



BMR & Associates

Tax and Regulatory

FACILITATING INDIAN INVESTMENTS IN JAPAN

August 13, 2007

Abhishek Goenka
BMR & Associates

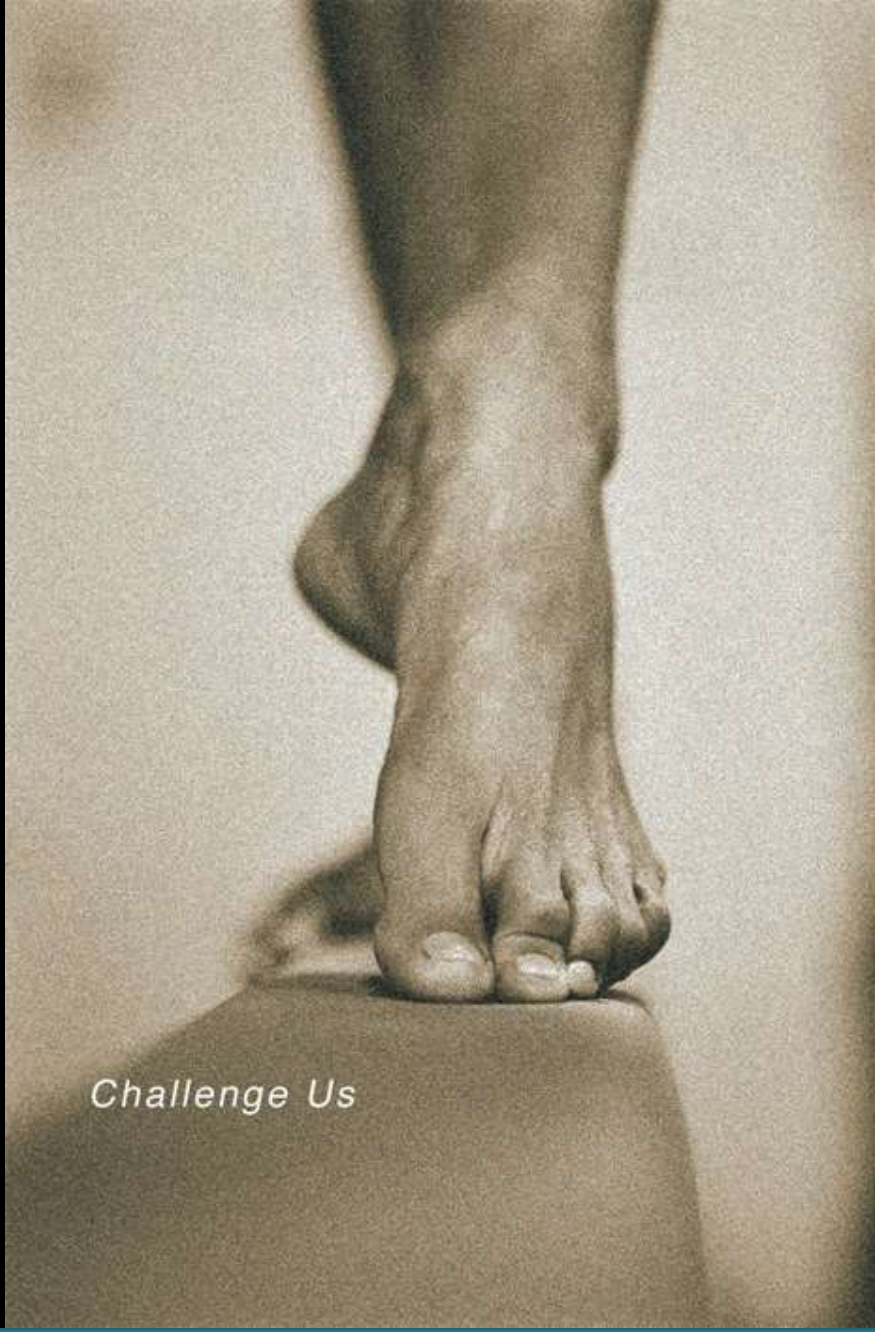


CONTENTS

- Overseas Direct Investment (ODI) Regulations
- Investment structures
- Tax rates



ODI Regulations



Challenge Us

ODI GUIDELINES – OVERVIEW

General Overview

Automatic Route

- No approvals required
- Most of the sectors are under the automatic route, except real estate and financial services
- Ceiling on commitment - upto 300 per cent of net worth (corporates) – not applicable if funds from EEFC account are used
- Loans and guarantees are included in the above limit

