

Direct Taxes

Direct taxes are primarily governed by the Income-tax Act and are levied by the Union Government. India is in the process of modernising its direct tax legislation to simplify provisions and align the framework with current economic and technological developments.

The Income-tax Act, 1961 is valid till 31st March 2026 i.e for Financial year 2025-26 after which it **shall be replaced by Income-tax Act, 2025 (w.e.f. 1st April 2026)**. The new legislation simplifies language, removes obsolete provisions and consolidates and restructures provisions with the aim of simplification, taxpayer centric approach and global alignment.

Direct tax administration is carried out by the Central Board of Direct Taxes (CBDT) under the Ministry of Finance.

Personal Income Tax

Personal income tax is determined based on an individual's **residential status**, which depends on the number of days spent in India during a financial year.

- Residents are taxed on their global income.
- Non-residents are taxed only on income accruing, earned or arising in India.

Income taxable in India for non-residents may, inter-alia, include salary earned for services performed in India, rental income from Indian property, capital gains from Indian assets, interest income, and income from business operations in India.

India has a **progressive tax system**, with tax rates increasing with income levels. Individuals may choose between:

- a regime with deductions and exemptions, or
- a concessional regime with lower tax rates and fewer exemptions.

Tax is collected through withholding at source and advance tax payments during the year.

Corporate Taxation

Companies incorporated in India are taxed on their global income. Foreign companies are taxed only on income received, accruing or arising in India, including income from business operations, investments, royalties, technical services, or financing activities. Income attributable to a **permanent establishment** in India is taxable in India.

Corporate tax rates vary depending on company type and eligibility for concessional regimes. India provides competitive tax options to support investment and manufacturing activity.

Transfer pricing rules apply to international transactions between related entities. Withholding tax obligations apply to specified payments to non-residents, subject to relief under applicable tax treaties.

India's Advance Pricing Agreement (APA) programme has significantly strengthened tax certainty for multinational enterprises by reducing transfer pricing disputes and prolonged litigation.

Capital Gains Tax

Capital gains tax applies to profits arising from the transfer of assets such as shares, securities, immovable property, etc. Gains are classified as **short-term** or **long-term** depending on the holding period, and tax rates vary accordingly. Applicable relief may be available under domestic law or tax treaties.

Securities Transaction Tax

Securities Transaction Tax is levied on transactions in specified securities traded on recognised stock exchanges in India. The tax is collected at the time of transaction and may be deductible as a business expense where applicable.

Double Taxation Avoidance Agreement

India and the Netherlands have concluded a **Double Taxation Avoidance Agreement (DTAA)** to prevent the same income from being taxed in both jurisdictions and to provide greater certainty for investors. The agreement also facilitates cross-border investment and economic cooperation.

Useful links/documents in respect of new Income Tax Act, 2025

- [Advance Pricing Agreements \(APA\)](#)
- [Foreign Tax Credit to resident Assesseees](#)
- [Form No. 48 \(Erstwhile Form 3CEB\)](#)
- [Income Tax Clearance Certificate for Domiciled Person](#)
- [Income Tax Clearance Certificate for Non-Domiciled Person](#)
- [Master File & Country-by-Country Report \(CbCR\)](#)
- [Rules and Forms Claiming Tax Benefit Under DTAA](#)
- [Rules And Forms For Obtaining Tax Residency Certificate By Resident Taxpayers](#)
- [Safe Harbour Application Form](#)

Other Useful Links/ documents:

- Official website of Income Tax Department: <https://www.incometaxindia.gov.in>
- E-filing portal for filing of Income Tax Returns and forms
<https://eportal.incometax.gov.in/>

- India-Netherlands DTAA: <https://incometaxindia.gov.in/Pages/international-taxation/dtaa.aspx>
- Highlights of Union Budget 2026-27 : <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2221455®=3&lang=2>
- [Information on Filing of ITR for Non-Residents](#)
- [Information on TDS Compliance for Non-Residents](#)
- [Information on TDS on Payments to Non-Residents & Lower/Nil Deduction Certificate \(Sections 195 & 197\)](#)
- [Information on Advance Pricing Agreement \(APA\)](#)
- [Information on Alternate Dispute Resolution](#)
- [Information on Advance Rulings](#)