Confederation of Indian Industry

INDIA-UK BUSINESS COOPERATION

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Introduction

2021 has been a watershed year for the India UK economic relations as the 2030 roadmap has been announced and the consultations for a Free Trade Agreement are underway. In the context of the pandemic and global economic conditions, the economic partnership of India and the United Kingdom gains increasing salience. The UK has strategically separated itself from the European Union (EU) market, while India is a resource and talent-rich economy and large market for the UK. The economic engagement today encompasses multiple dimensions of trade and investment, extending to manufacturing, services, agriculture and infrastructure, as also to technology, defence, sustainability, and innovation and R&D.

Both the countries have suffered deeply due to successive waves of Covid-19 pandemic during 2020 and 2021. With vaccination to help curb the contagion, and normal economic activities resuming on a strong upward trajectory, the two countries are seeking closer and deeper economic engagement.

The two sides benefit from a significant Indian community presence of over 1.6 million expatriates in the UK, forming less than 2% of UK's total population but contributing over 6% in GDP and playing an important role in promoting bilateral trade and investment. This forms a formidable living bridge between the two countries.

While in the last five years, bilateral trade growth has remained slow owing to global conditions, both sides are keen to expand trade in goods and services and businesses too are exploring new avenues of bilateral opportunities. Investments in both directions have been very encouraging. India invested in 120 projects and created 5,429 new jobs in the UK to become the second-largest source of foreign direct investment (FDI) after the US in 2019, according to the Department for International Trade (DIT) inward investment statistics for 2019-2020. According to the July 2021 factsheet published by Department of International Trade, total trade statistics for goods and services for both exports and imports was at £18.2 billion in the four quarters till the end of Q1 in 2021. Though a decrease of almost 21.5% in comparison to the previous year, this may be attributed to a variety of factors including the pandemic slowdown and impact on global supply chain.

As per the CII Grant Thornton India Meets Britain Tracker 2021, there are a record 850 Indian companies operating in the UK, with combined revenues of £50.8 billion, employing 116,046 people. Together, they paid £459.2 million in corporation tax.

With the two countries agreeing on Enhanced Trade Partnership as well as strengthening cooperation in new areas such as advanced technologies, defence, climate change, financial sector, etc., industry in both countries have many opportunities to consider. With the promise of a list of big investments, as announced at the launch of the Roadmap 2030 earlier this year, it is evident that closer business linkages can be built with more information on each other's strengths and the synergies that are arising as both countries strategize to enhance global engagement in new directions.

With this in mind, the present report offers a background of the strategic and macroeconomic context for closer engagement and the current contours of the trade and investment relationship. It has four primary features that serve to inform investors and businesses about taking a deeper analysis of the possible potential across sectors:

Identification of products that the UK can best source from India – This is carried out through a unique tool developed by CII that uses import and export data of the respective countries to determine which are the best fits. The list of these products is given at the 6-digit HS code level.

Sectors of investment opportunity – Key sectors are outlined, giving India's strengths where UK businesses can best consider investments. These include tourism and hospitality, technology and smart manufacturing, and defence production. With a rapidly changing industrial landscape and greater focus on environmental concerns, India is emerging as a hub for new sectors, including through policy changes. These sectors include higher education, where foreign participation is highlighted for the first time in the new National Education policy; renewable energy where India has embarked on an ambitious agenda, and others.

Investment procedures – The report presents in one place the various procedures for setting up a business, corporate taxation and other relevant operational guidelines for learning about the modalities in both countries.

Investment climate in select Indian states – The incentives and policies in certain Indian states have been outlined to enable UK businesses to consider the best destinations as per their sectors.

The comprehensive report is envisaged as a curtain-raiser for companies to delve deeper into current specific trade and investment opportunities in each other's countries. CII through its UK desk in New Delhi and office in London as well as offices throughout India has extensive engagement with businesses and governments and aims to deepen partnerships for leveraging new and upcoming sectors.

Strategic Bilateral Context

India and UK have always enjoyed a strong bilateral relationship which was upgraded to a strategic partnership in 2004 during the tenure of former UK PM David Cameron, who visited India thrice as Prime Minister. This was reciprocated by the Indian Prime Minister Narendra Modi's visit to UK in 2015. Former UK PM Theresa May visited India in 2015. The Commonwealth Heads of Government meeting in London in April 2018 presented yet another opportunity for bilateral talks at the apex level between the PM Modi and PM May.

Prime Minister Narendra Modi and Prime Minister Boris Johnson held a virtual meeting on 4 May 2021 that resulted in an ambitious Roadmap 2030 and stepped up the Strategic Partnership to a Comprehensive Strategic Partnership. An Enhanced Trade Partnership was launched to double bilateral trade by 2030 and the two sides decided to embark on negotiations for a comprehensive and balance free trade agreement. An Interim Trade Agreement is to institute early gains to begin with.

The virtual summit also announced a bilateral Global Innovation Partnership, including cooperation on new and emerging technologies. It was also agreed to enhance migration and mobility of students and professionals.

The robust schedule of high-level visits has created strong synergies in new directions for both countries. The development of UK's departure from the EU grouping has further intensified the bilateral relationship and the two countries are on track for a trade agreement. In addition, many new opportunities are opening up as a result of policy changes on both sides. The coming years are likely to bring in partnerships driven by both governments.

First, bilateral investment is slated to be high on the agenda. Given the current environment of shifting global value chains and strong investments in both directions, both countries are looking at each other for new opportunities. Indian companies consider the UK as their stepping stone to other markets and with the UK intending to pursue free trade agreements with more partners, Indian investments would continue to be robust.

Similarly, UK companies will find new avenues in the reform-oriented investment climate of India. The upcoming National Infrastructure Pipeline as well as the Indian Government's privatisation and asset monetization program is of great interest to UK investors.

Second, the financial sector of India is emerging as a very vibrant and dynamic sector of growth and is set to be a key pillar of collaboration. With the UK as a global financial hub and India's keen interest in developing the international financial services centre as well as digital finance, the two countries can expand cooperation in this sector. T

Third, the two countries are keen to work together in the technology field and develop business cooperation in advanced manufacturing and Industry 4.0 technologies. Lighthouse ventures in this sector can set the trend for more such projects to take off with the participation of academic institutions and businesses.

Four, green energy is catching the attention of both countries. India's renewable energy program is one of the most ambitious in the world and it has made rapid strides as a result of government policies. The UK's presidency of COP26 will mean several green investment events as well as green finance events. The India-UK partnership in green energy capacity, energy efficiency, and R&D could be beneficial for both sides.

Five, the defense manufacturing sector in India presents a very good opportunity for UK defense companies. With recent procurement policy changes and impetus to domestic manufacturing and opening of FDI, there is much that UK can do in India.

Six, the two countries strengthened healthcare cooperation during the Covid period. India supplied medicines to the UK while the UK supported vaccine production in India. This can be continued in different directions including medical supplies, medical devices, diagnostic equipment, and so on. India also welcomes UK medical tourists to come to India once the health situation permits travel.

Finally, skilling and education is another huge area of cooperation. India's new education policy intends to attract leading foreign education institutes to participate in its higher education sector and the UK is home to globally renowned educational institutions. This would also feed into labour mobility.

INDIA UK BILATERAL INSTITUTIONAL MECHANISM

Bilateral cooperation on economic and commerce matters are guided by institutionalized dialogues to enhance trade and Investment between the two 2 countries. Both sides meet regularly to review the progress of bilateral trade and investment under the aegis of these mechanisms.

The main bilateral institutional mechanisms are:

- **India UK CEO Forum** is a high-level business forum led by the two Prime Ministers of UK and India constituted to set the agenda for improving business relations between India and UK.

  India-UK CEO's Forum was launched on July 29, 2010 during the visit of UK PM David Cameron to India, with the objective of the forum making recommendations to Governments for increasing the level of bilateral trade and investment between the two countries. It was agreed that the co-chairs will meet every quarter and the forum members will meet every six months. The first meeting of the CEO Forum was held in February 2011 in London. The 4th India – UK CEO's Forum was held in April 2018, in London during the visit of Prime Minister of India to the UK.

The meeting was attended by both PMs. It was decided to establish a virtual incubator which would capitalise on the fact that both India and the UK have extraordinary start-up ecosystems and are two of the world's most innovative economies.

- **India-UK Economic and Financial Dialogue (EFD)** was established on 4th February 2005. This was in pursuance of the proposals set out in the India-UK Joint Declaration signed by the Prime Ministers of India and UK in September 2004.

  The objective of the Dialogue is to strengthen the financial and economic relationship between India and the UK. The Dialogue discusses sustainable economic development, structural reforms, reform of financial systems and markets, improving regulatory frame-works and international development.

  The first meeting of the EFD was held in 2007. The 10th Economic and Financial Dialogue (EFD) was held on 28 October 2020 virtually between Hon'ble Finance Minister of India, Smt. Nirmala Sitharaman and Mr. Rishi Sunak, Chancellor of Exchequer, UK.

- **India-UK Financial Partnership (IUKFP)** was launched at the 7th India-UK Economic and Financial Dialogue held in Delhi on July 8, 2014 by Shri Arun Jaitley, the then Finance Minister of India and Rt. Hon. George Osborne, the then Chancellor of the Exchequer.

  Mr Uday Kotak, Executive Vice Chairman and Managing Director, Kotak Mahindra Bank, and President, CII for 2020-21. and Mr David Craig, Group Head, Data & Analytics and CEO, Refinitiv are the co-chairs of the IUKFP representing India and the UK side respectively.

  The Partnership focuses on development of corporate bond market, mutual sharing of expertise on financial sector and market regulation, enhancing financial training and qualification, financial inclusion, cross-border provision of financial and insurance services, pensions, internationalization of the Rupee and infrastructure funding. Since the formation of the Partnership, a number of papers have been published. The last meeting of the India-UK Financial Partnership was held on 28 October 2020, on the side-lines of 9th India-UK EFD.

- **India-UK Joint Economic and Trade Committee (JETCO):** The JETCO was established on January 13, 2005 to develop a strategic economic relationship following the Joint Declaration "India-UK towards a new and dynamic partnership" between the then Prime Ministers of the two countries in September 2004.

  The JETCO has been conceived as a business-driven institutional framework to enhance bilateral trade and investment through business to business relationship. The JETCO is structured to meet annually under the leadership of the Minister of Commerce and Industry (CIM) from India and the Secretary of State for International Trade from the UK.

- **India-UK Joint Trade Review** was established under the JWG on Trade in 2016 to identify ways to broaden and deepen the trade and investment relationship and provide a comprehensive empirical understanding of bilateral trade and seek ways to advance relationship over the short and long term.

  The terms of reference for the JTR were finalized in early 2017:

  – to identify market access barriers and potential quick wins in key sectors of mutual interest;

– to be a data driven exercise that will look into a list of priority sectors;

– to include business engagement on both sides.

Under the JETCO mechanism, business cooperation is promoted through formation of focused sectoral Joint Working Groups (JWGs) on trade to discuss and resolve trade related issues.

The JWG meetings are organised under the co-leadership of a chair/co-chair each from India and UK. The feedbacks of these meetings are given to the ministers from both sides, either at the Plenary session or 3 at a closed-door bilateral meeting. CII is and institutional partner managing two of the Joint Working Groups of JETCO on Food & Drink and Digital and Data respectively.

The 14th JETCO meeting was held virtually between Shri Piyush Goyal, Minister for Commerce and Industry & Railways and Rt Hon'ble Elizabeth Truss, Secretary of State for International Trade on 24 July 2020. A Ministerial meeting was also held between Mr Piyush Goyal and SOS Truss in November 2020. Both sides have agreed to have virtual meetings at the level of Minister of State (MoS) to follow up on the agendas set in JETCO.

MoS (Commerce & Industry) Mr Hardeep Singh Puri and his counterpart Mr Ranil Jayawardena, DIT have held meetings in September and October 2020.

- **The Green Growth Equity Fund (GGEF):** During the 9th round of EFD, India and the UK announced the launch of an Early Market Engagement for the joint UK-India Fund, namely a Green Growth Equity Fund (GGEF), managed by EverSource Capital. GGEF is a joint initiative by the Governments of India and the UK under India's flagship National Investment and Infrastructure Fund (NIIF).

  The two countries have invested over GBP 240 million of anchor capital into the fund, which is expected to raise up to GBP 500 million from institutional investors. This will provide a high-quality conduit for international institutional investment, including from the City of London, into green and renewable infrastructure projects in India. GGEF had first close of GBP 260 million in April 2019 (including GBP 20m from EverSource). GGEF announced its first investment of GBP 150m into Ayana Renewable Power as part of new partnership with CDC Group to develop utility scale solar and wind generation projects across growth states in India.

- **Masala Bonds:** Presently, 49 Masala bonds are listed on the London Stock Exchange, with a capitalization of over USD 7.5 billion equivalent in total. On 21 July 2016, HDFC issued the world's first ever "Masala" (rupee-denominated bond) outside India by an Indian corporate being listed on the London Stock Exchange. This was followed by NTPC, which is a leading Indian public sector institution in the power sector. In 2017, IREDA's bond listing was the first green-certified Climate Bond. Indian Railway Finance Corporation (IRFC) also issued $500 million green bond on London Stock Exchange's new International Securities Market (ISM) in December 2017. The State Government of Kerala launched Kerala Infrastructure Investment Fund Board (KIIFB), first listing by a sub-sovereign entity from India, in 2019 for over USD 300 million.

  Indian Railway Finance Corporation (IRFC) also issued $500 million green bond on London Stock Exchange's new International Securities Market (ISM) in December 2017. Their debut green bond is a significant milestone for IRFC, supporting the company's ambitious infrastructure green projects, which includes procurement of rolling stocks electrifying rail tracks across India.

- **Fast Track Mechanism:** The UK-India Fast Track Mechanism was announced between UK and India during PM Shri Narendra Modi's visit to the UK in November 2015. India established procedure and mechanism for implementation of the Fast Track Mechanism in March 2016. DPIIT (then DIPP) and Invest India have put in place the necessary system from Indian side. The key objective of this mechanism is to pave the way for identifying and solving problems faced by companies and investors with their operations in India or UK. A reciprocal Fast Track Mechanism was established by the UK side to identify and resolve issues faced by Indian companies which are either in the UK or looking to establish operation in the UK. DIT is the nodal agency from UK side.
- **UK-India Fintech Dialogue:** During the visit of the Indian PM to the UK in April 2018, the two sides decided on the establishment of a FinTech dialogue to discuss further opportunities for financial services collaboration, including policy coordination. A joint working group between India and UK on Fintech has been constituted. The first meeting of working group was held in February 2019 in Delhi which considered recommendations of India UK Financial Partnership on Fintech cooperation.

UK INDIA TECH PARTNERSHIPS

- **FinTech Rocketship Awards:** The UK Trade and Investment (now Department of International Trade) launched a unique, first-of-its-kind Great Tech FinTech mentoring programme led by India and the UK's top FinTech mentors namely Rocketship Awards in 2014, now termed the FinTech Rocketship Awards. In the first year, at least 20 FinTech entrepreneurs from each country were to be given the opportunity to experience respective ecosystems and pitch for investment. The UK selected 10 Indian FinTech companies for the Rocketship Awards.
- **UK-India Tech Hub:** The UK announced the creation of a UK-India Tech Hub. The tech hub will include a network of people and programs designed to facilitate ideas, investment and prosperity for India and the UK. It will focus on the fastest growing sectors, includin: cyber security, AI/ data, future mobility, digital manufacturing, healthcare, electric vehicles and digital identity.
- **UK-India Tech Cluster Partnerships:** The Tech Cluster partnerships will link world-leading centres of excellence; enable shared innovation and technology exchange; and create landing pads for Indian companies in the UK, and UK companies in India to create high value jobs and build UK and Indian productivity.
- **Advanced Manufacturing Centre:** The UK announced the potential establishment of an Advanced Manufacturing Centre. Such a centre would support respective industrial strategies and in turn, drive growth and jobs in both countries.

With a range of new institutional mechanisms in various sectors of interest, the strategic context of the bilateral relationship sets a strong platform for a robust business partnership.

INDIA-UK CEO FORUM

Bilateral cooperation on economic and commerce matters are guided by institutionalized dialogues to enhance trade and Investment between the two countries. Both sides meet regularly to review the progress of bilateral trade and investment under the aegis of these mechanisms.

One of the key bilateral institutional mechanisms is the India-UK CEO Forum, a high-level business forum led by the two Prime Ministers of UK and India and constituted to set the agenda for improving business relations between India and UK.

India-UK CEO Forum was launched on July 29, 2010 during the visit of UK Prime Minister David Cameron to India, with the objective of making recommendations to the two Governments for increasing the level of bilateral trade and investment. It was agreed that the co-chairs will meet every quarter and the forum members will meet every six months.

