

Gujarat - A Business Perspective

- Gujarat is India's fastest growing state with about 21% share in India's exports and 16% share of the investments in India (Source: www.gujaratindia.com)
- Key industries in Gujarat include chemicals and petrochemicals, drugs and pharmaceuticals, dairy, cement and ceramics, textiles, auto and engineering, and gems and jewellery. Further impetus is being provided to Gujarat's economic prosperity by urban, port and SEZ led infrastructure development.
- Gujarat's rate of growth of industrial output was 20% in 2006-07
- Gujarat is the only state in India which offers investors clear exit options in terms of termination of labour and closure of industrial unit in a Special Economic Zone (SEZ)
- Gujarat is an industrially peaceful state with the lowest number of man-days lost in the country.
- Gujarat has the largest chemicals industry in the country. It is the leading producer of cement, salt and soda ash in India.
- Gujarat has the largest diamond processing industry in the world.
- It's the leading producer of fennel, castor seeds and psyllium husk in the world.
- Gujarat has the world's largest grass root refinery located at Jamnagar.

- Gujarat is home to Kandla, India's first special economic zone (SEZ). It is also one of India's largest ports with a capacity of 45.9 MMTA (million metric tonnes per annum). Most of the bulk traffic (10.8%) of the country is handled from Kandla port which amounts to 150 MMTA.
- Gujarat is the first state in the country where ports are being privatised through built-own-operate and transfer (BOOT) scheme. Gujarat has opened the country's first private sector ports Pipavav and Mundra by implementing the BOOT scheme. In addition, the liquid cargo (chemicals) handling port at Dahej is the first of its kind and has been set up as a joint venture.
- The state has the highest number of airports (11) in India, including an international airport in Ahmedabad.
- Gujarat has an extensive road network exceeding 74,000 km.
- The first state in India to notify the Disaster Management Act.



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Foreword

Situated on the west coast of India, Gujarat is one of the leading industrial states of the country. It covers a geographical area of 1,96,024 sq km and accounts for 5.96% of the total area of India. Led by entrepreneurial spirit and unfaltering State Government support, Gujarat is a manufacturing powerhouse with world class production capabilities. A strong manufacturing sector is the edifice of economic activity in Gujarat. The state contributes 15.59% to the total value of output added by manufacturing sector of the country. Many of the leading companies all over the world have operations in Gujarat or are planning to do so. Recently, Ratan Tata's dream project 'Nano' is also shifted to near Ahmedabad city in Gujarat. So, this amply proves conducive environment provided by Gujarat Government and its people in the state.

We have compiled this guide to provide an overview of various social, legal, tax and commercial aspects in Gujarat, which can have a material impact on decision about doing business in Gujarat.

Given the limitations in compiling a booklet of this size, our intention is to offer a broad outline of the areas we feel are relevant to undertake business activities in Gujarat.

This guide cannot serve as a substitute for specific legal, tax or accounting advice concerning a business undertaking in Gujarat. Therefore, when specific issues occur in practice, it will be necessary to refer to the specific laws and regulations. Lemon Consulting is not responsible for any action taken based on information contained in this guide and any liability arising from any statements or error contained in it.

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December, 2008

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CHAPTER 1 : GUJARAT - A PROFILE

1.0 PHYSICAL FEATURES

1.1 Geography

Gujarat state came into existence as a separate State on 1st May 1960 in India. The State is situated on the west coast of India between 20-6' N to 24-42' N north latitude and 68-10'E to 74-28'E east longitude. It is bounded by the Arabian Sea in the West, by the States of Rajasthan in the North and North-East, by Madhya Pradesh in the East and by Maharashtra in the South and South East.

The State has an international boundary and has a common border with the Pakistan at the north-western fringe. The two deserts, one north of Kutch and the other between Kutch and the mainland Gujarat are saline wastes.

The State has a long coast-line of about 1,600 kms. And is the longest among all States of country. For the purpose of administration, Gujarat State at present comprises of 25 districts, sub-divided into 226 talukas, having 18618 villages and 242 towns. Gujarat has geographical area of 1.96 lakh sq.kms. and accounts for 6.19 percent of the total area of the country.

1.2 Climate

Due to the presence of a desert, the climate is mostly dry in the north-west, and wet in the southern districts because of heavy monsoon season. The temperature ranges from 10°C to 45°C in most parts of the State.

The Arabian Sea and the Gulf of Cambay reduce the temperature and render the climate more pleasant and healthy. The year can be divided into: the winter season from November to February, the summer season from

March to May, the south-west monsoon season from June to September, and the intervening month of October

2.0 POPULATION AND SOCIAL PATTERNS

2.1 Population*

According to the provisional results of Population Census 2001, the population of Gujarat as on 1st March 2001, stood at around 50 million. The decadal growth rate of the decade 1991-2001 has increased in comparison to 1981-1991 from 21.19 percent to 22.48 percent.

The density of Gujarat is 258 persons per sq.km. in 2001. The literacy rate in the State (excluding children in the age group 0-6 years) has increased from 61.29 per

cent in 1991 to 69.97 per cent in 2001. About 37.67 per cent population of Gujarat resides in urban areas (Excluding earthquake affected areas). Out of the total population of 50 million in the state (excluding the earthquake affected areas), 20 million (42.10 per cent) were workers and 28 million (57.90 per cent) were non-workers. According to the provisional results of population census 2001, the total number of households was 9.6 million.

2.2 Language

Gujarat is a land of many languages and dialects. Hindi is the official language of the Union, while English is commonly used business language. English language is acceptable for all the legal, commercial and business documentation and communications.

3.0 GOVERNMENT AND POLITICAL SYSTEM

3.1 Central Government

India is a sovereign, socialist, secular, democratic republic. It follows a federal form of government. Each state is administered by a state government, while the central government is in charge of overall administration of the country.

At the central level, India has a bicameral legislature. The Union Parliament comprises the Lok Sabha and the Rajya Sabha. The members of the Lok Sabha are directly elected by the people of the country. While majority of the members of Rajya Sabha are representatives of the states and union territories. The leader of the majority party in the Lok Sabha usually becomes the prime minister of the country.

India has an independent judicial system. The Supreme Court is the apex judicial authority; below it are the High Courts which head the judicial system in each state. Under each High court, there is a hierarchy of subordinate courts; district level and lower.

3.2 State Government

Each state has a legislative assembly. The members of the assembly are elected by the people of the states. The head of the state is the Governor, appointed by the president of the country. Each state also has a cabinet headed by the chief minister responsible to the elected State Legislature. The chief minister is responsible for the overall administration of the state.

4.0 LEGISLATIVE AND LEGAL ENVIRONMENT

4.1 Legislation

Indian Constitution divides the various responsibilities into three categories: the Union list, the State list and the Concurrent list. Parliament can make laws on subjects in the Union list and the state legislature on subjects in the State list. Both, the parliament and the state legislature can make laws on the subjects included in

the Concurrent list. This division helps in regulating the relations between the Union and the States.

4.2 Legal Environment

The main sources of law in India are the Constitution statutes, customary laws and case laws. The country's constitution provides for a single integrated system of courts to administer both Union and state laws. The judiciary in Gujarat is separated from the executives.

At the apex of the entire judicial system is the Supreme Court of India, which consists of the Chief Justice and other judges. The Supreme Court has original, appellate and advisory jurisdiction and its decisions on all courts within the territory of India. Each state (or two or more states together) has a High Court, a Chief Justice of the High Court and other judges who are appointed by the President in consultation with the Governor of the state. There is a hierarchy of subordinate courts under the various High Courts, which extend to the local courts, which decide civil and criminal disputes of petty and local nature.

5.0 INFRASTRUCTURE

5.1 Transport

Transportation system in Gujarat is fairly well developed. There are 11 airports under the operational jurisdiction of Airports Authority of India (AAI)

- International airport: Ahmedabad
- Domestic airports: Ahmedabad, Vadodara, Surat, Jamnagar, Rajkot, Bhavnagar, Porbandar, Bhuj, Keshod, and Deesa.

The state is extensively covered by rail and road networks. The total length of roads (except Non-plan, Community, Urban and Project roads) in the State has increased to 74038 km by the end of 2005-06 from 73724 km at the end of 2004-05. Out of the total road length of 74038 km at the end of the year 2005-06, the length of National Highways, State Highways, Major District Roads, Other District Roads and Village Roads was 2867 km, 18702 km, 20707 km, 10503 km, and 21259 km, respectively.

This surface transport network is fairly supplemented by airline routes connecting the major cities.

The state has also good number of ports. The State has 40 minor and intermediate ports, geographically dispersed across South Gujarat (13 ports), Saurashtra (23 ports) and Kutch region (4 ports) and one major port. Besides this, there are 3 private ports in the State. Kandla is another major port and is under the control of Central Government of India.

The total cargo handled by the Kandla Port in quantitative terms has increased from 45.907 million tonnes in the year 2005-06 to 52.982 million tonnes in the year 2006-

07, showing an increase of 15.41 % over the previous year (including transshipment). The intermediate and minor ports of Gujarat handled a total cargo of 132.442 million tonnes during the year 2006-07 as against 108.075 million tonnes handled during the preceding year, showing an increase of about 22.54 %.

5.2 Communication

As on October 13, 2007, there were 8,968 post offices/branches and as on October 31, 2007 46 telegraph offices comprising of five Central Telegraph Offices, 35 Departmental Telegraph Offices and six Telecom Centers and 41 customer service centres in the State.

As on October 31, 2007, there were nearly 236.6 million telephone connections working in the State. As on November 30, 2007, there were 14.6 million Cell phone subscribers in the Telecom Circle of Gujarat.

5.3 Social Infrastructure of Gujarat

The State is home to India's leading business school Indian Institute of Management, Ahmedabad (IIM-A), and other important institutes such as National Institute of Design (NID), National Institute of Fashion Technology (NIFT), and Entrepreneurship Development Institute (EDI). Apart from the leading institutes the State is also home to 44 engineering institutes and 41 management schools. Further, the State Government plans to establish a ship building university, the first of its kind in the country and it is going to be established in Kutch. Besides, the State has a well established health infrastructure including multi-speciality hospitals managed by reputed groups. The state government has launched emergency ambulance service available 24x7 hours named 108. The State also has multiplexes and multi cuisine restaurants for entertainment.

5.4 Housing

Adequate housing is available in most of the major metropolitan areas and in large and medium-size towns. The rates tend to be higher in areas closer to the central business district and lower in the suburbs. Apartments and houses are usually available for outright purchase or on rent for maximum renewable periods of 60 months. Deposits equivalent to 10 or 15 times a month's rent are generally required in case of premises to be rented.

6.0 HINTS FOR VISITORS TO GUJARAT

6.1 Indian Currency

The monetary unit is the Rupee (Rs. or INR). The Indian central bank viz. Reserve Bank of India (RBI), is the sole authority for issuing currency in India. Currency converting agencies have a reasonably spread network across all major cities, tourist destinations and airports, where all leading currencies can be converted to Indian rupees and vice versa.

From March 1993 the government has permitted a floating exchange rate for the rupee, which is expressed in terms of the US dollar. The exchange rate for the rupee as on 30th September 2008 was US \$ 1 = Rs. 46.94 and Euro 1 = Rs.67.79

6.2 Visitors 'Visas

Every foreigner entering India is required to possess a passport and visa. Visas (tourist, business or entry) are issued on application to the Indian High Commission. The visas normally expire six months from the date of issue. If the visa allows more than one entry into the country, it must be used for the first time within six months from the issue date.

6.3 Indian Standard Time

Indian Standard Time (IST) is five and one-half hours ahead of Greenwich Mean Time (GMT).

6.4 Business Hours

The normal working week in Gujarat is usually Monday through Saturday (9.30 a.m. to 5.30 p.m.). However, there are some organizations, which work from Monday to Friday. Some organisations work half day on Saturdays or work on alternate Saturdays. Sunday is a public holiday. Banking hours are generally between 10 a.m. and 3.00 p.m. on weekdays and 10 a.m. to 1.00 p.m. on all Saturdays, though some of the banks are now offering 24 hours banking. Organisations in Information Technology / Information Technology Enabled services, Factories and some other organisations are allowed to work in 3 shifts i.e. 24 hours.

6.5 Public Holidays

The statutory public holidays vary from state to state and number around 20 in a year. Holidays in private sector organisations generally vary from 10 to 15.

6.6 Tourism

There are various historic sites available to visitors. Hundreds of ancient temples and mosques as well as other monuments provide a view not only of Gujarat's past but also its cultural and trade connections with the rest of the world.

Saputara is Gujarat's best-known hill resort, situated a top the second highest plateau in the Sahyadri range. There are also other important tourist spots in Gujarat like Pavagadh, Jamnagar, Rajkot, Bhavnagar, Girnar, Uperkot, Kutch, Bhuj etc.

6.7 Attire Code

Being a tropical country, clothing is often light, including formal office wear. Suits and jackets are common in the cities but are usually restricted to senior corporate executives.

CHAPTER 2 : BUSINESS IN GUJARAT AND INVESTMENT ENVIRONMENT

The Government has incorporated the following acts and policies to ensure smooth conduct of business and overall development of the state:

- Industrial Policy
- Information Technology Policy
- Agro Industrial Policy
- Mineral Policy
- Tourism Policy
- Gujarat Infrastructure Development (GID) Act, 1999
- Ports Policy
- BOOT Policy
- Integrated Township Policy

1.1 Industrial Policy 2003

The Industrial Policy, 2003, was formulated to support an entrepreneur at every stage of project implementation from conception to commissioning and thereafter. The Government would also propose to address all the issues of the existing industries to create the most conducive environment for businesses to flourish. The objective of the Industrial Policy, 2003 is achieving global competitiveness for industries in Gujarat.

Information and Facilitation

- District Industries Centre (DIC)

In order to facilitate easy dissemination of information, the Government of Gujarat has set up kiosks at all the DIDs. The kiosk would contain exhaustive information to cater to any kind of needs of a visitor.

- Facilitation at the state level

At the state level, Industrial Extension Bureau (iNDEXTb) has been functioning as a nodal agency to facilitate investors in implementing their projects expeditiously. The Industries Commissionerate will act as facilitator and develop expertise in industrial intelligence by studying the change in behavior and health of specific sectors of

industry in terms of internal and external factors.

- In order to effectively monitor the progress of implementation of the projects, elaborate mechanisms are already in place:

For infrastructure projects

- For giving fast track clearances to the Infrastructure projects, a special organization Gujarat Infrastructure Development Board (GIDB) is already in operation

Allotment of Land

Keeping in view the objective to promote industrialization in Gujarat, the Revenue Department has so far taken following steps to facilitate allocation of land to industries:

- A provision of Deemed NA has been made which allows a bonafide industrialist to acquire agricultural land and commence activity without prior NA permission.
- Land under restricted tenure is now easily convertible to old tenure for industrial purposes.
- Section 63AA of Gujarat Tenancy Act which came into effect from March 6, 1977 enables a bonafide industrialist to possess agricultural land for setting up industrial undertaking without prior approval of the District Collector.
- For valuation of the Government land, the value upto US\$0.12 million is decided by the District Level Pricing Committee. In case of value exceeding US\$0.12 million, it is decided by the State Level Pricing Committee. This mechanism facilitates appropriate and quick evaluation of land.
- As regards land acquisition, urgency clause is also invoked in deserving cases of public or private limited companies to facilitate quicker possession of land for industrial purposes.

Gujarat Industrial Development Corporation (GIDC) Land

- GIDC is the nodal agency of the Government of Gujarat which provides for shelf availability of infrastructure required by industries. It provides for infrastructure such as estates/industrial parks with basic infrastructure such as land, ready-to-use sheds, roads, water supply, power supply, street lights, and pollution mitigation machinery etc. These estates also provide social, residential, and commercial infrastructure.
- GIDC has so far, set up 171 functional estates/industrial parks at commercially viable and strategically located places.
- GIDC land is clearly marketable and free from all encumbrances and liens.

- The land allotment procedure is simple, hassle free and transparent.
- GIDC has set up sector specific estates/industrial parks for engineering, chemicals, plastics, apparels, gems, granite, and ceramics etc.
- The chemical estates set up by GIDC are complete with common effluent treatment plant (CETP), effluent collection system and disposal system. Upfront availability of these facets of infrastructure in the estate makes it easier for seeking environment clearances.
- The allotment price of land is fixed by GIDC in a transparent manner which is acceptable to all banks and financial institutions. The allotment price is reasonable and affordable.
- GIDC offers two options for payment of land price:
 - The applicant can pay 30% of the land price upfront, take possession of the land and start industrial activity. The remaining amount is payable in 10 years in 40 installments with interest at the rate of 12%. In this option, the status of the allottee is of a licensee.
 - The allottee can make 100% payment of the land price and take 99 years leasehold rights. GIDC will accord permission to the lessee to encumber leasehold rights in favour of a bank/financial institution to secure financial arrangements.
- GIDC gives the option to its lessees to convert leasehold rights into freehold status if the lessee has completed 15 years. The option is given to the lessee on payment of a premium.
- GIDC extends preferential treatment in allotment of land to socially weaker sections, NRIs and Export Oriented Units (EOUs).
- Major GIDC estates are notified areas facilitating local self governance.
- GIDC is in the process of setting up six Special Economic Zones (SEZs) at Ahmedabad (Apparel), Surat (Apparel), Savli (Biotech), Jhagadia (Glass & Ceramics), Dahej (Petrochemicals and Chemicals) and Gandhinagar (IT/ITES and EHTP)
- Availability of infrastructure with GIDC, various rules and regulations, allotment procedure etc. can be accessed on GIDC website. (www.gidc.com)

Flexibility in Labour Laws in the SEZs/Industrial Parks

Gujarat is the only state in India to have amended the Industrial Disputes Act with respect to SEZs after obtaining prior sanction from the Government of India. Section V(b) of the Industrial Disputes Act was amended to remove the last-in-first-out process from retrenchment procedure and section V(d) was introduced. Section V

(d) defines termination and allows termination of labour on discretion of the unit without prior Government permission. Further, flexibilities in labour laws pertaining to hire, longer working hours, and engaging contract workers are also available due to the amendment.

The industrial units have to file Consolidated Annual Report (CAR) in the prescribed form instead of Periodical Returns to the Development Commissioner of SEZ.

Environmen

Common Consent/ Authorization

Gujarat Pollution Control Board (GPCB) issues statutory clearances in the form of consents and authorization under the provision of the Water Act, 1974, and the Air Act, 1981, as well as Hazardous Waste (Management and Handling) Rules, 1989. The GPCB has taken an initiative and devised a mechanism under which a common form both for consents and authorization will have to be submitted and the consents and authorization will be issued for a period of five years instead of one year.

Small and Medium Enterprises (SMEs)

Cluster Development Approach

The strong presence of 76 identified manufacturing sectors consisting of a large number of small and medium scale industries provides a very vibrant manufacturing base for the state. Each of these sectors is located in clusters spread throughout the state.

The Government has decided to offer concessions in the form of electricity duty exemption for a period of first five years to the cluster associations if they set up either common power plants or common effluent treatment plants or waste recycling plants.

Incentives offered by Government of Gujarat under the Industrial Policy 2003

The Industrial Policy 2003 of the Government of Gujarat has laid down the following incentives to promote industry and to encourage investments.

Investment Incentives

- Interest Subsidy to Small and Medium Enterprises
- Assistance for Research and Development
- Financial Assistance for setting up Industrial Park
- Assistance to Critical Infrastructure Projects
- Power Tariff Incentives

- The new industrial units are exempt from payment of electricity duty for a period of five years.
- The industrial units which generate electricity for captive requirements are exempt from payment of electricity duty for the initial period of five years.

