

UAE Company is an Independent Entity: Indian Company can't be Taxed for Its' Profit, rules ITAT

FACT OF THE CASE

1. The Income Tax Appellate Tribunal (ITAT), Delhi bench has ruled that a UAE Company is an independent entity and the profit earned by such a Company cannot be added in the hands of an Indian Company for the purpose of the Income Tax Act, 1961, unless there is proof that the Company is a paper entity used as a tool for tax evasion.
2. The income tax department alleged that the UAE entity was a sham arrangement to divert profits of the Indian entity and thereby evade tax.

DECISION OF THE CASE

If the non-resident entity has shown profit, then same cannot be added in the hands of the assessee company as income in India. Firstly, there is no evidence to prove that this was some kind of sham arrangement of profits along with markup and secondly, catena of documents and evidences were filed that the said entity is working there and for which mark-up of 10% of management fees is given, therefore, it cannot be held that all those documents are bogus or sham without any material information on record.