



India - Common Law

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☎ Consultation

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## Incorporating a company in India

# India taxes

Want to setup a company? This will tell you about tax laws in India for a LLC, which is the most common company type in India.

India taxes resident companies on their worldwide income. The usual percentage for offshore tax, from our research, and this is not personal tax advice, is 34.6%. The CIT standard rate is 30% for domestic companies and 40% for foreign companies and its branches in India. However, adding the surcharge and cess, the effective CIT rate is 34.608% and 43.02% respectively. There are certain reductions up to a tax rate of 25% plus surcharge and cess, for newly set up resident manufacturing companies. Taxes are high in India, ranking 167th overall with regards to CIT globally.

The standard VAT rate ranges from 12.5% to 15%, depending on the state. That ranks India as 79th overall in terms of VAT taxation rate internationally. In terms of other taxation, an employer will contribute 12.00% to the equivalent of a social security fund and an employee will contribute 12.00%. The overall complexity of the tax system is high. This is measured by average time to comply with a country's labor tax requirements is as it is 243hours. Contributing to this is the number of yearly labor tax payments, which is 9 in IN.

Thin cap mandates aren't officially enacted. This refers to any type of laws on given company with respect to debt-to-asset ratios. Dividends paid by a domestic company are subject to a Dividends Distribution Tax of 15%, being an effective rate of 20.36% including surcharges and cess. Dividends received from a domestic company are usually exempt of tax, except for amounts received by certain recipients of more than INR 1m per year, which are taxed at 10% plus surcharges and cess. Dividends received from a foreign company are subject to CIT, however a 50% reduction may apply when Indian Company holds at least 26% of equity shares of the payer. Dividends are payments of earnings of the business, determined by the board of directors, to a particular class of shareholders. Dividends can be issued as cash payments, shares of stock, or other property.

Capital Gains are taxed depending on whether gains are short or long term. Long-term gains of listed shares and specified securities that are subject to STT, which ranges from 0.01% to 0.125%, are not subject to Capital Gains Tax. Long-term gains on shares or securities which are not subject to STT, are subject to a Capital Gains tax of 10%. Short-term gains are taxed at a 15% plus surcharges and cess, whether they are subject to STT or not. Both long or short term gains on other assets are subject to a Capital Gains tax of 20% plus surcharges and cess. A capital gains tax is levied on the profits that a corporation or natural person realizes when he or she sells a capital asset for a price that is higher than the purchase price.

Dividends paid to non-residents are not subject to withholding tax. However, they are subject to the DDT at an effective rate of 20.36%. Interest paid to non-residents are generally subject to a withholding tax of 20%. However, certain interests on foreign currency or in government securities may be taxed at 5%. Payments on royalties to non-residents are subject to a withholding tax of 10%. Withholding tax rates may be reduced or eliminated under a tax treaty.

There is a tax on net wealth in India. There are no known inheritance taxes in IN. There are real estate and transfer taxes. We are aware of commonly used credits for innovation spend that include tax relief in IN.

The above is not tax or legal advice for your company's facts and circumstances. We can point you to an expert in India who can give you an answer. Contact us today. Click incorporate now if you are in a hurry, or press the free consultation button above.

The vat rate in India is 15% which ranks 78 in the world.

✗ Patent box

✓ RND credit

110 Tax treaties

34.6% Offshore Tax

# India Legalese

For starters, the law in India is common law law. Common law jurisdictions are generally regarded as easier to structure. One is permitted to electronically sign documents.

The abbreviation IN is for India and the most common company structure in India is a LLC.

You should expect a wait time of 5-7 Days to incorporate a LLC in IN. The types of consideration you can use to fund your company is most commonly any legal currency.

Yes, one is allowed to re-domicile a LLC from IN. You are usually allowed to change the jurisdiction of the company, pending certain procedures.

There must be at least This means it is not possible for you to own a LLC in India as a sole shareholder. You must have other shareholders, they can be nominees or de facto shareholders. Corporate Shareholders are encouraged, which means you can have a corporate shareholder. Foreign ownership is allowed, up to 100% of the total equity of the company.

There is a requirement to have at least 2 directors. Additionally, corporate directors are not permitted. Directors should not expect to be private, as they are disclosed. There is a body of law which requires companies to hold an annual meetings of shareholders.

Furthermore, a company secretary is not a requirement.

There is a legal obligation to file accounts on a yearly basis. However, there is oftentimes a requirement to have these accounts audited.

Overall we think India is a ok option and have given it a score of 41 as an IO score, using the Incorporations.IO proprietary formula.

- ✗ Directors not disclosed in a public registry
- ✗ Shareholders not disclosed in a public registry
- ✓ Redomiciliation permitted
- ✗ Registered office required
- ✗ Corporate director permitted
- ✗ Local Secretary not required
- ✗ Local Director not required
- ✓ Electronic signature

- 2 Shareholders required
- 2 Directors required
- 5-7 Days to form



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## Country Info



🚩 National Flag of

**Republic of India (eng)**



**(hin)**

\$ Currency

**INR**

☎ Area Code

**+91**

🏰 Capital

**New Delhi**

✈ Region

**Southern Asia**

🌿 Native Languages

**English**

**Hindi**