Other Incentives

- Financial Assistance to SMEs for Quality Certification
- Assistance for Technology Up gradation
- Assistance for Cluster Development
- Assistance for Market Promotion and Development
- Assistance for Environment Protection Measures
- Assistance for Common Effluent Treatment Plant (CETP)
- Relief to Sick Industrial Units

Other Initiatives

Creating a conducive environment for investment

Gujarat has constituted a high-powered Gujarat Industrial Promotion Board (GIPB) under the chairmanship of Hon'ble Chief Minister to grant clearances in the form of a single window mechanism to large projects.

This Mechanism will be further strengthened with the co-operation of all the departments of the Government and eventually a single window clearance mechanism would be introduced for all the projects For further details on the policy please visit <http://www.gujaratindia.com/business/business3.htm>

Industrial Policy 2008 is under draft stage and will be declared soon.

1.2 Information Technology (IT) Policy

A comprehensive IT Policy 2006 – 2011 was introduced by the Government of Gujarat with a vision “to endeavor for rapid expansion and growth of knowledge based economy in the State”. The State Government has envisaged attracting investments in the sector by way of promotion of urban based IT infrastructure, enhancing supply of skilled manpower and promotion of IT and related industries.

Incentives for IT infrastructure development

- Special incentives for mega IT projects, creating employment of more than 1,000 persons in the case of an IT unit and 1,500 persons in the case of an ITES unit.

- Special incentives for projects with investment of US\$1.06 million and above.
- Financial assistance at 50% of fixed capital investment in land, buildings and infrastructure facilities to IT park developer up to a maximum of US\$0.61 million.
- Stamp duty exemption on purchase of land for IT park developers.
- State shall facilitate grant of SEZ status to IT industry/ IT parks, subject to provisions of the SEZ act/rules.
- Additional Floor Space Index (FSI) allowed for IT/ITES Parks in urban centers.
- Nomination of one escort officer for each IT mega project including IT Parks.

Incentives for IT/ITES units

- Exemption of IT/ITES units from zoning regulations under the applicable Town Planning Schemes
- Stamp duty exemption @ 50% for IT/ITES units in IT Parks.
- All new IT units exempted from the payment of Electricity Duty for a period of five years and exemption from power cuts.
- Waiver of “no objection certificate” from Gujarat pollution control board” for IT/ITES units engaged in provision and production of “IT services & IT software”
- Simplification of labour laws:
 - Permission to have 24/7 operations
 - Permission for women to work at night
 - Self certification-cum-consolidated annual returns scheme
- Continuous Government support for enhancement and development of quality manpower for the IT/ITES industry.
- Gujarat IT Fund with a corpus fund of US\$5.85 million, set up to provide financial support for development of IT, ITES and IT products industry. For further details on policy, please visit <http://www.gujaratindia.com/business/business3.htm>

1.3 Agro Industrial Policy

This policy endeavors to make Gujarat the destination of choice for investors and processors, both global and domestic. Gujarat is one of the pioneering states for incorporating a separate comprehensive Agro Industrial policy. Agro industries have been redefined to include value addition projects and projects creating a link between a farm and a market even without change of form (i.e without value addition).

Incentives

Incentives under the policy are available over and above those given by the Central Government and are available irrespective of the scale of operations. The incentives are available to new units as well as existing units undertaking technology up-gradation, modernization, expansion or diversification. The following incentives are provided:

- Interest Subsidy to Agro Industrial Units and Agri- Infrastructure Development
- Assistance for preparation of Project Report
- Support for setting up of Center of Excellence/Specific Crop Development Institute
- Quality Assurance Assistance
- Patent Registration Assistance

Land

The Government provides government land including agriculture farms on long term lease at concessions rates to agro industries.

Exports

The State Government encourages export of agro products from the state by taking following measures:

- Agro Export Zones for mango and vegetables from Ahmedabad to Valsad, and for sesame seeds and value added onions at Saurashtra have already been established
- Setting up of Air Cargo Complex for perishable products at Ahmedabad International Airport
- Setting up of world class laboratory for quality and inspection of Agriculture and Processed food products from the state
- Assistance available to exporters of Gujarat's agriculture produce:
- Air Freight Subsidy at the rate of 25% on Air Freight on Mango, Sapota, Banana, Lemon, Okra, Tomato and such other products as specified by the State Government from time to time, subject to a ceiling of US\$0.02 million per beneficiary/per annum.
- Subsidy (within a ceiling of US\$1220per beneficiary) for sending samples/test marketing abroad. The State and the Central Government assistance should not exceed 50% of the cost of sending samples and the beneficiary can avail such a grant only once for sending samples to one country and the product should be of

Gujarat origin only

- Sea freight subsidy for produce of Gujarat origin

Research & Development

The Government provides assistance to agro industries for sponsored research work undertaken by reputed research institutions, up to 50% of the cost, within a ceiling of US\$0.05 million.

Certification Agency for Organic Farming

The state facilitates setting up of internationally recognised quality testing and certification laboratories in Gujarat.

Venture Capital Fund

The State Government has created a venture fund for agro industries in association with financial institutions/ banks, etc.

Agro Waste

The State Government supports projects on agro waste, by treating them at par with Agro Industrial Infrastructure projects for the purpose of incentives.

Single Window Clearance

The State Government is committed to provide the facility of single window clearance to ensure that entrepreneurs do not have to visit different government offices to obtain the required clearances for setting up industrial units in the state.

The State Government has constituted an Empowered Committee consisting of Secretaries in-charge of Departments of Finance, Industries, Agriculture and the Managing Director, Gujarat Agro Industries Corporation Ltd. with a view to provide Single Window Clearance to Agriculture and Food Processing Industry.

Nodal Agency

The State Government has appointed Gujarat Agro Industries Corporation Ltd. as nodal agency to promote and develop Agro and Food Processing industry in Gujarat.

For further details, please visit www.gujagro.org

1.4 Mineral Policy

The Mineral Policy was introduced by the Government of Gujarat to build global competitiveness in all aspects to infuse transparency at all levels of operation, and enhance efficiency by adopting e-governance.

The Government of Gujarat has envisaged specific policy initiatives for industrial minerals occurring in the state to attract investment in the fields of mineral exploration, exploitation, and mineral-based industries.

For further details on policy, please visit

<http://www.gujaratindia.com/business/business3.htm>

1.5 Tourism Policy

The focus of the Tourism Policy will primarily be to attract tourists to Gujarat. The policy aims at overall development of tourism by providing services of international standards and also by creating excellent infrastructure, connectivity and providing tourists with good facilities in important tourist locations.

The Government proposes to undertake the following schemes for infrastructure development:

Land Bank Scheme

The physical facility creation of land bank scheme earmarks certain land on the beaches, tourist places, wayside locations and state/national highways for the tourism projects both in the rural and urban areas. If the private investor wants land, he shall identify the land and approach the Commissioner of Tourism along with the project report. The Commissioner of Tourism will work as the nodal agency for the above purpose. The Government shall allot land on long-term lease basis or by way of outright sale for the tourism projects.

Concessions shall be provided either on lease and its tenure or on the rate to be charged for Government land, on stamp duty on registration fee pertaining to land transaction for the tourism projects depending on the size of the project and its importance to the development of the state.

Rationalization of Taxes and Duties

The policy proposes to ensure that different taxes like luxury tax, entertainment tax are rationalised and simplified in a manner such that tourism projects are encouraged.

Private Sector Participation

The Policy envisages privatisation of as many projects as possible. It would also ensure that the projects that are conceived under the Tourism Policy should be so structured as to ensure maximum participation by the private sector.

Implementation Mechanism

Services of existing Gujarat Industrial Promotion Board (GIPB) would be utilised for ensuring effective and timely implementation of the Policy proposals.

For further details on policy, please visit

<http://www.gujaratindia.com/business/business3.htm>

1.6 Gujarat Infrastructure Development (GID) Act, 1999

The Government of Gujarat has incorporated the GID Act to provide for a framework for participation of private players in financing, constructing, maintaining and operating infrastructure projects. A Gujarat Infrastructure

Board (GIDB) has been established under the Act to provide for matters connected with private participation.

For further details on the Act and the procedure for selection of private player, please visit www.gidb.org

1.7 Port Policy

The Port Policy was introduced to ensure an integrated port development strategy, consisting of creation of port facilities, industrialisation and development of infrastructure facilities like roads and railways in the hinterland.

Private Investment in the Existing Minor and Intermediate Ports

Private investment is invited in the existing minor and intermediate ports. General guidelines of privatisation are as follows:

- Incomplete works of wharf/ jetty/ quay of Gujarat Maritime board (GMB) will be privatised.
- Private entrepreneurs will be permitted to install modern mechanical handling equipments on the wharf/ jetty/ quay.
- Privatisation of the construction of new wharves/jetties in selected sites.

Captive Jetties for Industries

To ensure that the new port projects are financially viable, permissions for captive jetties is given only in exceptional cases depending on the quantum of investment and the need for specialised facilities. All industrial units would be encouraged to make use of new port facilities being set up.

Privatisation of Services

Privatisation of services is done in the following areas:

- Lighter age
- Dredging

- Piloting
- Tug towing service
- Other essential utility services

Key Initiatives

- Gujarat is the first state in India to invite private sector participation through competitive bidding
- A Maritime Training Institute has been proposed, in collaboration with private companies and institutions, to provide the requisite manpower
- A MoU has been signed between the Korea Maritime University and the Government of Gujarat for establishing a centre of excellence.
- Developing /upgrading port facilities at 10 locations.
- Providing port facilities to promote export-oriented industries and port-based industries entailing almost 50% of total industrial investment
- Encouraging shipbuilding, ship repairing and manufacturing facilities for cranes, dredgers and floating crafts
- Progressive and liberal policies have been framed to ease the privatisation of ports.
- Rail connectivity provided to Pipavav and Mudra and plan to extend further to Dahej and Hazira Port

Barge Mounted Power Plants

To increase the availability and to ensure the quality of power in Gujarat, the barge mounted power plants in the five coastal districts of Kutch, Junagadh, Amreli, Bhavnagar and Bharuch will be provided with port facilities. To encourage establishment of these barge mounted power plants, wharfage is charged at a concessional rate of 25% of the existing rate.

Industrialisation

Port based industrial estates will be established in four to five new port areas to facilitate import of raw-materials and export of finished goods to make industries located in Gujarat globally competitive. GIDC plans such estates in the vicinity of the port locations with all necessary infrastructure facilities.

Maritime Related Industries

Maritime related industries like ship building, ship repairing, dredgers and other flotilla units like tugs, barges, launches and support crafts will be given priority to be

located along Gujarat coast in collaboration with the leading global manufacturers. Gujarat Maritime waterfront would be leased to such manufacturing units at subsidized rates.

Implementation

Gujarat Maritime Board will act as the coordinating agency in procuring land, water, power, and infrastructure facilities like rail and road and any other clearances to be obtained from the Government of Gujarat or Government of India.

For further details please visit www.gmbports.org

1.8 BOOT Policy

The BOOT principles serve as a framework for involvement of the private sector in construction and operation of new ports.

The Gujarat Maritime Board (GMB) identifies the port location to acquire land for the project. The land is allotted on lease to the developer.

Lease Rentals

The developer has to pay 10% of the land acquisition cost as lease rent p.a. with an escalation of 10% every three years. The lease term/ BOOT period is around 30-35 years.

Development of Port Infrastructure

The developer is entirely responsible for the creation of port infrastructure. However, sublease and subcontract are allowed, to develop different port infrastructure. The developer is given complete flexibility in setting and collecting all tariffs.

Payment of Royalty

A "waterfront royalty" is set up by and payable to the government by the port. This is charged on a per-ton-per type- of-cargo basis. The developer is granted a concession on the royalty payable to the Government for a specific period of time. The royalty concession ceases on completion of the BOOT period as the port will revert back to Government/GMB after the BOOT period is over.

Transfer of Assets

At the end of the BOOT period, the following mechanism is adopted for transfer of assets to the Government:

Immovable Assets: The immovable assets are transferred to the Government for a consideration that reflects the fair value of the assets being transferred.

Movable Assets: The developer has the option to take away all movable assets

including equipment and infrastructure. In case the developer does not exercise this option, the Government will take over all movable assets for a consideration that reflects the fair value of the assets being transferred.

The fair value is calculated in accordance with a predetermined mechanism that is specified at the time of signing the concession agreement.

For further details please visit www.gmbports.org

1.9 Integrated Township Policy

Objective of the policy

The main objectives of the Township Policy are listed below:

1. To promote economic development
2. To facilitate the creation of efficient, equitable, and sustainable urban settlements
3. To facilitate public-private partnerships in urban development
4. To facilitate capacity building in the private sector and in the Government for urban development.

Key elements of the Township Policy

The key elements of the Township Policy are set out below:

Government's role and support

Government will primarily play the role of facilitator in implementing the Township Policy. The Government's role is detailed out in the policy under the following heads:

1. External Infrastructure Power/Roads/Water
2. Land purchase support
3. Green Channel procedures
4. Special benefits
5. Rating of developers and projects
6. Monitoring mechanisms
7. Macro level planning and regulation of development

Developer's role and obligation

The developer plays a central role in the realisation of the objectives of the Township

Policy. While the policy facilitates the township development process and simplifies procedures, it also provides a framework of norms to ensure that the public policy objectives are met and high quality townships are created. The developer's role is detailed out in the policy under following six heads:

1. Town planning norms
2. Mitigation of vulnerability
3. On-site physical and social infrastructure norms
4. Disclosure Norms
5. Performance standards for operation and maintenance
6. Provision for informal service providers

The implementation framework

The framework for implementation of the Township Policy is designed for simplicity of operations and also geared for achieving public policy objectives as well as for enabling high quality township development. The implementation framework is detailed out in the policy under following nine heads:

1. Applicable area
2. Eligibility Criteria
3. Classification of Townships by use
4. Flagship Townships
5. Performance Standards
6. Disclosure norms
7. Procedures
8. Mechanism to ensure compliance
9. Institutional framework
10. Any other matter

2.0 INCENTIVES FOR EXPORTS

Exporters are eligible for a number of special incentives.

Duty Drawback: Exporters are entitled to drawback import duties and excise duties

paid by them on material inputs of products exported at specified rates, depending upon the type of product exported.

Freight Concessions: Freight rate reductions and priority wagon booking facilities are made available on the railways for transport of raw material for export production and finished products for export.

Export Credit Guarantee: This guarantee is provided by the Export Credit Guarantee Corporation at low rates of premium to banks and other financial institutions to enable exporters to obtain better credit facilities.

Advance Licenses: These are issued to exporters for import of raw materials for manufacture of finished products, without payment of custom duties. Duty free import of capital goods may also be permitted if the product to be manufactured is for export.

Special Import Licenses: These licenses for items in the negative list of imports are made available to specified categories of exporters.

Higher Royalty Payment. Royalty of 8% net of tax is permitted on export sales as compared to 5% on domestic. In addition, a commission on exports can also be paid to agents outside India.

Special Incentives: These are available to units set up in Special Economic Zones (SEZs), Export Processing Zones (EPZs) and 100% Export Oriented Units (EOUs). While EOUs can be set up anywhere in the country, there are designated SEZs and EPZs which provide internationally competitive duty free environment for low cost export production through basic infrastructure facilities like: developed land, standard design factory buildings, roads, power, water supply, drainage, customs clearance and telecommunications. Presently, these units are eligible to credit 100% of their eligible export receipts of foreign exchange to their Exchange Earners' Foreign Currency (EEFC) account. These tax incentives are discussed in details in chapter on Taxation System.

EOUs/EPZs have to achieve specified value addition norms. Apart from tax holidays, EOUs/EPZs can import capital goods and industrial inputs free of custom duty and are exempt from payment of Central and State sales tax. Supplies by domestic tariff area units to EOUs/EPZs are regarded as deemed exports and are exempt from excise duty.

Special Economic Zones: To create stimulating infrastructure facilities of international standards in export production, Special Economic Zones (SEZ) can now be set up in the private, public, joint sector or by state governments. Certain EPZ have now be been converted into SEZ. Units in SEZ have comparably better incentives from units in EPZ.

Unique Benefits offered by Government of Gujarat

In addition to the incentives offered by the Central Government, the following benefits are available under the SEZ Act of Government of Gujarat:

Flexibility of Labour Laws: Gujarat is the only state in India to have amended the Industrial Disputes Act with respect to SEZs after obtaining prior sanction from the Government of India. Flexibilities in labour laws pertaining to hire and fire, longer working hours, engaging contract workers are also available due to the amendment. A unit in SEZ is to file Consolidated Annual Report (CAR) in the prescribed form instead of Periodical Returns to the Development Commissioner of SEZ.

Electricity Duty Exemption: The industrial units setting up a power plant for captive requirements in a SEZ are offered electricity duty exemption for a period of 10 years.

Other Incentives: The industrial units setting up operations in a SEZ are exempt from the levy of stamp duty or registration fees on transfer of land, loan agreement, credit deeds, mortgage documents or any other contracts. The units are also exempt from purchase tax, motor spirit tax and entertainment tax.

Moreover, the tax on supply of raw materials from domestic tariff areas (DTA) to units located in SEZ is exempt.

SEZs in Gujarat: In Gujarat, there are 53 SEZs (3 Functional, 4 Notified & Functional, 17 Notified, 17 Formal approvals and 12 In-principal as in March 2008).

CHAPTER 3 : BUSINESS ENTITIES

1.0 FORMS OF BUSINESS ENTITIES

The principal forms of business organizations in India, apart from government organizations and sole proprietary concerns are:

1. Companies - public and private
2. Branches of foreign companies
3. Liaison/Branch/Project offices of foreign companies
4. Partnerships
5. Trusts

1.1 Companies

At present, the legislative provisions governing companies are contained in the Companies Act, 1956.

Companies in India are broadly classified into public sector companies viz. with predominant government shareholding and private sector companies viz. with predominant private shareholding. Private sector companies may further be classified as public limited companies or private limited companies. Companies can also be classified into companies limited by shares, companies limited by guarantee and unlimited liability companies. However, for business purposes, generally companies limited by shares are used and consequently, the discussion regarding companies in this guide is pertaining to such companies. The shares of public companies may or may not be listed on a stock exchange. The regulatory provisions for private limited companies are less stringent than those relating to public limited companies. Public limited companies whose shares are listed on stock exchanges are subject to the regulations of the Securities and Exchange Board of Gujarat (SEBI) and the respective stock exchanges.

Private companies that are subsidiaries of public companies (i.e. where shareholding of Public companies is more than 50%) are however treated at par with public companies.

Shares of public limited companies are freely transferable, whereas it is subject to restrictions in case of private limited companies. However, transfer of shares to non-residents is regulated by Foreign Exchange Management Act, 1999. The system of depository has been introduced by the Depositories Act and Securities Exchange Board of Gujarat (Depository & Participants) Regulations, 1996 which has smoothened the transfer of shares in case of listed companies.

1.2 Branches of Foreign Companies (Branch Office)

Foreign companies engaged in manufacturing and trading activities abroad have been allowed to set up branch offices in India. Permission for setting up branch offices is granted by RBI on a case-to-case basis. The essential parameter considered by RBI on such an application is the worldwide operating history of the foreign company and proposed activities in India.

