

Need clarity over TDS on commission to foreign agents: EEPC

Industry body EEPC has sought clarification from the government on CBDT notices to exporters for deducting TDS on commissions paid to foreign agents for Indian shipments.

The engineering exporters' body has asked the commerce and finance ministries to clarify the position in the upcoming foreign trade policy.

"Even though there is a High Court Judgement that the TDS cannot be levied on the commission earned by foreign agents on exports, the situation is not clear because of certain circulars by the CBDT, causing inconvenience to the exporters who are finding it difficult to engage agents abroad in this backdrop," EEPC India Chairman Anupam Shah said.

Several exporters have been receiving notices in this regard, he added. It is estimated that around \$15 billion is paid as commission to foreign agents.

The commissions vary from 3-5 per cent and India's total exports are about \$312 billion. The rate of TDS on commission is 10 per cent.

The Engineering Export Promotion Council said that given the complexities of the international markets, the agents are a must, especially for the small and medium sized exporters who do not have internal wherewithal to scout for new markets.

"How do you expect a foreigner to come and claim the TDS refunds? He is not an assessee in India and yet our taxmen would impose TDS on foreign commission. This is strange and totally not workable," Shah said.

"The result is that we are finding it extremely difficult to engage such agents. Why will they work for us if we deduct from their earnings which they are supposed to report to tax authorities in their own countries," he added.

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