

Contents



	PAGE
<i>About the author</i>	I-5
<i>Preface</i>	I-7
<i>Acknowledgement</i>	I-9
<i>Chapter-heads</i>	I-11
<i>List of cases</i>	I-21
<i>Glossary of terms</i>	I-37

PART I INTRODUCTION

CHAPTER 1 **AN OVERVIEW**

◆ An Overview	3
---------------	---

CHAPTER 2 **EMPLOYER-EMPLOYEE RELATIONSHIP**

2.1	Parameters to determine employer-employee relationship	8
2.1.1	Right to control the manner in which work is to be done	9
2.1.2	Right of the establishment to dismiss or suspend	10
2.1.3	Ultimate authority on performance of workers	12
2.1.4	Obligation of payment of salary or right to recover salary	12
2.1.5	Applicability of service rules of establishments	12
2.1.6	Contribution to social security benefits such as provident funds, gratuity etc.	13

	PAGE
2.1.7 Lien on employment	13
2.1.8 Issue of appointment letters with terms and conditions of appointment	14
2.2 Ingredients of secondment contract	14

PART II

IMPLICATIONS IN THE HANDS OF EMPLOYEE

CHAPTER 3

IMMIGRATION LAWS

3.1 General	19
3.2 Period of validity of passport and visa	20
3.3 Types of visa	20
3.4 Employment visa	23
3.4.1 Conditions	23
3.4.2 Documents/information	25
3.4.3 Extension	26
3.4.4 Change of Employer	27
3.4.5 Conversion	27
3.5 Business Visa	28
3.5.1 Conditions	28
3.5.2 Documents/information	30
3.5.3 Extension	31
3.5.4 Conversion	31
3.6 Registration of foreigners	32
3.7 Surrender of certificate of registration	34
3.8 Penal consequences	35

CHAPTER 4

PERSONAL INCOME TAX

4.1 General	36
4.1.1 Scope of total income	37
4.1.2 Accrue or arise	37
4.1.3 Situs of accrual of salary	38

	PAGE
4.1.3.1 Place of enforcement of employment contract	38
4.1.3.2 Place of rendering of services	38
4.1.4 Income deemed to accrue or arise in India	39
4.1.5 Receipt of income	40
4.1.6 Income accruing or arising outside India	42
4.2 Resident	42
4.2.1 Stay based test	43
4.2.1.1 Day of arrival as well as departure to be counted	45
4.2.1.2 Day of arrival to be ignored	45
4.2.1.3 Involuntary stay	45
4.2.2 Citizenship based test	46
4.2.2.1 Liable to tax	46
4.2.3 Categories of resident	48
4.3 Dual residency: Tie breaker test	48
4.3.1 Permanent home	49
4.3.2 Centre of vital interest	50
4.3.3 Habitual abode	51
4.3.4 Nationality	53
4.3.5 Mutual agreement procedure	53
4.4 Taxation of salary	53
4.4.1 General	53
4.4.2 Per diem allowance	56
4.4.3 Tax Equalisation	58
4.4.3.1 Tax in the host country	59
4.4.3.2 Tax in the home country (hypothetical tax)	62
4.4.4 Social Security Contribution (foreign)	66
4.4.4.1 Taxability of employer's contribution	66
4.4.4.2 Deductibility of employee's contribution	68
4.4.5 Social Security Contributions (India)	71

	PAGE
4.4.5.1 Implication upon withdrawal of social security contribution	72
4.4.6 Employees stock option plan	74
4.4.6.1 Types of ESOP	74
4.4.6.2 Accelerated ESOPs	76
4.4.6.3 Grant of ESOP by Group Company	77
4.4.6.4 Vesting of ESOP in multiple countries	78
4.4.6.5 Shares with lock in period	79
4.4.6.6 Transfer of ESOPs	81
4.4.6.7 Buyback of ESOPs	81
4.5 Short stay exemption	81
4.5.1 Stay in India is up to 90 days	81
4.5.2 Stay in India is up to 183 days	83
4.5.2.1 Meaning of derived	84
4.5.2.2 Exercise of employment in the host country	85
4.5.2.3 Computation of 183 days	86
4.5.2.4 Meaning of 'paid by'	87
4.5.2.5 Meaning of 'borne by'	87
4.6 Foreign tax credit	90
4.7 Tax clearance certificate	91
4.8 Compliances	92
4.9 Penal consequence	93