The first meeting of the CEO Forum was held in February 2011 in London. The forum remained dormant for some time and was revived during the visit of Prime Minister Mr Modi to UK in 2015.

The 4th India – UK CEO Forum was held on 18 April 2018, in London during the visit of Prime Minister of India to the UK. The meeting was attended by both Prime Ministers. It was decided to establish a virtual incubator which would capitalise on the fact that both India and the UK have extraordinary start-up ecosystems and are two of the world's most innovative economies.

In 2020, as Brexit approached, the two countries decided to revive bilateral mechanisms with a view to signing an Enhanced Trade Partnership in preparation of the Free Trade Agreement between India and UK.

The CEO Forum would work on the below:

1. Green Recovery & Climate Change
2. Pandemic Response
3. Enhanced Trade Partnership between India and UK

Economic Context

Indian economy | India trade profile
UK economy | UK trade profile

The UK and Indian economies are positioned at different points in their development trajectories. The United Kingdom is among the world's most advanced and industrialized countries, with a real GDP about the same as that of India. India is an emerging market with rapidly rising incomes and GDP levels and an expanding middle class. The Covid-19 pandemic cast both countries into unprecedented recession which is likely to linger.

The social and economic complementarities between the UK and India range across multiple areas, with the backdrop of common language and common legal and institutional frameworks adding to the potential. A strong bridge between the two countries arises from the many people-to-people contacts extending to an Indian diaspora that is about 1.4 million in the UK, the preference of Indian students for the UK higher education opportunities, and the UK as a favoured destination for Indian business.

UK's strengths in technologically advanced services industries as well as in hi-tech industries coupled with India's strong services segment and growing manufacturing prowess make the two countries ideally suited to partner for greater mutual growth. Greater technology collaborations, co-development and co-creation, knowledge sharing and sharing of best practices could be hugely helpful to each country.

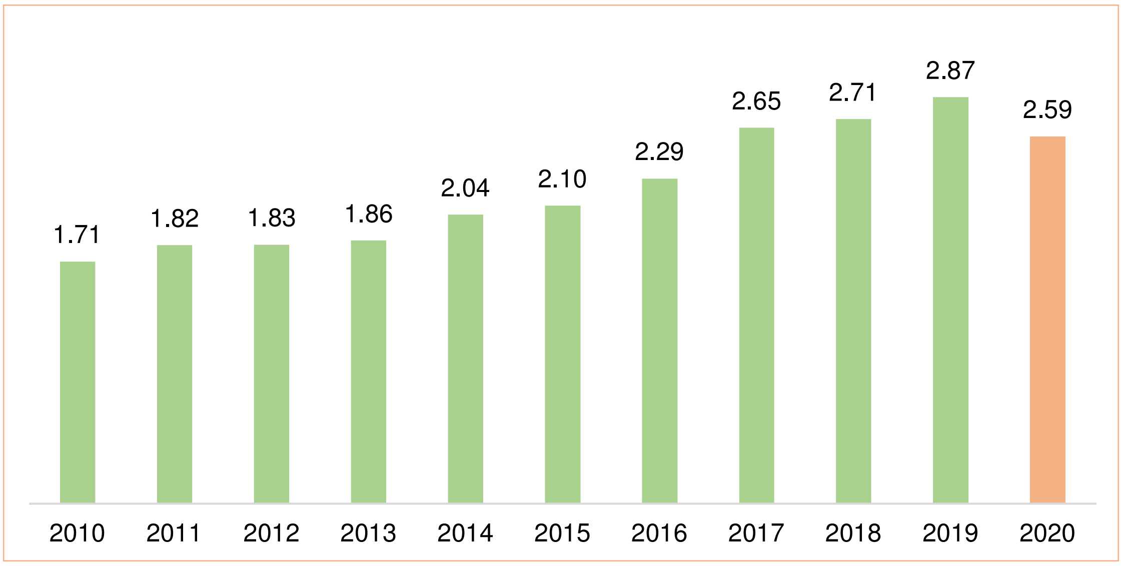
INDIA MACROECONOMIC ENVIRONMENT

India's ascent to one of the fastest growing major economies in last decade or so has been rapid. Its nominal GDP has risen at a sharp pace from US$ 1.24 trillion in 2007 to US$ 2.59 trillion in 2020. Though the COVID-19 pandemic has disrupted the economic momentum temporarily and set back India from its initial target of reaching US$ 5 trillion by 2025, India continues to remain an attractive investment destination. On a comparative basis, India is currently the 6th largest economy just behind UK and Germany. However, on purchasing power parity (PPP) terms, India is currently the third largest economy.

A strong agenda of economic reform policies that has been instituted, including implementation of Goods and Services Tax (GST), Insolvency and Bankruptcy Code, and liberalization of FDI norms, among others, has hastened India's climb up the economic ladder by opening many new avenues for investment. India is today positioned as a large and growing market, a favored investment destination and a focal point for the global economy.

According to the OECD[1], India is slated to grow at 9.9% in 2021 and 8.2% in 2022, among the fastest growing large economies in the world for these years.

Chart 1: India's Nominal GDP (US$ trillion)



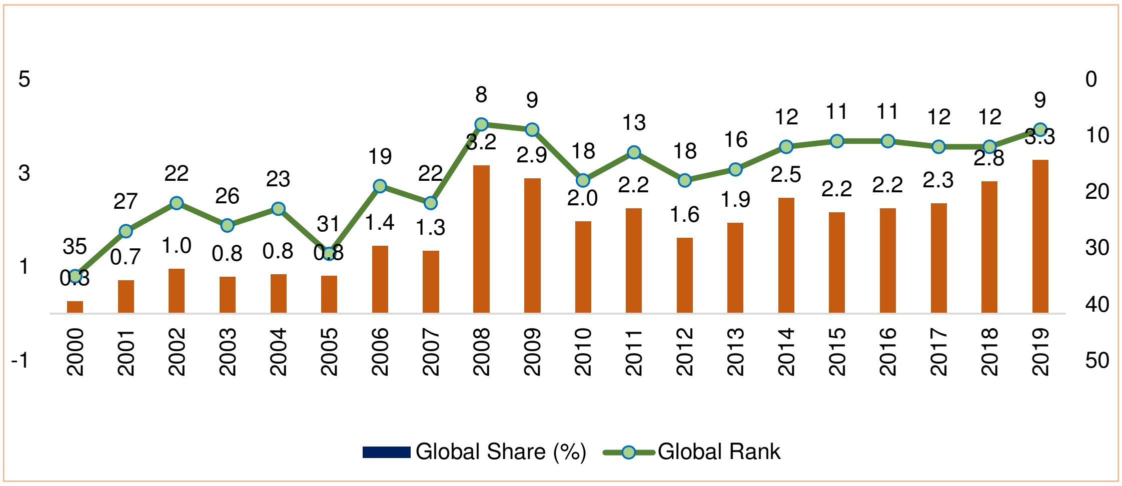
Source: IMF

In 2015-2019, India has received gross FDI flows worth US$ 221 billion, with 2019 alone seeing flows worth US$ 51 billion, recording a steep jump of 20% on-year basis, as per UNCTAD data. India's share in global FDI improved to 3.3% in 2019 compared to 2.8% in the previous year, moving up three places in global FDI ranking. The country has seen robust FDI flows coming in from key tech majors such as Facebook, Microsoft and Amazon over the years, reflecting India's positive medium to long-term growth prospects. India's attractiveness as an investment destination has also grown in the wake of many notable reforms introduced by the government under the ambit of the Atmanirbhar (self-reliance) Economic Stimulus Package to combat the fallout of the pandemic.

To attract investments, Ease of Doing Business has been taken up in mission mode through initiatives by the central and state governments for faster and simpler procedures and clearances. As a result, India's EODB rank has improved significantly over the last 4 years, jumping from 134 in 2014 to 63 in 2019.

1 OECD projections as of 31 May 2021

Chart 2: India's Share and Rank in Global FDI Flow



Source: UNCTAD Global Investment Report 2020

Cumulative stimulus announced by the government and the central bank during 2020 for mitigating the impact of the pandemic was worth Rs 29.87 trillion or around 15% of GDP. It was one of the largest packages globally and has played a key role in resuscitating the Indian economy. Many transformational reforms which formed a part of the package such as liberalization of FDI norms, changing definition of micro, small and medium enterprises, and labour reforms, among others have paved the way for setting in a robust recovery process.

Even before the onset of the pandemic, the government had been at the forefront of announcing a slew of reforms aimed at improving the productivity of the economy. Path-breaking reforms such as the Production Linked Incentives (PLI) for as many as 13 sectors have been introduced with an intention to incentivize and boost domestic manufacturing, as well as attract foreign manufacturers to move base to India.

The measures announced in the budget for 2021-22 emphasised capital spending aimed towards critical areas of healthcare, infrastructure, and financial sector. The privatization plans of the government are a major reform policy to reduce the presence of the public sector in key areas of the economy.

Corporate tax rates have been brought to Asian levels with the rate at 15% for new manufacturing investments by resident companies. For other businesses too, the corporate tax rate has been reduced while several reforms have taken place in simplification of laws and procedures relating to taxation. On the indirect tax side, the Goods and Services Tax or GST has been a game changer.

Another key reform has been the introduction of the Insolvency and Bankruptcy Code in 2016 which enables failing companies to exit with ease and go into liquidation. The recent labour reforms, too, will enable a new ecosystem for labour regulations and impart flexibility in employment.

India, today, is one of the most open economies for FDI in the world with most sectors open to 100% under the automatic route. The Government is continuously working on making the FDI policy more facilitative and congenial. Towards this goal, the foreign investment proposals are now being handled and approved by the respective ministry rather than the Foreign Investment Promotion Board as earlier.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India's services sector comprises the major share of output and has evolved into a dynamic and progressive component of the economy across many segments. Over 1,000 top global companies have set up design and development centres in the country, employing about 1 million engineering and technical professionals to develop products and software for the world.

RECENT REFORMS

Key policy measures announced include the below.

Infrastructure

India is developing infrastructure at a fast pace to meet the existing gaps. The government has instituted a National Infrastructure Pipeline of identified projects totaling capital expenditure of US$ 1.4 trillion (Rs 111 trillion) for 2020-2025, which includes 7,400 projects. Around 217 projects worth Rs 1.10 trillion under key infrastructure ministries have already been completed. The increased thrust on infrastructure is expected to have a multiplier impact on the different sectors of the economy and augment growth beyond the current recovery.

Labour market reforms

The central government has taken major steps towards streamlining labour laws in the country, despite it being a state subject in the federal domain. 44 different labour laws have been subsumed under 4 labour codes. The states are being incentivized to transfer to these new codes. While providing social security for India's workers in the informal sector numbering over 400 million, the laws also provide flexibility for firms in employee management.

Of the four labour codes, the one on wages has been passed by the Indian Parliament while ones on industrial relations, social security and occupational safety, health and working conditions are in the legislative process.

Taxation

The Indian Government introduced the Goods and Services Tax (GST) in 2017 to bring all indirect taxation under a single umbrella. This subsumed the earlier regime of multiple taxes applicable across different states on the same products. A consumption based tax, GST reduces compliance costs, places all tax authorities and businesses on the same digital platform and averts tax cascading.

On direct tax side, tax incentives are provided for investments in certain sectors, R&D, export promotion, and startups. Moreover, the corporate tax rate for Indian resident companies has been cut from 35% to 22% and for new manufacturing companies, to 15%, provided the company does not avail of tax exemptions.

Micro, small and medium enterprises (MSME)

In June 2020, the MSME sector was defined as per investment limits in plant and machinery in 2006. The enterprises qualifying as MSME are now redefined on the basis of investment with enhanced limits as well as turnover. Enterprises in this sector obtain a range of benefits in access to credit, technology support measures and incentives and subsidies.

Micro enterprises – up to Rs 10 million investment and Rs 50 million turnover

Small enterprises – Rs 10 million to Rs 100 million investment and Rs 50 million to Rs 500 million turnover

Medium enterprises – Rs 100 million to Rs 500 million investment and Rs 500 million to Rs 2,500 million turnover

Disinvestment and privatisation

A new Public Sector Enterprise (PSE) policy is to be announced, wherein all sectors will be open to private sector participation while PSEs will continue to play an important role in notified strategic sectors. All PSEs in non-strategic sectors will be considered for privatization, which is truly a game-changing reform.

Power sector

The Government has taken key steps to revitalize the power sector, which currently has high debt overhang in state distribution companies. A substantial fund facility would help to alleviate this. Further, the reform of the distribution companies has been linked to state borrowing limit enhancement.

Coal and mining sector liberalisation

To reduce dependency on import of coal and increase self-reliance in coal production, the Central Government proposes to allow private players in the coal sector, and plans to introduce competition, transparency and private sector participation in the coal sector through a revenue sharing mechanism. The government has also allocated funds for coal evacuation infrastructure to encourage private sector participation.

The distinction between captive and non-captive mines is set to be removed to permit the transfer of mining leases and sale of excess unused minerals. This is a very welcome step which is expected to cause better efficiency in mining and production. Further, the government has also planned to introduce a seamless composite exploration-cum-mining-cum-production regime for minerals. Also, to enhance the competitiveness of the aluminum sector, the Central Government would conduct joint auctions of bauxite and coal mineral blocks.

FDI

India, today, is one of the most open economies for FDI in the world with most sectors open to 100% under the automatic route. The Government is continuously working on making the FDI policy facilitative and congenial.

- 100 per cent FDI under the automatic route has been allowed in coal mining for open sale (as well as in developing allied infrastructure like washeries).
- FDI norms in several sectors, including non-banking financial companies, single brand retail and construction have been relaxed.

- One hundred per cent FDI under the automatic route has also been allowed in contract manufacturing and in single brand retail.
- 26% FDI has been permitted under government route for uploading/ streaming of News & Current Affairs through Digital Media, on the lines of print media.
- FDI in defence production has been enhanced from 49% to 74% under the automatic route and up to 100% for specific cases.
- FDI in the insurance sector is permitted at 74% from earlier level of 49%.

Development Finance Institution

To provide long term capital for infrastructure needs, it has been decided to establish a development finance institution where the government would provide seed capital and attract funds from other sources including foreign institutions. It is expected to raise finance of almost US$ 70 billion through this process.

Land bank

Government has launched a first-of-its kind GIS-enabled national land bank portal, which will help investors zero in on land located in various states for potential projects. As much as 4.2 lakh hectares of land has been mapped across 3,275 industrial clusters in India, of which about 1.13 lakh hectares of land is available for investors.

Production linked incentive (PLI) scheme

To catalyze investments in key sectors, a policy of production linked incentives has been announced for 13 sectors of which 3 are already under way, namely, mobile phones, key starting materials and active pharmaceutical ingredients and medical devices. The ten new sectors are - advance cell chemistry battery, electronic/technology products, automobiles & auto components, pharmaceuticals drugs, telecom & networking products, textile products, food products, high efficiency solar pv modules, white goods (air conditioner and LED), and specialty steel.

Over 5 years, the PLI scheme proposes to offer benefits of Rs 200 trillion or about US$ 30 billion through an incentive of 4-6% on additional production over a base year.

Further, the Government continues to take up ease of doing business through efforts such as digitization of processes and clearances, simplification of procedures, and weeding out of old and archaic laws. The economic policy announcements over 2020 define a new pathway for growth.

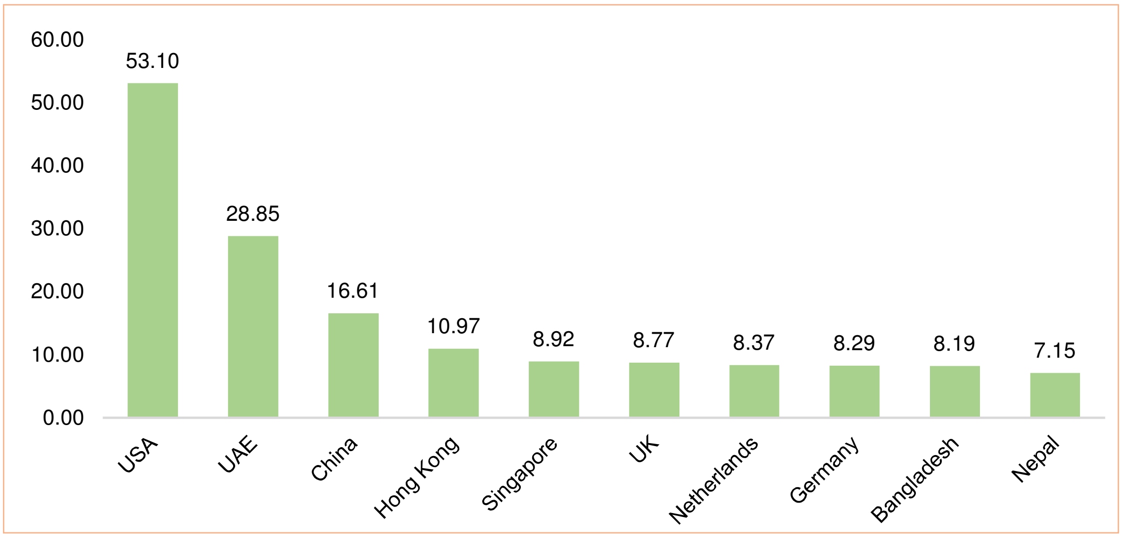
INDIA'S TRADE PROFILE

India's exports exceeded US$ 313 billion in 2019-20, reaching nearly all countries of the world. In 2020-21, owing to the pandemic disruptions, the export level fell by 7%.

