



Message from Chairman, EBG India



Mr. Vinod Verma

Dear Members,

The European Business Group is, as always, striving towards bringing to its members the best opportunity to interact with high-level officials in the Indian Government and the European Commission. EBG was at the forefront in organizing meetings for Karel de Gucht, EU Trade Commissioner during his visit to India for the EU India Summit in February 2012. We are happy to present to our stakeholders, the Directory of European Companies in India which was jointly released by Dr. Kaushik Basu, the Chief Economic Adviser to the Ministry of Finance and H.E. Mr. João Cravinho, EU Ambassador on Tuesday, 5 June 2012 in New Delhi. EBG has also started an initiative to organize a social networking event every month providing an excellent opportunity to network and enjoy a relaxed evening. EBG's midsummer celebration hosted by the Ambassador of Denmark on Wednesday, 13 June 2012 was both well attended and a very enjoyable event.

EBG is in the process of activating its sector committees and for the first time involving the knowledge partners (BMR, Grant Thornton, E&Y) to get expert help from them. The aim is to make the Sector committees more significant and the position paper more substantive and broad-based.

EBG is pleased to work together with other European Business Associations and the Indo-European Chambers of Commerce and in turn strengthen our relationship with them. We are also working actively on several projects with the European Business and Technology Centre (EBTC) as one of our main stakeholders.

Last but not the least, membership is of crucial importance to us. I would like to mention that year 2012 is 'Membership Year' for EBG and we will strive hard to achieve our target to be a true representation of European Businesses in India. We would like you to encourage your fellow European business friends to join.

Release of EBG's Directory of European companies in India

It is with great pride that European Business Group recently launched the first edition of the Directory of European companies in India. It is a unique Directory with a listing of around 1,500 European Companies and business houses operating across India. It proves without a doubt the depth and diversity of European involvement in India.

The Directory is designed to provide a valuable networking tool and seeks to facilitate the work of entrepreneurs, MNCs and SMEs from across the continent as well as market entrants.

It has representations from Alcohol Beverages, Automotives, Banking and Financial Services, Civil Aviation, Energy & Power, Oil & Gas, Healthcare, Services, Telecoms, IT and Textiles. Information has been categorized under different sections, and can be consulted by country, by sector of activity or alphabetically.

The Directory was officially launched at a prestigious event on June 5th by H.E. Mr. João Cravinho, EU Ambassador and Dr. Kaushik Basu, Chief Economic Advisor to the Indian Government.

Dr. Kaushik Basu addresses EBG Members

The event started with a talk by Dr. Basu on India's medium-term macro-economic outlook. While he emphasized the need for more reforms to be implemented, he considered the economic fundamentals for India to be strong and forecast a GDP growth of 7.6% for this financial year. Dr. Basu pointed out that amongst the BRICS countries India has been performing extremely well in spite of the gloomy global scenario.

Dr. Basu also said that the medium and long-term prospects are very good for India, adding that savings and investment rates are healthy. Dr. Basu mentioned that the poor growth rate has come as a disappointment for both the government as well as industry and investors, who had been hoping that India would be able to weather the global slowdown as it did after the financial crisis of 2008. While the 6.5 per cent growth rate is far more than what most developed nations are experiencing, it is way below the 8.4 per cent of the previous two years.

H.E. Mr. João Cravinho, EU Ambassador gave the European perspective on the economy and highlighted the strong Indo-European trade relationship. For the first time trade in goods and services between the two partners has exceeded EUR 100 million in 2011.

Finally, Dr. Basu and Ambassador Cravinho jointly released EBG's first Directory of European Companies in India 2012.

EBG would like to thank all the sponsors who made the Directory possible.

All EBG members will be receiving a complimentary copy of the Directory by courier in the near future. Anyone else interested to obtaining a copy should contact Neema at info@europeanbusinessgroupindia.com.





Mr. Peter Young

First Counsellor - Head,
Trade & Economic Affairs Delegation
of the European Union to India

The main focus of EU Delegation activity continues to be in support of the negotiations underway for an ambitious and comprehensive FTA with India. Alongside this, the Delegation has continued to pursue a number of topical market access and regulatory concerns with Government of India counterparts, with the objective of obtaining improvements in the situations facing EU importers and investors – or at least to ensure that the current situation is not made more difficult - already in advance of the changes that would come under the FTA.

