



Gateway

Volume 4 Issue 3

May-June 2018

President's Message



It is with mixed feelings that I reach out to all of you at the mid-year.

On the 10th May our Founder, Prof. N Krishnaswami passed away - apart from being the Founder, he sacrificed his life for the Chamber. His absence will be felt dearly but the Chamber will continue to work earnestly, as desired by him.

We had an opportunity to meet with the Ambassador of Japan to India His Excellency Mr Kenji Hiramatsu on 25th May at the Consulate General of Japan in Chennai. The Ambassador gave us excellent suggestions and assured us of his full support and the support of the Consulate-General and requested IJCCI to continue its activities in Education, Culture and Economic spheres.

We celebrated our Chamber Day on 22nd June 2018. Mr Tarun Das, Chairman, Institute of Economic Growth, Chief Guest, gave an outstanding expose' on Indo-Japan relations and brought out seven points where IJCCI could take leadership in building even greater partnerships. Mr Tarun Das was awarded one of the highest honours of Japan, 'Order of the Rising Sun' by the Ambassador of Japan on 15th June 2018. I was fortunate to participate in the function in New Delhi in which Dr Manmohan Singh, former Prime Minister of India, Mr Suresh Prabhu, Minister for Commerce & Industry and such dignitaries were present. In his address, Mr. Tarun Das while appreciating IJCCI's progress, assured us of his full support in building IJCCI's future activities.

Our delegation will be in Japan during the 1st week of September 2018. I am happy to mention that a number of SMEs have joined this delegation. We are proceeding to four or five Prefectures in Japan and I am confident that it will be productive of results.

I would like to conclude by wishing all of you continued success in this year

Regards,
N. Kumar

IJCCI 29th Chamber Day



Chief Guest Mr. Tarun Das, recipient of the Emperor of Japan's Decoration, 2018.

&

Guest of Honour Mr. Kojiro Uchiyama, Consul-General of Japan, Chennai.



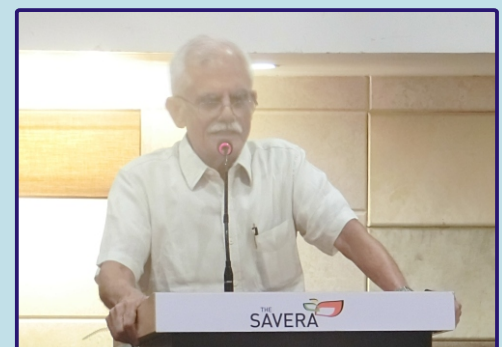
Meet our Consul-General

Mr. Kojiro Uchiyama, born in Hokkaido in 1956, Graduate from Osaka University, Post graduate from Amherst College, USA , the 'Knowledge Corridor'. Joined the Ministry of Foreign Affairs (MOFA), Government of Japan in 1982. Served in MOFA, Tokyo for 10 years, served in the Consulate of Japan in the United States of America for quite some time; served in the Embassy of Japan in Ireland, Australia, West Africa and in Poland.



Mr. Uchiyama is not new to India. He has served in the Embassy of Japan in India, New Delhi for 3 years. Assumed office as the Consul-General of Japan in Chennai on 7th April 2018. At the Welcome Reception hosted by IJCCI on 2nd May Mr. Uchiyama addressed the members and interacted with the well wishers of Japan-India relations. IJCCI wishes Madame Karen Janette Uchiyama and Mr. Kojiro Uchiyama a warm welcome and a successful tenure to our new Consul-General in Chennai.

Founding Father of IJCCI passes away



Prof. N. Krishnaswami, Emeritus Chairman of IJCCI and founding father of IJCCI passed away on 10th May. Born in 1924, Professor of Economics, Advisor to the Japanese Diplomatic Mission in Chennai since 1970, for three decades and was connected with several organizations involved in the promotion of educational, cultural and commercial relations between Japan and India since 1986. He has published two books on Japan : “Know Japan, Know the Japanese” and “Eye on Japan”. Prof. N. Krishnaswami was decorated by His Majesty the Emperor of Japan twice - “Order of the Sacred Treasure Gold and Silver Rays” (*kun go to*) in 1993 & “the Order of the Sacred Treasure Gold Rays with Neck Ribbon” (*kun san to*) in 2003, for his significant contribution in furthering Indo-Japan bilateral relations. At IJCCI's Memorial Meet on 24th May , a rich tribute was paid by industrialists and well wishers of Japan-India relations.