Foreign companies engaged in manufacturing and trading activities abroad have been allowed to open branch offices to carry on the following activities in India:

1. To export/import goods.
2. To render professional or consultancy services.
3. To carry out research work, in which the parent company is engaged.
4. To promote technical or financial collaborations between Indian companies and parent or overseas group company.
5. To represent the parent company in Gujarat and acting as buying/selling agent in India.
6. To render services in Information Technology and development of software in India.
7. To render technical support to the products supplied by parent/group companies.
8. To act as branch of a foreign airline/shipping company

Foreign Companies are required to furnish certain specified information and comply with provisions of the Companies Act, 1956 on establishing a place of business in India.

1.3 Liaison/Representative Offices

One of the preferred routes for foreign companies to enter the Gujarat markets is setting up a liaison/representative office. Permission to set up such offices is granted for an initial period of three (3) years, which may be extended from time to time.

Approval from RBI is required for opening of a liaison office. Foreign companies are permitted to establish an office or to post a representative in India for carrying on liaison activities, subject to the following conditions:

1. To commission or fee is charged or any other remuneration received by the Indian office of the foreign company for its liaison activities in India.
2. Except for the liaison work, the office does not undertake any activity of a

trading, commercial or industrial nature without the prior permission of the Reserve Bank of India.

3. All expenses of the Indian office are met exclusively by remittances from abroad through normal banking channels.
4. No borrowing or lending of any money from/to any person in India without the prior permission of RBI.
5. The Indian office submits an annual statement to the Reserve Bank of India giving details of remittances received from abroad, supported by bank certificates, together with a copy of the final accounts of the Indian office certified by a Chartered Accountant.

Liaison offices are permitted to carry out the following activities in India:

1. To represent the parent company/group companies in India.
2. To promote export/import from/to India.
3. To promote technical/financial collaborations between parent/group companies and companies in India.
4. To act as a communication channel between the parent company and Indian companies.

Foreign companies having only liaison offices and not engaged in any trading, manufacturing or other commercial activity in India, have to furnish certain mandatory information to the respective Registrar of Companies where it is located.

1.4 Project Office

Foreign companies planning to execute specific projects in India can set up temporary project/site offices in India for such purpose. The standard conditions imposed for operating such offices are:

- The foreign company has secured from an Indian company a contract to execute a project in India.
- The project is funded by inward remittance from abroad; or
- The project is funded by a bilateral or multilateral International Finance Agency; or
- The project has been cleared by an appropriate authority; or
- A company or entity in India awarding the contract has been granted Term Loan by a Public Financial Institution or bank in India for the project.
- The foreign company shall furnish a report to the concerned Regional Office of

the RBI under whose jurisdiction the project office is set up comprising the following details:

- Name and address of the Foreign Company;
- Particulars of authority awarding the projects/contract;
- Total amount of contract;
- Address and tenure of Project Office;
- Nature of Project Undertaken.

Foreign companies having only project office and not engaged in any trading, manufacturing or other commercial activity in India, have to furnish certain mandatory information to the respective Registrar of Companies where it is located.

1.5 Partnerships

Partnerships are established by a partnership deed, which is registered with the Registrar of Firms. The Indian Partnership Act, 1932 lays down provisions regarding rights and obligations of partners, retirement and admission of partners, dissolution of firm and related aspects. Indian laws prohibit partnerships of more than 20 persons from carrying on any business and partnerships of more than 10 persons for carrying on the business of banking. But now proposed Companies Bill done away this restriction and will increase the number of partners limit to 100. The government has also introduced a bill on Limited Liability Partnership, which is awaiting the parliament approval.

1.6 Trusts

Trusts are generally established in India for business of mutual fund and for charitable, religious and other non-profitable purposes. There are special provisions relating to taxation of mutual funds and charitable trusts which provide for tax exemption under specified circumstances.

2.0 SETTING UP A COMPANY

2.1 Incorporation of a Company

The steps involved in the incorporation of a company include availing a suitable name for the company, determining the location of the registered office of the company, determining the authorised share capital, drafting the Memorandum of Association and Articles of Association and thereafter submitting the necessary documents and returns to the Registrar of Companies (ROC).

A minimum of seven subscribers are required for incorporation of a public limited company (two in case of a private limited company). The procedure of incorporation

generally takes three to four weeks.

First step in incorporation of a company is to seek approval for the proposed name from the Registrar of Company ('ROC') of the State/Union Territory, The documents that are to be filed with the ROC for the purposes of incorporation of a company include, along with other forms, the Memorandum of Association ('MoA') and Articles of Association ('AoA').

2.2 Registration Fees and Stamp Duty

Registration fees are calculated on a specified scale based on the company's authorised share capital. The minimum fee of Rs.4,800 (about US\$ 102) applies to companies with authorised share capital upto Rs. 100,000 (about US\$ 2,130). The maximum amount of registration fee payable is Rs. 20 million (about US\$ 426,000). Stamp duty is payable on the basis of authorised share capital which varies from state to state.

2.3 Certificate of Incorporation

The Registrar of Companies on being satisfied that all the requirements pertaining to incorporation have been met and the objectives of the company being considered are lawful, issues the Certificate of Incorporation. The Company thereafter comes into existence as a legal person distinct from its members. A private limited company can commence business upon obtaining the Certificate of Incorporation. A public limited company on the other hand has to further obtain a Certificate of Commencement of Business from the Registrar after filing the prospectus/ statement in lieu of prospectus before commencing business or exercise any borrowing powers.

2.4 Initial Capital Requirements

The minimum paid-up capital required for a private limited company is Rs. 100,000 (about US\$ 2,130) and for a public limited company is Rs. 500,000 (about US\$10,650).

The minimum equity capital for a public limited company to get its shares listed on the stock exchange is Rs. 100 million (about US\$ 2.4 million), and at least 25% of the issued capital must be offered to the public for subscription. 10% of the issued capital can be offered to the public for subscription in case the size of the offer to the public is Rs. 1 billion (about US\$ 24 million) and the offer is through book building method. However, the minimum equity capital is much lesser for listing on the Over the Counter Exchange of India. For listing on the Bombay Stock Exchange and National Stock Exchange, the minimum equity capital should be Rs.100 million. A public limited company cannot make any allotment of shares unless a minimum subscription of 90% of the issue amount has been subscribed. For continuation of listing all listed companies should have non-promoter holding to the extent of 10% of the post issue capital for an existing company and 25% for a new company.

2.5 Kinds of Shares

A public limited company is allowed to have only two classes of share capital equity and preference shares.

2.5.1 Equity shares are further divided into shares with:

1. Voting rights
2. With different rights as to dividend, voting or otherwise as per the rules prescribed.

2.5.2 Preference shares, which carry a pre-determined coupon rate for

payment of dividend each year can be of different types i.e. Cumulative, Non-cumulative, Convertible and Non-convertible. Only redeemable preference shares can be issued and the maximum period within which shares should be redeemed should not exceed twenty years. Preference shareholders have voting rights only under certain given conditions like non-payment of dividends:

1. In case of cumulative Preference shares, for an aggregate period of not less than two years and
2. In case of non-cumulative Preference shares, either for a period of two years immediately preceding the commencement of meeting of the shareholders or for an aggregate period of not less than three years.

On winding up, preference shareholders receive first priority for repayment of capital, with the equity shareholders being entitled to the remaining surplus, if any.

2.6 Directors

A company primarily acts through two (2) agencies, a general body of shareholders and the Board of Directors. The Board of Directors is a managerial body and its accountability to shareholders must be assured.

Directors are responsible for the management of the day to day affairs of the company. Unless otherwise required by the company's articles, directors need not be shareholders. The directors should meet periodically by convening Board Meetings. There should be at least one board meeting in each quarter and four board meetings in a year. Decisions taken are resolved by passing appropriate Board Resolutions. The directors can pass resolution by circulation in certain circumstances without holding a Board Meeting. In case of every public company (and a private company, which is a subsidiary of a public company) at least two-thirds (2/3) of the total number of directors are liable to retire by rotation (one-third of such directors shall retire at every AGM). The remaining one-third (1/3) directors (non-rotational) may be appointed as provided in the company's AoA.

In the case of a private company, which is not a subsidiary of a public company, the appointment of directors may be as per the procedure specified in its AoA. Where the AoA do not provide otherwise, the directors are to be appointed in a General meeting. The provisions relating rotational retirement of directors do not apply in case of a private company, which is not a subsidiary of a public company.

The day to day management of the company resides with the board of directors, although some of the specified matters require approval of the shareholders.

2.7 Managing Director

Every public limited company and a private limited company, which is a subsidiary of a public limited company having paid-up capital of Rs. 50 million (about US\$ 1.1 million) or more, must have a managing or whole time director or a manager. Appointment and compensation of a managing director do not require approval of the Department of Company Affairs if the appointment is made within the guidelines and subject to the remuneration ceiling prescribed. In case of public limited companies, certain limits have been specified for maximum remuneration that can be paid to managing or whole time directors. The total remuneration to all directors shall not exceed 11 % of the net profits of the company. There are no restrictions on the appointment and remuneration of managing directors or whole time directors or managers of private limited companies.

2.8 Secretary

Every company with paid-up capital of Rs.20 million (about US\$ 426,000) or more must have a full time secretary who should be a member of the Institute of Company Secretaries of Gujarat (ICSI), who is responsible for the compliance of company law, SEBI regulations and other allied laws. The companies which are not required to have whole time secretary and are having paid up capital of Rs. 1 million (about US\$ 21,300) and above and less than Rs. 20 million should file with the Registrar of Companies a certificate from a secretary in whole time practice as to whether the company has complied with all provisions of the Companies Act, 1956.

3.0 STATUTORY REQUIREMENTS FOR COMPANIES

3.1 Annual Reports

The financial statements of the company, that is, the balance sheet, the profit and loss account, the notes to the accounts, the board of directors' report and the auditor's report should be presented to the shareholders for their approval in annual general meeting. The board of directors report should also include a Directors Responsibility Statement. Directors' Responsibility Statement basically aims at highlighting the accountability of Directors in good corporate governance. The financial statements of a holding company should also include a copy of the financial statements of its subsidiary company and a statement showing the holding company's interest in the subsidiary. Listed public limited companies should

circulate the cash flow statements along with annual financial statements among its members.

3.2 Audit Requirements

Every company is required to get its accounts audited under the Companies Act, 1956. The auditor should be a member of the Institute of Chartered Accountants of Gujarat (ICAI) holding a Certificate of Practice. There are mandatory audit requirements under certain other laws as well.

In case of certain specified industries, in addition to the regular audits, an audit of cost accounts is required by a qualified cost accountant who is a member of the Institute of Cost & Works Accountants of Gujarat (ICWAI) holding a certificate of practice.

3.3 Shareholders' Meetings

Every company must hold an Annual General Meeting (AGM). The time limit between two AGMs should not exceed 15 months.

Every member entitled to vote at the AGM must receive a written notice of the meeting at least 21 days in advance. In addition to the statutory meeting (to be held within six months of commencement of business by a public limited company only) and the AGM, the Companies Act also provides for extraordinary general meetings (EGMs). The board of directors may call EGMs at their discretion. The directors must call an EGM, however, on a request from members with at least 10% of the voting rights.

A simple majority of votes carries an ordinary resolution but special resolutions must be supported by the votes of at least 75% of the members voting. Special resolutions are generally those with constitutional significance for the company such as, a resolution to alter the memorandum of association or articles of association or the registration of a private company as a public company or vice versa and reduction of share capital.

Important due dates for annual compliances as per provisions of Companies Act, 1956 are given in following table:

Event description	Section	Form No.	Due date	Remarks
Annual Accounts	220	23AC	30 days	Balance Sheet, P & L A/c., Directors' Report, Part IV of Sch. VI, Auditors' Report laid at AGM If NOT adopted, statement of non adoption and reasons therefor
For Balance Sheet				

For Profit & Loss Account	220	23AC	30 days	
Annual Returns for Company with Share Capital	159	20 B	60 days of AGM or AGM due	Annual return Part II of Sch.V of the attachment of the forms
Secretarial Compliance Certificate	383A	66	30 days of AGM	Any Company not required to have a wholetime secretary but having a paid-up capital of Rs. 10,00,000/- (about US\$23,810) or more but less than Rs. 2,00,00,000/- (about US \$ 476,190) shall file with ROC a compliance certificate from a secretary

4.0 SIGNIFICANT COMPANY LAW REGULATIONS

4.1 Mergers

The trend towards globalization has increased the intensity of mergers, in a bid to create more focused, competitive, viable large players in each industry. The recent liberalization of the earlier state controlled, sluggish Indian economy has made mergers necessary and acceptable.

The basic regulations covering mergers are governed by the Companies Act, 1956 while the procedural aspects are covered by the Company Court Rules, 1959.

In India, most mergers involve the transfer of undertaking of an existing company or several existing companies to another existing company of which all the members of the transferor Company or companies become or have the right to become the members and the subsequent dissolution of the transferor Company or companies. However, it is also possible to effect amalgamations by transfer of undertaking of two or more existing companies to a new company formed to takeover the same, of which all the members of the transferor companies become or have the right to become members and the subsequent dissolution of the transferor companies. The merger is effected only after obtaining confirmation from the shareholders, creditors, and the High Courts of the respective states of the companies. The power of sanctioning mergers has been transferred from the High Court to the National Company Law Tribunal (NCLT). NCLT will be an exclusive body dealing in matters pertaining to mergers, liquidation, rehabilitation of sick companies and other corporate matters previously handled by the Company Law Board. However, NCLT

is yet to be constituted and on its constitution it will be in a position to dispose of matters pertaining to corporate restructuring, in a far more efficient manner in comparison to High Courts, since it will be an exclusive body dealing with the said matters.

4.2 Buy-Back of Shares

The Companies can buy-back their own shares or other specified securities from their free reserves, share premium account or proceeds of any issue made specifically for buy-back purpose upto a limit of 25% of the total paid up capital and free reserves. However, the buy-back of equity shares in any financial year shall not exceed 25% of its total paid-up capital in that financial year. The buy-back of shares should be authorised by a special resolution passed in general meeting of the company. In case the buy-back is or less than 10% of the total paid up capital and free reserves then the buy-back can be by means of a resolution of the Board of Directors. In case of listed companies, the buy back is regulated by the regulations framed by Securities Exchange Board of India (SEBI), through SEBI (Buy-Back of Securities) Regulations, 1998 which provides for detailed and stringent disclosure norms. In case of unlisted companies, the buy-back is regulated by Department of Company Affairs through Private Limited Company and Unlisted Public Limited Company (Buy-Back of Securities) Rules, 1999. The said rules, similar to the SEBI Rules provide for detailed disclosure norms.

4.3 Audit Committees

For better corporate governance constitution of an audit committee in case public companies (listed and unlisted) having paid-up capital of not less than Rs. 50 million (US\$ 1.06 million) has been prescribed. Audit Committee should consist of not less than three directors and such number of other directors as the Board may determine. Two-thirds of the total number of the members of the committee should be directors, other than managing or whole-time director. The recommendations of the Audit Committee on any matter relating to financial management including the audit report, are binding on the Board of Directors. In case the Board of Directors does not accept the recommendation of the Audit Committee, it shall record the reasons thereof and communicate such reasons to the shareholders.

4.4 Producer Companies

A new concept has been introduced in the Companies Act, 1956 enabling incorporation of co-operative societies as producer companies and conversion of existing cooperatives into companies, on optional basis.

4.5 Takeovers

The regulations regarding substantial acquisition of shares and takeover of listed companies are contained in the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and the listing agreement entered into with the stock

exchanges. The said regulations, require the acquirer to make an open offer to buy an additional 20% shares from the public once he acquires 15% of the voting capital of the target company or effects a change in management control. The triggering off of the Takeover Code implies that a public offer to the remaining shareholders of the target company has to be made by the acquirer at a price not lower than the specified minimum offer price, to acquire an aggregate minimum 20% of the voting capital. Acquirers holding more than 15% but less than 55% are permitted to increase their holding by 5% in any financial year ending on 31st March without triggering of the requirement of making a public offer of 20%. Acquirers holding more than 55% are not permitted to increase their shareholding without triggering of the requirement of making a public offer.

If the public offer results in the public shareholding being reduced to 25%/10% or less of the voting capital of the company, the regulation has specified that the acquirer shall either make an offer to buy the outstanding shares remaining with the shareholders in accordance with the De-listing Guidelines or undertake to disinvest through an offer for sale or by a fresh issue of capital to the public, which shall open within a period of 6 months from the date of closure of the public offer, such number of shares so as to satisfy the listing requirements. Preferential allotments of shares are not exempted from the takeover code. The Regulation also provides for bailout takeovers i.e. acquisition of shares in a financially weak company not being a sick company in pursuance of a scheme of rehabilitation approved by a public financial institution or a scheduled bank.

5.0 Corporate Governance

The regulations regarding Corporate Governance are applicable to listed companies and are contained in the listing agreement entered into with the stock exchanges.

The said regulations are applicable to every entity seeking listing for the first time, at the time of seeking in-principle approval for such listing and every existing listed entities having a paid up share capital of Rs. 30 million (about US\$ 640,000) and above or net worth of Rs. 250 million (US\$ 5.32 million) or more at any time in the history of the company. It provides for setting up board and constituted committees such as Audit Committee, Shareholders / Investors Grievances Committee, Remuneration Committee etc. Corporate Governance is meant to achieve a high level of responsibility and accountability in the internal systems and policies. It protects the inalienable rights of the shareholders and transparency to information on the performance of the Company. The Company's Corporate Governance policies ensures, among others, the accountability of the Board of Directors and the importance of its decisions to all its participants viz., Customers, employees, investors, regulatory bodies etc.

CHAPTER 4 : HUMAN RESOURCES

1.0 BACKGROUND

The working population of Gujarat consists of three categories: organized work force, unorganized work force and self-employed individuals.

Gujarat's pool of trained workers includes scientists, computer software and electronics professionals, finance professionals, accountants, advertising and marketing experts.

The state or central governments are empowered to fix minimum wages based on the cost-of living index for employees working in scheduled employment. The government may appoint inspectors to ensure that the provisions of the act are observed. However, Gujarat continues to be very cheap source of labour.

2.0 LEGISLATIVE PROVISIONS

India is a member of the International Labour Organization and complies with the conventions that it has ratified. Comprehensive legislations have been enacted to provide a good working environment for the labour and to protect their interests.

The government continuously reviews labour laws to keep them in line with the changing circumstances. These laws address various issues such as the resolution of industrial disputes, working conditions, labour compensation and insurance.

Basically, the laws governing labour in India are very complex in nature and favour the employees. Employers are required to provide most employees with a written statement of the terms and conditions of their employment. The statement must have details about salary, hours of work, disciplinary rules and complaint procedures, the notice period for termination, holidays, the provident fund, pensions, gratuities and other employee related details. Violation of labour law is viewed with strictness and severe punishment is imposed on errant employers if violations are observed.

By law, employees are entitled to a minimum period of notice of termination, which varies according to the terms of employment. Legislation protects employees from unfair dismissal.

The labour law reforms including closure of a factory employing less than 300 workmen without any legal hassles are on the anvil.

2.1 Payment of Bonus Act, 1965

The Act provides for the payment of bonus to persons employed in certain establishments on the basis of profits or production/productivity. The Act is applicable to factories and establishments employing 20 or more persons on any day during an accounting year. It is applicable to persons employed on a salary or

wage not exceeding Rs. 10,000 (US\$213) per month. The minimum bonus which an employer is required to pay even if he suffers losses is 8.33% or Rs. 100 whichever is higher, of the salary or wage, during the accounting year.

