

Purchase of technical know-how couldn't be taxed as royalty, says ITAT

Summary – The Ahmedabad ITAT in a recent case of Heubach Colour (P.) Ltd., (the Assessee) held that Purchase of technical know-how could not be taxed as royalty and, therefore, provisions of section 195 were not applicable

Facts

- The assessee-company was in business of manufacturing and sale of colour pigments and fine chemicals. It acquired Avecia Business from 'CL', a non-resident company and paid certain sum to 'CL' claimed to be for the intangibles assets, trademarks and goodwill transferred to the assessee company.
- The Assessing Officer treated assessee as assessee-in-default holding that payment was covered by section 9(1)(vi) and, therefore, assessee was required to deduct tax treating the payment as royalty.
- On appeal, the Commissioner (Appeals) granted relief to assessee holding that purchase of technical know how could not be held as royalty and provision of section 195 was not applicable.
- On appeal:

Held

- Since nothing contrary was brought to knowledge on legal propositions. In view of discussion, finding of Commissioner (Appeals) could not be interfere with who has held that purchase of technical know how cannot be taxed as royalty and provisions of section 195 are not applicable. Same is upheld.