In 2020-21, India's two largest markets are the United States which accounted for 17.7% of the total exports basket and the European Union which madesup 14% of total exports. Within the EU, India's top export destinations were Germany (US$ 8.1 billion), Netherlands (US$ 6.5 billion), and Belgium (US$ 5.2 billion).

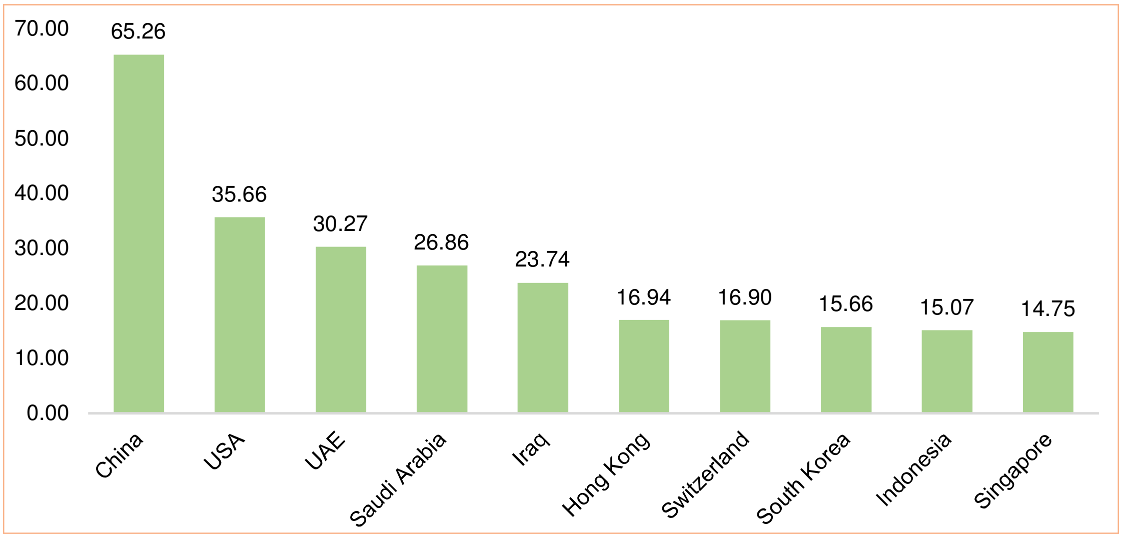
West Asia and North East Asia (China, Japan, South Korea, etc.) are the next largest destinations with about 25% of the share, while ASEAN nations enjoy over 11%. Emerging economies in Africa and South Asia have a significant share of about 13% together. Thus, India's current exports profile shows a high level of diversity and the ability to cater to markets at varying price points and at differing levels of development.

Chart 3: India - Top Export Destinations in 2019-20 (US$ billion)



Source: System of Foreign Trade Performance Analysis, Department of Commerce

Chart 4: India - Top Import Sources in 2019-20 (US$ billion)



Source: System of Foreign Trade Performance Analysis, Department of Commerce

As an externally oriented economy with exports of goods and services comprising almost 19% of its GDP, India has entered into many free trade agreements since 1998. These include comprehensive agreements covering trade, investments and services trade with ASEAN, Japan, South Korea, Singapore and Malaysia. FTAs or preferential agreements are also instituted with Sri Lanka, Nepal, South Asian Association for Regional Cooperation (including 8 countries which are its neighbors), Africa, Chile, Argentina, MERCOSUR, and others.

India's top export products are mineral fuels, gems and jewellery, machinery and engineering goods, organic chemicals and automotives. The country has also developed excellent capabilities in various manufacturing segments such as pharmaceuticals, auto parts, and garments, where it enjoys high share in world exports.

UK ECONOMY

With a GDP of US$ 2.8 trillion, the UK is one of the world's largest economies and enjoys a high per capita GDP of US$ 46,659. A powerhouse for innovation and the world's renowned financial services hub, the country is ranked 6th in terms of exports and imports. It also received the 8th largest funds inflows in terms of FDI in 2019.

The UK economy is primarily services based, with banking, insurance and professional services high contributors to the GDP. The sector comprises over 79% of total GDP, with industry at 20% and agriculture at 0.7%.

In terms of growth rate, as a highly advanced G7 economy, the UK has stayed at below 2% rates for the last 5 years. As a result of Covid-19, it suffered a GDP contraction of around 10% in 2020, which is expected to turn around in 2021 to 5.0% and then to 3.2% the following year as the economy recovers.

With a technology-intensive agricultural sector, the contribution of farming to the economy is less than 1%, while services accounts for almost 80% and industry for the rest. The UK industry is extensive, with strengths in machine tools, machinery and equipment, metals, chemicals, food processing, consumer durables, etc.

As per the budget of 2021, the UK economy shrank by 10% in 2020 and is expected to rebound in 2021, with an expected growth rate of 4%. The GDP would return to pre-Covid levels by middle of 2022, with growth of 7.3% next year. Both unemployment and borrowing are expected to stand at high levels. The budget froze tax-free personal allowance and higher income tax threshold for the next five years and raised corporation tax on company profits over GBP 250,000 from 19% to 25% in 2023. For smaller companies, rate would be kept at 19%.

UK TRADE PROFILE

UK's trade to GDP ratio is about 30%, indicating its high level of global participation and openness to trade.

Chart 5: UK Total Trade

Source: CIA World Factbook

Table 1: UK Top Trade Partners, 2019

Export Partners	% Share	Import Partners	% Share
US	13.2	Germany	13.7
Germany	10.5	US	9.5
France	7.4	China	9.3
Netherlands	6.2	Netherlands	8
Ireland	5.6	France	5.4
China1	4.8	Belgium	5

Source: CIA World Factbook

Table 2: UK Top Trade Items

Export Product	Value, US$	Import Product	Value, US$
Machinery and parts	60	Gems and jewellery	108
Gems and jewellery	43	Machinery and parts	70
Vehicles	36	Vehicles	58
Mineral fuels	26	Electronics	56
Electronics	25	Mineral fuels	34

Source: International Trade Centre

Essar Oil UK is a valued part of the Essar Global Group – and a business being transformed to ensure it can continue to prosper as the world becomes more sustainable.

Essar's key UK asset is the Stanlow Manufacturing Complex in North West England. The site, which is situated close to Liverpool and Manchester, is one of only six refineries in Britain and one of the most advanced in Europe.

Stanlow's rich heritage – it has been refining oil since the 1950s – and strategic location, as well as significant ongoing investment by Essar, make it a key national asset. It produces about one sixth of the United Kingdom's transport and industry operating fuels.

And as well as transport fuels, Stanlow is also a key supplier of petrochemicals.

Fuelling investment

Since acquiring Stanlow in 2011, Essar has invested over $1bn in the site, helping to modernise operations and strengthen and diversify revenue streams.

This has included developing a downstream business via entry into the UK's fuel retail market, with Essar branded petrol stations in the North West and Midlands of England and Wales.

Essar has also signed agreements with leading international airlines, including Emirates, to supply Jet A-1 fuel, further strengthening its position in a key market that is expected to rebound sharply as Covid-19 vaccines are successfully rolled out in the UK and beyond.

In addition to this, the Stanlow Refinery's geographical location within the North West's industrial cluster of the UK, alongside close proximately to Wales, is an essential asset to provide space and utilities for companies to operate from within the complex.

A sustainable vision

Now, in 2021, Britain is in the international spotlight as it prepares to host COP26, the United Nations climate change conference, in Glasgow in November.

The UK Government has led the way in its strategic approach to climate change. In 2019 it became the first to enshrine in law a commitment to reach net-zero carbon emissions by 2050. Reaching this target will require a coordinated effort by government, business and consumers. For its part, Essar has pledged to reduce Stanlow's emissions by 50% by 2030 and create a net-zero site by 2040.

Last year the UK Government continued to set out its vision with its ten-point plan for a Green Industrial Revolution, which includes commitments to developing low-carbon hydrogen and reducing the footprint of the UK's aviation industry.

Beginning the transition

Already in 2021 Essar has made a series of announcements that underline its commitment to transitioning to being a green energy provider of the future, in line with the UK Government's vision.

In January, Essar joined forces with Progressive Energy, a leading low-carbon technology business. The partnership will see the creation at Stanlow of HyNet North West, which will produce low-carbon hydrogen, supplying Essar and other businesses. The project will be crucial in developing a leading industrial decarbonisation cluster and hydrogen economy in the North West of England.

Initially the hub will produce 3 terawatt-hours (TWh) of low carbon hydrogen each year from 2025. This will be followed by a facility twice this size giving a total capacity of over 9TWh of hydrogen each year – equivalent to the energy used for heating across the whole of the City of Liverpool.

HyNet North West will involve £750m of investment into Stanlow, eventually creating enough capacity to reach 80% of the UK Government's target of 5GW of low-carbon hydrogen for power, transport, industry and homes by 2030.

Over 95% of the carbon used in the process will be captured and stored via carbon capture technology. Once operational the project will capture 600,000 tonnes of CO2 per annum – the equivalent of taking 250,000 cars off the roads of Britain.

In February, Essar announced a tie-up with US-based Fulcrum BioEnergy, along with Essar subsidiary company Stanlow Terminals, to make a major investment in sustainable aviation fuel (SAF). The project, with an overall investment value of £600m, will see non-recyclable household waste – otherwise destined for landfill or incineration – converted into SAF which can be used by airlines operating at UK airports.

The project, called Fulcrum NorthPoint, is the first of its kind outside the US and will use technology already being deployed at a site near Reno, Nevada. Eventually Stanlow will be able to produce 100 million litres of SAF per year, enough to supply a 50% fuel blend for over 1,000 London-to-New York flights.

Fulcrum will construct, own and operate the plant, housed within the Stanlow complex, while Essar will assist with blending and supplying the SAF and Stanlow Terminals will provide product storage and logistics services.

A responsible citizen

As Stanlow transitions to being a green energy hub of the future, Essar continues to take seriously its commitment to being a good corporate citizen. It is a major local employer, supporting many more jobs in its supply chain and remains an important driver of continued economic growth in the North West of the United Kingdom.

The future of energy is about a sustainable transition towards cleaner fuels and decarbonisation. With Essar's support, Stanlow is at the forefront of this journey.

Bilateral Trade

UK was India's top 13th trading partner as of April-November 2020-21, as per India's Department of Commerce. Trade between India and the UK reached US$ 15.5 billion during pre-Covid 2019-20. Total trade between the two sides is recorded at US$ 7.17 billion as of April-November 2020-21[1].

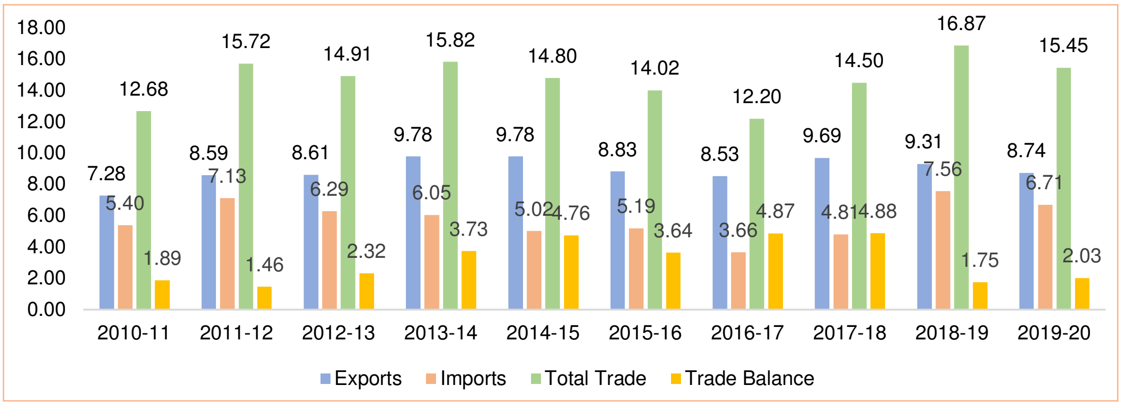
As per UK data, bilateral trade in 2020 stood at GBP 9.3 billion, with imports from India coming in at GBP 6 billion and exports to India at GBP 3.3 billion.

Bilateral trade significantly increased over the last decade, until declining recently, mainly on account of the disruptions in trade caused by the Coronavirus pandemic. Total trade displayed a compound annual growth rate of 2% over the decade 2010-11 to 2019-20.

Within this, Indian exports to UK registered a CAGR of 1.84%. As per latest estimates[2], Indian exports stood at US$ 4.6 billion during the April-November 2020-21 period.

During the five-year period between 2015-16 and 2019-20, Indian imports from UK registered a CAGR of 5%.

Chart 6: India-UK Bilateral Trade (US$ billion): Last 10 years



Source: Export Import Bank of India

India has consistently maintained a trade surplus with the UK for the last ten years. This stood at US$ 4.88 billion in 2017-18, before moderating to US$ 2.03 billion during 2019-20.

1 Export Import Data Bank, Ministry of Commerce

2 Export Import Data Bank, Ministry of Commerce

Top Export and Import Items

Chart 7: UK Trade with India

Source: UK Trade Statistics, Office for National Statistics

During 2019-20, top Indian exports to UK were in the categories of machinery and mechanical appliances (HS 84); articles of apparel and clothing accessories, not knitted or crocheted (HS 62); articles of apparel and clothing accessories, knitted or crocheted (HS 61); gems and jewellery (HS 71) and pharmaceutical products (HS 30).

Machinery and mechanical appliances was the top Indian export to UK during 2019-20, valued at US$ 1.02 billion, followed by articles of apparel and clothing accessories, not knitted or crocheted, exports of which stood at US$ 0.8 billion.

Table 3: Top 20 Indian Exports to UK during 2019-20 (US$ million)

HS Code	Commodity	Exports (US$ million)
84	Nuclear reactors, boilers, machinery, and mechanical appliances; parts thereof.	1024.79
62	Articles of apparel and clothing accessories not knitted or crocheted.	794.73
61	Articles of apparel and clothing accessories knitted or crocheted.	736.07
71	Natural or cultured pearls, precious or semiprecious stones, precious metals, clad with precious metal and articles thereof; imitation jewellery; coin.	498.64
30	Pharmaceutical products	454.63
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts.	368.16
64	Footwear, gaiters and the like; parts of such articles.	349.36
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof.	303.78
73	Articles of iron or steel	298.31

HS Code	Commodity	Exports (US$ million)
63	Other made up textile articles; sets; worn clothing and worn textile articles; rags	259.55
29	Organic chemicals	236.25
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes.	231.52
42	Articles of leather, saddlery and harness; travel goods, handbags and similar cont. articles of animal gut (other than silkworm) gut.	231.14
89	Ships, boats and floating structures.	209.36
39	Plastic and articles thereof.	201.65
88	Aircraft, spacecraft, and parts thereof.	172.42
90	Optical, photographic cinematographic measuring, checking precision, medical or surgical inst. and apparatus parts and accessories thereof;	151.98
3	Fish and crustaceans, molluscs, and other aquatic invertebrates.	126.94
10	Cereals.	111.7
25	Salt; sulphur; earths and stone; plastering materials, lime and cement.	111.32

Source: Export Import Bank of India

Other top exports during the same period were in the categories of footwear (HS 64); vehicles and parts (HS 87); articles of iron and steel (HS 73); organic chemicals (HS 29); plastics and articles thereof (HS 39), among others.

The cumulative value of India's top 20 exports during 2019-20 stood at US$ 6.8 billion, accounting for about 2.19% of India's total.

On the other hand, top Indian imports from UK in 2019-20 belonged to the categories of gems and jewellery (HS 71); machinery and mechanical appliances (HS 84); electrical machinery and equipment (HS 85); iron and steel (HS 72) and optical, medical and surgical equipment (HS 90).

Total value of imports of the top imported item i.e. gems and jewellery stood at US$ 1.77 billion, followed by machinery and mechanical appliances (HS 84), total value of imports for which stood at US$ 1.14 billion.