2.2 Workers' Compensation

The Workmen's Compensation Act, 1923 provides workers with a convenient and easy method to claim compensation for personal injury from an employment related accident.

2.3 Industrial Employment (Standing orders) Act, 1946

The object of the Industrial Employment (Standing orders) Act, 1946 is to require the employers in industrial establishments formally to define conditions of employment of workman under them. 'Standing order' means the rules of conduct for workmen employed in industrial establishment relating to matters like attendance, leave, misconduct, etc enumerated in the schedule of the Act. It applies to every industrial establishment wherein one hundred or more workmen (in Maharashtra it is fifty workmen by virtue of a state amendment) are employed on any day of the preceding twelve months. The standing orders are to be certified by a certifying officer appointed under the Act. The rules provide for model standing orders.

2.4 Industrial Disputes Act 1947

Industrial Disputes Act 1947 is aimed to resolve or reduce the difference between employers and the workmen with a view to bring industrial peace and thereby increasing industrial production in the country. Matters related to change of service conditions, retrenchment, lay off and closure of industrial units is regulated under this Act.

2.5 The Equal Remuneration Act, 1976

The equal remuneration Act provides for payment of equal remuneration to men and women workers for the same work or work of a similar nature and for the prevention of discrimination on the ground of sex against women in the matter of employment.

2.6 The Contract Labour (Regulation and Abolition) Act 1970

The Contract labour (Regulation and Abolition) Act, 1970 is aimed to regulate the employment of contract labour in certain establishment and provides for its abolition in certain circumstances. The Act mandates registration of principal employer and the contractors who are covered under the Act .However the Act is not applicable to establishments performing works only of an intermittent or casual nature

2.7 Trade Unions Act, 1926

The Trade Unions Act provides for registration of Trade unions and to confer on the registered trade unions certain protection and privileges.

2.8 Health and Safety

Employers have a legal duty to take reasonable care of their employees. An employee who is injured at work may be able to claim compensation for the employer's negligence.

Generally regulations relating to working conditions in commercial establishments as per the relevant state legislations cover the following aspects-

- Daily and weekly hours of work
- Holidays in a week
- Opening and closing hours for women
- Intervals for meal etc.
- Minimum leave days
- Wages for overtime work

2.9 Employees Provident Fund and Miscellaneous Provision Act, 1952

The Act seeks to ensure the financial security of the employees in an establishment by providing for a system of compulsory savings. The Act covers any establishment which is a factory engaged in any industry specified under the Act employing 20 or more persons.

The government has prescribed various penalties at prescribed rates for any default made in connection with the payment of any contribution, arrears, accumulation, and administrative charges to the fund.

Any person who is employed for work of an establishment or employed through contractor in or in connection with the work of an establishment and drawing salary up to an amount of Rs. 6,500 (US\$ 138)

PF is deductible as follows:

Employees share: 12%

Employer's share: 12% + 1.61% admn. surcharge.= 13.61%

P.F. is deductible on employees whose basic salary + dearness allowance does not exceeds Rs.6500 (US\$ 138) per month. P.F is also deductible from leave wages but not from Bonus paid to employees.

2.10 Payment Of Gratuity Act, 1972

The Act provides for a scheme for payment of gratuity to all employees engaged in factories, mines, oilfields, plantations, ports, railway companies, shops and other

establishments employing 10 or more employees on any day in the preceding 12 months.

Gratuity is payable to an employee on his retirement/resignation, superannuation, termination on account of death or disablement. Gratuity is payable only after an employee completes five years of continuous service, except in case of death or disablement.

The Act provides for compulsory payment of gratuity to every employee, subject to a maximum of US\$7,450. It also prescribes conditions under which an employer can deny payment or forfeit the gratuity of an employee.

2.11 The Factories Act, 1948

It specifically covers the health and safety of workers. The main objectives of the act are to regulate the working conditions in factories and to ensure that employers meet basic minimum requirements of health, safety and welfare for factory workers. In addition, the act regulates working hours, leave, holidays, overtime, and the employment of women and children.

Some of the key working condition requirements as per the Factories Act, 1948 are as follows

2.11.1 Cleanliness

- Daily removal of dirt.
- Floor to be washed once a week
- Effective drainage of the effluents
- Repainting of the factory walls once in five years
- If painted in the washable paints, repaint once in three years &
- Washed once in six months
- Check relevant washing rules according to the paint used.
- Register of these dates to be maintained.

2.11.2 Disposal of wastes and effluents

2.11.3 Ventilation and temperature

- The company should maintain the prescribed measuring instruments and records.
- If dust or fume given off due to manufacturing activities, effective measures to be taken to prevent inhalation and accumulation in work room.

2.11.4 Artificial humidification:

- Methods and tests for determining the humidity of the air to be carried out and recorded.
- Water from public supply/drinking water/purified water

2.11.5 Overcrowding

14.2 Cubic meters per workman employed in each workroom.

2.11.6 In all places of works passage sufficient lighting is required.**2.11.7 Windows/skylights shall be kept clean on inner and outer sides.****2.11.8 Drinking water**

- ◆ All drinking water points shall be marked.

The Factories Act safeguards against the use and handling of hazardous substances. Employers have a duty to provide a clean and safe working environment. In addition, they must ensure that any member of the public who might be affected by their working practices is similarly protected.

2.12 Employees State Insurance Act, 1948

It is applicable to Factory if employing 10 or more workers in the case of working with add of power otherwise 20 or more workers and the establishment is specifically notified by the government. Any person employed for wages upto Rs. 10,000 (US\$213) a month, excluding remuneration for overtime work in or in connection with the work of establishment is eligible for its benefit.

ESIC is deductible as follows:

Employee's own contribution- 1.75% of earned salary

Employer's contribution - 4.75% of earned salary

Salary includes everything except Bonus, reimbursement and leave salary.

3.0 ENGAGEMENT OF FOREIGN NATIONALS

Indian firms/companies may engage the services of foreign nationals (including non-resident persons of Indian nationality / origin) without prior approval of Reserve Bank of India. If the period of engagement of the foreign national is upto 3 months, then the concerned foreign national can hold any valid visa i.e. employment, business, tourist, etc. However, if the period of engagement exceeds three months then the concerned foreign national should hold employment visa only.

Foreign national can remit abroad income earned from employment subject to deduction of applicable withholding tax thereon. The foreign nationals who are resident but not permanently resident in India can avail facility of recurring remittance for family maintenance, etc. of their net salary (i.e., after deduction of contribution to provident funds and taxes payable).

CHAPTER 5 : FOREIGN INVESTMENT IN INDIA

1.0 INTRODUCTION

- 1.1** The liberalization process started in India in 1991 and second-generation reform started in the first decade of 21st century has virtually opened out Indian economy for foreign investment in all the sectors, barring few sensitive sectors. The liberalization process has thrown open opportunities for inbound investment (foreign companies investing in India) as well as outbound investment (Indian companies investing out of India) in almost every field of business from the consumer durables sector to core infrastructure sector. The World Bank has appreciated the Indian liberalization reforms in one of its Annual Report stating "India is moving rapidly towards closer integration with the global economy and the reform process, which has been brought about in such a short time, represents an irreversible movement towards a vibrant economy." In this process of liberalization, India has taken various measures like de-licensing, permitting foreign institutions to invest in shares and securities under portfolio investment, current account convertibility, liberalizing exchange control regulations, drastically reducing the rates of customs duty and direct taxes, permitting Indian companies to list on foreign stock exchanges and set up overseas operations, permitting resident Indians to buy shares and securities listed abroad etc.
- 1.2** Accordingly, Foreign Investment in India is still regulated among other legislations, by the Exchange Control Regulations although under new regulations, the focus has been shifted on managing foreign exchange instead of regulating the same. In this note, we have restricted our discussion on Foreign Investment in Gujarat.

2.0 EXCHANGE CONTROL REGULATIONS FOREIGN INVESTMENTS

2.1 Introduction

In India, till 31 May 2000, exchange control transactions were regulated by Foreign Exchange Regulation Act, 1973 ('FERA'). FERA has been repealed by the Foreign Exchange Management Act, 1999 ('FEMA'), which has come into force with effect from 1 June 2000. The provisions under FEMA are liberal compared to provisions under FERA. The FEMA provisions contained herein are as on 30 June 2007.

2.2 Investment in India by a person resident outside India

Under FEMA, investment in India by persons resident outside India i.e. issue of any security by an Indian entity to a person resident outside India, purchase, sale of Indian securities by a person resident outside India and to record a transfer of security from or to person's resident outside India in the books of Indian entity is regulated.

Citizens of Bangladesh or Pakistan resident outside India and entities in Bangladesh or Pakistan are not permitted to purchase shares or debentures or any

other Indian security issued by Indian companies without the prior approval of Reserve Bank of Gujarat ('RBI').

2.3 Investment under Foreign Direct Investment ('FDI') Scheme

2.3.1 Automatic route of FDI

The Government of India has substantially expanded the scope of foreign investment under the Automatic Route to include all items/ activities, except certain items, for investment under FDI. FDI up to 100 % is allowed under the automatic route from foreign/NRI investor without prior approval in most of the sectors including the services sector. FDI in sectors/activities under automatic route does not require any prior approval either by the Government or RBI. The investors are required to notify the Regional office concerned of RBI within 30 days of receipt of inward remittances and file the required documents with the authorized dealers within 30 days of issue of shares to foreign/NRI investors.

Foreign investment coming as fully convertible preference shares would be treated as part of share capital. This would be included in calculating foreign equity for purposes of sectoral caps on foreign equity, where such caps have been prescribed.

Foreign investment coming as any other type of preference shares (non-convertible, optionally convertible or partially convertible) would be considered as debt and shall require conforming to External Commercial Borrowings (ECB) guidelines/ ECB caps.

2.3.2 Investments in sectors where 100% FDI under automatic route is not available

- (i) The RBI's Automatic Route is not available for Foreign investment in Indian Company which is engaged in any activity, or in manufacturing of specified items. There are specified list of activities where RBI's Automatic Route is available upto a Specified Cap. An Indian company which is not engaged in the specified activity or manufacture of items is permitted to issue shares or convertible debentures to a person resident outside India subject to compliance with the provisions of the Industrial Policy and Procedures, provided
 - a. The issuer company does not require an industrial license;
 - b. The shares/convertible debentures are not being issued for acquiring existing shares of any Indian company;
 - c. If the person resident outside India to whom the shares are being issued proposes to be a collaborator or proposes to acquire the entire shareholding of a new Indian company, he should have obtained Central Government's approval if he had any previous investment/ collaboration/ tie up in India (according to press note number 1 (2005 series) dated 12 January 2005

previous means prior to 13 January 2005) in the same or allied (the word 'allied' is removed wide the above referred press note) field in which the Indian company issuing the shares is engaged.

2.4 Certain important aspects of the FDI scheme

- (i) A trading company incorporated in India may issue shares or convertible debentures to the extent of 51 per cent of its capital, to person's resident outside India, subject to the condition that remittance of dividend to the shareholders outside India is made only after the company has secured registration as an Export/Trading/Star Trading/Super Trading House.
- (ii) A Small Scale Industrial ('SSI') Unit, which is not engaged in activity or manufacture of items, included in Annexure A may issue shares to non-residents up to 24 percent of its paid-up capital. Such a company is permitted to issue shares beyond 24 percent of its paid-up capital subject to ceilings specified in, if (a) it gives up SSI status; (b) it is not engaged or does not propose to engage in manufacturing of items reserved for SSI sector and (c) it complies with the ceilings specified for specified activity
- (iii) Export Oriented Units ('EOUs') or units in Free Trade Zones ('FTZ') or in Export Processing Zone ('EPZ') or in Software Technology Parks ('STP') or Electronic Hardware Technology Parks ('EHTP') are permitted to issue shares to person's resident outside India beyond 24 percent subject to compliance with specified ceilings.
- (iv) An Indian company, otherwise eligible to issue shares, subject to the sectoral cap notified, if any, and compliance of other conditions, can issue equity/preference shares to a person resident outside India-
 - a. against Royalty/Lump sum fees payable to such person for the technology/technical know-how provided by him;
 - b. against External Commercial Borrowing ('ECB') (other than import dues deemed as ECB), as per RBI guidelines.
- (v) The price of shares to be issued by the Indian Company to person's resident outside India should in accordance with various specified valuation guidelines.
- (vi) The rate of dividend on preference shares issued by an Indian company to a person resident outside India should not exceed 300 basis points over the Prime Lending Rate of State Bank of India.
- (vii) The consideration for issue of shares to persons resident outside India under this scheme should be received either by way of inward remittance through normal banking channels or out of funds held in Non-Resident External ('NRE')/ Foreign Currency Non-Resident ('FCNR') accounts of the person resident outside India maintained with an authorised dealer.

(viii) It is worth noting that there are no separate schemes for Non-Resident Indians ('NRIs') for direct investment in India on repatriation basis. NRIs are now on par with any other foreign investor and they may invest in the shares/ convertible debentures issued by an Indian company under the FDI Scheme.

Issue of shares by an Indian company to a person resident outside India which are not covered by above provisions would require approval of Secretariat for Industrial Assistance ('SIA')/ Foreign Investment Promotion Board ('FIPB').

- 2.5** An Indian company is permitted to issue rupee denominated shares to the depository abroad for the purpose of raising resources through American Depository Receipts ('ADR') or Global Depository Receipts ('GDR') mechanism subject to specified conditions.

Further, a registered broker in India may purchase shares of an Indian Company on behalf of a person resident outside India, for the purpose of converting the shares so purchased into ADRs/ GDRs subject to specified conditions

Also, an Indian company may sponsor an issue of ADRs / GDRs with an overseas depository against shares held by its shareholders at a price to be determined by the lead manager subject to specified conditions. The proceeds of the issue shall be repatriated to India within a period of one month.

2.6 Investment in an Indian Venture Capital undertaking by a registered Foreign Venture Capital Investor

A Foreign Venture Capital Investor ('FVCI') which is registered with SEBI, is permitted with a general permission from RBI to purchase equity/ equity linked instruments/ debt/ debt instruments, debentures of a registered Indian Venture Capital Undertaking ('IVCU') or of a registered Venture Capital Fund ('VCF') through Initial Public Offer or Private Placement or in units of schemes/funds set up by a VCF. RBI, on application, may permit a FVCI to open a foreign currency account or rupee account with a designated branch of an authorised dealer. The purchase/sale of shares, debentures, units can be at a price that is mutually acceptable to the buyer and the seller/issuer.

2.7 Acquisition of right shares

General permission has been granted to any person resident outside India to purchase shares/convertible debentures offered on right basis by an Indian company satisfying certain specified conditions. The right shares so acquired shall be subject to same conditions regarding reparability, as are applicable to original shares. However, the Entitlement of Rights shares are not automatically available to investors who have been allotted shares as Overseas Corporate Bodies (OCBs). For issue of shares to erstwhile OCBs, specific permission from RBI is necessary.

2.8 Acquisition of Bonus Shares

General Permission has been granted to an Indian Company to issue bonus shares to its non-resident shareholders subject to condition that the shares against which the bonus shares are issued by the company were acquired or held by the non-resident shareholder in accordance with the rules and regulations applicable to such acquisition and the bonus shares acquired by the non-resident shareholder shall be subject to the same conditions including restriction in regard to reparability as are applicable to the original shares.

2.9 Issue and acquisition of shares after merger or de-merger or amalgamation of Indian companies

General permission has been granted to the Transferee Company or a new company consequent on merger or de-merger or amalgamation of Indian companies to issue shares to the shareholders of the Transferor Company resident outside India, subject to certain prescribed conditions.

However, the entitlement of shares is not automatically available to investors who have been allotted shares as Overseas Corporate Bodies (OCBs). For issue of shares to erstwhile OCBs, specific permission from RBI is necessary.

2.10 Issue of shares under Employee Stock Options Scheme to persons resident outside India

An Indian company is permitted to issue shares under Employee Stock Options Scheme, by whatever named called, to its employees or employees of its joint venture or wholly owned subsidiary abroad who are resident outside India directly or through a Trust subject to specified conditions.

2.11 Transfer of shares and convertible debentures of an Indian company by a person resident outside India

Permission has been granted:

- (i) for transfer of shares/convertible debentures held by a person resident outside India other than NRI/Overseas Corporate Bodies ('OCB') to any person resident outside India, by way of sale or gift.
- (ii) for transfer of shares/convertible debentures held by NRI to another NRI, by way of sale or gift, provided that the transferee should have obtained prior permission of Central Government to acquire the shares if he had any previous venture or tie up in India through investment in any manner or a technical collaboration or trade mark agreement or investment in the same field or allied field in which the Indian company whose shares are being transferred, is engaged.
- (iii) for transfer of shares/convertible debentures held by person resident outside India to a person resident in India, by way of sale, without the prior permission of RBI and subject to the adherence to pricing guidelines, documentation and reporting requirements for such transfers as may be specified by RBI from time to time.

Exemption has been granted from compliance with condition of obtaining prior approval of Central Government for certain specified transfer of shares.

Transfer by way of sale not covered by above general permission shall require prior permission of RBI. The RBI may grant approval subject to such conditions as are considered necessary by it, including the price at which such sale may be made. However, the price is to be determined as per the separate guidelines prescribed for listed as well as unlisted shares.

2.12 Transfer of shares/convertible debentures by a person resident in India

- (i) A person resident in India who proposes to transfer to a person resident outside India (not being erstwhile OCBs) any security by way of gift shall make an application to the RBI in the prescribed form.
- (ii) Transfer of existing shares/convertible debentures of an Indian company other than private sector bank, non-banking financial company (NBFC) and insurance company, by a resident to a nonresident not being erstwhile OCBs, by way of sale, can be effected, subject to the specified sectoral limits, without prior approval of Government and RBI subject to the following:
 - A. such company is not engaged in rendering any financial services i.e. service rendered by banking and non-banking companies regulated by RBI, insurance companies regulated by Insurance Regulatory and Development Authority (IRDA) other companies regulated by any other financial regulator;
 - B. the transfer does not fall within the purview of the provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997; and
 - C. that the concerned parties adhere to pricing guidelines, documentation and reporting requirements specified by RBI.

2.13 Investment in firm or proprietary concern in India

RBI has granted general permission to an Indian citizen or a Person of Indian Origin ('PIO') resident outside India to make investment by way of contribution to the capital of a firm or a proprietary concern in India on non-repatriation basis subject to certain conditions which includes inter-alia that the firm or proprietary concern is not engaged in any agricultural/plantation activity or real estate business i.e. dealing in land and immovable property with a view to earning profit or earning income there from or print media sector. Similarly, a general permission has also been granted to a firm or proprietary concern to make payment in rupees to or for credit of the NRI or PIO, the amount invested in the said firm/concern and income accruing on such investment by way of profit to such person.

2.14 Remittance of sale proceeds

RBI has granted general permission for remittance of net sale proceeds (net of

applicable taxes) of a security sold by a person resident outside India provided-

- (i) The security was held on repatriation basis;
- (ii) Security is sold on recognized stock exchange or the RBI's permission for sale of security and remittance of sale proceeds has been obtained and; (iii) a NOC/Tax Clearance Certificate from Income Tax authorities or Chartered Accountant has been produced.

