

Fee for Technical Services

- Is the reduced rate of 2% applicable to you?

The Finance Bill, 2020, has brought in amendment in Section 194J to reduce the rate of TDS to 2%- specifically applicable for Fee for Technical Services, while the reduced rate is made specifically inapplicable for professional services and Royalty other than on distribution or exhibition of cinematographic films.

What is Fee for Technical Service?

- Any consideration for the rendering of any managerial, technical or consultancy services.
- It encompasses a sweep of services which would require the expertise in technology or special skill or knowledge relating to the field of technology.

What is Royalty?

- Consideration for transfer of any rights, imparting information, use or right to use any information, equipment or formulae, transfer of right/ license on copyright or others, or rendering related services.

What is Professional Service?

- Services rendered by a person in the course of carrying on legal, medical, engineering or architectural profession or the profession of accountancy or technical consultancy or interior decoration or advertising.
- Technical Consultancy has to be read along within the scope of term Professional Services
- "Profession" involves the idea of an occupation requiring purely intellectual skill or manual skill controlled by the intellectual skill of the operator.

What are issues likely to be faced?

- Many conflicts may arise on whether the Service is a Technical Service or a professional Service.
- On certain software services, issue arises on whether such service falls under Fee for Technical Services or Royalty.
- The category of services rendered may depend upon the person rendering such services vis-à-vis an individual, firm or corporate.

How can we help?

- We can help you analyse and advice on the above scenarios to help you benefit from the reduced rate as per the amendment in Section 194J.

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