Table 4: Top 20 Indian Imports from UK during 2019-20 (US$ million)

HS Code	Commodity	Exports (US$ million)
71	Natural or cultured pearls, precious or semiprecious stones, precious metals, clad with precious metal and articles thereof; imitation jewellery; coin.	1774.83
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof.	1135.02
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts.	440.06

HS Code	Commodity	Exports (US$ million)
72	Iron and steel	327.49
90	Optical, photographic cinematographic measuring, checking precision, medical or surgical inst. and apparatus parts and accessories thereof;	320.02
76	Aluminium and articles thereof.	260.45
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes.	251.73
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, or radi. elem. or of isotopes.	247.24
89	Ships, boats, and floating structures.	219.08
22	Beverages, spirits, and vinegar.	169.07
47	Pulp of wood or of other fibrous cellulosic material; waste and scrap of paper or paperboard.	155.27
39	Plastic and articles thereof.	119.26
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof.	106.21
88	Aircraft, spacecraft, and parts thereof.	98.44
38	Miscellaneous chemical products.	93.42
73	Articles of iron or steel	88.69
30	Pharmaceutical products	88.21
29	Organic chemicals	71.67
40	Rubber and articles thereof.	66.52
74	Copper and articles thereof.	62.99

Source: Export Import Bank of India

Other top imported items were in the categories of aluminium and articles thereof (HS 76); mineral fuels and oils (HS 27); inorganic chemicals (HS 28); ships, boats and floating structures (HS 89); beverages, spirits and vinegar (HS 22), among others.

The cumulative value of the top twenty imports from UK to India stood at US$ 6.1 billion during 2019-20, accounting for around 1.28% of India's total world imports.

POTENTIAL EXPORTS

Using an innovative tool developed by CII, a list of 52 products at the 6-digit HS code level has been identified, which fits the trade profiles of both countries and which the UK can import from India.

Table # below presents the top 5 Indian products of high potential to the UK. The full list of products is included in the Annex.

Table 5: India's Top 5 Potential Exports to UK

HS Code	Product label	India's Exported value in 2019 (US$ billion)	UK's Imported Value in 2019 (US$ billion)
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	29.79	16.49
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	12.39	11.81
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons, ...	2.63	4.64
711319	Articles of jewellery and parts thereof, of precious metal other than silver, whether or not ...	12.37	4.03
271012	Light oils and preparations, of petroleum or bituminous minerals which >= 90% by volume "incl. ...	12.65	2.79

Source: CII calculations based on International Trade Centre Data

The top performing Indian exports to UK as identified in this report are in the broad categories of mineral fuels, mineral oils and products (HS 27); pharmaceutical products (HS 30); vehicles and parts (HS 87); gems and jewellery (HS 71); and mineral fuels, mineral oils and products (HS 27).

Other Indian products with high potential (see Annex) to UK are in the broad categories of electrical machinery and equipment (HS 85); articles of apparel and clothing accessories, knitted or crocheted (HS 61); articles of apparel and clothing accessories, not knitted or crocheted (HS 62); machinery and mechanical appliances (HS 84); articles of leather, travel goods and handbags etc. (HS 42), among others.

Annex - I

Complete List of Potential Exports to UK

Table 6: Items with potential for UK sourcing from India

HS Code	Product label	India's Exported value in 2019 (US$ billion)	UK's Imported Value 2019 (US$ billion)	ES Index
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	29.79	16.49	3.87
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	12.39	11.81	2.25
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons, ...	2.63	4.64	1.22
711319	Articles of jewellery and parts thereof, of precious metal other than silver, whether or not ...	12.37	4.03	6.57
271012	Light oils and preparations, of petroleum or bituminous minerals which >= 90% by volume "incl. ...	12.65	2.79	9.71
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	1.96	1.90	2.21
848180	Appliances for pipes, boiler shells, tanks, vats or the like (excluding pressure-reducing valves, ...	0.88	1.86	1.02
850440	Static converters	1.19	1.50	1.69
710239	Diamonds, worked, but not mounted or set (excluding industrial diamonds)	20.58	1.11	39.73
620342	Mens or boys trousers, bib and brace overalls, breeches and shorts, of cotton (excluding ...	0.50	1.00	1.08
390120	Polyethylene with a specific gravity of >= 0,94, in primary forms	0.50	0.82	1.32
230400	Oilcake and other solid residues, whether or not ground or in the form of pellets, resulting ...	0.74	0.81	1.97
420221	Handbags, whether or not with shoulder straps, incl. those without handles, with outer surface ...	0.42	0.81	1.12
610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excluding cotton)	0.66	0.79	1.78

HS Code	Product label	India's Exported value in 2019 (US$ billion)	UK's Imported Value 2019 (US$ billion)	ES Index
620443	Womens or girls dresses of synthetic fibres (excluding knitted or crocheted and petticoats)	0.66	0.72	1.98
848190	Parts of valves and similar articles for pipes, boiler shells, tanks, vats or the like, n.e.s.	0.48	0.70	1.49
640391	Footwear with outer soles of rubber, plastics or composition leather, with uppers of leather, ...	0.93	0.64	3.12
840820	Compression-ignition internal combustion piston engine "diesel or semi-diesel engine", for ...	0.31	0.62	1.07
392190	Plates, sheets, film, foil and strip, of plastics, reinforced, laminated, supported or similarly ...	0.33	0.61	1.18
870850	Drive-axles with differential, whether or not provided with other transmission components, ...	0.39	0.60	1.40
620640	Womens or girls blouses, shirts and shirt-blouses of man-made fibres (excluding knitted or ...	0.52	0.59	1.87
841391	Parts of pumps for liquids, n.e.s.	0.38	0.58	1.39
620520	Mens or boys shirts of cotton (excluding knitted or crocheted, nightshirts, singlets and ...	0.83	0.58	3.06
390110	Polyethylene with a specific gravity of < 0,94, in primary forms	0.53	0.58	1.95
711311	Articles of jewellery and parts thereof, of silver, whether or not plated or clad with other ...	1.19	0.57	4.47
731815	Threaded screws and bolts, of iron or steel, whether or not with their nuts and washers (excluding ...	0.31	0.57	1.16
420222	Handbags, whether or not with shoulder straps, incl. those without handles, with outer surface ...	0.32	0.56	1.23
260111	Non-agglomerated iron ores and concentrates (excluding roasted iron pyrites)	1.02	0.54	4.04
848310	Transmission shafts, incl. cam shafts and crank shafts, and cranks	0.35	0.52	1.42

HS Code	Product label	India's Exported value in 2019 (US$ billion)	UK's Imported Value 2019 (US$ billion)	ES Index
840890	Compression-ignition internal combustion piston engine "diesel or semi-diesel engine" (excluding ...	0.62	0.49	2.68
611120	Babies garments and clothing accessories of cotton, knitted or crocheted (excluding hats)	0.71	0.49	3.10
90111	Coffee (excluding roasted and decaffeinated)	0.50	0.49	2.20
890110	Cruise ships, excursion boats and similar vessels principally designed for the transport of ...	0.62	0.49	2.74
853890	Parts suitable for use solely or principally with the apparatus of heading 8535, 8536 or 8537, ...	0.46	0.48	2.02
293499	Nucleic acids and their salts, whether or not chemically defined; heterocyclic compounds (excluding ...	0.49	0.46	2.31
390210	Polypropylene, in primary forms	0.55	0.45	2.63
30617	Frozen shrimps and prawns, even smoked, whether in shell or not, incl. shrimps and prawns in ...	4.55	0.43	22.51
940490	Articles of bedding and similar furnishing, fitted with springs or stuffed or internally filled ...	0.47	0.43	2.32
630790	Made-up articles of textile materials, incl. dress patterns, n.e.s.	0.39	0.42	2.01
300420	Medicaments containing antibiotics, put up in measured doses "incl. those in the form of transdermal ...	1.10	0.41	5.68
401120	New pneumatic tyres, of rubber, of a kind used for buses and lorries (excluding typres with ...	0.52	0.41	2.72
854460	Electric conductors, for a voltage > 1.000 V, insulated, n.e.s.	0.30	0.41	1.60
848340	Gears and gearing for machinery (excluding toothed wheels, chain sprockets and other transmission ...	0.51	0.40	2.74
890520	Floating or submersible drilling or production platforms	0.75	0.40	4.02

HS Code	Product label	India's Exported value in 2019 (US$ billion)	UK's Imported Value 2019 (US$ billion)	ES Index
610510	Mens or boys shirts of cotton, knitted or crocheted (excluding nightshirts, T-shirts, singlets ...	0.47	0.40	2.56
850300	Parts suitable for use solely or principally with electric motors and generators, electric ...	0.69	0.39	3.77
730820	Towers and lattice masts, of iron or steel	0.34	0.36	2.04
380893	Herbicides, anti-sprouting products and plant-growth regulators (excluding goods of subheading ...	1.13	0.35	7.00
760110	Aluminium, not alloyed, unwrought	2.98	0.33	19.56
380892	Fungicides (excluding goods of subheading 3808.50)	0.60	0.32	4.06
761699	Articles of aluminium, n.e.s.	0.36	0.32	2.46
841490	Parts of: air or vacuum pumps, air or other gas compressors, fans and ventilating or recycling ...	0.36	0.31	2.47

Source: CII calculations based on International Trade Centre Data

Annex – II

Data and methodology for identifying potential goods to be sourced from India

To identify Indian exports to the UK with high potential, the CII report uses an innovative tool – the Export Specialization (ES) Index, constructed using data from the International Trade Centre (ITC). The index, which is a slightly modified version of the Revealed Comparative Index (RCA) that is frequently used in international trade to identify potential exports. The advantage of the ES index is that in identifying potential exports, the ES index factors in the relevant market characteristics of the specific partner country, unlike the RCA which considers world export shares only and therefore is useful in classifying potential exports in this context.

As per World Bank's World Integrated Trade Solution (WITS), the ES index is calculated as the ratio of the share of a product in a country's total exports to the share of this product in imports to specific markets or partners rather than its share in world exports:

$$ES = (x_{ij}/X_{it}) \ / \ (m_{kj}/M_{kt})$$

Where x_{ij} and X_{it} are export values of country i in product j, respectively, and where m_{kj} and M_{kt} are the import values of product j in market k and total imports in market k.

In other words, the numerator is the ratio of a country's total exports of a specific commodity to the country's total exports while the denominator is the ratio of the partner country's imports of the commodity to the partner country's total imports. While the numerator, like the RCA index captures the country's share of a specific commodity in its export's basket, the denominator in the ES index captures the partner country's share of the commodity under consideration in its import basket, unlike the world shares in the RCA index. This throws light on the relevance of a particular commodity in a specific market which is an important criterion for understanding potential exports to specific markets.

The ES is similar to the RCA in that the value of the index less than unity indicates a comparative disadvantage and a value above unity represents specialization or comparative advantage of the product under consideration.

This report uses exports and related data from ITC at the HS 6-digit level to identify Indian exports with high potential to the UK. Expanding production of the identified products is expected to further boost bilateral trade between India and the UK.

Data on the following variables, required for the construction of the ES index have been sourced from ITC at the HS 6-digit level, for the latest available year i.e. 2019.

(i) India's exports to world (ii) UK's imports from world (iii) India's total exports and (iv) UK's total imports.

After collecting data on the variables above, products for which UK's world imports are greater than US$ 300 million and India's world exports exceed US$ 300 million are identified, while rest are excluded. This exercise is undertaken to ensure that there is substantial demand for the potential product in the partner country i.e. UK and adequate production capability in the exporting country i.e. India.

In the next step, the ES index is calculated for all the remaining products. All products for which the value of the index is less than 1 are excluded, as an index value less than 1 indicates that the product is not competitive in the specific market under consideration, i.e. UK.

A total of 52 products remain for which the index value is greater than 1, at the end of the exercise. A value greater than unity indicates specialization or comparative advantage of the identified products in the UK.

The final products are sorted as per UK's import values. The top 5 products as per import values along with the ES index are classified as top performers in the UK, while the rest are classified as products with high export potential.

TVS SCS' UK subsidiary is the technology knowledge hub for Global business

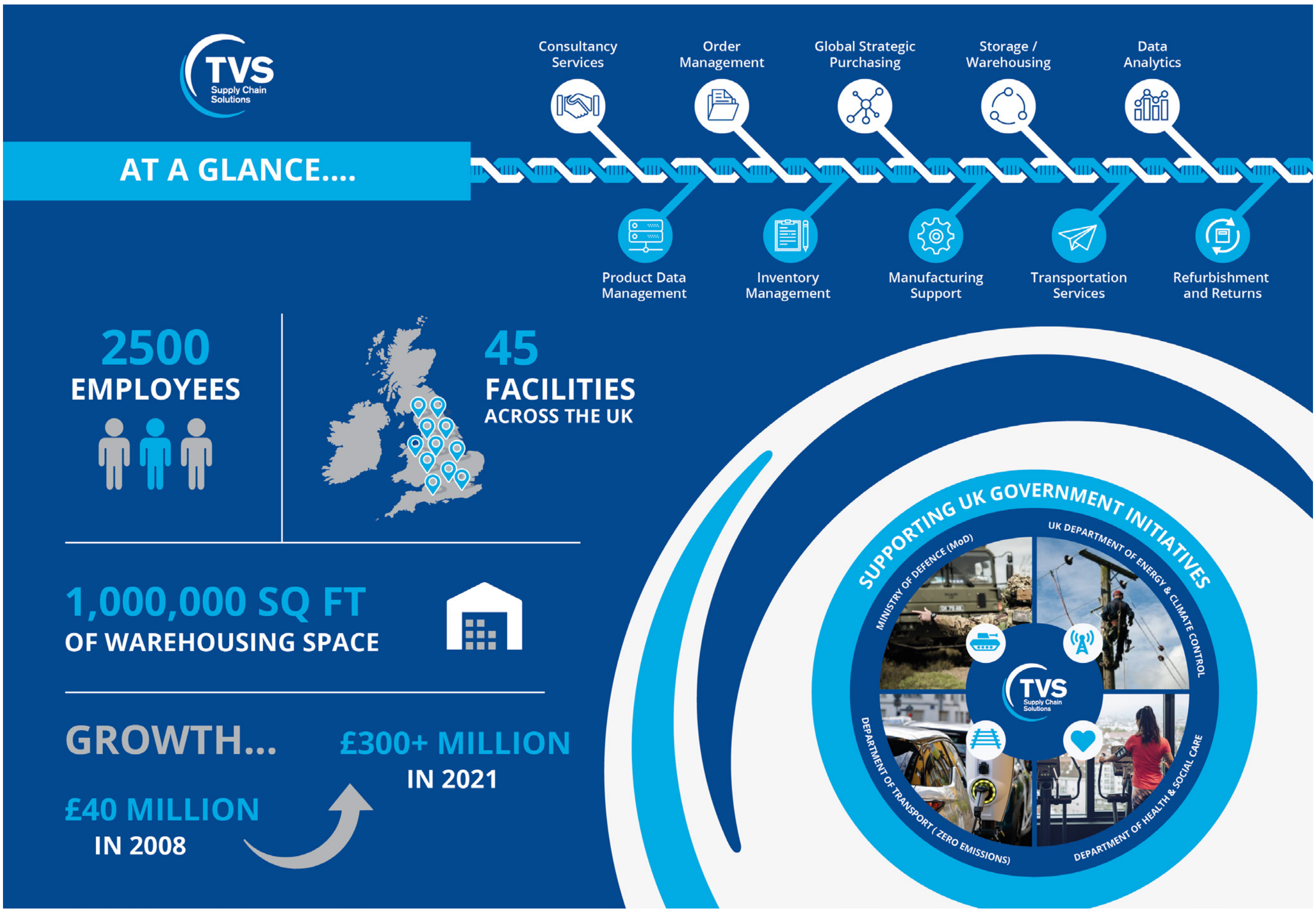
Background

TVS Supply Chain Solutions' (TVS SCS) £40m investment in the UK began in 2008 as part of its strategy to develop the UK as a technology knowledge hub for its global business. The UK operation has expanded, and is now the largest Indian owned employer in the North of England with revenues in excess of £300m p.a., a workforce of 2500+ people, 45 facilities and 1,000,000 sq.ft. of warehousing space.

TVS SCS' collaborative approach with its customers and focus on technological innovation has positioned it as a global leader in supply chain management. It has an annual turnover exceeding US$1bn, operating across 25 countries and employing some 17,800 people worldwide.

Its UK operation leads the R&D programme of 'Digitalisation of Supply Chain Management.' This includes the development of data management and e-commerce software alongside prototyping new technologies, such as drones, robotics and IoT for efficient warehouse management and last mile transport.