Expatriate Taxation - An overview

With increasing globalization in the country for a while, the expatriate movements in India has been increasing constantly. India has comprehensive laws for the foreign nationals staying in the country for work related purposes as discussed in ensuing paragraphs.

Immigration rules

Foreign Nationals coming to India are required to have a valid Visa depending upon the purpose of their visit to India. Employees coming to work / execute projects in India typically come on employment visa.

All foreign nationals visiting India on long term (more than 180 days) visa are required to register themselves with the Foreign Regional Registration Office (FRRO) / Foreigner's Registration Office (FRO) having jurisdiction over the place where they intend to stay in India within 14 days of their arrival. Foreign nationals receive a residential permit upon registration, the validity for which is usually co-terminus with the validity of the visa. Employment visa can be extended while staying in India. However, such extension/renewal needs to be done before the expiry of the original validity period. Indian Government has recently launched an e-FRRO scheme, a web based application for registration and visa extension services in many cities in India like Chennai, Delhi, Bengaluru, Mumbai, Hyderabad, Ahmedabad etc. Under this scheme, the foreign nationals are not required to appear in person to FRRO office and the necessary documents like residential permit, visa extension are sent by post and electronically to registered email ID.

India tax system

Foreign nationals are subject to India taxation based on their residential status and income. Residential status of an individual is based on his physical presence in India in a given fiscal year which begins on April 1 of a year and ends on the March 31 of the next year. An individual may qualify as resident and ordinarily resident (ROR), resident but not ordinarily resident (RNOR) or non-resident in India depending on their stay in India. Generally, an individual arriving in India for the first time, is likely to qualify as NR / RNOR for the first three FYs. In the fourth year of assignment, an individual qualifies as ROR depending on his stay in that year and aggregate stay of preceding FY.

RNOR / NR are taxable in India on the income sourced (i.e. accruing or arising / deemed to accrue or arise) from India or received / deemed to receive in India. E.g. Salary for services rendered in India received in home country / any other country is taxable in India as it is deemed to accrue / arise in India. Individuals qualifying as ROR are taxed on their global income subject to

foreign tax credits (FTC) as per the tax treaties of the respective countries.

The various sources of income in India are broadly classified as employment income, rental income, gains from disposal of capital assets, income from business / profession and income from other sources like interest income, dividend etc.

Expatriates liable to pay taxes in India are required to get registered with the tax authorities by applying for a "Permanent Account Number" (PAN). India tax laws applies the principle of "pay as you earn" which means that taxes are withheld by the employer from the salary at the time of payment and deposited to the credit of the Government. Further taxes from any other sources of income can be discharged by individuals through advance tax or self-assessment tax.

A Foreign national is required to file tax return in India if he has earned income in India. The due date to e-file the tax return is by 31 July of the year following the concerned fiscal year. Belated tax returns can be filed by the end of the following fiscal year with necessary penalty and interest on taxes due. It should be noted that a ROR has to disclose foreign incomes and assets failing which necessary taxes, penalty and prosecution is attracted under the Black Money (Undisclosed foreign income and assets) and Imposition Act, 2015.

India Japan has entered into a double taxation avoidance agreement (tax treaty) based on which foreign tax credits and tax exemption can be claimed. Japanese nationals working in India are eligible to claim the benefit of short stay exemption in India if their aggregate stay in India does not exceed 183 days in any taxable year. The tax treaty also determines the country of ultimate residency in case if an individual qualifies to be a tax resident in more than one country. A tax residency certificate is required to be obtained to avail benefits under the tax treaty. Further FTC can be availed in India based on a statement of foreign income and taxes paid/deducted overseas being furnished in Form 67 on or before filing tax return.