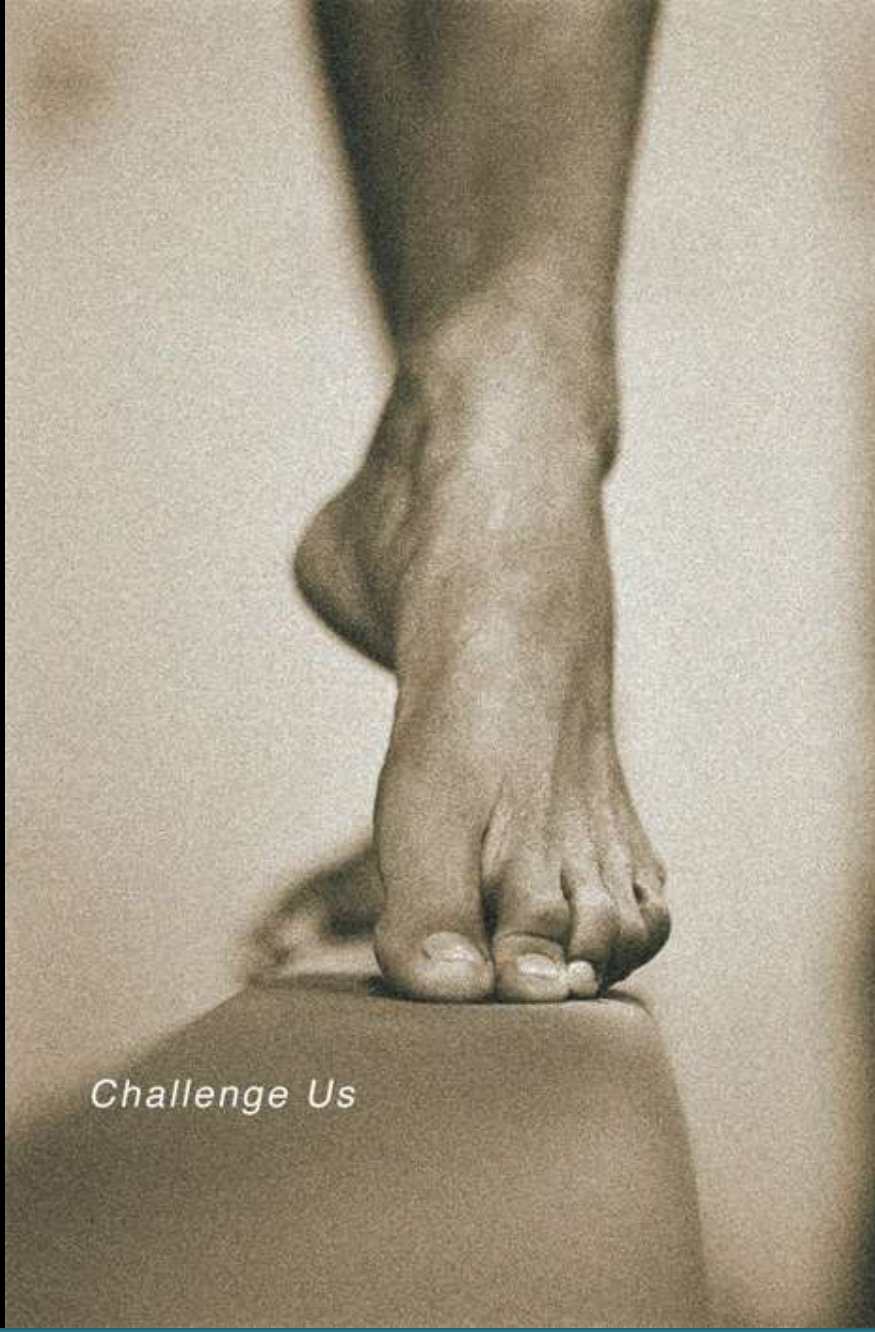


Approval route

- ODI not covered under the automatic route

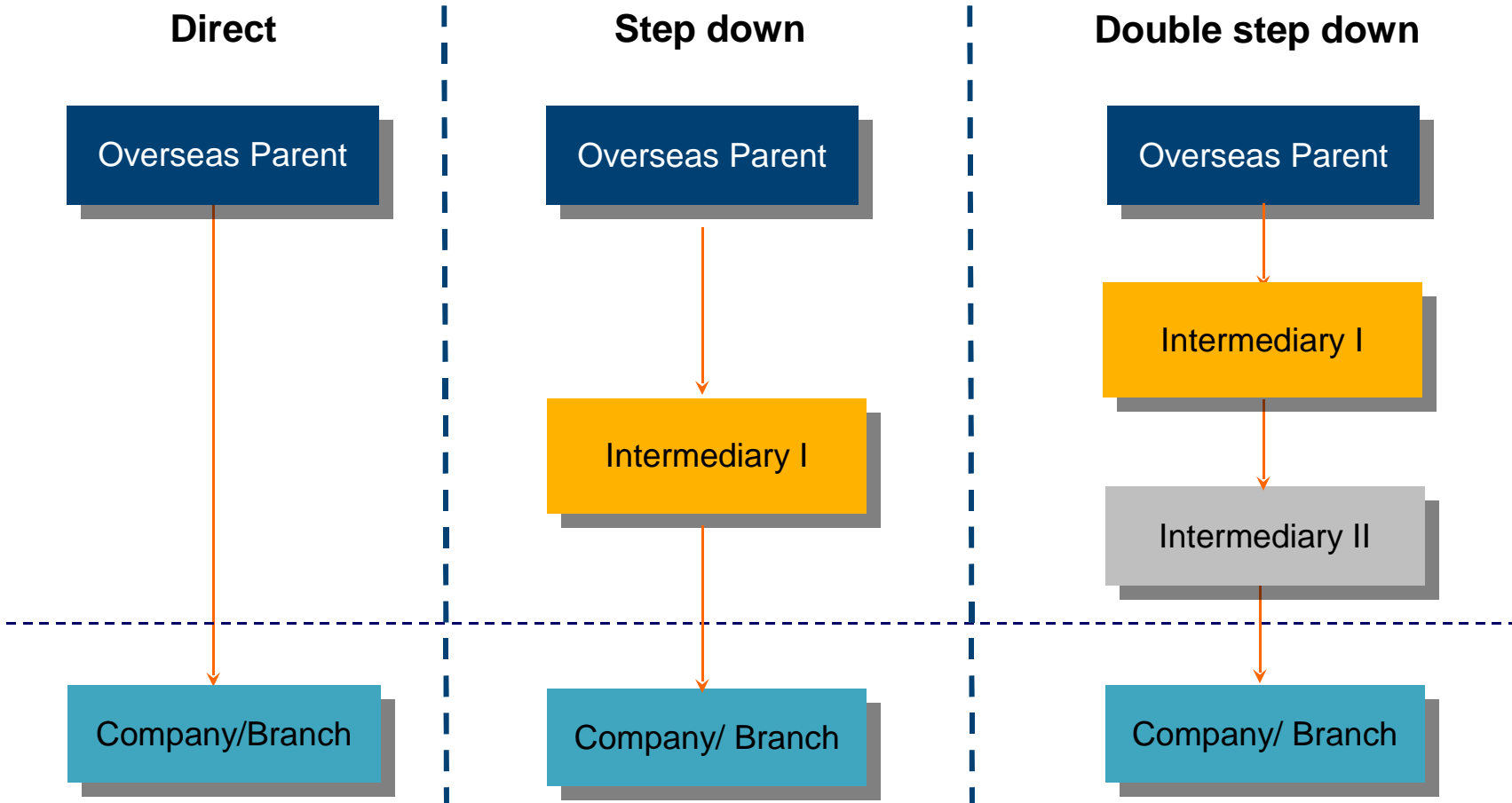


INVESTMENT STRUCTURES



Challenge Us

ENTRY STRATEGY- INVESTMENT VEHICLES

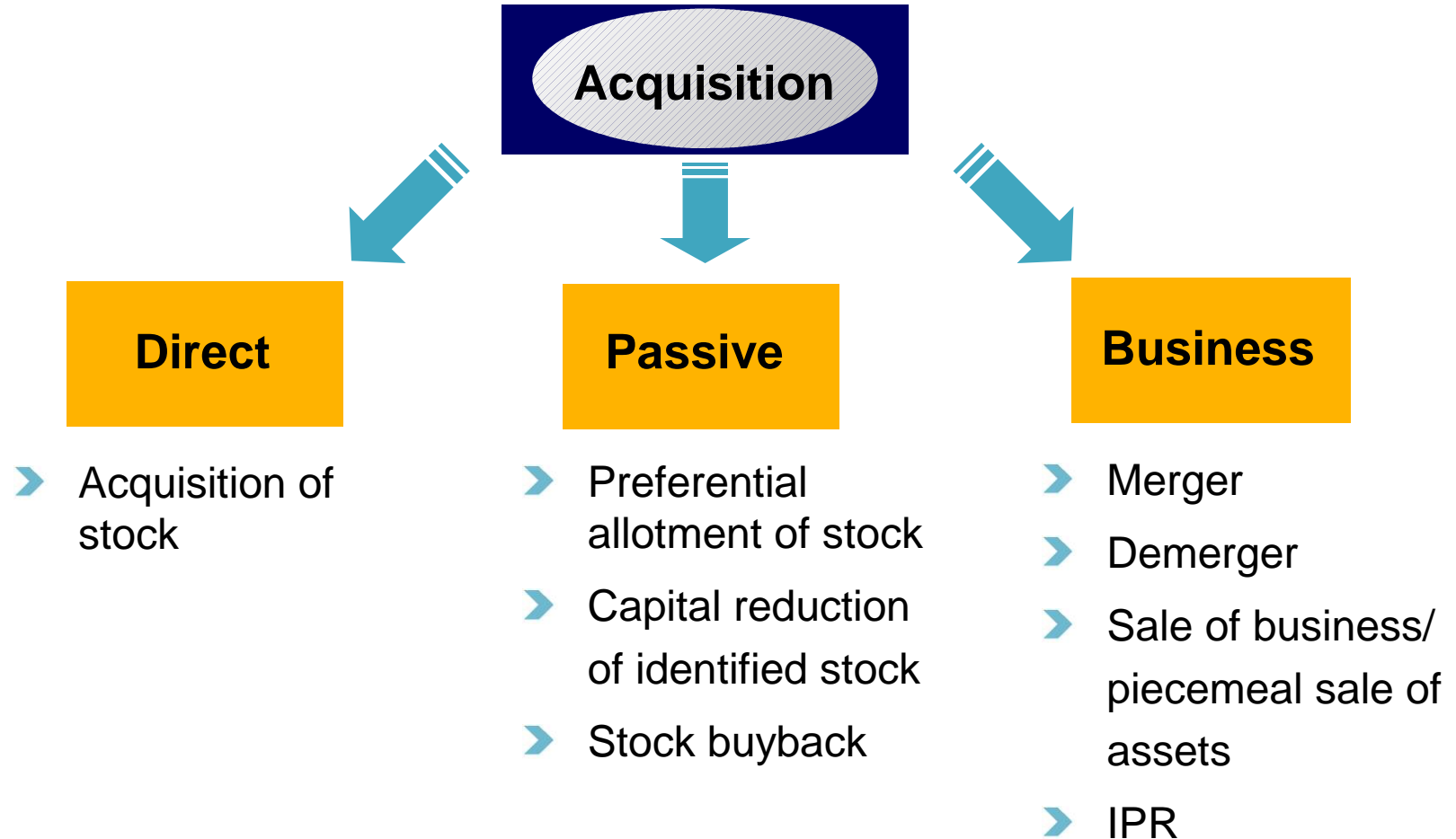


CHOICE OF JURISDICTION

➤ Relevant factors

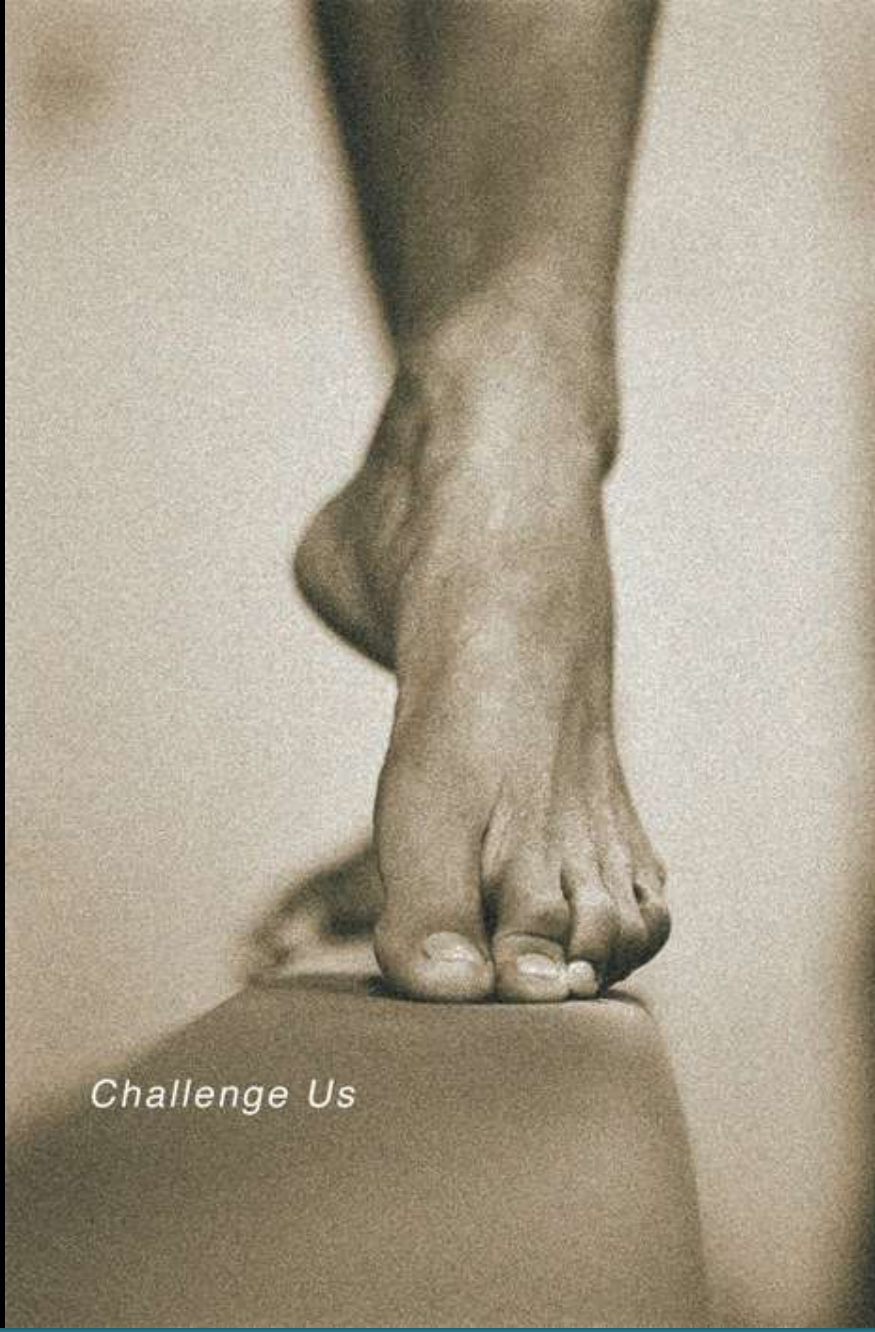
- Limitation of benefits clause
- Substance over form test
