

Tax Hotline

August 16, 2002

RENT PAYMENTS FOR OCCUPATION OF HOTEL ROOMS WOULD ATTRACT WITHHOLDING TAXES

In a recent ruling, the Andhra Pradesh High Court ("**Court**") adjudicated that payments made by customers to hotels in the nature of rental charges towards occupancy of hotel rooms would attract withholding tax provisions as envisaged under Section 194-I of the Indian Income Tax Act, 1961 ("**ITA**").

The petitioner contented that no transfer of property takes place in the favour of the occupant indicating that it was merely a license agreement and not a rent agreement or a lease agreement as contemplated under Section 194-I of the ITA. The Court overruled this position by stating that the phrase "any payment" by whatever name called and 'any other agreement or arrangement' occurring in the definition of 'rent' in *Explanation* to the aforesaid section have widest import and thus even a license agreement would also be covered therein.

Source: *The Economic Times*, August 14, 2002

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