

Domain registration fee received by 'GoDaddy' is taxable as royalty in India: Delhi ITAT

Summary – The Delhi ITAT in a recent case of Godaddy.com LLC., (the Assessee) held that Rendering of services for domain registration is rendering of services in connection with use of an intangible property which is similar to trademark and therefore, charges received by assessee for said services is royalty within meaning of clause (iii) of Explanation 2 to section 9(1)(vi)

Facts

- The assessee-company was engaged as accredited domain name registrar authorized by Internet Corporation for Assigned Names and Numbers ('ICANN'). The assessee had income from domain registration fees which was claimed to be not taxable in India.
- The Assessing Officer assessed the same as royalty.
- The DRP confirmed said order.
- The assessee submitted that it merely facilitated in getting domain registered in the name of the customer who would pay a price for availing such services. Hence, the receipt in respect of domain name registration was not in the nature of royalty under Explanation 2 of section 9.

Held

- Apex Court in the case of *Satyam Infoway Ltd. v. Siffynet Solutions (P.) Ltd.* AIR 2004 SC 3540 has held that the domain name is a valuable commercial right and it has all the characteristics of a trademark and, accordingly, it was held that the domain names are subject to legal norms applicable to trademark.
- The rendering of services for domain registration is rendering of services in connection with the use of an intangible property which is similar to trademark and, therefore, charges received by the assessee for said services rendered in respect of domain name is royalty within the meaning of clause (iii) of *Explanation 2* to section 9(1)(vi).