

INCOME-TAX ACT, 2025

E: Special provisions relating to non-residents and foreign company

Section 219 - Conversion of an Indian branch of foreign company into subsidiary Indian company.

(1) Where a foreign company is engaged in the business of banking in India through its branch situated in India and such branch is converted into a subsidiary Indian company as per the scheme framed by the Reserve Bank of India, then, irrespective of anything contained in this Act and subject to the conditions as may be notified by the Central Government,—

(a) the capital gains arising from such conversion shall not be chargeable to tax in the tax year in which such conversion takes place; and

(b) the provisions of this Act relating to--

(i) treatment of unabsorbed depreciation, set off or carry forward and set off of losses;

(ii) tax credit in respect of tax paid on deemed income relating to certain companies; and

(iii) computation of income of the foreign company and subsidiary Indian company,

shall apply with such exceptions, modifications and adaptations as specified in that notification.

(2) In case of failure to comply with any of the conditions specified in the scheme or in the notification issued under sub-section (1), all the provisions of this Act shall apply to the foreign company and the said subsidiary Indian company without any benefit, exemption or relief under the said sub-section.

(3) Where, in a tax year, any benefit, exemption or relief has been claimed and granted as per the provisions of sub-section (1) and, subsequently, there is failure to comply with any of the conditions specified in the scheme or in the notification issued under the said sub-section then,—

(a) such benefit, exemption or relief shall be deemed to have been wrongly allowed;

(b) the Assessing Officer may, irrespective of anything in this Act, re-compute the total income of the assessee for the said tax year and make the necessary amendment; and

(c) the provisions of section 287 shall, so far as may be, apply thereto and the period of four years specified in sub-section (8) of that section being reckoned from the end of the tax year in which the failure to comply with the condition referred to in sub-section (1) takes place.

(4) Every notification issued under this section shall be laid before each House of Parliament.