On 28-29 March the EU-India Information Society Joint Working Group took place in New Delhi. The meeting was co-chaired on the Indian side by Dr Gulshan Rai, Director-General of CERT-India and on the EU side by Mr Gerrard De Graaf, Director in the European Commission's Information Society and Media Directorate-General. Members of EBG's Telecoms and ICT sectoral committees joined in the discussions on the first day, alongside participants from the Indian business community in the sector.

Discussions covered a wide range of topics. A key issue raised by the EU was our concern at potential discrimination in favour of locally manufactured equipment under India's new sectoral policies for Electronics, ICT and Telecoms equipment and under new procurement rules. (This is something that the EU has been pursuing with GoI counterparts ever since the initial TRAI recommendations were issued last year and the matter was raised forcefully by Commissioner Neelie Kroes during her visit to New Delhi last November.) Discussion on the issue on this occasion was again frank and open. Other topics discussed included a range of regulatory policies relevant for the sector – including in the field of IPRs, innovation, standards and cyber-security – while India raised its own concerns on EU policies in areas such as data protection.

While the EU did not challenge the underlying objective behind a number of the policies being put in place by India – to develop a larger, more successful and globally competitive manufacturing sector in an appropriate national regulatory framework – we essentially questioned whether the measures presently envisaged were likely to achieve this. The Indian side reaffirmed its intention to comply with its relevant international obligations, notably under WTO, and expressed openness to a continued dialogue with the EU (and representatives of EU business) as sectoral policies were further refined and implemented.

It is evident that a continuing process of dialogue and information exchange between the Delegation and members of the EBG's sectoral committees on these aspects will be called for.

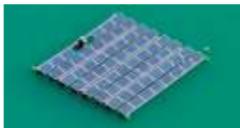
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For details-contact Neema at
info@europeanbusinessgroupindia.com

EBTC - Promoting EU clean technology in India

EBTC introduces France based Ciel et Terre, and their innovative floating solar PV technology to the Indian market.



As India grows, the challenges that the country faces only multiply. Resources are finite, and the need for sustainable, clean technology is acknowledged by Indian businesses, government and civil society alike. Equipped with vast expertise and experience in cleantech, the European Union (EU) is eager to engage with India to provide cutting-edge technologies. The primary platform that connects and encourages collaboration between EU and Indian cleantech businesses and researchers is the European Business and Technology Centre (EBTC) - a programme co-funded by the EU and coordinated by EUROCHAMBRES.

Innovation is at the heart of the clean technology. One such innovative EU company that EBTC has assisted in entering and establishing themselves in the Indian market recently, is France based Ciel et Terre (C&T.) A pioneer in the photovoltaic (PV) sector, C&T in collaboration with TechSub, another France based firm, offers a unique patented technology to the Indian market that combines solar power generation with water treatment.

Prior to EBTC's environment business and research delegation (Nov 2011), EBTC helped C&T and TechSub identify prospective partnerships and engage with various Indian companies, leading to an agreement with Enzen Global Solutions and Enzen Water respectively. They will jointly develop projects to utilize India's vast water surface areas for utility scale floating PV power generation and lake restoration projects. EBTC also initiated a relationship between C&T and Karnataka Renewable Energy Development Limited (KREDL) representatives, resulting in a 2MW floating solar system demonstrator in the Tumkur district of Karnataka. TechSub has also submitted two proposals for lake restoration projects in Bengaluru city and Puttenahalli.

Once in India, EBTC's services continue. Arthur de Freslon (Business Developer, C&T) said that "EBTC has a large network of local companies as well as public organizations, and the EBTC team always keeps me informed about upcoming events. In early May, a solar engineering workshop was organized in collaboration with Steinbeis Centre for Technology Transfer India where I had the opportunity to introduce our company and solar solutions." During the workshop, he also learnt about the technical aspects of designing solar PV systems and the practical issues of implementing a solar project in India.

EBTC will continue to assist many more innovative cleantech organizations who want to enter the Indian market. Complimentary to EBTC services, an EBG membership is useful for EU companies following their entry to India, particularly for ongoing lobbying services which are essential when operating in sectors which are characterized by an inherent governmental influence. Jointly, EBTC and EBG becomes a powerful partner for any business, and with the constant focus to promote the EU as a key business partner for India, EBTC and EBG create an environment that allows cleantech business and research to flourish.

