

India Proposes to End Retrospective Taxation, Introduces Bill to Amend Tax Law

On August 06, 2021, the lower house of the Indian Parliament, the Lok Sabha, passed the Taxation Laws (Amendment) Bill, 2021. This Bill is significant as it seeks to put an end to the retrospective tax on capital gains of companies by proposing amendments to the Income Tax Act, 1961. This tax in India was introduced by law in 2012 which enabled the government to levy corporate income tax on profits arising from the indirect sale of Indian assets of corporations.

The 2021 Bill stipulates that the demands for tax raised for indirect sale of Indian assets made (retrospectively) before May 28, 2012, will be nullified, provided companies withdraw any pending litigation and furnishing an undertaking that no cost, damages, interest, etc. will be claimed. The withdrawal of the retrospective tax law is a positive development as far as investors and companies are concerned, and this is expected to improve the ease of doing business in India by a very significant margin. The Bill is yet to clear the Upper House of the Indian Parliament (the Rajya Sabha).

Successes of India's 'Production-linked Incentive Scheme'

India's Finance Minister Nirmala Sitharaman had announced the Production-Linked Incentive (PLI) scheme for 13 identified sectors in the 2021-22 National Budget. The scheme provides incentives to companies for enhancing their manufacturing activities in India and focuses on reducing import bills and improving the cost competitiveness of local goods. Though this scheme is still in its initial stages, there are some notable successes associated with the same. For instance, the first round of the scheme gave an impetus to mobile phone manufacturing in India and the interest shown by various companies in the second round for different sectors indicates its future potential.

The nine sectors for which the scheme has already been approved include electronics or technology products, pharmaceuticals and drugs, telecom & networking products, food products, and high-efficiency solar PV modules, automobiles & auto components, advanced chemistry cells (ACC) batteries, textiles, and specialty steel.

Key Takeaways from the meeting between the Italian Foreign Minister and the Indian Commerce Minister

Italian Foreign Minister Luigi Di Maio co-chaired the 21st meeting of the Italy-India Joint Commission for Economic Cooperation (JCEC) together with India's Minister of Commerce and Industry, Piyush Goyal on August 06, 2021. At the meeting, India raised the issue of mutual recognition of India's 'CoWIN' vaccine certificate and relaxing travel restrictions, longer duration of Business Visas, and the Portability of social security benefits of Indians working in Italy. The Italian Foreign Minister pointed out how, despite the Covid-19 crisis, several Italian companies have continued to invest in some strategic sectors of the Indian economy, such as the automotive, food processing, and energy transition sectors. The two ministers also agreed to deepen cooperation in the food processing, textile, and leather sectors.

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