

Editing and Proof reading services not FTS and hence not taxable in India

Summary – The Chennai ITAT in a recent case of Integra Software Services (P.) Ltd., (the Assessee) held that Editing and Proof reading services not FTS and hence not taxable in India

Facts

- The assessee was engaged itself in the business of e-publishing.
- The assessee outsourced its work to various companies located abroad but did not deduct tax at source while making payment of outsourcing charges.
- The Assessing Officer as well as the Commissioner (Appeals) opined that services rendered by non-resident companies were technical in nature and, thus, amount paid to them was liable to tax in India.
- Since assessee failed to deduct tax at source under section 195, the revenue authorities disallowed payments in question under section 40(a)(ia).
- On second appeal:

Held

- The translation of a text from one language to another cannot be considered to be technical service. The copy editing, indexing and did proof reading required only knowledge in the language and it did not require to have necessary expertise in the subject matter of text. Therefore, the Commissioner (Appeals) is not correct in saying that the services rendered by the non-residents are technical services. Since the services rendered are not technical services, that the payment received by the non-residents from the assessee is not taxable in India.
- When the payment made to non-resident is not taxable in India, it is not necessary to deduct tax under section 195. Therefore, there cannot be any disallowance under section 40(a)(ia) of the Act.
- In the result the assessee's appeal is allowed.