

Income by way of interest from Indian Company¹

194LC. (1) Where any income by way of interest referred to in sub-section (2) is payable to a non-resident, not being a company or to a foreign company by a specified company, the person responsible for making the payment, shall at the time of credit of such income to the account of the payee or at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier, deduct the income-tax thereon at the rate of five per cent.

(2) The interest referred to in sub-section (1) shall be the income by way of interest payable by the specified company,—

(i) in respect of monies borrowed by it at any time on or after the 1st day of July, 2012 but before the 1st day of July, 2015 in foreign currency, from a source outside India, -

(a) under a loan agreement; or

(b) by way of issue of long – term infrastructure bonds, as approved by the Central Government in this behalf; and

(ii) to the extent to which such interest does not exceed the amount of interest calculated at the rate approved by the Central Government in this behalf, having regard to the terms of the loan and its repayment.

Explanation.—For the purpose of this section—

(a) “foreign currency” shall have the meaning assigned to it in clause (m) of section 2 of the Foreign Exchange Management Act, 1999;

(b) “specified company” means an Indian company

¹ Inserted with effect from 1st day of July, 2012