INDIAN TAX RETURN 2025/26

Indian Tax Return 2025/26

What German Entities earning India source income need to know

Deadlines, Tax Treaty, & Transfer Pricing & Documentation – all the essentials at a glance.

India FY 2025/26 is period from 1 April 2025 to 31 March 2026

Why file a tax return in India at all?

German companies earning income from India — such as technical service fees, royalties (say, license fee), dividends, or interest — are subject to Indian withholding tax. India tax law provides for withholding at a standard **20% + surcharges & cess** (~21% effective). To apply beneficial tax rate under the **Germany-India Tax Treaty** rate of **10%**, a tax return in India **must** be filed.

Tax return not mandatory if -

~21% withholding tax (20% + surcharges & cess) for above mentioned income

Tax return mandatory

For above income - 10% withholding tax –Germany–India Tax Treaty applies

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What is a Double Taxation Agreement (Tax Treaty)?

Between India and Germany, there is a Double Taxation Avoidance Agreement (**Tax Treaty**). *Inter-alia*, it regulates which country may tax which types of income and what rate can be applied.

📌 Indian Taxation Rights

India may tax certain income of German entities, provided it originates from Indian sources – e.g. interest, dividends, technical service fees (FTS) and royalties.

📉 Tax Reduction under Tax Treaty

Under India and Germany Tax Treaty, income such as loan interest, dividends, technical services income, royalties, etc. are taxed at a reduced rate of 10% – instead of the standard ~21 % (subject to documentation availability viz. Tax Residency Certificate, Tax return compliance).

Transfer Pricing applicability

Doing business with Indian daughter or group companies? **Transfer Pricing rules** apply – transaction must comply with the arm's length principle.

Below are the list of compliance to be undertaken by German entities in India (this is required even if the Indian daughter companies is handling its own filings):

📄 Form 3CEB – TP Audit Report

Mandatory certification by an Indian Chartered Accountant confirming all related-party transactions are at arm's length.

📊 Transfer Pricing Study

A detailed TP documentation study benchmarking intra-group prices against comparable market transactions. Required when international related-party transactions exceed INR 1 million (~€11,000) in a financial year.

📁 Master File – Part A & Part B

Part A: Required in all case, basic group overview.

Part B: Required when consolidated revenue exceeds INR 5 billion (~€55m) AND the aggregate value of international transactions exceeds INR 500 million (or intangible transactions exceed INR 100 million). Full group-level TP documentation including value chain, financials, and policies.

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Due date – Year 2025/26
(1 April to 31 March)

Tax return - Foreign Partnerships (TP Not Applicable)
31 July

Tax return- Foreign Companies (TP Not Applicable)
31 October

Transfer Pricing Audit Report (if Applicable)
31 October

Tax return and Master File – TP Applicable
30 November

Documents required for your Indian tax return

📋 PAN

Tax identification number

✍️ DSC

Digital signature (in token form) for electronic submission.

🏠 Certificate of Residence (TRC) + Form 10F

TRC is issued by the Germany tax office + Form 10F to be generated on the Indian tax portal.

📄 Invoices & Withholding details

Contracts, invoices with receipts and withholding tax details

Some documents take **several days** – start now !

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Obtaining PAN & DSC

PAN and DSC are foundational — without them, nothing else can proceed. Here's exactly what you need to obtain each.

📋 PAN (Permanent Account Number)

Required Documents

- **Trade register** legalized by the Indian consulate in Germany

⏱️ Processing time: 2 weeks excluding legalization

✍️ DSC (Digital Signature Certificate)

Required Documents

- Passport of the authorised signatory
- Address proof of the authorised signatory
- Video verification (recording of short video on portal)

⏱️ Processing time: 3-5 working day

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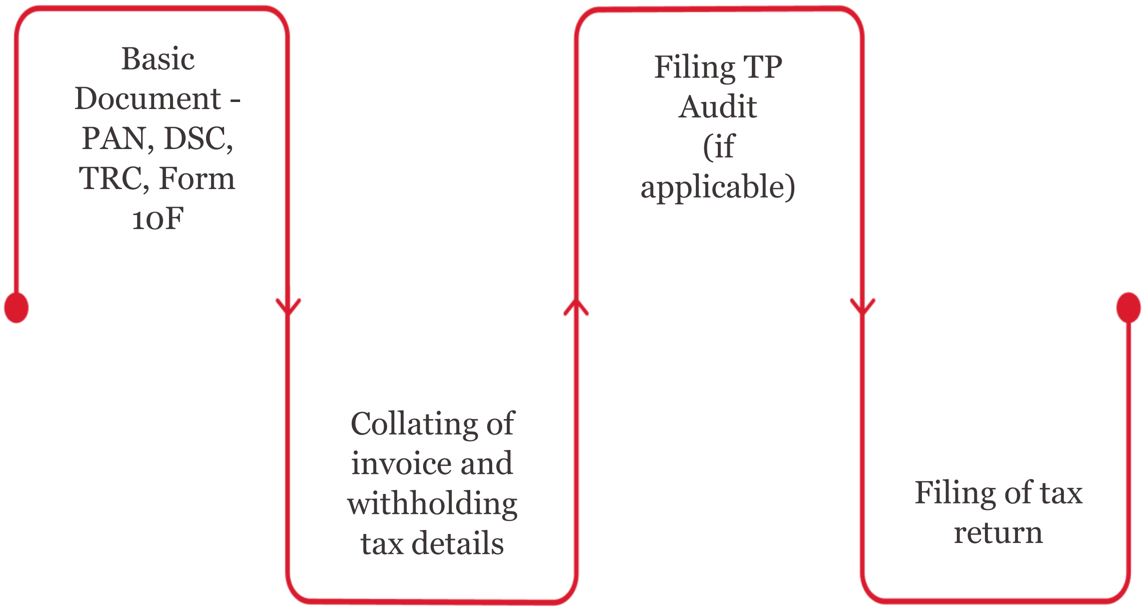
Step by Step: How the Process Works

From document collection to final submission – the typical process for foreign companies:



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Consequences of not filing tax return in India

💸 Late Filing Fee

A mandatory late filing fee of INR 5,000 / INR 1,000 where income is less than INR 100,000

📈 Penalty Exposure

In case tax return is not filed and case is open under the so-called reassessment proceedings, income determined / assessed even where withholding is done in full, could be treated as under-reported income triggering penalty exposure.

🔍 Prosecution Risk

Non-filing of tax return in India could also lead to initiation of criminal proceeding in some cases.

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Permanent Establishment in India

An office, a workshop, a construction site, or permanently active employees – this can already constitute a **permanent establishment**.

- India taxes the attributable profit
- Separate accounting according to Indian standards required
- Periodical and annual tax compliance may get triggered
- Early planning is crucial

In case of PE, more detailed compliance requirement applies. For further details or information on this aspect, please contact us directly.

For further information

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Disclaimer: This presentation is prepared for general information. This does not constitute legal or tax advice.