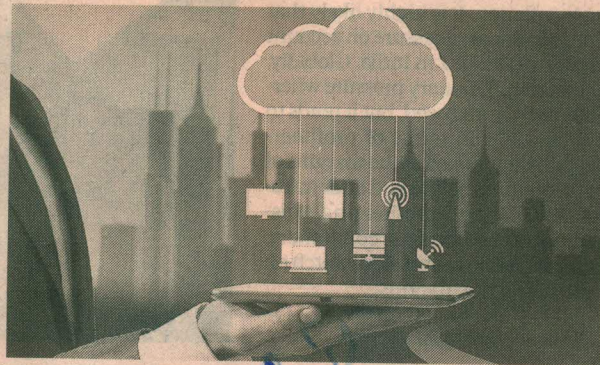


# Nasscom asks govt to defer residency norm for start-ups

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Amid economic and geopolitical headwinds and challenges to the information technology sector, Nasscom has asked the finance ministry to defer applicability of Place of Effective Management (PoEM) norms to maintain India's competitive edge and pitched for tax sops in research and development (R&D).

The association has been "disappointed" by the draft goods and services tax (GST) law made public on Saturday, with Nasscom President R Chandrashekar saying "serious concerns remain over intangibles (like software) not being clearly mentioned as service and also on issues like place of provisioning of service, and taxation of intra-corporate transactions".



In its pre-Budget wish-list to the finance ministry earlier this week, Nasscom has also pushed for removal of constraints related to funding and taxation of start-ups through lowering of long-term capital gains tax rates (on sale of unlisted shares) for domestic investors to 10 per cent at par with non-residents. It sought harmonisation of tax rates for angel investors. Further, it has asked the government to

address ambiguities in e-commerce taxation such as service tax on aggregators as also the issue of dual levy of value added tax (VAT) and service tax on delivery charges of goods.

The industry is facing "significant headwinds globally, and the problems being faced overseas by this critical sector should not be compounded by domestic taxation issues like the GST," Chandrashekar told PTI. In its pre-Budget memo-

randum, Nasscom has said in order to counter rising global protectionist barriers, the sector relies on the government, and policy measures should ensure the Indian IT industry does not face difficulties on the home stretch.

Noting that the proposed PoEM will have an adverse impact on outward investments and can also affect investments in India as companies would be wary of their global profits being taxed due to the new provisions, Nasscom said, "We suggest that applicability of PoEM be deferred and made applicable with effect from assessment year 2018-19." It added: "Given that the PoEM rules and enabling provisions are still not notified, it is suggested that the implementation of provisions be further deferred such that the rules are available much before the date of implementation."