Courtesy: europeanbusinessgroupindia.com

Important new developments within Sector Committees

The Sector Committees form the backbone of the European Business Group. Their aim is to bring European business heads together to discuss, exchange, and formulate a common stand to promote and safeguard their business interests. In the fast-changing world of today, where it is invaluable to be able to share views with others working in the same line of business, EBG feels it is time to make the Sector Committees even more dynamic.

At the moment there are 13 Sector Committees covering the following areas

- Alcoholic Beverages
- Banking & Finance
- Energy/Environment
- ICT
- Innovation
- Logistics
- Telecommunication
- Automotive
- Civil Aviation
- Healthcare
- Infrastructure
- Law and Regulation
- Taxation

The Sector Committees are also the primary source of information for the EBG Position Paper. This important document allows members to communicate their concerns on issues adversely affecting their business operations in India. The Position paper is released annually and distributed to high-level representatives of the Indian Government, European Commission, EU Delegation to India and the diplomatic missions of the EU countries in India. The Position Paper is used by the European Commission as a critical input for their interactions with the Government of India. For instance, the EU's negotiation team has drawn heavily on the Position Paper for their ongoing EU-India FTA negotiations.

The Sector Committees organize events pertaining to their own sector, which are also of wider interest to all EBG membership. For example, in November 2011, the EBG Energy/Environment Sector Committee organized a very successful high-level event on Renewable Energy in conjunction with the Embassy of Belgium & Luxembourg along with the Belgium & Luxembourg Business Association. In September of this year, the Automotive Sector Committee is planning a major conference in Delhi. Other events are in the pipeline for the Infrastructure and Telecommunications sectors.

Today EBG is looking at making the Sector Committees more effective and enhancing their input to the Position Paper so as to create a more qualitative and substantive document. A number of sector committee meetings have been held recently in Embassies and at the EU delegation office. Members and potential members from a specific sector were invited along with representatives from the trade section of EU member state embassies and the EU to kick off discussions on the position paper and also brainstorm ideas to organize sector specific events designed to get various stakeholders from EU as well as India on the same platform.

The EBG Council is in the process of approaching a number of top Management Consultancy firms (e.g. E & Y, Grant Thornton, BMR, PwC) to get their expert help to make EBG Sector Committees more vibrant and relevant. The areas where we would particularly like their support

1. Identifying more European players from the sector in questions
2. Engage European Companies to give their input to the position paper
3. Help the Sector committees to design events involving all stakeholders.

To give some concrete examples of what Sector Committees are doing:

The Civil Aviation Sector Committee provides a forum bringing together virtually all representatives of the European civil aviation sector. Airports, airlines, ground handlers, service providers, engine manufacturers all come together on a unique single platform in order to deliberate on ways to improve the investment & business climate for the sector in India. This benefits the entire industry and not just European companies. Some of the issues which have been raised consistently by the committee (e.g. FDI in Indian Airlines by foreign carriers) have found their way into the policy formulation of the Indian Government.

The Healthcare committee has also been active in many spheres. The Committee Chairman was invited to attend a number of top-level meetings to put forward the EBG point of view, for example presenting the case against India Specific labeling to the Drug Controller of India. EBG was also invited to join a World Bank initiative to assess and assist in bringing better regulations and reducing trade barriers in the field of medical devices.

It is important that all EBG members participate actively in their particular Sector Committee. If you have not yet joined your Sector Committee, please get in touch with **Neema S Kumar at info@europeanbusinessgroupindia.com**. If your area of activity is not covered by an existing Committee and you are interested in setting up a new Sector Committee, please get in touch with **Rajeev Gupta at rgupta@rdiindia.com**



Our thanks to
Ansgar Sickert

Ansgar Sickert is sadly leaving India after 6 years. He has been a particularly active member of EBG. We would like to thank him for his unstinting efforts serving on the EBG Country Council and helping to raise the EBG profile and attract new members.

In October 2006, Mr. Sickert joined the group's Governing Council assuming responsibility for membership development. During his tenure, membership across the country saw a significant boost both in the volume and diversity of the membership base. Furthermore, Mr. Sickert's excellent networking skills and focus were instrumental in establishing relationships with other industry associations such as the Indo-German Chamber of Commerce (IGCC), the Association of Accredited Lobbyists to the European Union (AALEP) amongst others.

