



# Gateway

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## President's Message



Dear Friends,

I am happy to reach out to all of you once again at a time of many happenings !

Our National Budget has come out, in its new date on February 1, and the general feeling is that it is an "ordinary" budget with no great positives and luckily not too many negatives,

especially when the General Elections are expected to be around soon and this budget is said to be the last one prior to that ! Things like LTCCG, additional Ed Cess are debatable issues!

We at IJCCI are very happy to have received an Environment Technology Mission from UNIDO ITPO, Tokyo and hosted programmes in Bangalore and Chennai. I must personally thank CII for their support in Bangalore & the Murugappa Group here in Chennai. It is my earnest desire that adequate follow up be made with each other to take the discussions forward with your counterparts. IJCCI will provide the necessary support in this regard and I appeal to the businessmen - Japanese and Indian to feel free to get in touch with us.

IJCCI is planning a number of new activities for the next fiscal year, a number of cultural programmes, a new initiative on Bonsai besides a number of educational and economic seminars, on the anvil.

IJCCI Industrial Delegation to Japan in September is being planned. Details of the delegation programme will be sent to members shortly and I hope members would make use of this opportunity and explore new business avenues with Japan.

I hope the financial year 2017-18 would have so far been good and all of you must be busy chalking out the programmes, plans and budget for 2018-19. I wish every one of you success in your endeavours.

I look forward to the continued support of all our members and well wishers in Japan and India.

Regards,  
**N. Kumar**

## ENVIRONMENT TECHNOLOGY MISSION lead by Mr. Ferda Gelegen, Dy. Head, UNIDO ITPO, Tokyo



**Business Seminar**



**B2B Meeting**



## Kanagawa police to use AI to predict time, place of crimes

A groundbreaking system capable of predicting when and where crimes and accidents are likely to occur based on data learned by artificial intelligence is to be developed by Kanagawa prefectural police. The system, the first of its kind in the nation, is expected to be trialed in 2020, the year of the Tokyo Olympics and Paralympics. The AI-based system will be built on data of when and where approximately 1 million crimes and 800,000 accidents occurred in the past. The prefectural police plans to cover locations and times predicted by the AI-based system when it is made available. The system is also expected to incorporate records of the sex and age of people involved in the crimes and accidents, how such crimes were committed and details of the accidents, as well as information on weather, features of the terrain and buildings at that time.

## Batteries that bacteria can chow down on invented by NTT

An eco-friendly battery that can be munched by microbes has been developed by Nippon Telegraph and Telephone Corp. (NTT). The charged sensors can be placed around volcanoes to note temperatures and vibrations, as well as in rivers to obtain data on water movement. Then when they die, the microbes have a feast. It's branded as "the battery that will return to the earth" and is part of what is being called IoT ("Internet of things") technology in which a wide variety of objects are embedded with sensors. The triangular battery measures 2 centimeters along a side and boasts 1.1 volts, which would be enough for a LED lamp for 24 hours. Eco-friendly sensors and communication chips to go with the battery are also being developed. In the experiment, the newfangled batteries and regular ones were powdered and 1 gram of each was mixed into soil for two pots. Seeds of Japanese mustard spinach were then sowed in the pot, and it was found that the eco-friendly batteries did not affect the growth whereas the vegetable did not grow in the pot with the regular battery mix.

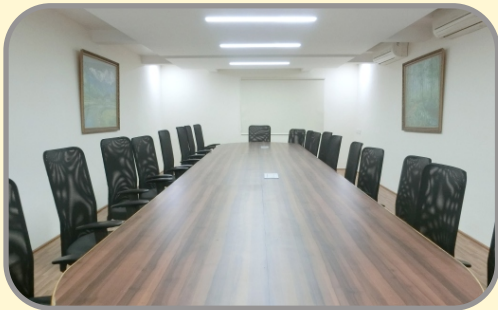
ASAHI news



## Presentation cum interaction session

A presentation-cum-interaction session on Employment Opportunities in Japan by Ms. Motoko Kuramochi, Tokyo, organised by Mr. Jun Arisue of Japan Foundation, was conducted at IJCCI on 25<sup>th</sup> February 2018, attended by students studying Japanese language. It was an eye opener to many students desirous of going to Japan for employment or higher studies.

## IJCCI wears a new look



Board Room



Conference Room



Japanese Language Class Room



# Budget 2018 - Step Towards a New India

**The Union Budget 2018 indicated the government's intention to concentrate on holistic development highlighting the need to march forward with consistency as an economy. The Budget 2018 focussed on advancing the aspirations of a new India and covered various milieu. Here are the key highlights:**

## **Budget 2018 - Significant Highpoints**

Budget 2018 was predominantly focused on the agricultural sector and the rural economy, through steps such as increasing the fund allocation to the Prime Minister KrishisampadaYojana, increasing the purview of Minimum Support Price for all-inclusive coverage of agricultural products, liberalization of export of agro commodities and extension of deduction of 100% of profits attributable to the farm produce companies is a positive step in this regard.

This year's budget also emphasised on development of MSMEs and infrastructure sector along with thrust on blockchain technology and moving from 'black board' to 'digital board' in the education segment. Adequate allocation of funds on improvement of telecom infrastructure and setting up of Wi-Fi hot spots to provide access to broadband will make India a data-driven digital economy.

