JCCII Japan Chamber of Commerce and Industry in India

9th February 2012

Mr. Pradeep Kumar Chaudhery
Secretary,
DIPP, Ministry of Commerce and Industry,
Government of India

Dear Sir,

Suggestions for Government of India by Japan Chamber of Commerce and Industry in India (JCCII) 2012

Japan and India have been further developing their "Strategic and Global Partnership" for the deepening of bilateral relations as well as for peace and prosperity of Asia and the world. "India – Japan Comprehensive Economic Partnership Agreement"(CEPA) effected in 1st August 2011 is one of the remarkable progress which highlights the closer relationship between India and Japan. I am delighted to embrace that the two countries share common values of democracy, strong potentials for economic ties and similar cultural backgrounds. We respect India as a long-term partner and friend.

It is an encouraging trend that foreign direct investments and the number of Japanese companies to India are increasing rapidly. There are over 800 Japanese companies in India today, and the member of JCCII has reached 315 this February. The Japanese companies through their investment and operation wish to be part of the development of India.

In this situation, we would like to seek your guidance and support to resolve the issues that we are facing, such as taxation, social security, visa, infrastructure, finance, logistics, land acquisition, and import of final products. This will not only encourage our member companies, but also invite new entrants, including the small-to-medium sized enterprises which have been playing vital role for Japan's economic growth, to make inroads into India.

Subsequent to the last year's report, JCCII has compiled "Suggestions for Government of India 2012" including the suggestions from other Japanese Chamber of Commerce and Industry organizations in Mumbai, Bangalore, Chennai, Hyderabad, Pune and Kolkata for your kind consideration. We sincerely hope that the suggestions and the subsequent interactions with the Indian authorities would contribute to the solution of individual issues, increase investments to India, increase local employment opportunities and promote the growth of Indian economy. We wish that regular discussions between JCCII and DIPP and other relevant authorities of India are institutionalized, particularly at this important stage of 60th anniversary of the establishment of Japan-India Diplomatic Relations.

Sincerely yours,

Katsuya OKIHIRO
President
Japan Chamber of Commerce and Industry in India

Japan Chamber of Commerce and Industry in India (JCCII)

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1. Tax System (See annexure I)

(1) Dividend Distribution Tax(DDT)

- Dividend tax should be imposed on the dividend recipients, not the dividend payers, in case recipients are not stationed in India.

(2)Transfer Price Taxation

a. Transfer Price assessment for the Sogo Shosha should be made according to their functions. The Indian subsidiaries of the Japanese Sogo Shosha should be recognized as service providers, not traders. This has been a widely accepted recognition by revenue authorities throughout the Asia Pacific and elsewhere.

b.The Advance Pricing Agreement (APA) should be introduced at an earliest. Detailed rules and guidelines should be announced well in advance of the introduction of New Direct Tax Code. The rules and practices of the APA should be established in equitable basis in light of those in other countries.

(3) Minimum Alternative Tax (MAT)

- MAT should not be applicable to the Special Economic Zones (SEZ) businesses.

(4) GST (Goods & Services Tax)

- GST should be introduced at the earliest.
- Detailed rules and guidelines should be announced 5 to 6 month prior to the commencement date of GST.

2. Social Security Scheme(See also annex II)

Provident Fund (PF) of international workers (IWs) should be refunded when IWs return to home country immediately as the same treatment as Japan.

3. Visa (See also annex III)

(1) Residential Permit

- Issuance of Residential Permit by Foreigners Regional Registration Office (FRRO)/Foreigners Registration Office (FRO) should be with the same period of the validity of Employee Visa (E-Visa).

(2) E-Visa/Residential Permit renewal process

- The procedure for renewal of E-Visa/Residential Permit in each state should be the same conditions in Delhi.
- The right of the extension of E-Visa/Residential Permit should be delegated to FRO in Gurgaon/Pune by states government.

(3)Tourist Visa re-entry

- The restriction of minimum 60 days interval between two consecutive visits by the passengers holding Tourist Visa should be removed.

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(4) The Tourist Visa on Arrival Procedure

- Tourist visa on arrival (VOA) procedure should be improved.

  ・VOA Counter should accept the payment for the immigration fee in Japanese Yen/US dollars.