2.15 Establishment in India of a branch or office or other place of business

Establishment of a branch or liaison office or any other place of business in India by any entity resident outside India other than a banking company requires approval of RBI. However, no approval shall be necessary from RBI for a company to establish a branch/unit in Special Economic Zones ('SEZs') to undertake manufacture or service activities provided that such units function on a stand alone basis, are functioning in those sectors where 100% FDI is permitted and such units comply with Part XI of the Companies Act, 1956. In the event of winding-up of business and for remittance of winding-up proceeds, the branch shall approach an Authorised Dealer with prescribed documents. Further, general permission has been granted to establish Liaison Offices in India, to Insurance Companies incorporated outside India, which have obtained prior approval from the Insurance Regulatory & Development Authority ('IRDA') to establish Liaison Offices in India subject to certain terms and conditions.

A foreign Company may open a Project Office/s in India provided it has secured from an Indian company, a contract to execute a project in India and it complies with the other prescribed conditions.

2.15.1 Permitted activities by a branch

The lists of permissible activities which can be undertaken by a branch in India of a person resident outside India are as follows:

- (i) Export/Import of goods.
- (ii) Rendering professional or consultancy services.
- (iii) Carrying out research work, in which the parent company is engaged.
- (iv) Promoting technical or financial collaborations between Indian companies and parent or overseas group company,
- (v) Representing the parent company in India and acting as buying/selling agent in India,
- (vi) Rendering services in Information Technology and development of software in India,
- (vii) Rendering technical support to the products supplied by parent/ group

- companies,
(viii) Foreign airline/shipping company.

2.15.2 Permitted activities by liaison office

The lists of permissible activities, which can be undertaken by a liaison office in India of a person resident outside, are as follows:

- (i) Representing in India the parent company/group companies.
- (ii) Promoting export/import from/to India.
- (iii) Promoting technical/ financial collaborations between parent/ group companies and companies in India,
- (iv) Acting as a communication channel between the parent company and Indian companies.

2.16.3 Remittance of profit

Remittance of profit by a branch or remittance of surplus after completion of the project by the project office will be allowed by the authorised dealer on submission of documents specified in the regulation issued by RBI.

3.0 EXCHANGE CONTROL REGULATIONS - FOREIGN TECHNOLOGY TRANSFER

A foreign investment is now no longer linked with the technical assistance. As such, now, it is possible for foreign investor to either do only equity investment or enter into technology transfer agreement. It is also possible to do foreign investment as well as technical collaboration. Technology transfer can take place in many forms and methods. It comprises of various species of intellectual property like copy right, patents, trade marks, designs, know how etc. Technology transfer agreement may involve a one-time payment of fees or it may involve longer-term arrangements with periodic royalty payments.

The remittance under technical agreements is a current account transaction and as such is freely remittable. Accordingly, where payment of royalty does not exceed 5% on local sales and 8% on exports and lump-sum payment does not exceed US\$ 2 million, no approval for the same is required. However, where the proposed payment exceeds the limits specified above, then approval of the Government is required.

Royalty up to 2% on net exports and 1% on net domestic sales under automatic route for use of trademark and brand name of the foreign collaborator without technology transfer is also permissible.

The objective of this policy is clearly to ensure easy access to latest technology to Indian Companies and to determine purchase prices on commercial considerations rather than prices being imposed by the Government.

CHAPTER 6 : TAXATION SYSTEM

India has a well developed tax structure with the authority to levy taxes divided between the Central Government and the State Governments. The main taxes (or duties) that the Union Government can levy are: Income Tax, Customs duties, Central Excise, Sales Tax, and Service Tax.

The main taxes (or duties) that the State Governments can levy are: Sales Tax (tax on intra-State sale of goods), Stamp Duty (duty on transfer of property), State Excise (duty on manufacture of alcohol), and Land Revenue (levy on land used for agricultural/non-agricultural purposes), Duty on Entertainment and Tax on Professions and Callings.

Tax rates and duties are reviewed annually when budgets are presented. Amendments to the statutes are made through the annual Finance Acts or specific Amendment Acts.

India has a well developed tax structure. The power to levy taxes and duties is distributed among the three tiers of Government, in accordance with the provisions of the Indian Constitution.

1.0 INTRODUCTION

The Income-tax Act, 1961 contains the law relating to Indian income tax and The Wealth Tax Act, 1957 contains the law relating to taxation of certain specified wealth (assets). Revisions in the tax rates and other duties are made through the annual Finance Act or specific amendments. The tax administrators are not authorised to make changes in the tax legislation but are empowered by the statutes to make rules to carry out the provisions of law. The Ministry of Finance (Department of Revenue) through the Central Board of Direct Taxes (CBDT), an apex tax authority, implements and administers direct tax laws.

2.0 INCOME TAX ON CORPORATIONS

2.1 General Structure and Scope

The companies are classified into 'domestic companies' and 'foreign companies' for tax purposes. The term 'domestic company' means an Indian company or any other company, which in respect of its income liable to tax under the Income-tax Act, has made the prescribed arrangement for the declaration and payment within India of the dividends payable out of such income. The term 'foreign company' means a company, which is not a domestic company.

A company is treated as 'resident' in India in any financial year, if:

- (a) It is an Indian company i.e. a company formed and registered in India under the Companies Act, 1956 or

- (b) During that year, the control and management of its affairs is situated wholly in India.

In view of the above, an Indian company is always an Indian resident. Consequently, an Indian company that is wholly owned by a foreign entity and managed from India by foreign individuals or companies is also considered as a resident Indian company. A foreign company is treated as resident only if it is wholly controlled and managed from India during the relevant financial year.

2.2 Rates of Tax

- 2.2.1** The rates of tax are inclusive of surcharge of 10% / 2.5% / 0% (as applicable) and 3% education cess thereon, as such the tax rates given are effective tax rates.
- 2.2.2** The corporate tax year is the year ending 31 March and the income of the same is taxed in the assessment year commencing on the succeeding 1 April. The rates of tax for the assessment year 2009-10 (financial year 2007-08) in respect of taxable income (other than long term capital gains) are

Entity	Effective Tax Rates	
	Companies having total income above Rs. 10,000,000 (US\$ 213,000)	Companies having total income upto Rs. 10,000,000 (US\$ 213,000)
Domestic Company	33.99%	30.90%
Foreign Company	42.23%	41.20%

2.2.3 Minimum Alternate Tax (MAT)

However, if the income-tax payable as computed under the provisions of the Income-tax Act is less than 11.33%* of the book profits, a special tax is levied on certain companies, known as the Minimum Alternate Tax (MAT). The MAT payable by a company would be 11.33%* of the book profits. The MAT is not applicable to non-corporate entities. The MAT paid can be set-off in any of the subsequent five assessment years against the normal tax liability in excess of MAT payable under section 115JB of the Act. Export oriented units, units setup in Free Trade Zones / Software Technology Parks and Electronic Hardware Technology Parks are also liable to MAT from financial year 2007-08. However, Unit set-up in Special Economic Zone (SEZ) is not liable to pay MAT.

* In the case of foreign companies the rate of MAT would be -10.558%

2.2.4 Dividend Distribution Tax (DDT)

DDT is a tax payable on the dividend declared, distributed or paid. Dividends paid by an Indian company are currently exempt from income tax in the hands of the recipient shareholders. However, the company paying the dividends is required to pay DDT on the amount of dividends, at the rate of 16.995%. An exemption from this tax has been granted in case of dividends distributed on or after 1 April 2006 out of current income of Special Economic Zone (SEZ) developers. Specified mutual funds are also liable to dividend distribution tax at specified rates.

- 2.2.5** Income of a foreign company or non-resident (not being a company) from royalty, technical fees, dividends, interest and income from units is taxed at the following rates (in the absence of lower rates under Double Taxation Avoidance Agreement):

Type of Income	% of Gross Amount in case of foreign company
Royalty and fees for technical services payable under an agreement approved by the Government of Gujarat or in accordance with new Industrial Policy*	10.558%**
Dividends	Nil ***
Interest on monies borrowed in foreign currency	21.12%
Income from units of notified Mutual Fund purchased in foreign	Nil ****

*Chargeable on net basis at normal tax rate specified for corporate above if royalty or fees for technical services received from Government or an Indian concern in pursuance of an agreement made by a non-resident (not being a company) or a foreign company with Government or the Indian concern after 31 March 2003 where such non-resident or a foreign company carries on a business in India through a permanent establishment situated therein or performs professional services from a fixed place of profession situated therein and the right, property or contract in respect of which the royalties or fees for technical services are paid is effectively connected with such permanent establishment or fixed place of business as the case may be.

** Effective in respect of royalty or fees for technical services under agreements entered into on or after 1st June 2005. The rate of 20% (Plus surcharge as applicable) would apply in respect of agreement entered into between 1 June 1997 and 1st June 2005 (30% for agreement entered into prior to 1 June 1997).

*** Domestic companies are liable to pay additional DDT

**** Mutual funds, other than equity oriented funds, are liable to DDT

2.2.6 Capital gain may arise on transfer of a capital asset. The expression "capital asset" means property of any kind. There are certain properties, which are excluded from the definition of the capital assets such as stock in trade, personal effects (except specified artworks), agricultural land and certain other investments. There are two types of capital assets-long term capital assets and short-term capital assets. "Short term capital asset" means a capital asset held by an assessee for not more than 36 months, immediately prior to its date of transfer. In other words, if an assessee holds a capital asset for more than 36 months, then it is known as "long term capital asset".

However, in case of shares in a company or listed securities or units of notified mutual funds if they are held for more than 12 months immediately prior to the date of their transfer then such assets shall be classified as long-term capital assets. The gain arising on transfer of "Long term capital asset" is called Long Term Capital Gain and gain arising on transfer of "Short term capital asset" is called "Short Term Capital Gain". Long-term capital gain is generally taxable at lower rates as compared to short-term capital gain.

Short-term capital gains are taxed at normal tax rates, except as stated in paragraph below

2.2.7 Long-term capital gains arising from transfer on or after 1 October 2004 of equity shares of a company on a recognized stock exchange in India or a unit of an equity oriented scheme of a specified mutual fund are exempt from tax provided that sale of such shares or units are chargeable to Securities Transaction Tax (discussed separately)

Long-term capital gains in respect of depreciable assets shall be taxed as short-term capital gain.

Short term capital gain arising from transfer of shares of a company on a recognized stock exchange in India or a unit of an equity oriented scheme of a specified mutual fund are taxable at 15% (plus surcharge plus education cess) provided that sale of such shares or units are chargeable to Securities Transaction Tax. Other short-term capital gains are chargeable at normal income tax rates plus surcharge and education cess at applicable rates.

2.3 Fringe Benefit Tax (FBT)

Every employer as defined in provisions relating to FBT is liable to pay tax @33.99 % on the value of fringe benefit provided or deemed to be provided to his employees. The nature of fringe benefits liable to FBT and value of various fringe benefits are discussed separately.

2.4 Taxable Income

An Indian company is taxed on income accruing or arising either in India or outside India or on income deemed to accrue or arise in India. The term 'India' to mean the territory of India as referred to in article 1 of the Constitution, its territorial waters, seabed and subsoil underlying such waters, Continental shelf, Exclusive Economic Zone and other Maritime Zones Act, 1976 and the air space above its territory and territorial waters. A non-resident company is taxed only on income accruing or arising in India or income which is deemed to accrue or arise in India. Actual receipt of income in India is taxable in either of the cases. Income from foreign branches is taxable in India. Double taxation of foreign income of either of the entities is avoided by means of double taxation treaties which also provide for tax relief in the appropriate situation. Income of a subsidiary company is taxed separately as an independent entity.

The following categories of income are deemed to accrue or arise in India or which taxpayers in all categories (including companies) are liable to Indian tax:

All income accruing or arising, whether directly or indirectly, through or from any business connection, property, asset or source of income in India or through the transfer of a capital asset situated in India.

Income by way of interest payable by the government or in respect of any debt incurred, or monies loaned and used for the purposes of a business or a profession carried on in India.

Income by way of royalty payable by the government or in respect of any right, property or information used or services utilized for the purposes of a business or profession carried on in India except lump- sum payments for computer software supplied with a computer or computer-based equipment.

Income by way of fees payable in respect of technical services by the government or utilized in a business or profession carried on in India.

Taxation on income other than agricultural income is the province of the Central Government. Taxation of agricultural income is determined by the states and different rates are levied on such income by different states.

In order to compute the income of the company, first one has to ascertain the gross total income under each head (ignoring the incomes which are exempted from the tax) viz. rental income of property, income from business or profession, capital gains and income from other sources such as interest, dividend etc. Then the admissible deductions viz. donations, income from new industrial undertakings, income from small-scale industries, export profits of units set up in special economic zones, etc. have to be made to arrive at the taxable income.

2.4.1 Income from Property

The annual value of property, consisting of any buildings or lands appurtenant thereto, of which the assessee is owner, is chargeable to tax. If, however, a house property is occupied by the assessee for the purpose of his business or profession, carried on by him, annual value of such property is not chargeable to tax.

Assessee is allowed statutory deduction at the rate of 30% of such annual value of the property irrespective of the actual amount spent. In addition to above, deduction is allowed for interest paid on borrowed capital. However, the amount of interest deductible is restricted to Rs. 150,000 (Rs. 30,000 in respect of specified cases) in case of self-occupied residential house.

2.4.2 Income from Business or Profession

Net profit as shown in profit and loss account prepared in accordance with the provisions of Parts II and III of the Sixth Schedule to the Companies Act, 1956 is the starting point for computing taxable income. Net profit as above is to be increased by the expenditure disallowable and is to be reduced by the expenditure allowable as per the provisions of the Income-tax Act.

2.4.3 Capital Gains

Capital gains on corporate entities are taxed at the rates specified in rates of tax section above. Capital gains are calculated by deducting the cost of acquisition, the cost of any improvement to the asset and transfer expenditure from the consideration received on transfer.

Cost of Acquisition

In case of a capital asset acquired before 1st April 1981 the cost of acquisition may be taken as the fair market value of the asset as on 1st April 1981. In case of long-term capital gains the indexed cost of acquisition and the indexed cost of improvement would be deductible from the value of consideration for determining taxable capital gains earned by residents.

Capital gains earned by non-residents on transfer of shares in or debentures of an Indian company will be computed by converting the cost of acquisition, improvement, or other expenses incurred on transfer and the sale price into the same foreign currency as was initially utilized in the purchase of the shares or debentures and reconvert the capital gain so determined in foreign currency to Indian currency. In such a case, the benefit of indexation is not available to the non-residents.

Long-term capital gains arising from transfer of equity shares of a company on a recognized stock exchange in India or a unit of an equity oriented scheme of a specified mutual fund are exempt from tax provided that sale of such shares or units are chargeable to Securities Transaction Tax.

Short term capital gain arising from transfer of equity shares of a company on a recognized stock exchange in India or a unit of an equity oriented scheme of a specified mutual fund are taxable at 10%(plus surcharge plus education cess) provided that sale of such shares or units are chargeable to Securities Transaction Tax.

Gains arising on transfer of capital assets by a company are exempt from tax under the following circumstances:

- i. Transfer by a parent company to a wholly owned Indian subsidiary company;
- ii. Transfer by a wholly owned subsidiary company to its Indian holding company;
- iii. Transfer, in a scheme of amalgamation, by an amalgamating company to the amalgamated company if the latter is an Indian company;
- iv. Distribution by a company of its assets to its shareholders in a liquidation;
- v. Transfer, in a scheme of amalgamation of shares held in an Indian company by the amalgamating foreign company, to the amalgamated foreign company if;
 - A. at least 25% of the shareholders of the amalgamating foreign company remain shareholders of the amalgamated foreign company; and
 - B. such transfer does not attract tax on capital gains in the country in which the amalgamating company is incorporated.
- vi. Any transfer, in a demerger, of a capital asset by the demerged company to the resulting company, if the resulting company is an Indian company;
- vii. Any transfer in a demerger, of a capital asset, being a share or shares held in an Indian company, if the resulting company is an Indian company, by the demerged foreign company to the resulting foreign company, if-
 - A.) the shareholders holding not less than three-fourths in value of the shares of the demerged foreign company continue to remain shareholders of the resulting foreign company; and
 - B.) such transfer does not attract tax on capital gains in the country, in which the demerged foreign company is incorporated;
- viii. Any transfer or issue of shares by the resulting company, in a scheme of demerger to the shareholders of the demerged company if the transfer or issue is made in consideration of demerger of the undertaking; and
- ix. Transfer of capital assets or intangible assets by a partnership firm to a company or by a sole proprietary concern to a company, in the event of succession of business subject to fulfillment of specified conditions.

However, in cases (i) and (ii), if the transferee company converts such capital assets into stock in trade or if the holding company or its nominees cease to hold the whole of the share capital of the subsidiary company within eight years from the date of such transfer, the capital gains exempted on the transfer will be taxed as income of the year of transfer.

2.4.4 Income from Other Sources

A source of income, which does not specifically fall under any one of the other heads of income, is to be computed and brought to charge under this head of income.

2.5 Tax Relief

In order to encourage industrial growth and development, the Government of India offers several tax incentives to industrial units and foreign exchange earners in the country. These incentives reduce the tax incidence substantially and are subject to fulfillment of specified conditions.

2.5.1 Tax Benefits

The Income tax Act, 1961 provides for far reaching tax holidays and other tax incentives for businesses. We have enumerated, in brief, the significant tax holidays and incentives available to businesses along with the nature of deductions, eligibility criteria, and quantum of deduction and period for which the deductions are available. The tax holidays and incentives are subject to fulfillment of specified conditions.

2.5.2 Tonnage tax on shipping companies

Indian shipping companies are taxed on a presumptive basis. Tax is levied on the notional income of the shipping company arising from the operation of ships at normal corporate tax rates. The notional income is determined in a prescribed manner on the basis of the tonnage of the ship. Tax is payable even in the case of loss. The scheme is applicable to the shipping companies that are incorporated under the Indian Companies Act (with its effective place of management in India) with at least one ship with minimum tonnage of 15 tonnes and holding a valid certificate under the Merchant Shipping Act, 1959. Shipping companies have an option to opt for the scheme or for taxation under normal income-tax provisions. Once the scheme has been opted for, it would apply for a mandatory period of ten years and other income-tax provisions would not apply.

2.6 Transfer Pricing Regulations

The Finance Act, 2001 (effective from 1st April 2001) has inserted new sections 92 to 92F in the Income-tax Act, 1961 to facilitate determination of the proper taxation methodology of the international transactions between 'associated enterprises' having regard to arm's length principles. As per the transfer pricing regulations, it is

required that any income arising from an international transaction is to be computed at the arm's length price. It is also provided that to arrive at such income, the deductible expenses or interest is also to be computed at the arm's length price. Further, it is provided that when any allocation or apportionment of or any contribution to any cost or expenses between two or more associated enterprises, in international transaction, is required, in connection with a benefit, service or facility provided by one or more enterprise, then the same is to be determined at arm's length price.

Arm's length price means a price that would be obtainable had the transaction taken place between independent parties in uncontrolled conditions. The methods prescribed for computing arm's length price in transfer pricing regulations are as follows:

- a) Comparable uncontrolled price method;
- b) Resale price method;
- c) Cost plus method;
- d) Profit split method;
- e) Transactional net margin method.

Further, transfer pricing regulations provide for the record keeping regarding international transactions with associated enterprises and obtaining of certificate from the Chartered Accountant. The penalties for non-disclosure of the international transactions could be 2% of the transaction value apart from penalties for concealment which range from 100% to 300% of the tax sought to be evaded.

