



Preparing the manufacturing sector
for post COVID-19

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Cash optimisation measures



Direct Tax

- Income-tax refunds – faster recovery
- Lower tax withholding certificate
- Deferral in TDS payments
- “Vivad se Vishwas” – close pending litigation with no interest and penalty cost
- Deferral in statutory payments
- Re-evaluate conclusion on “old vs new corporate tax regime” – impacted on account of change in projections
- Efficient cash repatriation (dividend, buy-back)
- Cash conservation through change in employee compensation



Indirect Tax

Bonded manufacturing:

- Deferment of Duty on import of Capital Goods and Raw Material
 - Import duty to be paid only when Capital Goods / Finished Goods are cleared in the domestic market
 - No Duty payable on Raw Materials if Finished Goods are exported
 - No Duty payable on utilized Capital Goods sold to foreign manufacturer
- No Export Obligations on clearance of Finished Goods
- No geographical restriction for setting up new / conversion of existing facility in India
- Other benefits such as single point approval, seamless transfers between warehouses and other facilitates, easy compliance, etc.



Transfer Pricing

- Impact of COVID-19 have been profound
- Existing transfer pricing policies may have to be reviewed and adjusted
- Setting up GICs in India - cost savings at group level
- Possibility of migrating manufacturing functions to India
- APA authorities are open to consider the impact of Covid and an adjustment
- Safe harbour for manufacturing sector, accepted % for Royalty/ FTS, Clarification and guidance on management charges

Strategies for business efficiency



Direct Tax

- Consider manufacturing new product line in a new company
- Restructure business entity / operations
- Rationalize shareholding
- COVID-19 impact areas



Indirect Tax

AEO Certification:

- Savings on partial / complete waiver to furnish Bank Guarantee
- Benefit of direct port delivery instead of CFS
- Savings through deferred duty payment fortnightly
- Faster reimbursements of refund claims
- Other Benefits:
 - Speedy clearance
 - Separate space in custodian premises
 - Faster resolution of investigations and proceedings
 - Faster disbursement of Incentives



Transfer Pricing

- Business restricting exercise – possibility of migration of business operations / functions
- Possibility of changing the business models – conversion of FFD to LRD, Full fledged manufacturing to contract manufacturing
- Possibility of undertaking risk adjustments - capacity utilisation, working capital
- Treatment of Covid19 related expenses as extraordinary expenses
- Changes in FAR analysis considering change in functional/ risk profile
- Aligning global pricing policies
- Certainty under APA
- Representation before the Government

Government incentives

Central

Export linked incentives



Export linked incentives for goods and services (turnover based incentives, duty concessions on imports, refunds under GST, Special Economic Zones)

Sector specific incentives



Electronics, E-Mobility, Medical Devices, Wind-Solar sector (infrastructure setup support, production linked incentives, subsidy to developers)

Concessional customs duty tariff



Concessional customs duty tariff for large scale projects (Project Imports Scheme under Customs), export benefits under capex and operations under FTA

Make in India



Tax holidays and lower income tax rate regime for new manufacturing units, new 'Make in India' policy under review



Rate change in Customs – Make in India

- Custom Duty hike on import of Mobile Phone and Charges, to encourage domestic manufacturing








FTP – Introducing RODTEP scheme

- Phasing out of MEIS Scheme
- WTO compliant RoDTEP Scheme, allows reimbursement of taxes/duties/levies such as electricity, VAT, Excise on fuel Stamp Duty etc., which are currently not being refunded

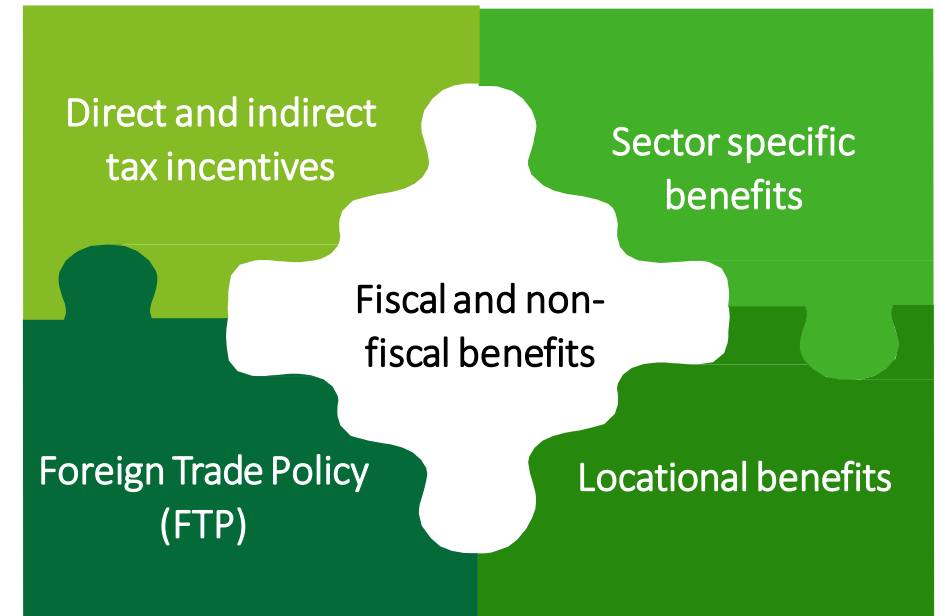
Government incentives

State

Key criteria for incentives:

-  Investment size – Project classification
-  Industry segment / product portfolio
-  Zonal classification of the location where investment planned
-  Industrial park where the manufacturing unit will be located
-  Direct employment generation

Snapshot of incentives:



Fiscal and non-fiscal incentives are specifically provided by state governments

India vs Asian countries

Tax rates – As per Domestic Laws subject to applicable tax treaty rates					
Particulars	India	China	Vietnam	Taiwan	Philippines
Corporate tax rate	17.16% 25.17%*	25%	20%	20%*** + 5% surtax on earnings not distributed /	30% + 10% surtax on specified accumulated earnings
Capital Gain – Transfer of Shares [non-resident (NR) shareholder]	10%	10%	20%	No specific capital gains tax on transfer of shares. Gains taxable at normal corporate tax rates	Generally taxed as income
WHT – NR					
- Dividend	21.84%	10%	Nil^	21%	15% 30%
- Interest	5.46% 21.84%	10%	5%	15% 20%	20%
- Royalty	10.92%	10%	10%	20%	30%
- FTS	10.92%	25%	5%	20%	30%
Other tax considerations					
Particulars	India	China	Vietnam	Taiwan	Philippines
Carry forward of losses	8 years**	5/10 years	5 years	10 years	3 years

- India ranked at 63 out of 190 countries in World Bank's Ease of Doing Business 2020 report – jump of 14 positions compared to last year report
- India has a stable Union Government – elected for a second 5 year team in May 2019
- India is not a member of OECD, but a major and important contributor to OECD's initiatives including BEPS Project
- Make in India movement and other policies to help improve and streamline the business climate.

* No MAT applicable and subject to certain conditions

**Unabsorbed depreciation available for carry forward for indefinite period

***AMT of 12% if basic income exceeds NTD 5,00,00

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