These innovative approaches have led to transformation of the supply chain for clients such as the **UK Ministry of Defence,** Network Rail, large utility companies, ATM manufacturers and IT support companies. These solutions are now being extended to customers across the globe using UK-based expertise as the knowledge base.



Initiatives

TVS SCS is responsive to the UK Government's initiatives, namely:

Department of Health & Social Care

TVS SCS is supporting the Royal Mail during the Covid pandemic with courier and final mile services. It is collecting completed test samples from remote and mobile test centres, care homes, key worker's homes, prisons, schools and dentist surgeries and delivering them to laboratories, or freight forwarders for onward delivery. Support has also been provided for ad hoc collections, including empty test kits or materials to keep the tests secure when in transit. Consolidation of tests is carried out at its National Forward Stock Locations (FSLs), reducing the number of vehicles delivering to the laboratories to support efficiency within the process.

TVS SCS has also supported Bupa Health Clinics, providing full logistic support for their nationwide flu vaccine service.

UK Department of Energy and Climate Control

TVS SCS' supply chain capability and information systems underpin the smart meter roll-out with several smart meter providers such as Amey, Siemens, Magnum and Lowri-Beck* as they play an essential part in Britain's target to reach net-zero emissions by 2050.

Smart meters facilitate cheaper off-peak charging for electric vehicles. TVS SCS foresees additional engagement opportunities in this sector, as Meter Operator Providers (MOPs) look to take on the installation of vehicle charging points.

**(Lowri Beck owned by Calvin Capital)*

Department of Transport (Office for Zero Emissions Vehicles)

TVS SCS provides its e-commerce solution to electric vehicle/bike manufacturers, London Electric Vehicle Company (LEVC), Dennis Eagle and Torrot. Its expertise and e-commerce system allow these companies to order their spare parts efficiently, supporting a greener transport future.

Ministry of Defence (MOD)

TVS SCS, as part of Team Leidos, has been supporting the MOD in their work against Covid. It has been coordinating shipments of life-saving ventilators and ancillary equipment and delivering them to hospitals in need across the country from the Defence Fulfilment Centre (FDC) at MoD Donnington. The complex operation was up and running within just seven days of being approached by the MoD for additional logistics support. TVS SCS demonstrated its ability to mobilise quickly and flexibly, and create a unique stock control system.

TVS SCS' role within the 13-year Logistics Commodities and Services (Transformation) Defence contract sees them responsible for spending c: £10m p.a. on Medical equipment and £40m p.a. on consumables and pharmaceuticals. This includes managing the supply of medical equipment ranging from X-ray machines and patient monitors down to stretchers and thermometers.

Its UK operation manages in excess of 350,000 Nato Stock Numbers for the MOD across a wide range of military vehicles and equipment.

Future Strategy

The company has pledged its support to the future alignment with UK National priorities including:

- **Ten-point plan for a Green Industrial Revolution**

  TVS SCS UK has invested to achieve a carbon neutral footprint and has a roadmap to minimise its current offset by 2025

- **Levelling up agenda**

  The current position of TVS SCS employing 2500 in the North of England provides a strong platform for further employment

- **Build Back Better strategy**

  Throughout the Covid pandemic, TVS SCS has provided support through its Last Mile Supply service. This, and its efforts in support of the MOD, will continue and diversify into other areas of Healthcare

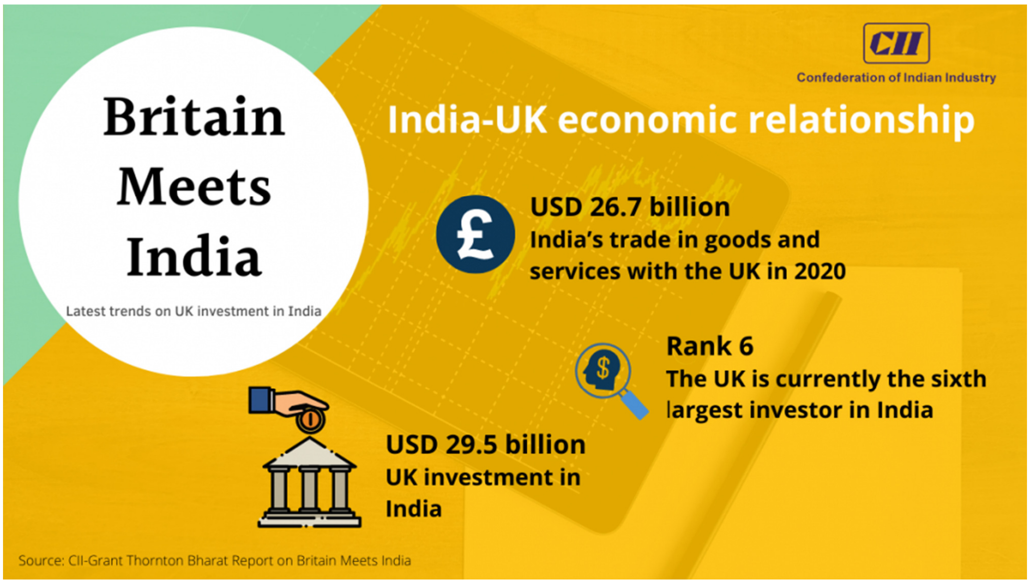
In summary, the company is responsive to UK Government priorities and is well positioned to lead or support the strengthening of the relations between countries specifically in Defence, Health and Rail Sectors.

Investments

UK investment in India | Indian investment in the UK
UK investment climate | Indian investment climate

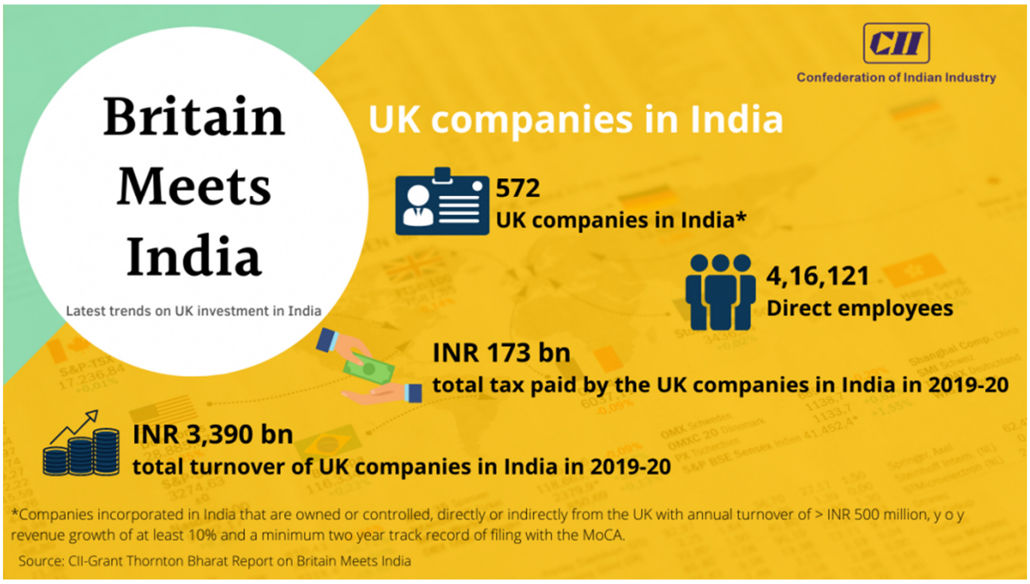
UK INVESTMENT IN INDIA

According to a recent CII – Grant Thornton India report[1], the UK is currently the sixth largest investor in India, with a cumulative inflow (2000–2020) estimated at USD 29.5 billion, which represents about 6% of the total FDI into India. The report notes that post Brexit, there is an increased interaction between India and the UK to strengthen the trade and economic partnership. Thus, this corridor has an important role to play in ensuring that businesses on both sides get the support they need to increase their commercial footprint.



Even amidst the many adversities during the Covid-19 pandemic, the India-UK partnership strengthened further through continued collaboration, especially in the area of vaccine research and manufacturing. In the current situation, increasing investments in each other's market has become an imperative for supporting growth for both economies. While many British companies exist in the Indian manufacturing sector generating significant employment, India is viewed by the UK as a preferred investment destination with a large domestic market, a growing middle class and a skilled workforce.

1 CII- Grant Thornton Bharat "Britain Meets India: Latest trends on UK investment in India" 2021



INDIAN INVESTMENT IN THE UK

According to the 2021 edition of the CII - Grant Thornton 'India Meets Britain Tracker', there are 850 Indian companies operating in the UK, with combined revenues of GBP 50.8 billion. Together, they paid GBP 459.2 million in corporation tax and employed 116,046 people. This shows the continued importance of the contribution that Indian companies make to the UK economy.

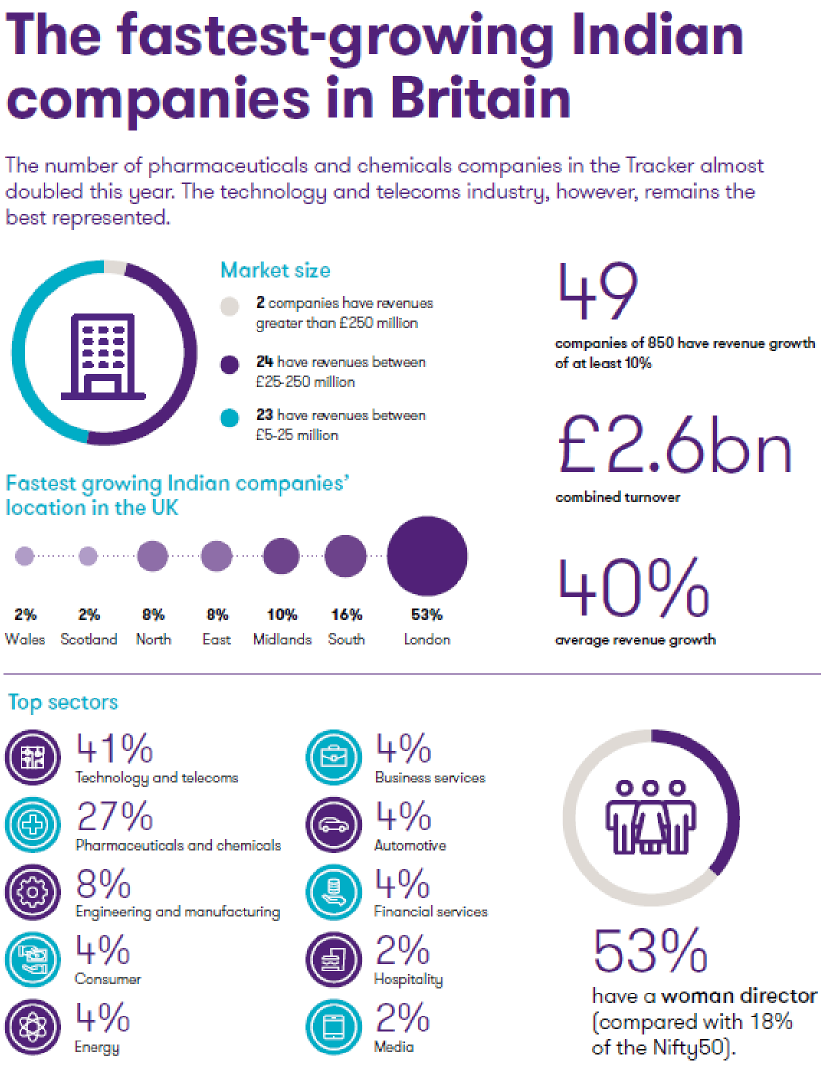
Employment generation by Indian companies in the UK has also been rising and is impressive. Indian companies employed 116,046 people in 2021. The report identified 14 Indian-owned companies that each have over 1000 employees and together this group employed between them 90,474 people, representing almost 80% of employee footprint of Indian companies in the UK.

The total number of people employed by Indian companies would go up sharply if one were to calculate those employed by UK branches of Indian companies. Companies such as Infosys, WIPRO and TCS employ almost 30,000 people in their UK branches.

The year 2020-21, though a year of global slowdown saw a number of new entrants to the tracker list of fastest growing companies. Of the total 49 fastest growing Indian companies in the UK, 38 companies are new to the list. For the eight year running, technology and telecoms companies continue to be the top sector of growth followed by pharmaceuticals and chemicals companies.

Pharmaceuticals and chemicals companies, accounting for 27% of the companies in the tracker, are the second-most dominant sector.

London remains the favourite region for Indian companies with 53% of tracker companies based in London.



Percentage calculations have been rounded up or down where necessary and there may be rounding differences in respect of the aggregate percentage.

Source: CII-Grant Thornton report 'India Meets Britain Tracker' 2021

INVESTMENT CLIMATE IN INDIA

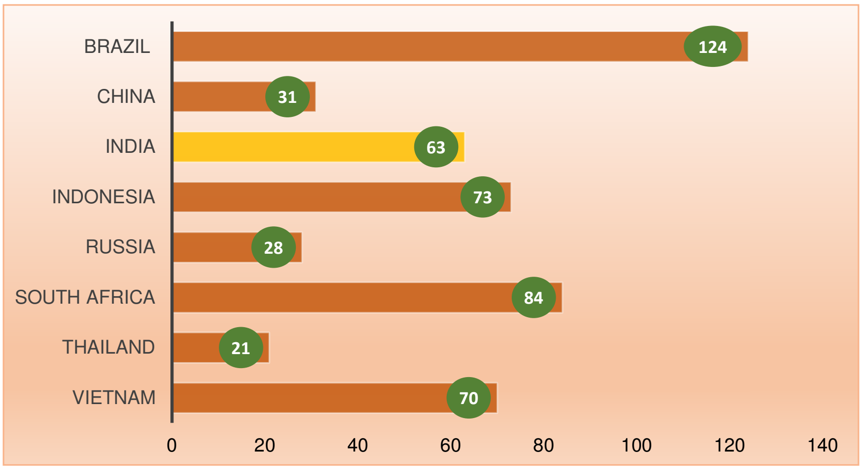
India's FDI policy regime and business environment are rapidly improving, ensuring strong foreign capital inflows into the country. The government has taken many initiatives in recent years including relaxing FDI norms across sectors such as defence, insurance, public sector oil refineries, telecom, power exchanges, coal mining, contract manufacturing, single brand retail, construction, and stock exchanges, among others.

According to the Department for Promotion of Industry and Internal Trade (DPIIT), FDI inflows in India stood at US$ 763 billion between April 2000 and March 2021. In 2020-21, India achieved a record US$ 81 billion of FDI, a jump of 10% from the previous year.

The two top sectors receiving FDI in India are the services sector with 16% of cumulative inflows and computer software and hardware at 13%. Telecom, trading, construction and automobiles are the other significant areas for FDI coming into India.

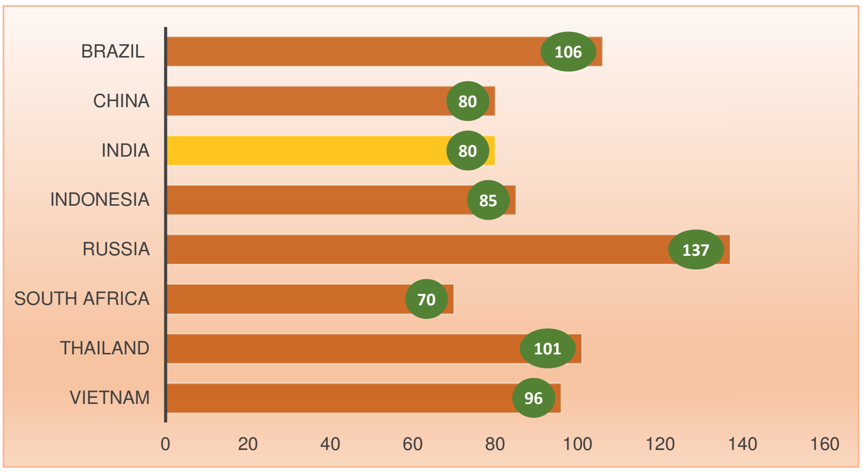
India compares well with other emerging economies on global rankings on Ease of Doing Business, Corruption Perceptions Index, and Logistics Performance Index. As a large and populous country, it is on its way to raising human development as per the UNDP Human Development Index.