CHAPTER 5

CUSTOMS BAGGAGE RULES

◆ Customs Baggage Rules	94
-------------------------	----

PART III

IMPLICATIONS IN THE HANDS OF COMPANY

CHAPTER 6

SOCIAL SECURITY LAWS

6.1 Meaning of employee	100
--------------------------------	-----

	PAGE	
6.2	Monthly pay	101
6.3	Contribution (domestic workers)	105
6.4	International workers	106
6.4.1	Contribution	107
6.4.2	Split pay	109
6.4.3	Withdrawal	109
6.5	Social Security Agreement	110
6.5.1	General	110
6.5.2	Detachment	112
6.5.3	Exportability	114
6.5.4	Totalisation	114
6.6	Compliances	115
6.7	Penal Consequences	117

CHAPTER 7

EXCHANGE CONTROL LAWS

7.1	Person resident in India	120
7.1.1	Non-Individuals	120
7.1.2	Individuals	120
7.1.2.1	Outbound	121
7.1.2.2	Inbound	121
7.1.2.3	Resident but not permanently resident	125
7.2	Resident under FEMA <i>vis-a-vis</i> Income Tax	125
7.3	Payment of salary to expatriate	126
7.4	Repatriation of funds	128
7.4.1	Salary	129
7.4.2	Social security accumulations	129
7.5	Reimbursement of expense	130
7.5.1	Incurred by foreign company on behalf of Indian company	130
7.5.1.1	Salary	130
7.5.1.2	Social security contribution	130

	PAGE
7.5.2 Incurred by Indian company on behalf of foreign company	131
7.6 Payment towards services provided by foreign entity	133
7.7 Employees stock option plan by foreign company	134
7.7.1 Issuance of ESOP	134
7.7.2 Transfer of ESOP	135
7.7.3 Buyback of ESOP	135
7.8 Penal consequence	136

CHAPTER 8

CORPORATE INCOME TAX

8.1 Reimbursement of expense incurred by foreign company (say salary)	138
8.2 Income in the nature of fees for technical services	140
8.2.1 Make available	143
8.2.2 Absence of FTS clause in DTAA	145
8.3 Income in the nature of business	146
8.3.1 Business connection	146
8.3.2 Permanent Establishment	148
8.3.2.1 Fixed Place PE	148
8.3.2.2 Service PE	156
8.3.2.3 Agency PE	165
8.4 Document/information - To avail DTAA benefit	168
8.5 Withholding of tax	169
8.6 Compliances	172
8.7 Penal Consequences	175

CHAPTER 9

TRANSFER PRICING

9.1 General	177
9.2 Transactions between foreign company and Indian company	183
9.2.1 Provision of services by foreign company to Indian group company	183

	PAGE
9.2.2 Assignment of technical employees by foreign company to Indian company	183
9.2.3 Grant of ESOPs by foreign company to employees of Indian company	185
9.2.4 Social security contribution by foreign company towards employees of Indian company	185
9.2.5 Secondment agreement	186
9.3 Compliances	186
9.4 Penal consequences	188

CHAPTER 10

GOODS AND SERVICES TAX

10.1 General	190
10.2 Provision of services	191
10.2.1 Service provided by employee to its employer	191
10.2.1.1 Expatriate is employee of Indian entity	191
10.2.1.2 Expatriate is employee of Foreign entity	192
10.2.2 Service provided by employer to employee	193
10.2.3 Service provided by foreign entity to Indian entity	193
10.2.3.1 Reverse charge supplies	193
10.2.3.2 Fixed Establishment	194
10.3 Valuation of supply between related persons	195
10.3.1 Open market value	196
10.3.2 Value of supply of like kind and quality	196
10.3.3 Value of supply based on cost	196
10.3.4 Best judgment method	196
10.3.5 Specific cases	197
10.4 Interplay between transfer pricing and GST	197
10.5 Reimbursement of expense incurred by foreign company (say salary)	198

CHAPTER 11

CORPORATE LAW

11.1 General	199
---------------------	-----

	PAGE
11.1.1 Ordinary course of business	200
11.1.2 Arm's length	200
11.1.3 Consent of Board of Directors	201
11.1.4 Approval of Shareholders	201
11.2 Compliances	202
<i>Case Study I</i>	203
<i>Case Study II</i>	205
<i>Case Study III</i>	207