Corporate Inbound Strategies and Compliance Matters for India

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Types of Entity Legal Structure

Entity Structure	Foreign Ownership	Entity Level Taxation	Ownership creates Income Tax Filing for shareholder
Liaison Office	Yes	***	Yes
Project Office	Yes	Yes	Yes
Branch (Office)	Yes	Yes	Yes
Partnership firm	No	Yes / No	Yes / No
LLP	Yes	Yes / No	Yes / No
Private Limited Company	Yes	Yes	No
Public Limited Company	Yes	Yes	No

Types of Taxes to expect in India

Direct Taxes

- Income Tax on the profits earned by the entity, different effective rates of tax for different entities.
- Minimum Alternate Tax (MAT), if the Income Tax is lower than the MAT calculated on "book profits"
- Dividend Distribution Tax (payable by the company) on the dividends declared by the company.
- Capital Gains Tax on profit earned from sale of assets
- Securities Transaction Tax on purchase / sale of investments
- Commodities Transaction Tax on purchase / sale of commodity derivatives / futures
- Wealth Tax on the value of assets considered as "Wealth"

Types of Taxes to expect in India

Indirect Taxes

- Excise Duty on goods manufactured
- Customs Duty on goods imported
- Central Sales Tax / State VAT on goods sold across / within the state respectively
- Service Tax on services rendered locally, on reverse charge basis for services imported / exported
- Entry Tax / Octroi / Local Body Tax for goods brought into certain cities levied by the local municipality
- Cess on certain Royalties

Types of Taxes to expect in India

Others

- Property Tax – on the annual value of the property
- Stamp Duty – on certain transactions entered into, e.g. purchase of property, transfer of shares etc.
- Professional Tax – payable by all employees of a company and a company, self employed individuals etc.
- Entertainment Tax – levied by theatres, shows, exhibitions, fairs etc.

The above lists are not exhaustive !!!

Tax Reduction Strategies

- Payment of Royalties
- Global or Regional Management Fees
- IT Support Fees
- Brand Fees

The disputes in India in the recent times is on account of

TRANSFER PRICING !!!

Winding up and Repatriation of Funds

- It is difficult to incorporate a company in India, and much more difficult to close down a company
- A long list of compliances are required to be completed
- Series of 'no objection certificates' required from various government authorities to ensure no liabilities are outstanding to these authorities.
- Voluntary Liquidation can only be applied for if the company has no assets or liabilities
- Then how does one actually close down a company !!!
- No wonder they say that companies have **"perpetual"** life

Entry Strategy one can adopt

- Instead of incorporating a company, buy the shares of an incorporated company but conduct a thorough due diligence and ensure documentation is in place
- Obtain most of the registrations before the purchase i.e. request existing owners to obtain the registrations (if these are not in place at the time of purchase)
- Even open a bank account before the purchase

Strategize the entry plan and save time, effort and resources versus incorporating a new company

Exit Strategy one can adopt

SELL THE SHARES OF THE INDIAN COMPANY
instead of closing down and repatriating the funds

- If you have assets in the company – sell the assets in the company first
- In you have no assets in the company / once you sell the assets – sell the shares of the Indian company
- One can also sell the company on an 'as-is-where-is' basis even if it is has assets. Generally if there is one large asset in the company, just sell the shares of the company

THANK YOU !!!

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