In addition to his role on the Governing Council, Mr. Sickert has been chair of EBG's Sector Committee for Civil Aviation. In this position, he spearheaded the drafting of the civil aviation chapter of EBG's annual position paper.

Mr. Sickert has regularly represented EBG at high-level meetings and events with the EU's Ambassadors, visiting EU Delegations including Commissioners, Indian government ministers and bureaucrats. His knowledge, dedication and diplomatic demeanour made him a sought after interlocutor and well-liked colleague in EBG.

Bangalore Chapter

The Bangalore Chapter is the most recent addition to EBGI and came into being in September 2009. Today it counts 44 companies and 67 members. The Bangalore Chapter is run by a dynamic team of 7 under the leadership of Anandilyer. Anandi is also member of the EBG Country Council.

Three of the all-important EBG Sector Committees - Innovation, Information and Communications Technology and Logistics - are based in Bangalore.

Like its counterparts in Mumbai and Delhi, EBG Bangalore organizes a number of events for its members. These include business meetings as well as social networking events.

The most recent and exciting initiative by EBG Bangalore was the launch of the CFO Forum on 15th June 2012 in Bangalore designed to bring together CFO's of European Companies based in Bangalore to meet, learn and network. The forum will meet on a regular basis to discuss issues of mutual interest - most notably finance topics and upcoming regulations and frameworks.

EBG Bangalore is responsible for piloting the Galileo project on Global Navigation Satellite Systems (GNSS) funded by the European Union. A team of three experts are working on this 30 month project. (See article on next page for more details).

Another original initiative by the Bangalore Chapter is a survey on Innovation in India. The aim is to gain insight into the European strategy for investment and engagement in R & D and Innovation practices in India. The EBG project team which includes innovation experts are questioning a number of European companies working in India to gauge best practices and identify potential bottlenecks. The results will be presented to key ministerial representatives from India and Europe, including policy makers at a multiple stakeholder meeting to be held in Brussels shortly.



The CFO Forum held on 15th June 2012 in Bangalore

Courtesy: Bangalore Chapter

Council Members

Bangalore Chapter



Ms. Anandi V Iyer
India Representative & Senior Advisor
Fraunhofer Gesellschaft, Germany
Chairperson EBG Bangalore Chapter



Mr. Enrico Rühle
Managing Director
TÜV Rheinland (India) Pvt. Ltd.
Treasurer&Deputy Chairman,
ICT Sector Committee



Mr. Clas Neumann
President
SAP Labs India Pvt. Ltd.,
Chairperson IT / ICT Sector Committee



Cdr. Victor Joseph
Executive Chairman India Guarding (South)
G4S Security Services India Pvt. Ltd.
Chairperson for Membership



Mr. Wido Menhardt
CEO, Philips Electronics (I) Ltd
Chairperson Innovation Sector Committee



Mr. Guenter Zwickl
Head of Global Technology Center Coordination
& Head of Bengaluru R&D Technology Center
Nokia Siemens Networks Pvt. Ltd. (India)
Council Member& Deputy Chairman
Innovation Sector Committee



Mr. Simon Engeli
Head Finance
Starrag Heckert Machine Tools Pvt. Ltd.
Council Member&
Chairperson EBG Logistics Committee



Mr. Mahesh Jaisingh
Partner BMR Advisors
Special Invitee on the Council &
Knowledge Partner

GNSS.asia Project- Facilitating European Union-India industrial cooperation on satellite navigation applications

The GNSS. asia project was officially launched in January 2012 with an aim to support the European Commission in developing and implementing a Global Navigation Satellite System (GNSS) strategy between the EU and five Asian countries in the GNSS downstream sector. The project is funded by the European Union within the Seventh Framework Programme. The consortium combining regional teams from India, China, Taiwan, Korea, Japan and the European coordinating team, will implement the project on behalf of the European GNSS Agency (GSA), supervised by the European Commission. The GNSS. asia consortium includes a network of experts, consultants and European Chambers of Commerce based in Asia, mainly relying on the European Business Organisation (EBO) worldwide network. **In India, the European Business Group India (EBGI) and particularly its Bangalore Chapter is the driving force behind the project, bringing its own experience, network and industrial cooperation expertise to make the project a sustainable success.**

The GNSS market is the market of products (receivers, simulators, chipsets etc.) and services (Direct To Home (DTH), Location Based Services, Navigation Support applications etc.) using GNSS based positioning and navigation as a significant enabler. The worldwide GNSS market is growing fast and revenues are expected to increase at a 11% CAGR over the next decade. The total enabled GNSS market size in 2020 is estimated at Euros 244 billion while the core GNSS

market size is estimated at Euros165 billion. The GNSS segments of Road, Location based services (LBS), Agriculture and Aviation represent the largest volume of users and/or public benefits in the GNSS global market.