2.7 Relief For Tax Losses

Business loss incurred in a tax year and not adjusted against other income can be carried forward for 8 years, and set off against future business profit provided the income tax return for the year of loss is filed timely. Losses from a speculation business (as defined) can be set off only against gains from speculation business for a maximum of four years. For private companies, a 51% continuity of ownership test must also be satisfied. Carry back of losses is not permitted. Further, the benefit of carry forward of losses and unabsorbed depreciation is allowed in cases of amalgamation of a company owing an 'industrial undertaking' or a ship, with another company or an amalgamation of a banking company with a banking institution sanctioned and brought into force by the central government under the Banking Regulation Act.

Unabsorbed depreciation can be carried forward indefinitely and can be set off against any income under any head of subsequent years. Short-term capital loss also can be carried forward for eight years, and set off against future capital gains only. However, long-term capital gain can be set-off only against long-term capital

gain only.

2.8 Returns and Payment of Taxes

The companies are liable to submit their tax returns of the relevant financial year (i.e. year ending 31st March) on or before the immediately succeeding 30 September.

Tax is payable in advance on income, including capital gains, if the tax computed as payable for any year is Rs.5,000/- or more. Advance tax is payable on specified dates during the financial year in the manner set out below. The advance tax payable is determined by estimating the total income (including capital gains) for the year. Tax is to be calculated at the rates applicable for the financial year and is to be reduced by the amount of withholding tax deductible or collectible in terms of any provision of the Act. While shortfalls or excess payments, consequent upon errors in estimation, may be adjusted in subsequent installments, shortfalls vis-à-vis specified percentages would attract interest. All taxes must be paid before filing return of income.

The due dates for payment of advance tax and the amounts payable are:

Due Date	Amount Payable
On or before 15th June	Not less than 15% of advance tax
On or before 15th September	Not less than 45% of advance tax less earlier installment
On or before 15th December	Not less than 75% of advance tax less earlier installments
On or before 15th March	Whole of advance tax less earlier installments

In case of non-payment of specified percentages of advance tax by specified dates, interest @ 1% per month or part thereof is payable on the shortfall.

The unpaid balance of tax is payable before filing the return of income with interest thereon @ 1% per month. Further, interest @ 1% per month or part thereof is payable on such balance tax, if the return is not filed within the specified time.

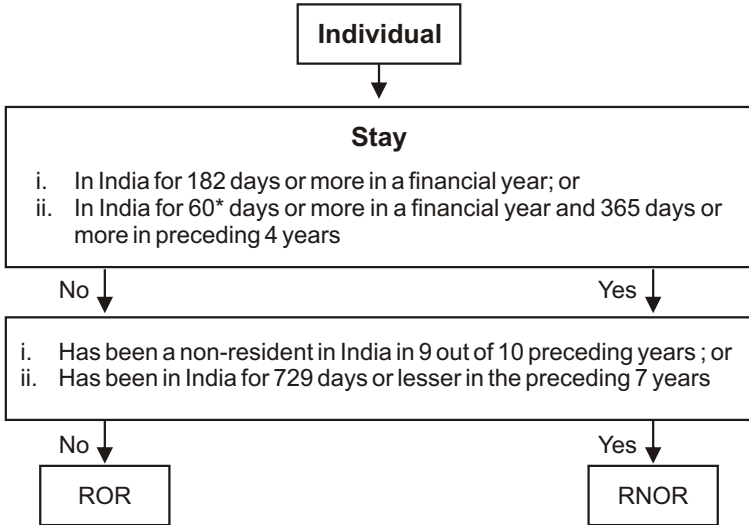
2.9 INCOME TAX ON NON-CORPORATES

2.9.1 Residential Status

29.2 Individuals

Individuals are classified into 'residents', 'non-residents' and 'residents but not

ordinarily residents'. The gamut of income subject to tax is dependent on the residential status irrespective of the nationality of the individual. The residential status of an individual can be determined using the chart given on the next page.



* 182 days for an individual who leaves India as a member of the crew of an Indian Ship or

For the purposes of employment outside India.

2.9.3 Other Non-corporate Entities

There are certain other non-corporate entities recognized by the Income-tax law viz partnerships, trusts, Hindu Undivided Families (HUFs) etc. These entities are treated as 'resident' in India in any financial year, unless the control and management of their affairs are situated wholly outside India, during the year.

3.0 Taxable Income

The provisions relating to determination of taxable income are as follows:

- a) Residents are liable to tax on their worldwide income.
- b) Non-residents are liable to tax on income, which accrues or arises or is deemed to accrue or arise in India as well as income, which is received or deemed to be received in India.
- c) 'Resident but not ordinarily resident' persons are liable to tax on income specified in (b) above and income derived from a business controlled from or profession set up in India.

3.1 Capital Gains Tax

The provisions relating to computation of capital gains tax applicable to corporate entities are equally applicable to non-corporate entities. In addition to that following exemptions are available.

Long term Capital Gains - Exemptions

Individuals and Hindu undivided families are also entitled to claim exemption from long-term capital gains under the following circumstances in accordance with the relevant provisions:

- i. Reinvestment of long term capital gain arising from sale of residential house for acquisition of another residential house.
- ii. Reinvestment of sale proceeds arising from sale of a capital asset (other than a residential house) for acquisition of a residential house subject to fulfillment of certain conditions.
- iii. Reinvestment of capital gain arising from sale of a capital asset for investment in specified bonds.
- iv. Reinvestment of long term capital gains arising from sale of listed securities or unit of a mutual fund for investment in equity shares forming part of an eligible issue of capital.

3.2 Deductions and Reliefs

Donations within limits, to approved charities qualify for deduction of 100% or 50%. The reliefs available to corporate entities discussed above are generally available to non-corporate entities unless specifically excluded.

3.3 Deductions /Tax Relief

For the financial year 2007-08, individuals and HUFs are entitled to deduction up to Rs.115,000 in respect of certain specified savings/investments/expenditure.

4.0 SPECIAL PROVISIONS FOR COMPUTATION OF TAXABLE INCOME OF NON-RESIDENTS

4.1 Non-residents Engaged in Specified Business

Taxable income of non-resident individuals and foreign companies is computed at a flat rate varying from 5% to 10% of the amount paid or payable (whether in or outside India) or an amount received or deemed to be received in India by or on behalf of the taxpayer on account of the following:

Business of Exploration for Mineral Oils

Business of Operations of Aircraft

Shipping Business

Business of Civil Construction for Turnkey Power Projects

Income from prospecting for Mineral Oils is, subject to certain conditions, eligible for special allowances in addition to permissible deductions available under the Act.

Others

Interest income on specified securities / bonds is exempt from tax in case of non-residents.

4.2 Income of Non Resident Indians

Non-Resident Indians (NRIs) have been offered a separate concessional tax of 20% (10% for long term capital gains) plus surcharge at applicable rates in respect of investment income. Also, specific provision is there in the Income-tax Act to safeguard interest of non-residents against devaluation of rupee in computing capital gains from the specified assets acquired out of convertible foreign exchange. However, the benefit of cost inflation index is not available to NRIs.

4.3 Income of Foreign Institutional Investors

The taxation of FIIs is governed by Section 115AD of the Income tax Act, 1961 ('the Act').

4.4 Income of Offshore Funds

Income of approved offshore funds from units of specified mutual funds and long term capital gains on their transfer are taxed @ 10% plus surcharge at applicable rates if the units are purchased in foreign currency.

5.0 WITHHOLDING TAXES

Every person, other than an individual and Hindu Undivided Family whose turnover is below Rs. 4 million, making certain specified payments including, interest, rent, fees for professional and technical services rendered, brokerage and commission, contract payments is required to deduct tax at source (TDS) at prescribed rates. From salary payment, every person is required to deduct tax at source. In the case of nonresidents, tax is required to be withheld as per the provisions of income-tax law as modified by applicable double tax treaty provisions.

Withholding taxes are normally payable within seven days of the end of the month in which the tax is deducted / collected. However, tax on salary is payable within seven days of payment of salary.

The person responsible for deducting tax at source is required to file annual return of TDS before the specified dates. The non-filing of annual return of TDS or failure to issue certificate within the prescribed period will attract penalty as specified in the

Act.

In case the income of a non-resident is not chargeable to tax in India or is taxable at rates lower than that prescribed for withholding taxes, an application can be made to the tax authorities for permission to deduct withholding taxes at a lower rate than those prescribed under the Act.

6.0 DOUBLE TAX TREATIES

The Government of India has entered into comprehensive Double Tax Avoidance Agreements (DTAA) with over 70 countries to avoid double taxation of income. Certain other limited agreements are entered into by India to avoid double taxation of income only from shipping and air transport.

For countries with no DTAA with India, a unilateral tax credit for tax paid in foreign countries is available under Indian domestic law to a resident tax payer. This relief is by way of deduction from the Indian income tax of a sum which is calculated on the double taxed income at the lower of Indian rate of tax or the rate of tax of the other country where tax has been paid. The list of the countries with which India has entered into Double Tax Treaties and the rates applicable under the treaties is given in Annexure.

7.0 OTHER ADMINISTRATIVE ASPECTS

7.1 Audit Reports

7.1.1 In addition to get the accounts audited, as per Companies Act for corporate entities, all entities are required to get their accounts audited for tax purposes in case of following:

A person carrying on business, if total sales, turnover or gross receipt in business for the accounting year or years relevant to the assessment year exceed or exceeds Rs.4 million (about US\$ 85,200).

A person carrying on profession, if his gross receipts in profession for an accounting year or years relevant to any of the assessment year exceeds Rs.1 million (about US\$21,300).

The tax audit reports in cases referred above are to be obtained and filed with the Income-tax authorities within a specified due date as per Sec.139 (1) for filing return of income.

7.1.2 For claiming deductions from certain export incomes, it is compulsory to obtain audit reports with effect to the same. One of the conditions for claiming exemption on export profits is that within specified period from the close of the accounting year, exchange earnings must be remitted to India.

For claiming deductions by newly established industrial undertakings / infrastructure projects, such entities are required to obtain specific audit report

relevant for deduction.

7.2 Assessment Procedure

As per the provision of the Income-tax Act, the assessee has to self assess his income and pay taxes accordingly and file proof of payment of tax along with the return of income. If any interest is due for deferment of advance tax or non payment of advance tax or for late filing of return of income then the same also has to be paid with the self-assessment tax. Concealment of income and furnishing of inaccurate particulars may result in imposition of penalty of up to 3 times the tax sought to be evaded.

The assessing officer may select the return of income for scrutiny in which case an assessment order is passed. In cases where the returns of income are not selected for scrutiny, intimation is sent after adjusting the apparent errors, omissions and mathematical errors. An appeal may be preferred if the assessee does not agree with the assessment made. Special provisions apply for rectification of mistakes, revision of orders and income escaping assessment.

7.3 Advance Rulings

The government has constituted an "Authority for Advance Ruling". Non resident taxpayers can obtain rulings in advance from the said authority on questions of law or fact, in relation to a transaction undertaken or proposed. A time limit of six months has been provided for the pronouncement of an advance ruling. The advance ruling once pronounced is binding on the applicant and on the income tax authorities in respect of the specific transaction for which advance ruling was sought. The advance ruling is not appealable.

From 1 October 1998, the concept of advance ruling is extended to a resident in India falling within such class or category of persons as the Central government may by notification in the Official Gazette, specify in this behalf. The authority shall give a decision in relation to an assessment which is pending before any income-tax authority, or the Tribunal in case of resident applicant. The decision shall include the decision on question of law or fact arising out of the orders of assessment in respect of which application has been made by resident applicant.

8.0 OTHER DIRECT TAXES

8.1 Fringe Benefits Tax

The Finance Act, 2005 has introduced a separate tax known as 'Fringe Benefit Tax' (FBT). Every employer as defined in the provisions relating to FBT is liable to pay tax@ 33.99 % on the value of fringe benefit provided or deemed to be provided to his employees.

For this purpose employer shall include a company, a firm, an Association of Person ('AOP') or a Body of Individuals ('BOI') (excluding a charitable trust or fund or any

institutions eligible for exemption under section 10(23C) of the Act or registered under section 12AA of the Act), a local authority and every artificial judicial person. In short, where an employer is an individual or HUF carrying on the business or profession or a charitable trust registered under section 12AA of the Act or institution eligible for exemption under section 12AA of the Act, will not be liable to pay FBT on the fringe benefits provided to their employees.

In case non-payment / short payment of advance FBT, simple interest @ 1% for every month or part of a month is payable from the due date of advance tax payment till the date of payment.

The due dates for filing FBT returns are same as for filing Income-tax returns. If the return of fringe benefits is not filed within due date then employer shall be liable to pay interest @ 1% for every month or part of a month from the date immediately following the due date to the date of filing of return or where no return has been furnished then date of completion of assessment on the amount of the FBT payable as reduced by the advance FBT paid.

Based on the return of fringe benefits filed, the assessing officer will determine the tax payable or refund due after considering the tax paid by the employer assessee within a period of one year from the end of the financial year in which the return is filed.

8.2 Securities Transaction Tax (STT)

STT shall apply to taxable securities transactions entered into on or after 1 October 2004 entered into through recognized stock exchanges in Gujarat. The taxable securities transaction shall attract STT with effect from 1 June 2006 at the rates specified below:

Type of transactions	Payable by buyer/seller	STT rate
Delivery based purchase of an equity share in a company or a unit of an equity oriented fund, entered in a recognized stock exchange	Both (Buyer and Seller)	0.125%
Non-delivery based sale of an equity share in a company or a unit of an equity oriented fund entered in a recognized stock	Seller	0.025%
Derivatives being option or future, entered in a recognized stock exchange	Seller	0.0166%
Sale of units of an equity oriented fund to the mutual fund	Seller	0.025%

"Taxable securities transaction" means a transaction of (a) purchase or sale of an equity share in a company or a derivative or a unit of an equity oriented fund, entered into in a recognized stock exchange; or (b) sale of a unit of an equity oriented fund of specified mutual fund. The value of taxable securities transaction shall be:

- a) The aggregate of the strike price and the option premium, in case of taxable securities transaction relating to derivative being "option in securities";
- b) The price at which "futures" is traded, in case of taxable securities transaction relating to derivative being "futures"; and
- c) The price at which securities are purchased or sold, in case of any other taxable securities transaction.

Every recognized stock exchange shall collect the securities transaction tax from every person being a purchaser or a seller who enters into a taxable securities transaction in that stock exchange.

8.3 Wealth Tax

Wealth-tax in India under the Wealth-tax Act is payable each year on the taxable wealth and depends upon residential status and on citizenship.

Taxable wealth includes residential house (other than residential house let out for a minimum period of 300 days during the year) and farm houses, motor cars, jewellery, bullion, yachts, aircrafts, urban land, cash exceeding specified limits as reduced by debts owed and incurred in relation to such assets.

However, exemption is available to individuals and HUFs for one house or part of a house or plot of a land comprising an area of five hundred square meters or less.

A resident Indian citizen pays tax on his global wealth. If he is a "resident but not ordinarily resident" or a non-resident or a foreign citizen, then his Indian wealth is charged to tax at normal rates and foreign wealth is totally exempt.

Wealth-tax in case of individual and companies for the tax year 2007-2008 will be charged @ 1 % of the net taxable wealth exceeding Rs. 1.5 million.

The due dates for filing wealth-tax returns are same as for filing Income-tax returns.

9.0 INDIRECT TAXES

9.1 Central Value Added Tax (CENVAT)/Excise Duty

CENVAT/Excise Duty is imposed on a large variety of manufactured items on ad valorem basis or at specified rates.

CENVAT credit is allowed against CENVAT payable in respect of certain inputs, input services and capital goods used in manufacturing Cenvatable items. The

assessee is required to maintain prescribed records for availing of CENVAT credit.

CENVAT/Excise duty is levied on specified goods with reference to maximum retail price. The CENVAT law also makes a provision for cost auditing of accounts in order to check misuse of CENVAT credit scheme.

The key changes made applicable from fiscal year beginning April 1, 2008 are as follows:

- Effective rate is reduced from 16.48% to 14.42%
- Elements of ED payable by Export Oriented Unit(EOU), Software Technology Park(STP) and Electronic Hardware Technology Park(EHTP) on clearance to Domestic Tariff Area(DTA) has been increased from 25% to 50% of Basic Custom Duty(BCD)

9.2 Customs Duty

Customs duty at varying rates is charged on goods imported into India.

Further, countervailing customs duty is levied which is equivalent to the excise duty which would have been chargeable had the item been manufactured in India. In respect of such countervailing duty paid, equivalent CENVAT credit is available in certain cases. The customs duties are generally chargeable on ad valorem basis i.e. based on value of imported goods.

In addition to the above, additional duty of customs not exceeding 4% is also levied in order to counter balance various internal taxes like sales tax/value added tax and to provide a level playing field to indigenous goods which have to bear these taxes.

The Central Government can also impose anti-dumping duty if manufacturers from abroad export goods in India at very low prices compared to prices in their domestic market.

Effective rate of customs duty reduced from 34.13% to 31.70% (CENVAT credit to manufacture at 20.93%) The new customs valuation for import and export of goods were notified to be effective from October 10, 2007.

BCD has been reduced on products imported under the South Asia Free Trade Area Agreement from SAARC countries namely, Bangladesh, Bhutan, Maldives, Nepal, Pakistan, and Sri Lanka.

9.3 Service Tax

9.3.1 Ambit of Service Tax

Service tax @ 12.36% (service tax @ 10% plus education cess @ 2% and secondary and higher education cess @1% thereon) is levied on around 105 specified services. Some of the specified services are advertising agency,

consulting engineers, architects, management and business consultants, real estate agents and consultants, construction services, intellectual property services, business auxiliary/support services, renting of immovable property etc.

9.3.2 Export of services

The Government has prescribed Export of Services Rules, 2005. The Rules provides that any taxable service may be exported without payment of service tax i.e. it grants exemption from levy of service tax on "export of services". For determination of "export of service", the specified taxable services in force have been categorised in three categories, which provides for certain conditions in order for the services to be treated as export of services.

9.3.3 Import of Services

Services received (in India) by a person situated in India from a person outside India is liable to service tax as "import of services". Further, for the said purpose, it is provided that the service recipient shall be deemed to be the service provider and shall comply with all the service tax regulations. The Government has also prescribed Taxation of Services (Provided from Outside India and Received in India) Rules, 2006". The Rules provide for criteria for the determination of taxable service received in India. Similar to the Export of Service Rules, 2005, for determination of "import of service", the specified taxable services in force have been categorised in three categories, which provides for certain conditions in order for the services to be treated as import of services.

9.3.4 Cenvat Credit Rules, 2004

The CENVAT Credit Rules, 2004 provide for a mechanism for allowing inter-sectoral credit between goods and services. Specified input service tax paid is made eligible for credit against service tax chargeable on output services and excise duty leviable on goods manufactured and vice versa. Further, education cess (including secondary and higher education cess) paid on input services is available as credit for payment of education cess (including secondary and higher education cess) on output services.

Credit in respect of capital goods is allowed up to 50% in the financial year of receipt of capital goods in premises of output service provider and 50% in the subsequent financial year. Credit is not allowed on input services used in providing exempted services.

9.3.5 Rebate/Refund for input services and inputs used in providing taxable services

The Export of Services Rules, 2005 provides for rebate of service tax paid on taxable service or service tax or duty paid on input services or inputs, as the case may be, used in providing taxable service, subject to specified conditions or limitations.

Further, the Cenvat Credit Rules 2004, also provide for claiming refund of unutilized Cenvat Credit used for providing output services, which are exported as per the Export of Services Rules, 2005.

