

the Steel Minister,"  
Mr. Deshpande said. PTI

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# Tax sops for Iranian oil payments

## IndusInd Bank offers to facilitate Tehran-related transactions

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NEW DELHI

The Centre has granted tax exemption for oil payments to Iran, a move also aimed at boosting India's trade with that country.

The decision comes a little over a year after the lifting of international sanctions on Tehran. Meanwhile, Mumbai-based new generation private bank, IndusInd Bank has come forward to facilitate all Iran-related transactions.

In a February 23 notification, the Central Board of Direct Taxes, in effect, said the National Iranian Oil Company's (NIOC) income received in India in Indian Rupees for sale of crude oil to an entity in India shall be exempt from (withholding) tax from August 16, 2016 onward. The related conditions include: (i) such income should stem from a pact/arrangement entered into by the Centre or approved by it (in this case, an MoU between India's Petroleum & Natural Gas Ministry and the Central Bank of Iran in January 2013); (ii) the foreign company (NIOC) and the arrangement/pact are notified by the Centre and that (iii) the foreign company (NIOC) is not engaged in any activity, other than receipt of such income, in India.

"The exemption from



**Easing trade:** The move will benefit Indian exporters and boost trade between the two countries. REUTERS

withholding tax will encourage oil company of Iran to keep some portion of oil import payment in India to augment funds under Rupee Payment Mechanism (RPM) as the funds under RPM was fast depleting," said Ajay Sahai, director general and chief executive officer of the country's apex body for exporters - Federation of Indian Export Organisations (FIEO). "This will benefit Indian exports as payment in free foreign exchange with Iran has not yet stabilised though a few banks have come forward."

### More options

The continuance of free foreign exchange mechanism and RPM will provide wider choice to Indian exporters and Iranian importers particularly when Iranian currency is facing huge volatil-

ity," Mr. Sahai said.

Previously, following economic sanctions on Iran over its nuclear activities, both the nations had agreed in 2012 that 45% of India's oil import payments to Iran would be paid in rupees and deposited in UCO Bank as that bank hardly had an exposure to the U.S. or the European Union. In turn, Iran was to utilise that amount to pay for its imports from India. It is learnt that the balance in the rupee account may not be sufficient to cover three months of India's exports to Iran.

Meanwhile, IndusInd Bank said, "keeping in mind the ever-evolving global business scenario, (and) to facilitate our trade clients for import/export with Iran," it (the bank) has set up a Nostro account in Iran with Aktif Bank, Turkey - which further

has tie-up(s) with local bank (s) of Iran.

IndusInd Bank said, "We can assist and handle all the imports and exports transactions of Iran in rupee, EUR (Euro) and AED (Emirati Dirham)." IndusInd Bank said, for greater facilitation, it has also "opened Vostro accounts of Iranian banks through which customers can route their trade payments.

Presently, Vostro accounts are operational for exports to Iran and soon may open up for imports, as well." 'Nostro' and 'Vostro' are Italian terms meaning 'ours' and 'yours' respectively. Here, nostro account refers to holding of 'our' money or that of Indian clients while 'vostro' account refers to holding 'your' money or Iranians' money. In the communication, a copy of which is with *The Hindu*, IndusInd Bank also informed the clients about its 'Indus Dollar One - Trade Account' - a special trade account designed for international business.

In FY'16, India-Iran trade was \$9 billion of which \$6.3 billion were imports from Iran (of which \$4.5 billion was the oil import bill) while India's exports were only \$2.7 billion. Of the \$7 billion worth imports from Iran in April-December FY'17, oil imports were \$5.85 billion.