Chart 8: Doing Business Ranking 2019



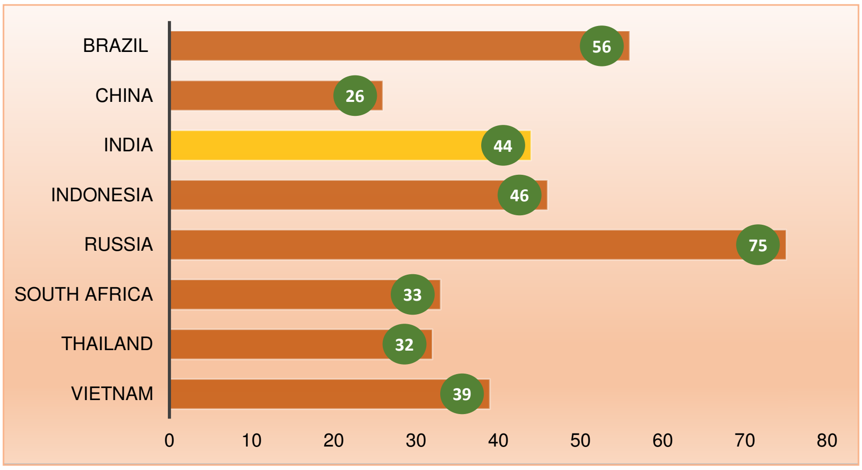
Source: World Bank

Chart 9: Corruption Perception Index Ranking 2019



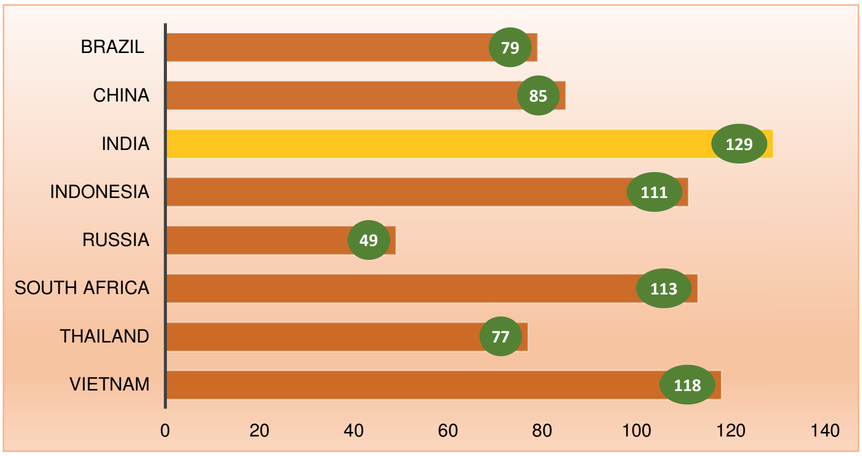
Source: Transparency International

Chart 10: Logistics Performance Index Ranking 2018



Source: World Bank

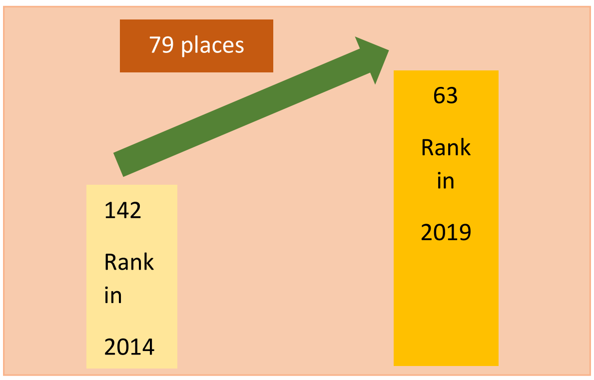
Chart 11: Human Development Index Ranking 2019



Source: UNDP

To attract investments, Ease of Doing Business has been taken up in mission mode through initiatives by the central and state governments for faster and simpler procedures and clearances. As a result, India's EODB rank has improved significantly over the last 4 years, jumping up from 134 in 2014 to 63 in 2019, underscoring the government's firm resolve to improve the business environment.

Chart 12: India's improvement in Ease of Doing Business ranking – World Bank



Numerous foreign companies are setting up their facilities in India on account of various government initiatives such as Make in India and Digital India.

The Government launched the Make in India initiative with an aim to boost the manufacturing sector and to increase the purchasing power of an average Indian consumer, which would further enhance demand, and hence spur development, in addition to benefiting investors. This has been further bolstered with the introduction of the production linked incentive scheme (PLI) providing 4-6% incentives on 13 identified manufacturing sectors.

In addition, the Government has also launched the Digital India initiative, which focuses on three core components: creation of digital infrastructure, delivering services digitally and to increase digital literacy. Taking into account hardware manufacturing, startups and government services, the digital economy of India is targeted at US$ 1 trillion by 2025.

INVESTMENT CLIMATE IN THE UK

One of the most welcoming nations for investments, the UK government does not discriminate between nationals and foreign individuals in the formation and operation of private companies, with rare exceptions.

The Department for International Trade (DIT) acts as the nodal government agency which promotes direct foreign investment and prepares market information for a variety of industries. The British Government is a strong defender of the rights of any British-registered company, irrespective of its nationality of ownership, reflected in the fact that the UK has never had to defend an investment dispute at the level of international arbitration. Earlier this year, the Office of Investment was set up led by the Minister of Investment, Lord Gerry Grimstone which comes coupled with the increased focus on the 'levelling up agenda' of the UK government; thereby encouraging greater avenues for investment climate pan-country and brings to the fore, the importance of the regions in the UK outside of London.

Foreign ownership is limited in only a few strategic private sector companies, such as Rolls Royce (aerospace) and BAE Systems (aircraft and defense). No individual foreign shareholder may own more than 15 percent of these companies. Theoretically, the government can block the acquisition of manufacturing assets from abroad by invoking the Industry Act of 1975, but it has never done so. Investments in energy and power generation require environmental approvals. Certain service activities (like radio and land-based television broadcasting) are subject to licensing. The Enterprise Act of 2002 extends powers to the UK government to intervene in mergers which might give rise to national security implications and into which they would not otherwise be able to intervene.

The UK requires that at least one director of any company registered in the UK be ordinarily resident in the UK. The UK, as a member of the Organization for Economic Cooperation and Development (OECD), subscribes to the OECD Codes of Liberalization and is committed to minimizing limits on foreign investment.

While the UK does not have a formalized investment review body to assess the suitability of foreign investments in national security sensitive areas, an ad hoc investment review process does exist and is led by the relevant government ministry with regulatory responsibility for the sector in question (e.g., the Department for Business, Energy, and Industrial Strategy would have responsibility for review of investments in the energy sector).

Annual FDI inflows in the UK have declined over the last few years, from US$ 258 billion in 2016 to US$ 59 billion in 2019. Its outward investment has also fallen and stood at US$ 31 billion in 2019.

Sectors of opportunity

The UK and India economic partnership enjoys fundamental commonalities of legal, institutional and language systems. The thriving Indian economy presents many opportunities for collaboration, investments, and joint ventures. UK companies can find lucrative investment sectors in India across a range of economic and industrial areas which would converge well with their competencies. A few of these are outlined below.

HEALTHCARE

The Indian Government's ambitious plans of digital healthcare stack and the National Digital Health Mission have created new areas of interest for investors for equipment as well as applications for last mile connectivity. Connecting the required equipment with both government and private players requires Indo-UK collaboration.

Penetration of healthcare services in rural India and tier 2 and 3 cities is poised to leapfrog through development of transformative, low-cost digital solutions. There is an urgent need to accelerate technology uptake of telemedicine and e-health. Delivery, prevention and support services via smartphone and online is now a reality and consumer behaviour is showing acceptance and comfort in usage. There is tremendous opportunity in the Indo-UK co-creation and collaboration space to develop tools and processes which can service not only India but the world with low cost interventions.

The Indian healthcare market will be US$ 372 billion by 2022 with the largest being the provider segment. Currently, the percentage of health insurance penetration in India is around 20%, resulting in the Indian healthcare market to be largely an out-of-pocket market. This lays the foundation of what digital can do in India:

- India is experiencing exponential growth across internet users, online payments and data usage. The digital health market comprises of online medicine delivery (ePharmacy), home diagnostics (eDiagnostics), online appointment booking and online consultation (eConsultation)
- Digital health is becoming a seamless, one-stop integrated healthcare delivery system for consumers which solves for access, affordability

and quality of health. Indian digital ecosystem is very ripe to growth, this will ensure India will have a goldmine of health data. This market will possibly have the largest collection of health records in the world.

- Partnerships and collaborations in Artificial Intelligence and Machine Learning in tele-medicine, chatbots, electronic medical records (EMR), etc are being sought. AI provides safety nets and alerts radiologists if they miss to detect cancer. Indo-UK collaborations arise from harnessing AI to detect cancer to simultaneously work with radiologists.

TOURISM

The UK is one of the most popular destinations for Indian tourists, with approximately 1.7 million Indians visiting the UK every year. Business, tourism, visiting friends and relatives (VFR) and education are the main motivating factors to visit the UK. Business travel is dominating. Indians also use UK as a transit to Europe, the USA and Canada.

900,000 UK tourists visited India in 2016, primarily for business and tourism, patronising deluxe resorts, heritage hotels, palaces, beaches and ayurvedic treatment.

The e-tourist visa scheme introduced by the Government of India had a very positive impact on visitors from the UK to India. In just 6 months, January to June 2016, there were 112,380 e-tourist visa submissions from the UK, as compared to just 60,663 submissions in 2015.

The number of Indians travelling overseas is still under 2 percent of the country's total population. With a GDP growth rate at more than 7 percent, India's middle class have growing disposable incomes, are increasingly internationalised and are part of a more consumer-orientated culture. These factors make the potential growth of the Indian, domestic and outbound, travel market enormous.

This is already reflected in outbound travel. In 2019, around 27 million visitors travelled from India. With India's middle-class population rapidly expanding, this trend is expected to continue. There is therefore a huge opportunity for the UK to attract Indian tourists and increase tourism trade.

With a 1.4 million Indian diaspora in the UK, many potential Indian visitors have close family or friends who reside in the UK. As well as close personal ties, there are strong cultural and historical ties that can be used to promote the UK and India as tourist destinations, including English language, food and drink, film and cricket.

There are major opportunities for India, to identify and promote other destinations beyond the Golden Triangle (Delhi – Agra – Jaipur). Similarly, in the UK there are major opportunities to promote travel and tourism outside of London.

The travel and tourism sector is one of the most heavily impacted sectors by the COVID-19 pandemic, with an anticipated 60-80% decline in international tourism in 2020. Two key areas where UK companies can consider business ventures in India are given below.

- **Investments in sustainable tourism**

  Investment and financing are essential parts of tourism moving towards sustainable and inclusive growth. Within the Indian domain, there are numerous investment opportunities to support tourism.

  India is blessed with cultural and traditional heritage. In order to maintain this heritage while creating opportunities for continuation and improvement of traditions, it is imperative that investments that maintain this critical aspect be met.

This coupled with maintaining India's biodiversity are two key areas where investment and funding from the UK through a collaborative approach will help maintain ecosystems and promote sustainable tourism.

- **Film tourism**

  As cinema plays a significant role in present day society, film tourism has garnered significant value across the world. The film tourism market has a scope to generate US$ 3 billion in India by 2022. This is another area where Indo-UK collaboration will bear fruit. There are multiple locations in both the countries where numerous films are shot, adding to the existing lure of their geographies. The two countries can promote each other's film shooting destinations and market these to the world.

PHARMACEUTICALS

Several areas can be identified for cooperation in the pharma and drug development space. India's recent success in manufacturing vaccines for Covid-19 at scale to meet its own requirements and export as well as provide humanitarian assistance set a new benchmark and underscored its expertise in pharmaceuticals.

Contract research: India has become a popular destination for contract research for the global pharma industry as the cost of contract research in India is estimated at one-fifth to one-seventh of the levels in Europe. This provides an opportunity for collaboration between the UK and India.

Drug discovery companies are engaged in this for global pharmaceutical and biotech/virtual companies in the areas of medicinal chemistry, biology, toxicology, synthetic chemistry, process research and development, scale-up and GMP manufacturing for IND studies. The deliverables under research and development include study reports, biological samples, process development reports, and supply of newly developed research compounds with specified quantity and purity.

These can be undertaken through a risk sharing collaboration model.

Clinical research: Multiple opportunities exist to continue fuelling the industry by prioritizing novel drug discovery and clinical research through a collaborative approach, which include measures like:

- Incentivisation scheme
- First-in-man studies
- Foreign funded trial approvals
- Phase III-IV trial of approved and marketed drugs
- Publish list of permitted and disqualified investigators
- Clinical investigator training and certification
- Educate stakeholders i.e. IEC, Academics, CDSCO, CROs to build regulatory expertise
- Investigation and treatment costs to be included

- Limit and period of coverage
- Per claim and aggregate liability
- Uniform template for serious adverse event (SAE) and follow up reporting
- Centralized online platform for submission of SAE reports

R&D: Research & Development needs to be a core focal point for collaborations between UK and India in the pharmaceutical space. Although the Indian pharmaceutical industry is the third largest in terms of volume, India is still considered an emerging global leader.

R&D between the two countries will allow for greater access to international expertise rather than working in isolation, thereby producing higher quality and work of higher impact. As data continues to drive the 21st century, exchanging and sharing data is a key element of the research process. However, there needs to be an element of trust and extended diplomacy lines for these partnerships to bear fruit. The third area that R&D collaborations between the countries will help develop is that of capacity building.

Partnerships in the R&D domain will be of global relevance as they are tied to the strategic priorities of the nations. In a post Covid world where there is a greater emphasis on the importance of pharmaceuticals, healthcare and well-being, ties in this domain can be productively developed.

Digital opportunity: There are four main areas where digital developments can help drive collaboration between pharmaceutical companies: deliver a more personalized patient care, greater insight and decision making through data driven methods, transforming business processes to provide real-time responsiveness, and engage more fully with physicians and patients.

START-UPS

The Indian entrepreneurial and start-ups landscape has emerged as the 3rd fastest growing hub for technology start-ups in the world. The initiative, ‘Start-up India’, was launched in 2016 to build a strong ecosystem for nurturing innovation and start-ups in the country. Under this scheme, start-ups are provided with various benefits such as certain tax exemptions, fast track patent examination, up to 80% rebate in the fees for patent applications and investment through Alternate Investment Funds and other schemes of the Government of India.

Applicable sectors include tech-specific verticals, agritech, greentech, science and academic innovation, etc. These include ASPIRE, a scheme for promoting innovation and rural entrepreneurship, Atal Innovation Mission, support for international patent protection in electronics and IT, Credit Guarantee Scheme for start-ups, Biotechnology Ignition Grant, etc.

39,000+ start-ups across India are instrumental in building a strong ecosystem catalysing economic growth, driving sustainability, and rapidly expanding employment opportunities across various skill sets. Projections indicate that by 2025, India may well have 100,000+ start-ups, employing more than 10 million across the nation, and produce 100+ unicorns (valuation: US$ 1+ billion), with a total market value exceeding US$ 500 billion.

Since 2015, foreign investors have brought in around US$ 82.1 billion into Indian start-ups through various funding channels, including foreign portfolio investments (FPIs), venture capital and alternative investment funds (AIFs). According to research firm Tracxn, the start-up community raised about US$ 14.5 billion in funding in 2019, which came to US$ 9.3 billion in 2020. Further, in 2020, eleven Indian start-ups joined the Unicorn club.

Technology is supporting the growth of a start-up ecosystem and there are clear opportunities for UK-India collaboration here, including fintech. Digital learning technologies is an area of growth, from online and blended learning, instructional design, and teacher development to management and support systems.

India could benefit from the experience of a more matured UK ecosystem and better infrastructure, while the UK can get access to a fast growing market and a large and highly qualified talent pool.

FINANCIAL & LEGAL SERVICES

The Government of India and the UK Government have jointly identified the importance of the expansion of banking, accountancy, insurance and legal services in India, to both support India's economic growth, and facilitate competitive international trade. London, as the world's financial capital, is critically placed to help India raise the capital it needs to continue its impressive economic and infrastructural growth, and, UK businesses have the expertise and ambition to meet the rising demand for financial services in India.

Implementation of the key recommendations put forth by the India UK Financial Partnership (IUKFP) with suitable policy and regulatory support extended by the Indian and UK governments will go a long way toward strengthening the bilateral cooperation and partnerships in banking, insurance, legal services and accountancy. The two governments have agreed to initiate partnerships on infrastructure financing to enable UK commercial expertise and financing to participate in India's infrastructure sector. Private capital is also to be mobilised for green investment and greening the financial system. Fintech is another area that is being jointly explored.

The Indian Gujarat International Finance Tec (GIFT) City is expected to create opportunities for UK firms. GIFT City is India's first international financial services centre under the Special Economic Zone Act. It is being developed as a multi services SEZ with a competitive tax regime. The City is expected to provide excellent infrastructure to emerge as a hub for IT and ITeS, finance, commodity exchange, global trading, insurance, offshore banking and data centre sectors.