The GNSS.asia project has set objectives to define a strategy for the industrial cooperation between the EU and Asian economies on satellite navigation applications, ensure the development and promotion of the Galileo* programme, recommend and start to develop GNSS-related industrial cooperation, as well as support piloting and implementation of these activities.

Throughout the duration of the project (30 months), the team comprising of Mr. Varadarajan Krish-Project Lead, Mr. Senthil Kumar -Project Manager, Dr. S.V. Kibe - Technical Expert will be the contact points in India for any inquiries related to the GNSS.asia project. For further information please write to bangalore@europeanbusinessgroupindia.com

*Galileo is Europe's own Global Navigation Satellite System (GNSS), providing a highly accurate, guaranteed global positioning service under civilian control. The first two European Galileo satellites have been launched on October 22, 2011 and after completion the constellation will enable improved services ranging from more precise in-car navigation, effective road transport management, search and rescue services ...

Courtesy: Bangalore Chapter

Ericsson: A long standing commitment to Indian Market

Ericsson is a global company with business in 180 countries and has been associated with the Indian telecom industry for over 100 years, when it supplied its first product, manual switchboards to the Government in 1903. Since then, it has powered virtually every facet of telecommunications in India, from handsets to entire networks. Ericsson is advancing its vision of "being the prime driver in an all-communicating world" through innovation, technology, and sustainable business solutions.

Enjoying a unique position of being an end-to-end solutions provider, Ericsson has been successfully partnering the growth of India's cellular revolution since 1994, when cellular services were first launched in the country. In line with its long tradition of innovation, Ericsson successfully pioneered the concept of Managed Services in India. Ericsson combines its strong technology leadership position, services capabilities and global presence to provide value to its customers.

Ericsson's powerful portfolio comprises of mobile and fixed network infrastructure, telecom services, software, broadband and multimedia solutions for operators, enterprises and the media industry. Powering over 100 million wireless subscribers - over its network equipment, Ericsson is the leader in the wireless market in India and provides mobile networks to all major Government and private operators.

Ericsson is transferring technologies to India as a part of its localization strategies. From developing AXE switching in nineties to become the first multinational company to start manufacturing of GSM Radio Base Station (RBS) series at its facility in Kukas, Rajasthan, Ericsson has demonstrated its long term commitment towards India. It has also developed a special series of RBS called the 6000 series that is best suited for the 3G deployments in the country. Recently Ericsson India has expanded its existing manufacturing capacity by adding another SMT line and started to export from India.

Indian GNOC (Global Network Operations Centre) the largest of the four global centers, EGI (Ericsson India Global Services Private Limited) has a pan-India presence. EGI has close to 10000 Service professionals in India and manages networks of multiple operators

across geographies, and caters to more than 150 million global subscribers. Global Service Center India is building key competences in areas like managed services, consulting, systems integration, operations support systems and business support systems (OSS/BSS) to support the growth in ICT.

To further strengthen its Managed Services capabilities, Ericsson has set up four Regional Technical Centers in India - Gurgaon (NCR region) Mumbai, Kolkata and Chennai to support north, west, east and south regions. A unique value proposition for the operators, RTC provides proactive engineering support and managed services for 2G, 3G and (BWA) / TD-LTE technologies.

Ericsson's R&D facilities in Gurgaon, Chennai and Bangalore focus on developing value-added applications for the pre-paid and multimedia segments and Multi Service Edge Router (MSER) product line building a foundation for innovation and end-to-end life cycle management. Ericsson India is doing R&D in several areas including Revenue Management, IP, and OSS. In addition, R&D India also connects with the main Research Units in US and Sweden for undertaking research activities together with leading universities / institutes in India.

Apart from ensuring quality networks, Ericsson is set to enhance its leadership in innovative services capabilities. Technology leadership is a business imperative and Ericsson continues to invest heavily in it. Ericsson is partnering closely with its customers developing solutions to help them gain leadership in the industry and provide value proposition to maximize revenues and enhance end user experience..



