.1. Basic Customs Duty	32
2.1.2. Additional Customs Duty	32
2.1.3. Special CVD	32
2.1.4. Anti-Dumping Duty and Safeguard Duty	32
2.1.5. Protective Duty	33
2.2. Import and Export Procedures	34
2.2.1. Import Procedures	34
2.2.2. Export Procedures	36
2.3. Value Added Tax	39
2.4. Central Sales Tax	43
2.5. Service Tax	45
2.6. Goods and Services Tax	48
2.7. Excise Act	49

3. International Taxation **50**

3.1. Transfer Pricing	51
3.2. Specified Domestic Transactions	52
3.3. Advance Pricing Agreement	52
3.4. Country-by-country Reporting	53
3.5. Transfer Pricing Documentation	54

4. Auditing Practices in India **55**

4.1. Audit in India: The Basics	56
4.2. Types of Audit	57
4.3. Audit Reporting	60

5. Accounting Index **61**

5.1. Core Concepts	62
5.2. Standards	65
5.3. Key Documents	66
5.4. Miscellaneous	67



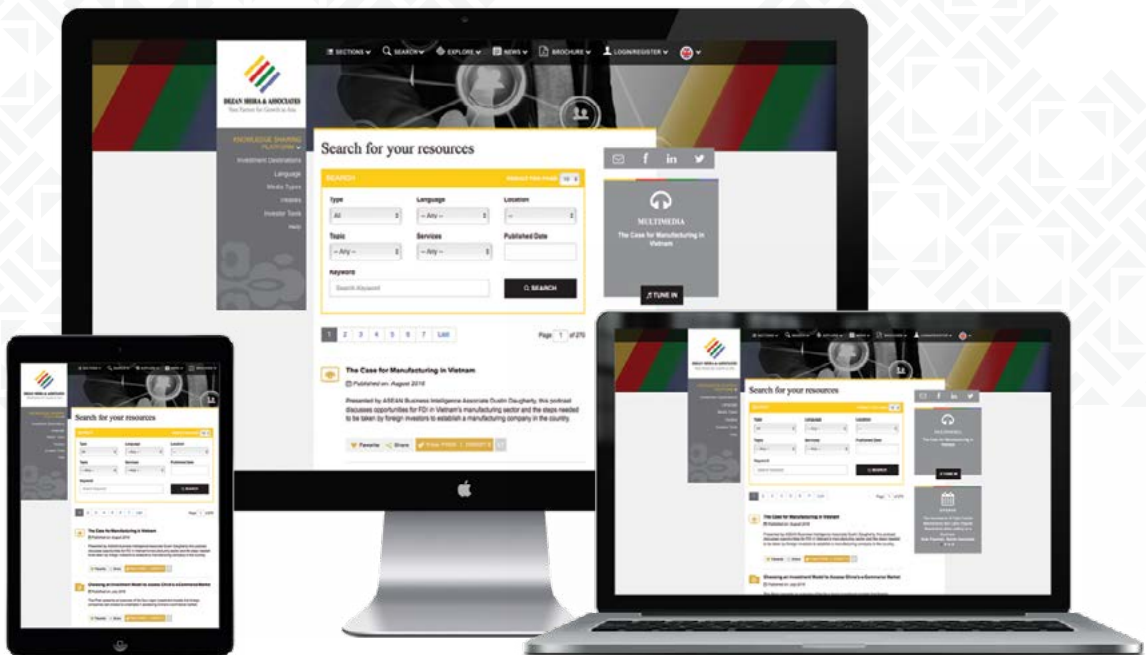
DEZAN SHIRA & ASSOCIATES KNOWLEDGE SHARING PLATFORM

Offers over 2000 business intelligence items including *business magazines, investment guides, industry reports, infographics, presentations, and multimedia*, on a wealth of different topics across emerging Asia.

To keep abreast of the latest regulatory developments, market trends and business issues relevant to the foreign investor, login to your account on our *Knowledge Sharing Platform*.

Register to any of our websites for your own account

[REGISTER NOW](#)





DEZAN SHIRA & ASSOCIATES

Your Partner for Growth in Asia

India

- Delhi: +91 11 401 1219
delhi@dezshira.com

Vietnam

- Ho Chi Minh City: +84 8 3930 2818
hcmc@dezshira.com

China

- Beijing: +86 10 6566 0088
beijing@dezshira.com

- Dalian: +86 411 3957 3311
dalian@dezshira.com

- Dongguan: +86 769 33818020
dongguan@dezshira.com

- Guangzhou: +86 20 3825 1725
guangzhou@dezshira.com

- Mumbai: +91 22 6700 4843
mumbai@dezshira.com

- Hanoi: +84 4 3942 0443
hanoi@dezshira.com

- Hangzhou: +86 571 5685 9956
hangzhou@dezshira.com

- Ningbo: +86 574 8733 8682
ningbo@dezshira.com

- Qingdao: +86 532 8610 2237
qingdao@dezshira.com

- Shanghai: +86 21 6358 8686
shanghai@dezshira.com

Hong Kong

- +852 2376 0334
hongkong@dezshira.com

Singapore

- +65 6521 2933
singapore@dezshira.com

- Shenzhen: +86 755 8366 4120
shenzhen@dezshira.com

- Suzhou: +86 512 8686 8717
suzhou@dezshira.com

- Tianjin: +86 22 5830 7666
tianjin@dezshira.com

- Zhongshan: +86 760 8826 9592
zhongshan@dezshira.com

Dezan Shira & Associates Asian Alliance Locations

Indonesia: Winnindo Business Consult

- +62 2131937020
indonesia@dezshira.com

Malaysia: Christopher Heng & Co.

- +60 362571130
malaysia@dezshira.com

The Philippines: Machica Group

- +63 9173060208
philippines@dezshira.com

Thailand: Honor Audit & Advisory Co.

- +662 684 1299
thailand@dezshira.com

Germany Liaison Offices

- Stuttgart: +49 (0) 711 34 18 02 - 0
germandesk@dezshira.com

- Cologne: +49 (0) 221 940 21 00
germandesk@dezshira.com

Italy Liaison Office

- Treviso: +39 0422 264026
italiandesk@dezshira.com

United States Liaison Office

- +1 781 547 8649
usa@dezshira.com