SMART CITIES

Creating Smart Cities is necessary to adapt to urban growth in both the UK and India. Rapid urbanisation has placed a burden on the city administrators to simplify life for its inhabitants. Cities in India, including New Delhi, Mumbai, Bengaluru, Hyderabad, and Kolkata, are grappling with issues such as lack of proper infrastructure, inefficient waste management and congested roads. Some of the major cities in the UK, like London, Bristol, Birmingham and Manchester, have also grappled with similar issues and have developed smart city initiatives to address some of these challenges. Development of the 'Smart Cities' initiative of 'Digital India' campaign is a positive step in this direction.

Urban areas are expected to house 40 percent of India's population and contribute to 75 percent of India's GDP by 2030. This urbanisation trend demands comprehensive physical, institutional, social and economic infrastructure development. Using digital solutions that rely on Internet of Things (IoT) technology, it is possible to connect services in an intelligent way designed to improve the economic efficiency of cities and the quality of life for their inhabitants.

Based on the requests for proposals issued by local governments in India, the following digital solutions, which have been successfully deployed around the world, have the greatest potential to develop Indian Smart Cities:

- **Traffic management.** IoT solutions help with smooth traffic flow. IoT cameras collect data on traffic volume and update digital signs automatically to guide drivers;
- **Citizen safety.** Solutions track location of citizens in real-time and provide automatic notifications in case of an emergency;
- **Utilities.** Energy usage is tracked using smart meters installed at various locations to help local authorities reduce costs;
- **Smart waste management.** Health hazards are prevented through automatic waste volume monitoring and re-routing of waste collection; and
- **Smart street lighting.** IoT streetlights reduce maintenance costs by automatically scheduling repairs for broken lights. They reduce electricity costs by dimming in periods of low traffic.

Greater Manchester in the UK has successfully used the Build-Operate-Maintain model for deployment of Smart City solutions. Smart solutions in the areas of transport, planning and waste management have been created using funding received from European Regional Development Fund, Greater Manchester Transport fund, the GM pension fund and other private sector investments.

The Indian Government and the UK Government are currently collaborating on Smart City missions in Pune, Amravati and Indore. These represent potential business opportunities for UK based companies to collaborate with local government bodies, in order to develop innovative solutions leading to a win-win situation for both countries. Firms across industries and spanning different functions, such as communications providers, data analytics firms, system integrators and IT vendors, could also benefit from the Smart City program.

DEFENCE COOPERATION

India and the UK have shared a strong commitment towards defence cooperation which has covered various facets, including strategic consultations, tactical level joint exercises, trade-in defence goods and services and military games. The thrust on defence cooperation was further intensified through establishing a 'Strategic Partnership' with the UK in 2004.

This cooperation was strengthened with the visit of Prime Minister Modi to the UK in 2015 where both countries agreed to establish capability in strategic areas such as cyber-security, counterterrorism and maritime security. The tri-services have long-established their relationship with the UK with regular joint exercises such as the Indian Army's 'Ajeya Warrior'; the Indian Air force's 'Indradhanush' and the Indian Navy's 'Konkan'.

The Indian Defence Industry

The Indian Defence Industry has witnessed catalytic changes in the past 5 years through progressive reforms undertaken by the Government. These reforms have been marked by the creation of a conducive environment for the growth of the Indian Industry through transparency, predictability and Ease of Doing Business. The reforms also encourage foreign Original Equipment Manufacturers (OEMs) to set up manufacturing units in India and develop Joint Ventures with the domestic defence sector.

The Defence sector is envisaged to play a major role in India's growth; several policy initiatives have been taken by the Government which aim to create a long-term momentum towards the growth of the Indian Industry. The Defence Acquisition Procedure 2020 (DAP) pushes forward for higher indigenous content and further encourages domestic manufacturing. Announcement of a negative list for the import of defence equipment and liberalization of FDI of up to 74% under the automatic route combined with a separate capital budget for indigenous weapons procurement have provided a strong foundation for India to emerge as the next defence manufacturing hub.

Opportunity for UK Firms

Presently, the value of India's domestic defence production stands close to $12 billion and the Ministry of Defence aims to enhance the allocation for domestic capital procurement at 15% per annum for the next five years. With the successful implementation of the Defence Production and Export Promotion Policy 2020 (DPEPP), the industry is poised to achieve the target of having an annual turnover of $25 billion in defence goods and services by 2024. In this phase of growth, UK firms will have a major role to play in the next few years.

The easing of FDI regulations and introduction of Buy (Global – Manufacturer in India) in DAP 2020 are an invitation for the Foreign OEMs (FOEMs) to participate in the opportunities offered by the Indian Defence industry. The FOEMs can set up manufacturing facilities individually or partner with Indian companies through a JV or technology agreement to capitalize on the 'Make in India' opportunity. UK firms, Webley & Scott and BAE Systems, have already announced plans to set up production plants in the Uttar Pradesh Defence Corridor.

India has also seen a staggering 700 per cent growth in defence exports in the last six years and has made an entry into the list of top 25 exporters in the world as per a Stockholm International Peace Research Institute (SIPRI) report released in 2020. This is a testament to the capability and capacity of the Indian Industry to meet global demand. As the industry grows, UK firms can explore the vast potential for 'Creating in India' and 'Exporting from India'.

With a strong foundation in place, both at the Government and industry level, the scope for enhancing our bilateral defence ties is immense and holds promise for UK Investors.

Policy regime

Defence manufacturing is a key focus area of the "Make in India" programme. The Indian government has been liberalising rules as far as investment is concerned and Indian companies, both in the public sector and the private sector, have already started entering into arrangements with international firms to establish manufacturing facilities in India. The increased FDI limits stand at 49 percent but it is possible now to have 100 percent FDI in the sector on a case-by-case basis.

Opportunities for Investment in India

India plans to spend US$ 130 billion on military modernization in the next 5 years, as achieving self-reliance in defence production is a key target for the Government of India. A brief snapshot of the Indian defence and aerospace sector is given below.

- **Second** largest Armed Forces in the world
- **Fifth** largest military spender in the world (US$ 42.2 billion in FY 2020-21), 3.7% of global military expenditure
- **Second** largest importer of military equipment in the world, US$ 14.56 billion allocated for capital expenditure for FY 2020-21
- Overall **Defence Production** – US$ 11.4 billion (2018-19), Private sector contribution ~US$ 2.4 billion.
- Overall **Defence Exports** US$ 1.4 billion (2018-19)

In 2001, the Government of India permitted 100% private sector participation, with 26% cap on FDI, in the defence and aerospace sector, which was dominated by Defence Public Sector Units and Ordnance Factory Board, to provide impetus to indigenous manufacturing. Concurrently, the Government also created a separate organisation – Defence Acquisition Wing – in the Ministry of Defence to steer all capital acquisitions for the armed forces. This is now proposed to be expanded to 74%.

A comprehensive Defence Procurement Procedure (DPP), which carries an elaborate set of guidelines for all stakeholders, was also promulgated. Presently, DPP 2016 version is in force to enable Indian industry to establish technology and manufacturing collaborations with foreign Original Equipment Manufacturers to enhance indigenous design, development and manufacture of defence platforms and systems.

Further, the Government of India also introduced ‘Strategic Partnership’ (SP) Model in DPP 2016 to create a vibrant defence manufacturing ecosystem in the country through involvement of both the major Indian corporates as well as the SME sector, with full engagement of foreign technology partners.

Under the SP Model, selected private firms will be roped in to build military platforms like submarines and fighter jets in India in partnership with foreign entities. In the initial phase, four major segments viz. fighter aircrafts, helicopter, conventional submarines and armoured fighting vehicles including main battle tanks have been selected to be progressed. Projects for 111 Naval Utility Helicopters and 6 Conventional Diesel Electric Submarines with air independent propulsion are in advanced stages of SP selection. EOIs for 110 fighter aircrafts are also under evaluation.

Key Opportunities in the Indian Defence and Aerospace:

- ➢ Field Artillery rationalisation plan to induct 1580 Towed Artillery Guns, 814 Mounted Gun Systems, 100 Tracked Gun Systems
- ➢ Future Ready Combat vehicles (FRCV) - 1700 New generation fighting vehicles with modern sensors and armaments
- ➢ Infantry Modernisation – 750,000 Assault rifles, 3,65000 Close Quarter Battle Carbines, 40,000 Light machine Guns with Night Enabling systems transform the Indian soldier's capability
- ➢ Future Infantry Combat Vehicles – 2600 Indigenously designed infantry combat vehicles to transform mechanised infantry
- ➢ Multi Role Fighter Aircraft – 110 fighter aircrafts under SP Model
- ➢ 110 Light Utility helicopters under SP Model
- ➢ Conventional Diesel Electric, with AIP, submarines – construction of 06 submarines under SP Model
- ➢ Program for construction of New Generation Missile Corvettes
- ➢ Through Life Support & up-gradation of In-Service Assets of Army, Navy and Air Force

Foreign Direct Investment Policy: 100% FDI is allowed in Defence industry; wherein 49% is allowed under automatic route and beyond 49% through Government route. This is to be raised to 74% and 26% respectively.

The defence industry is subject to industrial license under the Industries (Development & Regulation) Act, 1951; and manufacturing of small arms and ammunition under the Arms Act, 1959.

Other conditions:

(a) Infusion of fresh foreign investment within the permitted automatic route level, in a company not seeking industrial license, resulting in change in the ownership pattern or transfer of stake by existing investor to new foreign investor, will require Government approval.

(b) Licence applications will be considered and licences given by the DPIIT, Ministry of Commerce & Industry, in consultation with Ministry of Defence and Ministry of External Affairs.

(c) Foreign investment in the sector is subject to security clearance and guidelines of the Ministry of Defence.

(d) Investee company should be structured to be self-sufficient in areas of product design and development. The investee/joint venture company along with manufacturing facility, should also have maintenance and life cycle support facility of the product being manufactured in India.

Defence Corridors: Two Defence Corridors have been planned to be set up in India (i) Uttar Pradesh, which leverages the existing manufacturing ecosystem in the state ideally suited for economic testing and R&D facilities and (ii) Tamil Nadu, which ensures a mature manufacturing ecosystem for investments and innovation. The central and state Governments have offered several facilitative steps for investment in the corridors.

Several other industrialised states such as Karnataka, Maharashtra, Gujarat, Andhra Pradesh, etc. have also promulgated their regional policies for development of A&D industries in their states. These states also offer several attractive terms for investments by foreign companies.

India offers a highly skilled technical workforce to support all domains of industrial activities – design, development, testing & simulation, and manufacturing. These are supported by a very vibrant, competent, cost competitive industry ecosystem in all areas / disciplines.

India-UK Digital Technology Partnership

India and the UK share much greater complementarity with each other than they do with other countries especially in sectors related to digital technology. There are already a vast number of technology partnerships between India and the UK, but there exists a huge potential to forge many more such partnerships.

Other than healthcare, life sciences, food and beverages, and chemicals, the two countries can work on maximizing the potential of the digital economy, particularly in areas such as data regulation and interoperability.

Until now, the majority of investment in upstream technology in the UK has been by larger Indian companies. However, real innovation is being driven by small and medium Indian companies so there is huge scope to work with small and medium Indian companies in order to implement digital services.

Sectors such as EdTech, FinTech, Life Sciences, and Medical Devices have witnessed phenomenal growth due to the pandemic. This may be a good opportunity for Indian companies to start businesses in London and to leverage the UK capital's strong technology prowess and venture funding to scale their business.

Both countries can jointly fund projects for harmonizing legal framework wherever possible and mutual acceptance of standards in digital technology space (5G, AI, Big Data, IoT, Blockchain) along with regulation of cross-border data flows.

Some of the collaboration opportunities between the business of two countries could be explored in following specific areas.

- *Cyber Physical System and Quantum Computing:* Identify one lighthouse project jointly on Cyber Physical System and Quantum Computing to showcase best practices and successful collaboration.
- *Deep Tech Start-ups:* Handholding of start-ups in Deep Tech space to explore how Indian start-ups can be placed in the UK and vice-versa.
- *Digital Transformation Projects:* Joint projects for hand-holding SMEs to adopt technology can be an option.

- *Cloud Computing:* Indian SMEs, which have been reluctant adopters of technology primarily due to associated costs, are increasingly looking at products which emphasize new enterprise applications and services, provided as Software as a Service (SaaS).
- *Blockchain:* Enterprises in India are keen to adopt blockchain technology and have managed to gain a healthy traction across industries owing to its immense potential to eliminate the risk of middlemen intervention, data breaches, and tampering of sensitive information. Businesses from both countries could explore a big opportunity here.
- *AR/VR:* Healthcare sector is utilising AR/VR solutions for disease treatment and providing training to the doctors for complex surgery. On the other hand, in the manufacturing sector, AR solutions are used for repair and maintenance. This is a potential area of collaboration

India-UK Collaboration in Climate Change

The pandemic has provided economies with an opportunity to stimulate a systemic shift towards long-term resilience. The global nature of climate change impacts has brought to light the need for increased collaboration and cross-fertilization of ideas, actions and investments to build resilience.

With action on climate change a priority for both countries, India-UK collaboration is not only important for making India's infrastructure fit for the future but for showing international leadership, particularly in the fallout from the global health crisis. For instance, the UK has a lot to share on the development of robust energy and climate change policies particularly on the movement away from coal generated power to renewables, which remains key for India to achieve if the Paris Agreement is to be met.

India has emerged as a key partner for the UK in moving the talks on to the next set of emission targets. The UK being appointed the first co-chair of the Governing Council on the India-led global Coalition for Disaster Resilient Infrastructure (CDRI), established by India, signals a major step in the UK-India partnership on climate action. Building on previous joint commitments such as on climate finance, infrastructure resilience, youth participation and research and development into clean technologies, the bilateral cooperation can be a powerful example of better coordinated global efforts.

The upcoming COP 26 summit is a key moment to highlight this collaborative relationship. The following are areas of collaboration to support the global agenda towards meeting the 1.50C target and driving Net Zero carbon emission by 2050:

Collaboration Action areas for COP 26	
Transition to clean energy	The need to transition to cleaner and low carbon energy source is clear. Both India and UK have made tremendous strides in increasing the share of renewables in its energy mix. Greater collaboration is needed to ensure this continues alongside the exploration of newer renewable technologies such as hydrogen

Collaboration Action areas for COP 26	
Clean transport	Transportation is a major source of GHG emissions in both the UK and India. It is important to reduce emissions from transport: both local emissions that cause air pollution and the GHG emissions that contribute to global climate change. Whether e-mobility or sustainable flight, these systemic shifts can be greatly assisted by shared learnings between the two countries and joint representation on global transport platforms.
Climate finance	India-UK Financial Partnership has played a pivotal role in deepening bilateral relations in both the countries by supporting policy development and generating commercial opportunities. The partnership should also integrate sustainability aspects in their future work to drive climate resilient investment in both countries.
Adaptation and resilience	Climate change is creating much bigger and deeper impacts on the agriculture sector. Building resilience by adopting regenerative agriculture is an urgent need in countries like India where it is an important social and economic driver. UK is implementing an Agricultural Transition Plan with the strategic objective of producing healthy food for consumption and contributing towards environmental, biodiversity and climate change goals in UK and abroad. India and UK should focus on developing a partnership to implement these objectives in India by collaborating and driving climate smart investment in the agriculture sector and building its resilience.
Nature-based solutions	Climate change and biodiversity loss are inseparable and adopting nature-based solutions is of prime importance to conserve biodiversity and address climate change risks. Nature will be at the centre of UK's COP26 Presidency, and both countries should work on prioritising investment in adopting nature-based solutions to protect biodiversity, restore ecosystems and building resilience.

India-UK Partnership in Higher Education

Background

India has the third largest higher education system in the world with a network of roughly 1000 universities, 40,000 colleges and 10,000 stand-alone institutions. In terms of capacity, India stands behind the US and China with around 37.4 million students enrolled in higher education. The present-day Gross Enrolment Ratio (GER) of 26.3 per cent is short of GER in developed nations which averages 60-70 per cent.

As envisaged in the new National Education Policy (NEP) announced in 2020, the Indian government aims to reach a GER of 50 per cent by 2035. This would mean an addition of 35 million students in 15 years. NEP is based on five pillars of access, equity, quality, affordability and accountability. In percentage terms, the government spends roughly 3.35 per cent of gross domestic product (GDP) on education and roughly 1.5 per cent of this is on higher education. As stated in NEP, the government's aim is to increase this expenditure to 6 per cent of GDP.

New Announcements

Increased focus of the country on research and development is evident in the allocation of more than US$ 6 billion over a period of five years for National Research Foundation. This was announced in Union budget and is in sync with NEP.

A legislation on creating a Higher Education Commission (HEC) will be tabled in 2021. This will be a super regulator which will subsume existing regulatory bodies, i.e., the University Grants Commission (UGC) and the All India Council for Technical Education (AICTE). Setting up of HEC will streamline regulation and governance in higher education and is one of the important recommendations of NEP.

