

Clarification on continuation of concessional rate of tax on certain interest income of the FPIs

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Section 115AD of the Income-tax Act, 1961 (the 'Act') inter alia contains provisions for taxation of income of FPIs. Proviso to section 115AD(1)(i) provides that the tax shall be chargeable at the concessional rate of 5% on interest income referred to in section 194LD.

There are reports in certain section of media that the said concessional tax rate of 5% has been withdrawn. It is hereby clarified that there is no change in the said proviso even after amendment of section 115AD vide Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 and the concessional rate of tax of 5% shall continue to be applicable for interest income referred to in section 194LD of the Act.