9.3.6 Threshold Limits

Small service providers whose aggregate value of taxable services provided during the preceding financial year does not exceed Rs. 10,00,000 (about US\$ 21,300) have been given an option to claim exemption from service tax up to an aggregate value of taxable services of Rs. 10,00,000 in a financial year, subject to specified conditions. Benefit of this exemption scheme is not available wherever service tax is payable by a person other than the service provider or the taxable services are provided by a person under a brand name or trade name, whether registered or not, of another person.

9.4 Central Sales Tax

Sales tax is levied on the sale of virtually all movable goods in India. The Indian regulatory framework has granted power to the State Legislature to levy tax on goods sold within the state. The levy of sales tax and rates applicable thereto vary according to the sales tax law of the respective states. However, most Indian states have replaced the sales tax regime with Value Added Tax (VAT) from April 1, 2005.

All goods sold in the course of interstate sale are subject to levy under Central Sales Tax (CST) Act, which is imposed by the Central Government. The rate of CST is generally 2% when goods are sold for the purpose of use in manufacture or resale, for use in telecommunication equipment, generation of power, mining etc. subject to the provision of the declaration forms prescribed under the CST Act. CST will be phased out after introduction of GST regime in all the states of India.

9.5 Gujarat Sales Tax

The levy of sales tax in Gujarat was governed by the Gujarat Sales Tax Act, 1969. However, the Act has been replaced by the Gujarat Value Added Tax Act, 2003 with effect from April 1, 2006. The levy and collection of VAT in Gujarat is governed by the Gujarat VAT Act, 2003. Any dealer (person who in course of his business buys, sells, manufactures, makes supplies or distributes goods) whose total turnover during the year exceeds Rs. 5,00,000 (US\$10,651) is liable to pay tax as per rates suggested by the Empowered Committee of the State Finance Ministers and decided by the State Government.

9.5.1 Value Added Tax (VAT)

State level sales tax has been replaced by VAT with effect from April 1, 2005 in a majority of Indian states. The key features of VAT are:

- Till CST is phased out, it will continue to co-exist with state VAT.

- VAT is a multi-point tax system and is levied on value added at each stage.
- VAT has replaced existing state level taxes like sales tax, works contract tax, lease tax, turnover tax, resale tax etc. However, existing sales tax incentives have been continued by the Government.
- VAT has been introduced in the State from April 1, 2006.
- AT paid on goods purchased from within the state will be eligible for VAT credit.
- The input VAT credit can be utilised against the VAT/Central Sales Tax (CST) payable on the sale of goods. It is thus ensured that the cascading effect of taxes is avoided and only the value addition is taxed.
- No credit is available for taxes paid in other states and CST.
- Full input tax credit/refund is available in respect of goods exported outside India.
- Composition scheme is available for dealers having turnover of upto Rs.50 lakhs (US\$0.11) million. Under this scheme, tax is payable at a nominal flat rate (usually 0.5%) without any provision for input tax credits.
- 75% provisional refund is given on production of certain documents.
- Parameters for audit assessment given in the rules.
- Number of e-services like, on-line application for registration, e-return, e-payment and e-waybills have been started.
- Unique and instant electronic matching is being done.
- Additional Tax is also levied w.e.f. 01/04/08 which varies from 1% to 2% on different entries mentioned in Schedule II of GVAT.

For more details on VAT in Gujarat, please visit the website www.commercialtax.gujarat.gov.in

9.6 Research & Development Cess

Under the Research and Development Cess Act, 1986, cess is levied by the Central Government at the rate of 5% on the import of technology into India. Such cess is required to be paid by the importer on payments made for such imports.

9.7 Other Taxes levied by Government of Gujarat (state level Taxes)

9.7.1 Stamp Duty and Registration Fees

The stamp duty rates prescribed by the Parliament in respect of bill of exchange, banker's cheque, transfer of shares etc. will prevail all over India. However, other stamp duty rates prescribed by the Parliament in Indian Stamp Act, 1899 (e.g.

stamp duty on agreements, affidavit, articles of association of a company, partnership deed, lease deed, mortgage, power of attorney, security bond etc.) are valid only for Union territories. In case of States, the rates prescribed by individual States will prevail in those States.

Stamp duty is a significant source of revenue for State Governments, payable when any instrument, which includes any document by which any right or liability is created, transferred, limited, extended, extinguished or recorded, is executed.

The rates applicable to stamp duty can be referred at the website below:

http://www.gicl.in/duties_07.html

9.7.2 Electricity Duty and Tax on Sale of Electricity

The electrical energy supplied/ wheeled to different recipient units of group companies from the captive power plant of a supplying company would be subjected to payment of Electricity Duty as per schedule I of the Bombay Electricity Duty Act, 1958 and Tax on Sale of Electricity as per the provisions of Gujarat Tax on Sale of Electricity Act, 1985, as amended from time to time.

9.7.3 Professional Tax

The levy and collection of a tax on professions, trades, callings and employments is governed by the Gujarat State Tax on Professions, Trades, Callings and Employments Act, 1976. A person engaged in any profession or earning a wage or salary is levied tax under the Act. The tax is deducted by the employer from the salary or wage and paid to the Government on behalf of the employee. Profession tax is levied only if income exceeds Rs.35, 988 (US\$782.35) The rates of professional tax depend on the salary/wages earned and the profession in which taxpayer is engaged with the maximum tax payable being Rs.2,500 (US\$54.37)p.a.

CHAPTER 7 : ROADMAP FOR SETTING UP INDUSTRY IN GUJARAT

1.1 Approvals/Registration/Filing information for setting up a project

Approvals from the Government of Gujarat or Government of India need to be taken for setting up a project depending on the nature of the industry and scale of investment. The details of approvals required and the authority granting approvals are as below:

Procedure	Applicability	Authority
SSI Registration	Small Scale Units, having investment up to Rs.5crore (US\$1.09 million)	District Industries Centre (DIC) of the district where the unit is to be located
Industrial Entrepreneur's Memorandum (IEM)	The [1] small and medium enterprises as classified, are required to file EM Part-I for starting an industrial project. On completion of the project, the entrepreneur is required to file Entrepreneur's Memorandum (EM) Part-II.	District Industries Centre/ Industries Commissioner ate, Government of Gujarat.
Filing Industrial Entrepreneur's Memorandum (IEM)	Industries exceeding Investment of US\$2.44million (which are exempt from the provisions of industrial licensing)	Secretariat for Industrial Assistance, Ministry of Commerce and Industry, Government of India
Letter of Intent (LOI)	Industries where licensing is required	Secretariat for Industrial Assistance, Ministry of Commerce and Industry, Government of India, New Delhi
Letter of Permission (LOP)	100% EOUs and SEZ units	For Automatic Approval: The Development Commissioner, Kandla Special Economic Zone, Ministry of Commerce

		and Industry, Government of India, Kandla (Dist. Kutch), Gujarat For other industries: Secretariat for Industrial Assistance, Ministry of Commerce and Industry, Government of India, New Delhi
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Under the Micro, Small and Medium Enterprises Development Act 2006 by Government of India, Micro, Small and Medium Enterprises are classified as under:

Enterprises	Investment in Plant & Machinery (Manufacturing)	Investment in Equipment (service)
Micro	Does not exceed Rs.25 lakhs (US\$0.06 million)	Does not exceed Rs.10 lakhs (US\$0.02 million)
Small	more than Rs.25 lakh rupees but does not exceed Rs.5 crores rupees (US\$0.06 million- US\$1.09 million)	more than ten lakh rupees but does not exceed two crore rupees. (US\$0.02 million- US\$0.43 million)
Medium	more than Rs.5 crore rupees but does not exceed Rs.10 crore rupees (US\$1.09 million- US\$2.17 million)	more than two crore rupees but does not exceed five crore rupees (US\$0.43 million- US\$1.09 million)

1.2 Registration of Business Organization

After the approval for setting up a project is granted, business organisations formed will have to get registered with the concerned authority. The details of the authority registering business entities are set out below:

1.2.1 Sole Proprietorship : No registration is required

1.2.2 Registration as partnership firm:

Registrar of Partnership Firms, Government of Gujarat, Vechan Vera Bhavan, Ashram Road, Ahmedabad -380009.

1.2.3 Approvals required from Registrar of Companies:

A Company desiring to register them as Private or Public Limited is required to

approach the Registrar of Companies, and the following two steps are required.

Office of Registrar of Companies,

ROC Bhawan, Opp. Rupal Park, Near Ankur Bus Stan, Naranpura, Ahmedabad-380013

1.2.3.1 Registration of Name

The new business entity is required to register the name of the company, to be established in Gujarat, Application form 1A

1.2.3.2 Upon the registration of name, the company is required to approach the department with the following application forms/documents.

- a) Application Form-1 (Application or declaration for incorporation of a company)
- b) Application Form 32 (Particulars of appointment of managing director, directors)
- c) Application Form 18 (Notice of situation or change of situation of registered office)
- d) Memorandum and articles of association, address of the registered or principal office and directors and secretary of a foreign company.

1.3 Approvals required for Allotment of the Land

An investor can purchase Land through various available options set out below:

- Government Land
- Private Land
- Land in Gujarat Industrial Development Corporation (GIDC) Estate
- Forest Land
- Land Parcel in Special Economic Zone (SEZ) or Industrial Park (IP)

The procedure for acquiring land along with the various approvals from respective authorities is set out below:

1.3.1 Government Land

The application for Government land can be made only to the Collector of the respective district in the prescribed format with the document stipulated therein.

The contact details of each district collector along with the website of their respective

Collectorate is available at

<http://www.gujaratindia.com/government/collector.asp>

The Government Land falls under two categories namely Waste Land and Gauchar Land. The pre-conditions under which the land is allotted are set out below:

- Land is allotted at Market Price preferably from the Land Bank identified for Industrial, Agro and Tourism usage.
- Land is allotted on lease for industrial purpose at 15% annual rent of the market price as annual rent. The market price is subject to review every five years.
- Land up to two hectare value of which is not more than Rs.20 lakhs (US\$0.043) million is allotted by the District Collector except in the six cities i.e. Ahmedabad, Vadodara, Surat, Rajkot, Jamnagar and Bhavnagar. In other cases, the power lies with the Revenue Department.
- Gauchar land is allotted only if Waste land is not available. Resolution from respective Gram Panchayat is necessary for the allotment of Gauchar land. 30% extra price is charged on the market price or the company has to purchase and provide other land for the use of Gauchar in Gram Panchayat from where the Gauchar land is purchased.

1.3.2 Private Land

Land can also be purchased directly from the owner of the land parcel (hereinafter referred to as Private Land).

The private land can be either an Agricultural Land (land reserved for agricultural usage only) or Non-Agricultural land (land reserved for usage other than agriculture) which can be ascertained with its identification number (survey number).

- Agricultural Land:

In case the land purchased is an Agricultural land and is to be used for setting up of industries classified under bonafide industry, then the provision of Section- 63 /63 AA of Tenancy Act and Section 65/65 B of L.R.C are applicable.

- Non Agricultural (NA) Land:

If the land is designated for other than agricultural use in the development plan of the authority, approval of lay-out plan in the light of zone from competent authority is a must.

- Urban Development Authority:

In case the land falls under the Urban Development Authority (UDA) limits, then

before applying for NA permission, a Zoning Certificate (in case the land falls under any zone other than industrial zone) is required.

The procedure for application to the various departments that an investor needs to contact for obtaining the permissions mentioned above are set out in the table

Department	Permissions/Approvals
Urban Development Authority	1. Zoning/Zone Change (In case applicable) 2. Construction Permission The application forms are available with the respective Urban Development Authority. The contact details of each UDA is available at http://www.udd.gujarat.gov.in/udd/uda.htm

Note: For bonafide industries, the land to be purchased should not be within the urban agglomeration.

1.3.3 Land in GIDC Estates

The investors can purchase land in industrial estate under the purview of Gujarat Industrial Development Corporation. GIDC operates and maintains industrial estates in various districts of Gujarat State. These estates are self-contained sanctuaries capable of sustaining a large number of industries within themselves. GIDC industrial estates are well equipped with essential infrastructure facilities like roads, drainage, power, water supply and street lights.

The procedure for application for the various permissions and approvals required for setting up an industrial unit in GIDC estate is set out in the table below:

Department	Permissions/Approvals
Gujarat Industrial Development Corporation (GIDC)	1. Construction Permission The application forms are available with the Deputy Executive Engineer of the concerned GIDC estate. 2. Water Connection The application forms are available with the Deputy Executive Engineer of the concerned GIDC estate. 3. Drainage Connection The application forms are available with the Deputy Executive Engineer of the concerned GIDC estate. The procedure and the application form for the purchase of land., water connection, drainage connection is available at http://www.gidc.gov.in/appliform.asp 4. Power: Power can be obtained by applying to respective authorities (Refer section: Availability of Power Supply) 5. Gas: Gas can be obtained by applying to respective authorities (Refer section: Availability of Gas Supply)

1.3.4 Approval required from Forest and Environment Department Procedure for obtaining Forest Land:

- A) In case an Investor applies for Forest Land for the non -forest activity, following permissions are required along with an undertaking that the land being required is bare minimum parcel necessary for the project :
- a) Formal Approval under Forest Conservation Act-1 from the Ministry of Forest and Environment, Government of India (on recommendation of the State Government) is needed for the possession of Forest Land.
 - b) In case the land is reserved for Wild Life Sanctuaries or National Park then an approval under Forest Conservation Act-2 from State Wild Life Board, National Wild Life Board and Supreme Court is required for the possession of such land.

The procedure, checklist, application form, timeline for application is set out in the table below:

Department	Permissions/Approvals
Department of Environment and Forest	<ol style="list-style-type: none"> 1. Formal approval under Forest Conservation Act-1, from the Ministry of Forest and Environment. Application form is available at http://www.gujaratforest.gov.in/e_citizen/under_fca.htm 2. Approval under Forest Conservation Act -2, Application form available at http://www.gujaratforest.gov.in/e-citizen/under_fca.htm

- B) Other approvals from Forest and Environment Department, Govt. of Gujarat

- a) If the Investor needs lands under Coastal Regulation Zone (CRZ)

The projects which fall along the coast line region require CRZ clearances and the procedure, checklist, and timeline for the same is provided at the Forest and Environment department website of Govt. of Gujarat:

<http://gujenvfor.gswan.gov.in/guidelines.htm>

- b) Procedure for Environmental Clearance under the EIA Notification

The procedure for Environment Clearance and Public Hearing under the Forest and Environment Department can be obtained from the website:

<http://gujenvfor.gswan.gov.in/guidelines.htm>

Process for obtaining Land under SEZ

An investor can purchase land parcel in an SEZ or Industrial Park. The concept of

SEZ in India was introduced in Exim Policy 2000. Special economic zone (SEZ) is a specifically delineated, duty free enclave and shall be deemed to be foreign territory for the purpose of trade operations and duties and tariffs.

Benefits

- Internationally competitive and hassle free environment for export promotion.
- World class infrastructure standards and facilities in the form of power supply, airport, seaport, railways, roads and telecommunication.
- Access to social infrastructure-residential, recreational, health care and educational.
- Huge employment opportunities.
- Potential for earning foreign exchange.

Eligibility Criteria

- SEZ can be developed and managed in the private sector, jointly by the state government and a private party, or by the state government or its agency.
- SEZ shall not be less than 1000 hectares for in size (except existing EPZs and product specific SEZs) for Multi product SEZ
- SEZ and units therein will abide by local laws, rules and regulations.
- Only units approved under SEZ scheme will be permitted to be located in the SEZ.

More Details on SEZs applications and procedure can be obtained from The Industries Commissionerate website: http://ic.gujarat.gov.in/promo-sch/sez_scheme.html

1.4 Clearance from Gujarat Pollution Control Board (GPCB)

Any project covered under the Schedule of Environment Impact Assessment Notification - 2006 is required to obtain Environmental Clearance (EC). Also, any new industrial unit and unit with expansion proposal (for the units are not exempt from taking such permission) requires Consent to Establish (No objection certificate) from the Gujarat Pollution Control Board (GPCB). Consolidated Consent and Authorisation is also required from the GPCB before commencing production.

Environmental Impact Assessment (EIA) has now been made mandatory under the Environmental Protection Act, 1986 for 29 categories of development activities involving any investment of Rs. 50 Crores (US\$10.87) million and above.

The following clearances are required from the Pollution Control Board for setting up industry in the State of Gujarat:

The Gujarat Pollution Control Board (GPCB) has exempted around 100 industries in small scale and cottage sector from obtaining NOC for the project.

The list of the exempted industries can be obtained from the Regional Offices of GPCB.

The projects falling in the listed industries segments (Small scale industry) can submit a copy of the list along with the project details to the financial institutions or obtain an exemption letter to this effect from GPCB.

1.4.1 Environment Clearance

Any project covered under the Schedule of Environment Impact Assessment Notification - 2006 is required to obtain Environmental Clearance (EC).

- A) An EIA (Environment Impact Assessment) report is prepared and submitted to the concerned authority:
 - i) Ministry of Environment and Forest (MoEF), in case the projects covered under Category A along with Form 1 application for Industrial projects and Form 1A for township and Infrastructure projects
 - ii) State Impact Assessment Committee (SIAC)-Secretary 8th floor, Block no14, Sachivalaya, Gandhinagar in case of Category B projects
- B) A public hearing of the EIA report is held, subsequent to which the Environmental clearance is granted. Public hearing will be carried out in consultation with Gujarat Pollution Control Board (GPCB), Gandhinagar for which an application has to be made.

The EC is granted by MoEF for Category A projects and in case of Category B projects it is granted by State Environment Impact Assessment Authority (SEIAA).

1.4.2 Consent to Establish (CTE)

Application can be made to GPCB for CTE, if the project is not exempted as per the list of industries (mentioned in the GPCB website).

1.4.3 Consolidated Consent and Authorisation (CC&A)

CC&A is required to be obtained before the commencement of commercial production activity, once EC and CTE is granted.

Procedure/Approvals required from GPCB are given in Annexure-C.

*Note: In case of EC and NOC it is not mandatory that the investor has land in possession for the above clearance and hence application for land, EC and NOC can be made simultaneously.

1.5 Availability of Power Supply

Gujarat Urja Vikas Nigam Ltd. (GUVNL) was incorporated as a Government of Gujarat

Company and it is basically a holding company after reformation of erstwhile Gujarat Electricity Board into seven companies.

