

Foreign healthcare services companies not liable for tax

Foreign healthcare services firms are not liable for tax in India as payments for such services cannot be construed as royalty, according to a ruling by a Mumbai tax tribunal.

The order by the Income Tax Appellate Tribunal (ITAT) was in response to the income tax department's position that foreign healthcare services firms are giving services such as providing technical skills, right to use logos, etc. Thus the payment they get from Indian companies is "royalty" that is taxable in the country.

The particular case was related to payments made by Max India and Wockhardt Hospital to US-based Harvard Medical International. The US firm had a pact with Max India for extending its expertise in healthcare management, education and research. It had also an agreement with Wockhardt Hospital for assisting in its healthcare projects.

The tribunal said payments received by the US company was not for the right to use any copyright, trademark or industrial, commercial or scientific experience, but for advising, recommending and assisting in healthcare projects. It was also for conducting education and training programs and fees for such services are not royalty.

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