4. Infrastructure (See also Annexure IV)

- The logistics infrastructure and some related issues in Chennai, Bangalore and Kolkata should be completed earlier.
- We would request for the monitoring system for the progress on each project listed below (i-v),

i) Road developments in Chennai city

a. North part of Inner Ring Road
b. TPP Road
c. Manali Oil Refinery Road
d. Ennore Expressway
e. Elevated Corridor Project to Chennai Port
f. NCTPS Road
g. Ennore Port Road
h. Outer Ring Road, Phase II
i. Northern Port Access Road

ii) Road developments in Bangalore

a. NH207
b. Peripheral Ring Road, Phase I
c. NICE Road

iii) Road developments in Kolkata

a. NH41
b. NH6

iv) NHAI Bangalore – Chennai Expressway

v) Haldia Port

a. Dredging at Haldia River to maintain minimum draft
b. Opening of Eden Channel for Haldia Port

vi) Reduction of Ennore Port Charge

The port charge at Ennore port should be reduced. It is currently 5.2 times of Leam Chabang Port in Thailand, 8.3 times of Colombo in Srilanka, 2.3 times of Chennai/Mumbai Port.

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vii) Efficient Operation Controlling System for Railways

- Introduction of more efficient controlling system for train operations is essential for frequent industrial usage of the railways.
- We would request Government of India to start the trial operation for the railway system between Bangalore and Chennai in which both the prime ministers stressed the importance of infrastructure development on 28 December 2011.
  Both the governments decided to strengthen efforts to improve the infrastructure, and to have India's Comprehensive Integrated Master Plan in this region.
- We would also request to include this pilot project in the proposed Master Plan, and to seek the technical assistance in this sector.

5. Financial sector (See also Annexure V)

We request the following measures:

(1) Opening of Branch Offices in the Metropolitan Area

- Foreign banks should be allowed to open branch offices in the metropolitan areas more liberally and promptly.

(2) Foreign exchange and capital transfer

- The regulations related to the foreign exchange and capital transfer should be simplified and speedup bank procedures. (Especially, the formalities related to foreign currency remittance and trading)
- The procedures of FIRC (Foreign Inward Remittance Certificate) should be simplified.

(3) Number of Expatriates in Foreign Banks

- The regulations which restrict the increase in the number of expatriate in the foreign bank should be relaxed.
- Japanese banks need to increase the number of Japanese expatriate flexibly along with the expansion of their business.

(4) External Commercial Borrowing

- The regulations related to ECB in order should be relaxed to enable ECB to be used for working capital.

(5) Priority Sector Lending

- The regulations related to Priority Sector Lending (PSL), especially in medium and small enterprises (MSE) sector, should be relaxed. The loans to public entities which are committed to finance such sectors should be counted as PSL.

(6) Limit on FDI in Insurance Sector

- The upper limit of foreign direct investment in the insurance sector should be raised immediately.

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(7) Obligatory Commissions of reinsurance

- General Insurance Corporation (GIC) should continue to pay Obligatory Commissions which is an international practice.

(8) Foreign equity investment by QFI

- Qualified Foreign Investors (QFIs), especially those are regulated by Financial Services Agency (FSA) of International Organization of Securities Commissions (IOSCO) member countries, should be allowed to manage open-end omnibus account where such QFIs can act as a responsible party for all underlying investors' Know Your Customer (KYC) check and tax liability under the regulation of India.

(9) The foreign investment restrictions in Indian debt market

- QFIs should be allowed to invest into the India debt market.
- The limitation in amount of debt investment for Foreign Institutional Investors (FIIs) should be removed.
- Prior bidding procedure for FIIs to make the debt investment should be abolished.

6. Logistics Distribution (See also Annexure VI)

- For air cargo, cargo handling and customs clearance procedure should be improved.

i) Custom's formality

a) The customs EDI (Electronic Data Interface) systems should be improved for quick customs procedure and integrated with other related systems to establish the upgraded Single Window.

b) Customs office should be opened for 24 hours x 7 days at major airports. The scope of emergency cargo facilities should be extended to commercial cargos. Rules for overtime of customs should be introduced for emergency cargo facilities.

ii) Cargo Handling at airport complex

Cargo handling at major airport must be improved with materials handling equipments such as forklift, crane and dock leveler and so on.

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7. Enhancement of Land Cost at Phase I of HSIIDC Growth Centre in Bawal (See also Annexure VII)

- The calculation method of the enhanced compensation for raising land price amount should be rational and reasonable.

8. Import of final products (See also Annexure VIII)

- Following two issues related the product import should be resolved.

i) Maximum Retail Price (MRP)

a. The Countervailing Duty (CVD) assessment of IT/Electronic goods should not be based on MRP but on the cost incurred by the importers.

b. MRP stickers should be affixed at DTA warehouses after completion of import customs clearance.

ii) Central Purchase

a. Bill of Entry should not be submitted to DGS&D (Directorate General of Supply & Disposal) at tender.

b. In case contracted model is changed its model during the contract period, new model should be also accepted by DGS&D.

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