



# Doing Business in India

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# Bilateral Economic Cooperation

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- The former Czechoslovakia-a pioneering role in the industrialization of India
- About 60 major projects in India before 1990 (Machine Tools and Heavy Engineering sector)
- Indian PSUs like HMT, HEC, BHEL immensely benefited from Czech expertise
- Bata shoe factory in Batanagar, West Bengal in 1930



# Post Liberalization Era

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- Liberalization of Economy in 1990s.
- De-licensing, Disinvestment and De-regularisation policies were promoted.
- Sustained growth rate in spite of global slow down
- A new national initiative of PM of India Mr Narendra Modi- Make in India programme



# Reasons for Doing Business in India

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- Large & Fast Growing Market
- Global Outsourcing of Services
- Political Stability
- IPR Protection
- Large Educated Workforce
- Lower Costs
- Business & Policy Environment
- Tax Breaks & Subsidies



# Why India

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- Companies come to India for the costs, stay on for the quality and are now investing for innovation.
- India has evolved into one of the world's leading technology centres, exporting software to over 70 countries.
- By 2032, India will be among the three largest economies in the world.
- It is the largest democracy in the world



# The Most Promising Sectors For Investments

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- Automobiles and Auto Parts
- Energy
- Defence
- Heavy Machineries, Precision Machineries
- Mining
- Technology for environmental protection



# Auto Mobiles

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- 100% FDI is allowed under the automatic route in the auto sector, subject to all the applicable regulations and laws.
- Global car majors have been ramping up investments in India to cater to growing domestic demand. These manufacturers plan to leverage India's competitive advantage to set up export-oriented production hubs.



# Auto Manufacturing

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- India expects to double its exports to \$24 billion by 2020
- Top 5 cars exported from India in financial year 2014:
  - Hyundai i10 – 109 074 units
  - Nissan Micra – 78 383 units
  - Hyundai i20 – 59 789 units
  - Maruti Suzuki – 45 193 units
  - Nissan Sunny – 37 730 units





# Defence Production

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- India's current requirements on defence are catered largely by imports.
- Up to 49% investment is allowed under the government route, above 49% on a case-to-case basis on approval by the Cabinet Committee on Security,
- Investments by foreign portfolio investors/FIIs (through portfolio investment) are permitted up to 24% under automatic route.
- The defence industry is subject to industrial licenses under the Industries (Development and Regulation) Act, 1951.



# Energy

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- 100% FDI is allowed under the automatic route in the power sector (except atomic energy), subject to all the applicable regulations and laws.
- Economic growth, increasing prosperity, a growing rate of urbanization and rising per capita energy consumption has widened access to energy in the country.



# Entry Strategy

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i) By incorporating companies under companies Act of 1956

- fully owned subsidiary
- joint venture

(ii) Un incorporated entity

- Liaison office
- Branch office
- Project office



# Applicable taxes

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- Central
  - Income Tax [including Tax Deduction at Source (TDS, i.e. withholding tax), dividend distribution tax & fringe benefit tax] & Wealth Tax
  - Excise Duty
  - Service Tax
  - Customs Duty
- State
  - VAT
  - Profession Tax



# Companies Act Requirements

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- All companies liable to get accounts audited.
- To file annual return and audited accounts electronically.
- To maintain minutes of shareholders and directors meetings.
- To have whole time company secretary if capital exceeds Rs. 50,000,000(Euro 694445 ).
- Secretarial audit if capital between Rs. 2,000,000 (Euro 27,778) & Rs. 50,000,000 (Euro 694,445).
- Restrictions for public limited companies regarding managerial remuneration, inter corporate loans and investments.



# Liaison Office

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- Governed by FEMA and Companies Act.
- Prior Approval of RBI under FEMA.
- Subsequent registration with Registrar of Companies (RoC).
- Not permitted to carry on any income earning activity in India.
- Only deposits by way of inward remittance permitted in bank account.
- To file annual audited accounts of liaison office with RBI & RoC.
- Not liable to income tax (except TDS).



# Liaison Office....

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- Permitted activities –
  - Representing parent company/group companies in India.
  - Promoting export/import from/to India.
  - Promoting technical/financial collaborations between parent/group companies and companies in India.
  - Acting as communication channel between the parent company and Indian companies.



# Branch Office

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- Governed by FEMA and Companies Act.
- Prior Approval of RBI under FEMA.
- Subsequent registration with Registrar of Companies (RoC).
- Can earn income in India.
- To file annual audited accounts of office with RBI & RoC.
- Liable to all taxes in India.
- Transfer pricing provisions applicable.



# Branch Office – Permitted Activities



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- Export/import of goods.
- Rendering professional or consultancy services.
- Carrying out research, in which parent company engaged.
- Promoting technical/financial collaborations between parent/group companies and companies in India.
- Representing parent company in India and acting as buying/selling agent in India.
- Rendering services in Information Technology and development of software in India.
- Rendering technical support to products supplied by parent/group companies.
- Foreign airline/shipping company.



# Investment in Indian Company

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- Investment in shares of an Indian company.
- Either by direct subscription or by purchase of existing shares.
- Either under Automatic Route or with prior permission of FIPB.
- Subject to sectoral caps and prohibited sectors.



## Agreements signed between India and Czech Republic

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- Bilateral Economic Cooperation Agreement. The Agreement was signed during visit of Indian Vice – President in June, 2010.
- Double Taxation Avoidance Agreement signed in 1998.
- Protocol on Economic cooperation, signed on the occasion of the Joint Economic Commission September, 2012.



## Agreements signed between India and Czech Republic

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- Bilateral Investment Promotion Agreement signed in 1996.
- Protocol on Amendments to BIPPA Agreement was signed on 8.6.2010 during the visit of Vice- President.
- Social Security Agreement. The Agreement was signed during the visit of Vice President in June, 2010.



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- Thank you