Company Name	Website	Contact Address
Gujarat Urja Vikas Nigam Limited,	http://www.gseb.com	Gujarat Urja Vikas Nigam Limited Sardar Patel Vidyut Bhavan Race Course, Vadodara 390 007 Gujarat, India Phone: 91-265 2310582/83/84/85/86 Fax: 91 265-2337918/2338164 E-mail: contactus@gebmail.com

In order to obtain Power in the State of Gujarat, the following four zonal offices(Distribution companies) can be contacted depending on the area of supply:-

1. Madhya Gujarat Vij Company Ltd. (MGVCL) Distribution
2. Paschim Gujarat Vij Company Ltd. (PGVCL) - Distribution
3. Dakshin Gujarat Vij Company Ltd. (DGVCL) Distribution
4. Uttar Gujarat Vij Company Ltd. (UGVCL) Distribution

Details on application Form/Procedure/Checklist/Timeline for above given zonal offices can be obtained from the following website/office details:

Company Name	Website	Contact Address
Madhya Gujarat Vij Company Limited	http://www.mgvcl.com	Madhya Gujarat Vij Company Limited, Sardar Patel Vidyut Bhavan Race Course, Vadodara 390 007, Gujarat, India
Pashchim Gujarat Vij Company Limited	http://www.pgvcl.com/for.ms.htm	Pashchim Gujarat Vij Company Limited Laxminagar, Nana Mava Main Road Rajkot - 360004 Phone : 91-281-2380425/2380427 Fax : 91-281-2380428 E-mail address: acewzr@gebmail.com

Dakshin Gujarat Viji Company Limited		Dakshin Gujarat Viji Company Limited, Near Kapodra Char Rasta, Nana Varachha Road, Surat, Ph+91-261-2804201
Uttar Gujarat Viji Company Limited	http://www.ugvcl.com/download/ht.php	Uttar Gujarat Viji Company Limited, Mehsana -384001 Phone no : (02762) 222080-81, Fax No.: (02762) 223574 E-mail : corporate@ugvcl.com

Power requirement in GIDC estates

The allottee of the GIDC estate has to obtain a Requisition Form available at their respective zonal offices. For complete procedural details visit www.gidc.gov.in/obtpower.com

Power requirement in locations other than GIDC estates

Application for supply of power shall be made on the prescribed form available on respective zonal distribution company websites indicated above.

Captive Power Establishment

As per the Indian Electricity Act, 2003 any generating company may establish, operate and maintain a generating station without obtaining a license under this Act if it complies with the technical standards relating to connectivity with the grid referred to in clause (b) of section 73.

The detail for Open Access and procedure is available on :www.getcogujarat.com

Also the detailed guidelines are available on:

http://powermin.nic.in/JSP_SERVLETS/internal.jsp

For connectivity, the investor has to contact The Chief Engineer (GETCO), state transmission company.

Company Name	Website	Contact Address
Gujarat Energy Transmission Corporation Limited (GETCO)	For Act and Notification(Indian Electricity Act, 2003), please visit website: http://powermin.nic.in/ For more info on GETCO, please visit website: http://www.getcogujarat.com/	Gujarat Energy Transmission Corporation Limited (GETCO) Sardar Patel Vidyut Bhavan , Race Course Vadodara -390007 Gujarat (INDIA) Phone (O): (+91 265) 2310582

1.6 Availability of Gas Supply

In order to avail Gas Supply, an Investor needs to apply to the various Gas distributors as listed, district wise, in the Annexure-D In order to avail gas from Gujarat State Petroleum Corporation (GSPC), the Investor should apply as per the format prescribed in the website: www.gspcgroup.com along with the following information

- Project Plan
- Investment details
- Product and Process details
- Status of Statutory Approvals
- Land acquisition status
- Gas requirement

The application forms are available with the respective offices.

1.7 Arrangement of water supply for Industrial Purpose

1.7.1 To avail water supply for Industrial purpose in the State of Gujarat

The following departments at the state government level can be contacted to avail Water Supply for Industrial purpose.

1. Sardar Sarovar Narmada Nigam Limited (SSNNL)- The department can be contacted in case the Industrial Unit is located in proximity to the Narmada Canal
2. Irrigation Department- The department can be contacted for drawing water from Canals/Rivers and reservoirs other than Narmada Canal
3. Gujarat Water Infrastructure Limited (GWIL)- GWIL can also be contacted for the drawing water from the pipeline of GWIL.

For drawing water from SSNNL/Irrigation Department/GWIL, the application form can be downloaded from the web link:

<http://www.gwssb.org/pdf/Application%20for%h20demand%20of%20water.pdf>

Apart from the above sources, water for industrial usage is also provided by the following authorities:

1. Local Governing Bodies

- The local governing body (Nagar palika, Municipality, Municipal Corporation) can be contacted for drawing surface water.
 - The application forms are available with the department.
2. For the usage of Ground water for Industrial purpose from the area falling under dark zone, over exploited area or saline area, the Investor has to apply to The Superintendent, from Gujarat, Water Resources Development Corporation (GWRDC).

The list of the dark zones, over exploited or saline areas across 57 talukas is given at web link: <http://www.gwrdc.gujarat.gov.in/gwremaps.htm>

The forms, checklist can be downloaded from web link: <http://www.gwrdc.gujarat.gov.in/ho-15-06.pdf>

3. Desalination Plants- The business entity can also install a desalination plant to fulfill its water requirements.

1.7.2 In case of water supply for industrial purpose, within GIDC Estate

The application form for water can be collected from the Deputy Executive Engineer of the concerned estate

For further details visit www.gidc.gov.in

1.8 Approvals required from the Labour and Employment Department

1.8.1 Approvals required for Building/Factory Plans

1.8.1.1 In GIDC estates

Executive Engineer (GIDC) of the concerned region visit www.gidc.gov.in

1.8.1.2 Inside and Outside GIDC estates

The Director, Industrial Safety and Health is authorised to give approval of plans of the premises, equipment layout and process layout

The Director, Industrial Safety and Health is also responsible for registration of factory and grant of license.

1.8.2 Approvals required from Labour Department

The new entrepreneur has to fulfill following statutory/procedural formalities under various labour laws and the level of approvals varies with the stage and volume of employment.

- The minimum wages Act, 1949

- The Contract Labour (R&A) Act, 1970
- The payment of Gratuity Act, 1972
- The Payment of Bonus Act, 1965
- The Interstate Migrant workers Act, 1979
- Consolidated Annual Return Form is accepted in lieu of annual/half yearly returns under different labour laws
- Two registers are required to be maintained
- Self Certification-cum -Consolidated Annual Return Scheme

More details on procedure and forms can be obtained from the website of Labour Commissioner, under the section of 'Information for Citizen':

<http://www.labourandemployment.gov.in>

LC/labourwing/informstionforcitizen.htm

1.9 Approvals required from Commercial Tax Department

1.9.1 Value Added Tax (VAT) Registration

The VAT registration is required under The VAT Act, 2003

The company is necessarily required to make the registration, if the total turnover during the year immediately proceeding (or current year) on the appointed day exceeds Rs. 5 lakhs (US\$10869.57) and whose taxable turnover exceeds Rs. 10, 000 (US\$217.39) million in a year.

Also there is a provision, wherein a voluntary deposit of Rs.25,000 (US\$543.48) million is to be made and which can be adjusted against tax liability.

There is no form fee or processing fees applicable for such registrations. Application can be made to the respective area officer in whose jurisdiction, the chief place of business falls.

Application form (Form 101 & its annexure) is required to be filled for the registration and online registration can be made at the website given below:

<http://commercialtax.gujarat.gov.in/vatwebsite/index.jsp>

List of documents required to be submitted along with the application form, can be obtained from the website under the section (VAT Rules, Refer Rule 12)

<http://commercialtax.gujarat.gov.in/vatwebsite/index.jsp>

1.9.2 Central Sales Tax (CST) registration

The CST registration is required under The CST Act, 1956

Any new business entity is required to make the CST registration, if the total turnover during the year immediately preceding (or current) on the appointed day exceeds Rs. 5 lakhs (US\$10869.57) and whose taxable turnover exceeds Rs. 10,000 (US\$217.39) in a year.

Also there is a provision, wherein a voluntary deposit of Rs. 25,000 (US\$543.48) can be made and the same can be adjusted against tax liability.

There is no form fee or processing fees applicable for such registrations

The person can apply to the respective area officer in whose jurisdiction, the chief place of business falls.

Application form (Form A) is required to be filled for the registration and online registration can be made at the website:

<http://commercialtax.gujarat.gov.in/vatwebsite/index.jsp>

The list of documents submitted is same as those required for VAT Registration.

1.10 Approvals required from the Department of Geology and Mining

The main functions of the department includes:-

- Mineral Exploration
- Analysis and Study of Mineral / Rock Samples
- Mineral Administration and Development
- Flying Squad and Appeal

Procedure for obtaining Mining Lease can be referred in Annexure-G.

Details on the procedure and application form can be obtained from the website of The Commissioner of Geology and Mining, under the section "Provision for Lease" on:

<http://geomining.gujarat.gov.in/>

1.11 Other Approvals

Certain approvals that need to be taken for specific projects after the unit is set up, are given below:

Applicability	Authority
Boiler registration	Chief Inspectorate, Steam and Boiler Government of Gujarat Block No 9 New Mental Hospital Compound Meghaninagar Ahmedabad 380016
Handling of hazardous items	Director of Industrial Safety and Health, Government of Gujarat
Customs bonding for 100% EoUs located outside SEZ	Collector of Customs & Central Excise Government of India NrAll India Radio, Income Tax Circle Ahmedabad 380014 Gujarat
Quality Certification	Bureau of Indian Standards 3rd Floor, Pushpak Building, Khanpur Ahmedabad 380 001 Gujarat

1.12 Sector Specific Approvals

Apart from the above mentioned approvals, certain approvals need to be taken for specific projects:

Applicability	Authority
Food and Drug manufacturing units	Commissionerate of Food & Drug Administration Government of Gujarat Block No 8, I Floor Dr Jivaraj Mehta Bhavan
Registration for milk products	Milk and Milk Products Board, New Delhi India
Project located within a distance of 500 meters from the coastline	Gujarat Maritime Board Government of Gujarat, Sector-10A, Opposite Air Force Center Nr New Sachivalaya, Gandhinagar -382010

1.13 Single Window Assistance for Setting up Project

Industrial Extension Bureau (iNDEXTb) serves as a single point contact for all industrial investment related activities in Gujarat. It is a premier investment promotion agency of the Government of Gujarat. The agency also assists investors in complying with the above formalities required to set up a project

CHAPTER 8 : INVESTMENT OPPORTUNITIES IN GUJARAT

The following are the list of business opportunities across various sectors which may be considered for investment in line with the nature and strength of Gujarat's economy.

1.1 Agro and Food Processing

1. Banana Pack House
2. Tomato Processing
3. Baker's Yeast
4. Organic Milk and Milk Products
5. Castor Oil Derivatives Perfumery Raw Materials
6. Enzymes for Food Processing Industries
7. Medicinal Herbs Extraction Unit
8. Peanut Butter Manufacturing Unit
9. Potato Processing for Powder and Flakes
10. De-hulled and Roasted Sesame Seed Oil Processing Unit
11. Refined Sugar Manufacturing Unit
12. Banana Fiber Processing and Textile Unit
13. Onion Cold Storage
14. Egg Powder
15. Natural Food Colors Marigold, Annatto
16. Spices Cryo-grinding unit - Cumin, Turmeric, Chilly
17. Shrimp Farming and Processing unit in Kutchh
18. Food Park- Commodity Specific Cluster Development
19. Terminal Markets at Ahmedabad and Surat
20. Guar Gum Powder for Pharmaceutical, Cosmetics and Food Industry
21. Grain Storage Silos with Mechanized Handling System Port-based

22. Potato Processing - Fabricated Potato chips
23. Bio-pesticides Neem and Tobacco seed oil base
24. Ice Cream Balls IFT Plant
25. Fish meal based Fertilizer unit
26. Roasted, Salted and Coated Nuts
27. Fish Oil Extraction unit
28. Vegetable Pack house
29. Ice Plant and Fish Freezing Plant
30. Bagasse base high efficiency Co-generation power plant
31. Spices and Isabgul irradiation centre Unjha
32. Molasses Based Fuel Ethanol (Bio-Fuel) Plant

1.2 Engineering And Auto

1. High Pressure Cylinders for CNG auto kits and industrial applications
2. Investment Casting Project
3. CNC Machine Tools and SPM Manufacturing Unit
4. Plastic Injection Moulding Machines Manufacturing Unit
5. Submerged Arc Welded (SAW) Pipes
6. Automobile Assembly Unit
7. Forged Auto Components
8. Auto Components (OEM Supply)
9. Bearing Manufacturing Unit
10. Beneficiation of Clay
11. Cement Plant
12. Ready Mix Concrete for Construction
13. Speciality Glass
14. Thermal Tiles

1.3 Textiles And Apparel

1. Integrated Non-woven Spunbond Complex
2. Manufacture of Protective Fabrics
3. Manufacture of Woven Geogrids
4. Manufacture of Taffeta Fabric
5. Manufacture of Crop Shade Fabric
6. Conversion Activity for Non-woven Healthcare Disposables
7. Manufacture of Webbing for Seat Belts
8. Manufacture of Coated Fabric
9. 100% Cotton Integrated Textile and Apparel Complex
10. 100% Cotton Based Spinning Unit with Natural Gas based Power Plant

1.4 Chemical and Petrochemicals'

1. Petroleum, Chemicals and Petrochemicals Investment Region (PCPIR) at Dahej.
2. Methanol
3. Propylene Oxide and Propylene Glycol
4. Cumene
5. Phenyl-Acetone
6. Nitrobenzene / Aniline
7. Diphenylmethane diisocyanate (MDI) and Toluene diisocyanate (TDI)
8. Polyvinyl Chloride (PVC)
9. ABS Resin
10. Polycarbonate
11. Polyethylene Terephthalate (PET) Chips
12. Styrene Butadiene Rubber (SBR)
13. Bi-Axially Oriented Polypropylene (BOPP) Films
14. BOPET Films

15. Polyethylene (PE) Multi Layer Film Project
16. Polyolefins Compounding and Masterbatches
17. Polypropylene (PP) Ropes
18. Fibers and Filaments
19. Plastic Crates
20. Bisphenol-A
21. Mono-Chloro Acetic Acid (MCA)
22. Bromine
23. Titanium Dioxide
24. Chlorosilanes
25. Synthetic- Zeolites
26. Acetic acid
27. Formic Acid

1.5 Pharmaceuticals

1. Manufacturing of Ayurvedic Tablets / Capsules / Oral Liquids and Preparations
2. Manufacturing of Hormones Tablets
3. Manufacturing of Active Pharmaceutical Ingredients (Bulk Drugs)
4. Manufacturing of Small Volume Parenterals (Vials) by Lyophilization Method
5. Manufacturing of Vaccines from Bacteria and Viruses
6. Manufacturing of Small Volume Parenterals - Ampoules and Vials
7. Contract Research and Manufacturing Services (CRAMS)
8. Manufacturing of Large Volume Parenterals

1.6 Ports

1. Greenfield Port at Simar
2. Greenfield Port at Mithivirdi
3. Greenfield Port at Vansi Borsi
4. Greenfield Port at Bedi

5. Greenfield Port at Maroli
6. Ro-Ro Ferry Service
7. Ship Building/Ship Repairing Yard
8. Dholera Port Opportunities for development of port related services/supporting infrastructure
9. Development of New Sites Khambhat, Mahuva and Sutrapada
10. SPV for Dredging Alongside Gujarat Coast
11. Establishment of Vessel Traffic and Port Management System (VTPMS) in the Gulf of Khambhat
12. Establishment of Bunker Terminal for Bunkering Services at Gujarat Ports
13. New Port Facilities at Dahej

1.7 Power

1. 1000 MW Coal based Power Plant near Chhara Sarkhadi, Kodinar, District Amreli.
2. 1000 MW Coal based Power Plant at Simar, District Junagadh.
3. 1000 MW Coal based Power Plant near Pipavav, Amreli.
4. 1000 MW LNG / Coal based Power Plant at Vansi Borsi, Surat district
5. 1000 MW Coal / LNG based Power Plant at Dahej, Bharuch district
6. 1000 MW Coal based Power Plant near Veera/Sangat, Kandla.
7. Setting up Liquefied Natural Gas (LNG) terminal at Pipavav/Mundra in Saurashtra/Kutchh region of Gujarat
8. Drilling Rigs Services (DRS)
9. Setting up upstream Special Economic Zone (SEZ) services facilities at Pipavav.
10. 350 MW Expansion of Gas based power station at Mora.
11. Setting up of LNG Shipping Company
12. Setting up of Compressed Natural Gas (CNG) refueling Stations across Gujarat
13. 700 MW Gas based power station at Pipavav, Amreli

1.8 Gems and Jewellery

1. Assaying and Hallmarking Centre
2. Gold Refinery
3. Jewellery Artisan Training Centre
4. Development of Diamond Park at Bhavnagar
5. Diamond Processing units in Gem & Jewellery Park, Surat

1.9 Health care

1. Take over of District Hospitals of Gujarat
2. Takeover of Primary Health Centre's (PHCs) and Community Health
3. Centre's (CHCs) of Gujarat
4. Medicity (Medical City in Gujarat)
5. Bio Medical Waste Management

1.10 Information Technology

1. Smart Card Manufacturing Facility
2. Embedded Software Design and Development
3. Gaming Development Centre
4. RFID Tags
5. Animation Development Centre
6. Wireless Handset Manufacturing Unit
7. KPO units for Knowledge Management
8. Bio Informatics
9. BPO Units for different segments
10. Knowledge City

1.11 Urban Development

1. Metro Rail for Ahmedabad and Gandhinagar
2. Bus Rapid Transit System Ahmedabad
3. Canal based Mass Transit Corridor Surat

4. Municipal Solid Waste Management in Gujarat
5. Improvement of Water Supply and Sewerage Systems at Anand town
6. Improvement of Water Supply and Sewerage Systems at Amreli town
7. Improvement of Water Supply and Sewerage Systems at Bharuch town
8. Improvement of Water Supply and Sewerage Systems at Mehsana town
9. Water Desalination Project
10. Land Bank in Gujarat
11. Slum Relocation at Surat
12. Urban Infrastructure projects in Ahmedabad, Rajkot, Surat and Vadodara

1.12 Tourism

1. Star Category hotel at Valsad, Vapi, Rajkot, Saputara, Bhavnagar, Veraval/Somnath, Palitana, Kutch, Ahmedabad, Vadodara, Champaner (Pavagadh), Surat, Jamnagar and Porbandar
2. Aero Sports at Saputara and Pavagadh
3. Amusement Park at Saputara, Junagadh, Bhavnagar, Porbander, Valsad, Navsari, Rajkot, Jamnagar, Champaner (Pavagadh), Bharuch/Ankleshwar.
4. Apartment Hotel at Ahmedabad, Vadodara, Champaner (Pavagadh), Mandvi (Kutch), Pingleshwar (Kutch) and Surat.
5. Beach Water Sports at Ubharat, Dwarka, /Beyt Dwarka, Ahmedpur Mandvi, Tit
6. Chain of Motel and Cottages at Coastal belt of Porbandar and Jamnagar district.
7. Resorts (Accommodation) at Dwarka, Sasan, Porbandar, Mandvi (Kutch), Tithal, Harshad Mata, Champaner (Pavagadh), Chorwad, Mahuva, Kuda and Katpar.
8. Chain of Restaurants and Cafeterias on National and State Highways touching Ahmedabad, Vadodara, Champaner (Pavagadh), Bharuch, Surat, Valsad, Godhra, Himmatnagar, Khedbrahma, Mehsana, Palanpur, Viramgam, Limbdi, Upleta, Rajkot, Jamnagar, Randhanpur, Rapar, Bhachau, Nakhatrana, Khambhaliya, Porbandar, Mangrol, Kodinar, Bhavnagar, Amreli and Junagadh.
9. Sound and Light Shows at Bhavnagar, Modhera, Sidhhpur, Idar, Pavagadh, Adalaj, Vadodara, Dandi, Ranpur, Rajkot, Jamnagar, Dholavira and Lothal.
10. Star Category hotel at Valsad, Vapi, Rajkot, Saputara, Bhavnagar,

Veraval/Somnath, Palitana, Kutch, Ahmedabad, Vadodara, Champaner (Pavagadh), Surat, Jamnagar and Porbandar.

11. Water sporting activities in inland lakes and ponds at Sardar Sarovar and Saputara.