The budget's focus on healthcare is likely to profit all stakeholders in the healthcare ecosystem, including healthcare, pharma, medical equipment companies, together with manufacturers of medical devices and ancillary companies that support these. Emphasis on infrastructure spending along with higher allocation to rail and road, border connectivity, Urbanisation and Smart Cities Mission, developing tourist sites and large low-cost housing programme have been the significant highlights of this budget.

## **Start-ups**

With an intent to further encourage start-ups, the scheme of benefits for start-ups introduced last year has been revamped. It is now proposed that the tax concession shall be available to a start-up engaged in certain eligible business of innovation, development or improvement of products, processes or services or is a scalable business model with a high potential of employment generation or wealth creation, thereby shifting the limelight, which was solely focussed on the tech industry. 100% deduction of profits is made available for a period of 3 out of the first 7 years from incorporation, provided turnover does not exceed Rs 25 crore. This benefit is available to start-ups incorporated up to 31 March 2021.

## **Non-Resident Taxation**

It is further proposed to bring the domestic tax provisions for non-resident taxation in line with BEPS Action Plans of the OECD. The concept of 'business connection' is proposed to be widened in order to align domestic tax laws with BEPS Action Plans and the Multi-Lateral Treaty Instrument. 'Business connection' is proposed to include any business activity carried on by non-residents through dependent agents who habitually conclude or play a principle role leading to conclusion of contracts. Additionally, a concept of Significant Economic Presence has been introduced. 'Significant economic presence' shall be established in India if a non-resident transacts in India beyond a specified monetary threshold or undertakes a systematic and continuous soliciting of business through digital means with customers beyond a certain threshold, which is yet to be specified.

Further, the liberalisation in single brand retailing strongly indicates the Government's determination to endorse a climate of foreign investment in the country.

## **Tax on the Equity front**

As foreseen, longterm capital gains tax, at 10% (without providing the benefit of indexation) of such capital gains exceeding INR 1,00,000, has been imposed on listed securities, units of equity oriented fund and units of business trust. This modest levy of tax on the profits from shares is unlikely to have any structural impact in the long term and indicates the end of a tax-free system in India. Furthermore, Distribution of dividend by equity oriented mutual funds is to be subject to Dividend Distribution Tax at the rate of 10%.

## **Key Proposals Impacting Corporate Taxation**

Budget 2018 has proposed that the tax rate for companies with total turnover for the financial year 2016-2017 less than INR 250 Crores be reduced from 30% to 25% of the total income. However, there is a marginal escalation in the tax rate due to replacement of prevailing 3% education cess with health and education cess at 4% and the MAT rate remains unchanged.



Additionally, relief for companies covered under the Insolvency and Bankruptcy Code 2016, has been offered by permitting them to carry forward and set-off of business losses in the event of a change in shareholding, and reduction of aggregate amount of unabsorbed depreciation and brought forward losses from book profit for MAT purposes.

The proposal to tax compensation on termination or modification of any contract relating to business as 'business income' and relating to employment as 'other income', has cleared the air on whether this compensation would be construed as a capital receipt.

In addition, there have been a line of major proposals affecting corporates and influencing the way forward:

- Deemed dividend on loans and advances to shareholders and related partners shall be subject to DDT at the rate of 30% without grossing up, shifting the taxability from the shareholder to the Company.
- A popular structure used for reducing the dividend tax liability by using merger as a tool, would no longer be possible, since accumulated profits of the amalgamating company would also be considered while computing the amount of dividend chargeable to tax.
- Obtaining PAN has been mandatory for non-individual entities and the related directors, partners etc, entering into a financial transaction of Rs 250,000 or more. This is a very onerous provision and amendments to this provision before the final law is passed, is expected.
- The provisions relating to availability of deduction to additional employee cost has been liberalised to consider employment in the subsequent year and additional benefits in the form of a lower threshold of 150 days has been extended to the manufacturing of footwear/ leather products, which was earlier available only to apparels.
- While the CBCR filing is now proposed to be made applicable even to subsidiary of overseas parent company which is not obligated to file CBCR in its home country, the due date for filing the same has been extended to 12 months after completion of relevant financial year.
- Tax exemption relating to transfer of capital asset by holding company to its wholly owned subsidiary and vice versa, which was earlier only available to the transferor, has now been extended to the transferee.
- In case of conversion of stock-in-trade into capital asset the fair market value of the asset shall be treated as the consideration and the gain arising therefrom as business income. However, deferment of tax liability, which is available to the vice-versa transaction is not available in this case.

### **Indirect Taxation**

During the year, the Goods and Services Tax (GST) was rolled out to subsume different rates of taxes across the country and unify the Indian market. On the indirect taxes front, no changes have been proposed in relation to GST, while few amendments have been proposed with respect to customs law.

For example, in furtherance of the 'Make in India' scheme, Import Duty in the auto component industry has been increased to 15% for automotive components such as engines, engine components, gearboxes, transmission shafts, drive axles, brakes, radiators, silencers and clutches. These earlier attracted BCD ranging from 7.5% or 10%. Similarly, there has been an increase in customs duty rates on footwear, jewellery, cellular phones and specified parts, etc. to provide impetus to domestic industry.

Road and Infrastructure cess (RIC) imposed on specified imported goods/excisable goods and the same shall be non-creditable. Further, IGST and compensation cess (if any) on sale of warehoused goods, prior to clearance for export or home consumption, is directed to be calculated on transaction value or custom valuation norms whichever is higher. Furthermore, the coverage of customs law has now been extended to a person who commits any offence or any contravention outside India.

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