- Anti treaty abuse provisions – domestic law/ treaty
- Transfer Pricing
- Participation exemption
- Thin capitalization/ CFC legislation
- Foreign tax credit

INVESTMENT MODE



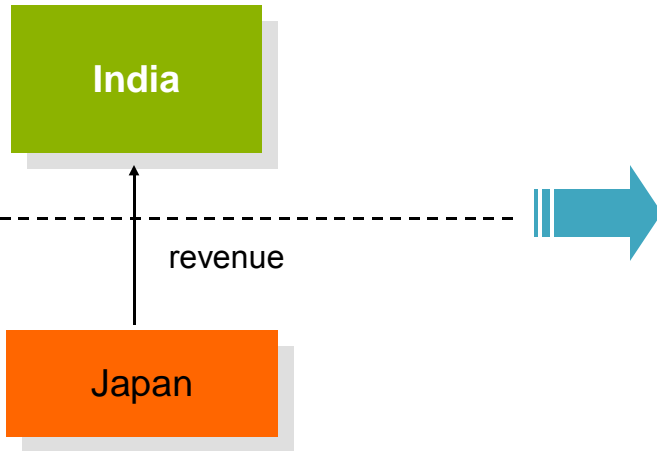
Possible to plan investment to minimize tax costs on acquisition

WITHHOLDING TAX RATES



Challenge Us

WITHHOLDING TAX RATES



Withholding tax rates

Nature of income	Tax Rates (in Japan)
Royalty	20 ¹
Interest	15/20 ²
Dividends	20 ³

NOTE:

2. Under the India-Japan tax treaty, royalty is subject to tax at 10%, if certain conditions are met.
3. As per the India-Japan treaty, a flat rate of 10% will apply on interest on meeting certain conditions.
4. Dividend will be taxed at 10% on meeting certain conditions.

DISCLAIMER

This presentation provides general information existing at the time of preparation. The presentation is meant for general guidance and no responsibility for loss arising to any person acting or refraining from acting as a result of any material contained in the presentation will be accepted by BMR & Associates. It is recommended that professional advice be taken based on the specific facts and circumstances. This presentation does not substitute the need to refer to the original pronouncements.



BMR & Associates

Challenge Us