Courtesy: Mr. Fredrik Jejdling, Head of Region, Ericsson India

India-EU summit

The 12th India-EU summit held in India in February was the occasion for EBG to organize a number of high-level events involving the EU Trade Commissioner Karel de Gucht and EBG members. EBG has an important role to play at such events by federating the different groups that make up the European business community in India.

First up was a meeting between Mr. de Gucht and CEO's of top European companies in India representing many different sectors. The aim was to ensure that the EU Trade Commissioner Karel de Gucht had first-hand information of the ground realities and issues facing European companies in India, prior to his meeting with Indian Minister of Commerce Anand Sharma.

EBG also hosted a reception in the evening of 9th February for H.E. Mr. Karel de Gucht. The reception was organized in collaboration with the European Business and Technology Centre and supported by the Belgian Luxembourg Business Association, Indo French Chamber of Commerce and the India Netherlands Business Association. Over 150 people attended the event at The Taj Man Singh Hotel. This was the first time that EBG joined hands with other European Business Associations and Indo European Chambers of Commerce to organize such a high profile event.

5 EBG members were present at the India-EU Business Round Table "Strengthening Partnership between India and EU", which took place on 10th February. Finally Mr. Vinod Verma, as Chairman of EBG, was invited to attend the dinner hosted by the EU Ambassador for Karel de Gucht.

EBG would like to thank H.E. Mr. João Cravinho, EU Ambassador and Mr. Peter Young, First Counsellor and Head of Trade & Economic Affairs at the EU Delegation for their invaluable support throughout.

Mumbai chapter

The EBG Mumbai members got an opportunity to interact with the Chief Election Commissioner of India – Dr. S. Y. Quraishi on the 27th March at 7 p.m at the Trident, Nariman Point, Mumbai



Dateline Delhi

The annual MaxBupa BBG/EBG Dateline Delhi was ably chaired by the new British High Commissioner, James Bevan. The panelists (Sanjaya Baru, Former Editor, Business Standard; Andrew Buncombe, Asia Correspondent, The Independent; Vivek Bharati, Executive Director, Pepsico India; Dean Nelson, South Asia Editor, The Telegraph) dealt suavely with a broad range of questions, stretching from what was the nasty surprise which could catch the Government unawares (a bad monsoon, said Mr Baru) to should we have cheerleaders at Lord's (yes please, said Mr Nelson). A question about the second Iraq war and its legality provoked the liveliest debate. The discussion was followed by a sumptuous dinner prepared by Kitchen Art - rated by many as the best they had had at the British Council for years.



Midsummer event at the Danish Ambassador's residence

H.E. Mr. Freddy Svane, Ambassador of Denmark hosted EBG's Midsummer celebration at his residence on Wednesday 13th June! The event organized in the elegant surroundings of the Residence was well attended with over 100 guests and much enjoyed by all.

It was a great evening, with a special Nordic touch to celebrate Midsummer, a hugely important festival in Scandinavia to mark the summer solstice. We had Fakhroddin Ghaffari, a Persian-Kurdish Percussionist performing for 10-15 minutes and also a brief violin performance by Ms. Ellen Moeldrup. The Euro Cup Championship match between Portugal and Denmark was broadcast live at the Residence during the evening. The event was sponsored by G4S and supported by Pernod Ricard and Carlsberg.



Budget 2012 rings in 'caution' for investors

Tradition, long followed from colonial days has the Finance Bill being presented to Parliament on the last working day of February. The Union Budget of 2012 will be remembered not just for departing from this tradition but for the scars caused by the retrospective tax provisions that over-shadow the policy announcements and state of health of the exchequer.

In the following paragraphs, the focus is on the tax provisions – the little helps, lots of hurts and some watch-outs. Firstly, the helps – individual tax payers got a marginal increase in the tax slabs, corporate were initially shocked and then relieved that the General Anti-tax Avoidance Rules have been deferred to 2013 and fortunately the tax rates were left unchanged with no new "bad taxes" being introduced. In the past, several Finance Ministers have sought to introduce new taxes such as fringe benefit tax, securities transaction tax, banking transaction tax, many of which have ultimately being rubbished once wiser sense prevailed that these yield little revenue and cause greater distortion and nuisance.