Social Security in India

To protect the interest of International workers (IW) to contribute to social security program in both home and host country, India has entered into a bilateral Social Security Agreement (SSA) with many countries. Currently there are 18 countries with which India has signed and has operating SSA; India Japan have the SSA effective from October 2016.

Under the SSA, the IW from Japan can obtain a detachment certificate from the appropriate authority in their country and be exempt from contributing to social security program in India and vice-versa in case of Indian

employees working in Japan. Further, IWs can withdraw the provident fund balance after completion of the Indian assignment by transferring the same to their foreign bank accounts/employer accounts.

Foreign Exchange Regulations

Under this regulations, foreign nationals are allowed to maintain a foreign currency account with a bank outside India for the receipt of salary for the services rendered in India subject to deduction and payment of entire taxes in India. Further, it also allows funds relating to income earned in India to be freely repatriated if the taxes are paid on such income.

Aadhaar Card

The latest development for foreign nationals to be aware about is the launch by Government of India of a unique identity system (UID) through Aadhaar card which is a

12-digit identity number based on the biometric data of the individual. A foreign national is also eligible to obtain Aadhaar if he qualifies as resident under the Aadhaar Act. Further, the Income-tax Act makes it mandatory for an individual eligible to obtain Aadhaar to mandatorily quote such Aadhaar number while applying PAN and filing income-tax return. However, this requirement is exempted for foreign nationals, hence not requiring them to quote Aadhaar number.

Expatriates leaving India are required to obtain tax clearance certificate from the tax authorities. It is at this point in time many foreign nationals realize that they have not complied with some or other applicable regulations. Hence, it is imperative for the foreign nationals working in India as expatriates to know the regulations applicable to them and obtain tax experts advice on such matters as discussed in this article.

By R Sridhar, Partner, Grant Thornton India LLP with inputs from Ridhi Sanghvi and V Sreeraman

Japan's jobless rate falls to lowest level in over a quarter century

The unemployment rate fell to the lowest level in more than 25 years in May 2018 as companies ramped up hiring amid solidifying economic conditions, a positive news for the Bank of Japan as it struggles to generate 2 percent inflation.

The rate fell to 2.2 percent, against an estimated 2.5 percent, the lowest since 1992, according to a Govt. report. According to the Labor Ministry the job-to-applicant ratio was 1.6, the highest since 1974, means there were 160 openings for every 100 job-seekers.

Companies in the country are grappling with a deepening labor shortage as the rapidly aging population means fewer workers. In a bid to tackle the situation, Prime Minister Shinzo Abe's Cabinet earlier this month approved a plan to accept more workers from abroad.

Consumer prices in Tokyo, a leading indicator for the nation, are projected to rise more than expected after two months of slower increases. Prices in the capital, excluding fresh food, are projected to have risen 0.7 percent in June from a year earlier.

The export-dependent nation faces fallout from global trade tensions and the slowing of growth in China. Japan's factory output fell slightly in May after rising for three consecutive months.

Industrial production fell 0.2 percent in May, better than the -1 percent forecast, from April, when it increased 0.5 percent. The month-on-month decline in factory output in May was mainly the result of lower auto production because of fewer business days during the month, the economy ministry said.

Year-on-year factory production increased 4.2 percent, higher than the estimated 3.4 percent rise, compared with a 2.6 percent rise in April.

Output is projected to rise 0.4 percent in June from May, and 0.8 percent in July.

(Bloomberg, Kyodo)

A 20-member, Multi Sector IJCCI Industrial Delegation lead by Mr. N. Kumar, President will visit Tokyo, Yokohama, Osaka, Kobe and Nagoya between 03 & 07 September 2018.

Editor : Suguna Ramamoorthy Secretary-General, IJCCI.; Publisher : IJCCI; Designing & Printing : J.G.S. Johnson - 93845 93262
For Private Circulation only.

Indo-Japan Chamber of Commerce & Industry (IJCCI), No. 21, Kavignar Barathidasan Road, Teynempet, Chennai - 600 018, Tamilnadu, India.
Phone : 044-2435 2010 / 2435 4779 / 4855 6150 Email : indo-Japan@ijcci.com Web :www. ijcci.com