Historically, investors have not been able to establish holding companies in India due to tax inefficiency caused by cascading impact of dividend distribution tax – this is now possible with multi-tier holding structures allowed to take credit of the incoming dividend distribution tax. Debt financing got easier – ignoring the impact of the dropping exchange rates – with lowered withholding tax of 5 percent on payment of interest on specified foreign loans. The scope of tax exemption to venture capital enterprises got re-established as the defined sector limitation got removed – thankfully, the Government realized it is better to leave it to venture capitalist to determine what sectors deserve venture financing and for the new Alternate Investment Fund regulations to define the framework rather than the Government specifying so.

A tax-payer friendly proposal is to usher in Advance Pricing Agreement (APA) mechanism for determination of arm's length price in international transactions. Introduction of APA could provide respite to MNCs from long-drawn disputes with the transfer pricing officers, and protracted litigation in the courts. The Budget proposed to bring specified domestic transactions within the purview of transfer pricing documentation and compliances.

The worrying development were the proposals that were introduced couched as clarifications – the foremost being taxation of "indirect transfers" which is visibly a move to overturn the Supreme Court decision in the much watched and debated controversy on the USD 2 billion tax demand placed on Vodafone in India. The implication of this proposal, now enacted by Parliament, is that interest and ownership in offshore entities is deemed to be situated in India if its value derives substantially from assets located in India. This emphasizes that India has a source basis of taxation, and will disregard the corporate structure placed outside India if the transaction involves a transfer deriving substantial value from India. Several other transactions, with fact pattern similar to the Hutch- Vodafone transaction, now have a similar fate awaiting them. The wider investor community echo their respect towards the go forward change of law, however, the retrospectively of the provisions seriously disturbs their sense of comfort with the enabling environment and causes disquiet. The withholding tax obligations have been re-iterated to be applicable to non residents even if they do not have a presence in India.

Similar retroactive amendment has been proposed to the 'source rule' for taxation of software transactions by way of clarification

to the definition of 'royalty' to include payment for use or right to use computer software (including granting of a license). The amendment obliterates the dichotomy between 'use of copyright' and 'use of copyrighted article', and could result into enhanced tax costs in software transactions. Also, the amendment is likely to result in enhanced dispute with the tax authorities as the expanded definition could render landmark court rulings redundant, wherein the Court laid down principle that supply of shrink-wrap software should not be taxed as 'royalty'.

Tax treaties relief now comes with added tests – the budget has proposed to amend the law providing that a tax residency certificate issued by the Revenue authorities in the home country would be a de minimus condition for investors claiming tax treaty relief. This amendment viewed in tandem with the overall theme and intent of the tax proposals underlines the need and significance of 'commercial substance' in cross-border investment structure, a precursor to the proposed GAAR from 2013.

The world of indirect tax, which has been hoping for the roll out of GST, witnessed an expansion of the tax coverage by introduction of a 'negative list' based taxation of services and new 'supply of services' rules. The median rate of indirect taxes, barring basic duty on imports, has been increased from 10% to 12% (an increase in overall tax impact by 20%) to align with median rates under Goods & Services Tax (GST) regime. Supply chain planning becomes important and several contractual and commercial arrangements need to be reviewed afresh given the new framework of the proposed law.

The much announced and delayed endeavors to roll out Direct Taxes Code (DTC) and GST were reiterated for next fiscal year – only the optimists are hopeful. The tax environment of India has certainly evolved – from the early 90s when the focus was on tax holidays and exemption to the new reality that reflects sophistication in tax policy and aggression in tax administration. – "no full stops in India" to quote Mark Tully!

Courtesy: BMR Advisors

Forthcoming Sector Committee event planned for September '12

Congestion, air- and noise pollution and a gridlocked infrastructure have become major challenges for many of Asia's rapidly expanding megacities. The EBG is organising an event that looks at the latest technologies, equipments and policies which successfully tackle these challenges leading to cleaner, quieter and better managed cities. As a result of the EU's stringent environmental rules European automotive companies have developed pathbreaking technologies which have led to a healthier and more sustainable environment, improved fuel efficiency and technologies reducing the burden of wear and tear on overstretched infrastructure while delivering significant economic benefits. The conference objective is to highlight how European companies and know-how - with a special focus on the automotive sector - can contribute to greener cities and more liveable urban spaces. The event will not only look at the environmental but also at economic benefits for industry and the national economy resulting from increase fuel efficiency and extended life cycles of the country's road infrastructure.

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