Nine clusters of academic and research institutions will be established without disturbing their autonomy which will help in optimal usage of hard and soft infrastructure. It will spur quality knowledge creation and dissemination and collaborative learning.

Private sector and its role

The credit for expansion of higher education in the past decade or so goes to private sector since it is technical education, almost 80 per cent driven by the private players, which has dominated enrolments. To meet the GER targets too there is massive requirement of private investments. Corporate India is increasingly venturing into higher education as a means of ensuring a steady supply of human resource for their own businesses as well as for others. All major industry houses in the country have set up higher education institutes or universities. In recent years there has been a spurt in private players setting up full-service universities, i.e., universities where all disciplines are taught, including humanities, fine arts, law and architecture in addition to technical programmes such as in engineering and management.

Public funded institutions

Of the 1000-odd universities, nearly 300 are public-funded universities with affiliated colleges. Among the public funded institutions, there are 159 elite institutions of national importance such as the Indian Institutes of Technology (IITs) and Indian Institutes of Management (IIMs). There are 23 IITs and 20 IIMs. Other premier public institutes include All Indian Institutes of Medical Sciences (AIIMS) which are 15 in number as of 2021. There are 31 National Institutes of Technology (NITs) and 25 IIITs.

While the centrally funded institutions get all the financial support that they need for infrastructure and research, state institutions are usually not able to get the same level of support from state governments. At the same time, state institutions cater to a high percentage of students since only a small number of students are able to clear the hurdles to gain entry into high profile central institutions.

In order to provide more support to state institutions, the government launched a Rashtriya Uchchtar Shiksha Abhiyan (RUSA) or the National Higher Education Mission in 2013. The scheme envisages "a strategic shift in the manner in which state universities and colleges, which account for 40 per cent enrolment, will be funded and supported by the Central government."

In 2014, India became a permanent signatory to the Washington Accord. In 2020, this was renewed for a second time. The signatory from India in this accord is National Board of Accreditation (NBA) and programmes of select institutes accredited by it are eligible for recognition of the programmes offered by other signatories of the accord. The membership of Washington Accord is an international recognition of the quality of undergraduate engineering education offered by the member country and is an avenue to bring it into the world class category. It encourages and facilitates the mobility of engineering graduates and professionals at international level.

Since 2016, the Ministry of Human Resource Development has also started ranking of higher education institutions as per a framework called the National Institutional Ranking Framework (NIRF). The India Rankings, as they are called, have become a major basis of competition among institutions.

Technology integration

The pandemic saw swift shift to virtual classrooms across higher education institutions. Key classroom breakthroughs, which had so far been only talked about as having the potential to transform pedagogy, became part of everyday lexicon. These included cloud computing, mobile learning, tablet computing, MOOCs, open content, learning analytics, gamification, virtual and remote labs and wearable technology.

Government has created MOOCs content under the Swayam platform. Students can now log into the web and access free content created by premier Indian institutes. IIT Bombay is already working with Edx on this. Work towards building a massive national e-library and providing wi-fi connectivity in classrooms has already been initiated.

Quality, access, flexibility, digital compatibility and ease of learning now lies at the heart of all academic models which are being created to nurture professionally qualified talent.Technology is being used to enhance professional skills and creative faculties of students so that they can drive an innovative thought process. New IT-driven tools in the classroom are helping convert complicated topics such as electromagnetic theory into an engaging area of interest. Technology is now all pervasive and is enhancing the satisfaction of learning and information sharing.

Internationalisation of higher education

Internationalisation of campuses has become one of the important agendas of the Government of India in order to improve the international rankings of institutions and make them more attractive for students from overseas. In terms of cost of education, India is one of the cheapest destinations for students from Middle East, Asian and African sub-continents. For all other geographies, Indian institutions are very attractive for research collaborations. Indian industry is also famous for its propensity to partner with international institutions, more than with domestic ones. This, coupled with the size of the Indian education sector, make India a very attractive destination for global universities.

National Education Policy 2020 has opened the doors for foreign educational institutions to set up campuses in India. The policy so far on this subject, while not being openly restrictive, had been quite ambiguous. This was the reason why interested institutions had been waiting with bated breath with clarity on this front. NEP 2020 provides just that.

India-UK Higher Education Collaboration

Higher education collaboration between India and the UK has been through a formal mechanism of UK-India Education and Research Initiative (UKIERI). This was started in April 2006 with the aim of enhancing educational linkages between the two countries. Since then UKIERI has been recognized as a key multi stakeholder programme which has strengthened the research, leadership, education and skill sector relations between the two countries. The project draws investment from the UK partners and matched funding from India.

UKIERI is now in its third phase which started in 2016 and is focusing on capacity building and leadership development. Partners from the Indian side are Ministry of Education, Department of Science and Technology, University Grants Commission, All India Council for Technical Education and Ministry of Skill Development and Entrepreneurship. UK partners are Department for Business, Energy and Industrial Strategy, Department for Education, Foreign and Commonwealth Office, The Scottish Government and the Northern Ireland Initiative.

Investment basics[1]

Currency: Indian Rupee (INR)

Foreign exchange control: There is a simplified regulatory regime for foreign exchange transactions and liberalized capital account transactions. Current account transactions are permitted unless specifically prohibited and are monitored by the Reserve Bank of India (RBI), the central bank. Foreign investment is permitted in most industries, although sector specific caps apply to foreign investment in certain sectors, including defense, civil aviation, telecommunications, banking, insurance, pensions, and retail. The External Commercial Borrowing (ECB) framework permits all entities eligible to receive foreign direct investment to raise ECB.

The government has issued a list of various instruments classified either as debt or non-debt. The RBI is responsible for regulating debt instruments, and the Ministry of Finance for regulating non-debt instruments in accordance with the rules and regulations governing both types of instrument.

To regulate opportunistic takeovers and acquisitions of Indian companies by foreign investors as a consequence of the COVID-19 pandemic, prior government approval is required for investment from entities based in countries that share a land border with India (viz. China, Bangladesh, etc.) or where the beneficial owner of an investing entity is situated in, or a citizen of, such a country.

Accounting principles/financial statements: India has initiated steps toward the convergence of its accounting standards with IFRS (subject to a few exceptions); these standards are called Indian Accounting Standards (Ind AS). Ind AS are mandatory for listed and unlisted companies with a net worth of at least INR 2.5 billion. The implementation schedule for banks has been deferred by the RBI until further notice.

Principal business entities: These are the public/private limited liability company; one-person company; partnership firm; limited liability partnership (LLP); sole proprietorship; trust established as a regulated investment vehicle; or branch office, liaison office, project office, or site office of a foreign corporation.

1 This section is based on a note by Deloitte India

CORPORATE TAXATION

Rates	
Corporate income tax rate	15%/22%/25%/30% (domestic companies, maximum 34.944%, including surcharge and cess)/40% (foreign companies, maximum 43.68%, including surcharge and cess)
Branch tax rate	40% (maximum 43.68%, including surcharge and cess)
Capital gains tax rate	0%/10%/15%/20% (plus surcharge and cess in certain cases)

Residence: A corporation is resident if it is incorporated in India or if its place of effective management in that year is in India.

A partnership firm, LLP, or other non-individual entity is considered resident in India if any part of the control and management of its affairs takes place in India.

Basis: Residents are taxed on worldwide income; non-residents are taxed only on Indian-source income. Indian-source income may include capital gains arising from the transfer of any share or interest in a company or entity registered or incorporated outside India if the share or interest directly or indirectly derives its substantial value from assets located in India. Foreign-source income derived by a resident company is subject to corporate income tax in the same way as Indian-source income. A branch of a foreign corporation is taxed as a foreign corporation.

Taxable income: Tax is imposed on a company's profits, which consist of business/trading income, passive income, and capital gains. Income resulting from the indirect transfer of assets located in India is included. Normal business expenses, as well as other specified items, may be deducted in computing taxable income.

Rate: The standard corporate income tax rate is 30% for domestic companies and 40% for foreign companies and branches of foreign companies. Taking into account any applicable surcharge and cess, the highest effective rate is

34.944% for domestic companies and 43.68% for foreign companies.

Domestic companies that forgo claiming certain specified tax deductions and incentives may elect a special taxation regime with a reduced corporate income tax rate of 22% (plus any applicable surcharge and cess) for the financial year (FY) ending 31 March 2020 (assessment year (AY) 2020-21) and subsequent years, subject to certain conditions.

Certain resident manufacturing companies (incorporated on or after 1 March 2016), may elect a 25% rate (plus any applicable surcharge and cess) where the company does not claim certain specified tax deductions and incentives. A 25% rate (plus any applicable surcharge and cess) also applies for FY 2021-22 (i.e., 1 April 2021 to 31 March 2022) to domestic companies with total turnover or gross receipts of up to INR 4 billion in FY 2019-20 (for FY 2020-21, the 25% rate applies to domestic companies with total turnover or gross receipts of up to INR 4 billion in FY 2018-19).

Domestic manufacturing companies incorporated on or after 1 October 2019 that commence manufacturing activities on or before 31 March 2023 may elect a reduced 15% corporate income tax rate (plus any applicable surcharge and cess) on income derived from or incidental to manufacturing or production activities, provided certain conditions are fulfilled. Other income is subject to corporate income tax at 22% or 25% (plus any applicable surcharge and cess), depending on the relevant tax regime.

Surtax: A 7% surcharge applies to domestic companies with income exceeding INR 10 million and a 12% surcharge applies where income exceeds INR 100 million. For foreign companies, the corresponding rates are 2% and 5%, respectively. A 10% surcharge applies to domestic companies that elect a special taxation regime. An additional 4% cess is payable in all cases.

Alternative minimum tax: Minimum Alternate Tax (MAT) is imposed at a rate of 15% (plus any applicable surcharge and cess) on the adjusted book profits of corporations whose tax liability is less than 15% of their book profits. MAT does not apply to certain income of foreign companies, including capital gains on transactions involving securities, interest, royalties, and fees for technical services if such income is subject to tax at a rate lower than the MAT rate. Vide Finance Bill, 2021 such relaxation is proposed to be extended to dividend income. Domestic companies that elect a special taxation regime also are exempt from MAT. A credit is available for MAT paid against tax payable on normal income, which may be carried forward for offset against corporate income tax payable in subsequent years for up to 15 years.

Any person other than a corporation (including an LLP) is subject to alternate minimum tax (AMT) at 18.5% (plus any applicable surcharge and cess) of the adjusted total income where the normal income tax payable is less than the AMT. AMT also is imposed on a person eligible for investment-linked incentives. The adjusted total income is the total income before giving effect to the AMT provisions, as increased by certain deductions claimed in computing the total income, including the tax holiday claimed by units in a Special Economic Zone (SEZ). A tax credit is allowed for AMT paid against the tax payable on normal income and may be carried forward for up to 15 years.

Taxation of dividends: As from 1 April 2020, dividends paid by domestic companies no longer are subject to dividend distribution tax (DDT) in the hands of the company but are taxed at the shareholder level.

Prior to 1 April 2020, Indian companies were required to pay DDT at a rate of 15% (an effective rate of approximately 20.56%, including a 12% surcharge, and a 4% health and education cess (subsequently referred to as cess)) on dividends declared, distributed, or paid to shareholders, and the dividend income was exempt from tax in the hands of the shareholders.

Dividends received from a foreign company generally are subject to corporate income tax, with a credit for any foreign tax paid. However, dividends received by an Indian company from a foreign company in which the Indian company holds at least 26% of the equity shares are subject to tax at a reduced base rate of 15% on the gross income (plus any applicable surcharge and cess).

Capital gains: The tax treatment of capital gains depends on whether the gains are long- or short-term. Gains are long-term where the asset is held for more than three years (one year for listed shares and specified securities, and two years for unlisted shares and immovable property (land, buildings, or both)).

The first INR 100,000 of long-term gains on listed shares and specified securities is exempt if the transaction is subject to securities transaction tax (STT). The exemption generally is not available where the equity shares were acquired on or after 1 October 2004 and the acquisition was not chargeable to STT; however, the Central Board of Direct Taxes has clarified that the exemption is available in specified cases (such as acquisitions under preferential allotment, off-market acquisitions, acquisitions during a delisted period, etc.). Any gain in excess of INR 100,000 is chargeable to tax at the rate of 10% (plus any applicable surcharge and cess).

The cost of acquisition (i.e., the tax basis) of long-term capital assets acquired on or before 31 January 2018 is the higher of the actual cost or the fair market value on 31 January 2018. Where the full value of the consideration on a transfer is less than the fair market value, the higher of the full value of the consideration or the actual cost is deemed to be the cost of acquisition.

Where gains on listed shares and specified securities are not subject to STT, a 10% tax applies (without the benefit of an inflation adjustment). The applicable tax rate on long-term capital gains derived by a nonresident from the sale of unlisted securities is 10% (without the benefit of foreign currency conversion or an inflation adjustment). Gains on other long-term assets are taxed at 20% (plus any applicable surcharge and cess), but with the benefit of an inflation adjustment.

Short-term gains on listed shares and specified securities that are subject to STT are taxed at 15% (plus any applicable surcharge and cess); gains from other short-term assets are taxed at the normal tax rates (plus any applicable surcharge and cess).

An unlisted domestic company is liable to pay an additional tax of 20% (plus surcharge and cess) on income distributed to a shareholder on account of a buyback of the company's shares.

Losses: Business losses and capital losses may be carried forward for eight years, with short-term capital losses offsetting capital gains on both long- and short-term assets, and long-term capital losses offsetting only long-term capital gains. Other than unabsorbed depreciation (which may be carried forward indefinitely), losses may be carried forward only if the tax return is filed by the due date. Unabsorbed depreciation may be offset against any income, whereas business losses may be offset only against business profits in subsequent years.

Losses incurred from domestic property rentals may be offset against other heads (categories) of income up to INR 200,000, and any remaining losses carried forward for up to eight years for offset against income from domestic property rentals in subsequent years.

Foreign tax relief: Foreign tax paid may be credited against Indian tax on the same profits, but the credit is limited to the amount of Indian tax payable on the foreign income. Specific rules have been introduced regarding the mechanism for granting a foreign tax credit.

Participation exemption: There is no participation exemption.

Holding company regime: There is no holding company regime.

Incentives: A deduction of up to 100% is available in respect of capital and revenue expenditure (other than expenditure on land or buildings) on scientific research conducted in-house by specified industries, and for payments made to specified organizations for scientific research.

A 100% deduction is allowed for amounts paid to a company registered in India that is carrying on scientific research activities; to a research association; or to a university, college, or other institution engaged in research in social science or statistical research.

Investment-linked incentives (a 100% deduction for capital expenditure other than expenditure incurred on the acquisition of land, goodwill, or financial instruments) are available for specified activities.

An investment-linked incentive in the form of 100% deduction is available for developing and/ or maintaining and operating an infrastructure facility (i.e., a road, highway project, water-supply project, port, etc.), subject to specified conditions.

A deduction of up to 100% is available for expenditure incurred on a “notified” agricultural extension or skill development project.

Certain capital expenditure for the right to use spectrum for telecommunication services is allowed as a deduction over the period of the right to use the spectrum.

A taxpayer that is an eligible start-up may elect a deduction of 100% of the profits derived from an eligible business for any three consecutive assessment years out of the ten years beginning from the year of incorporation (for companies/ LLPs set up on or after 1 April 2016 and before 1 April 2021). Vide Finance Bill, 2021 it has been proposed to extend the outer date of incorporation to before 1 April 2022.

A concessional tax rate of 10% (plus any applicable surcharge and cess) applies on gross income arising from royalties in respect of a patent developed and registered in India by a person resident in India. No deduction is allowed for expenditure or for an allowance in respect of such royalty income.

Income from dividends, interest, and long-term capital gains of sovereign wealth funds, foreign pension funds, and entities wholly owned by the Abu Dhabi Investment Authority from investments in Indian infrastructure enterprises is exempt from tax where the investment is made between 1 April 2020 and 31 March 2024, and held for at least three years.

Units established in SEZs that commence manufacturing activities on or before 30 June 2020 are exempt from tax on their export profits, subject to compliance with other conditions. Other tax holidays are available based on industry and region.

Compliance for corporations

Tax year: The tax year is the year from 1 April to the following 31 March.

Consolidated returns: Consolidated returns are not permitted; each company must file a separate return.

Filing and payment: Taxes on income in a tax year usually are paid in the next tax year (“assessment” year). The filing deadline for all returns of income for FY 2019-20 has been extended in response to the COVID-19 pandemic. All companies and all other taxpayers who are required to have their accounts audited or are required to file a certificate on international transactions must submit a final return by 15 February 2021. The due date for noncorporate taxpayers who are not required to have their accounts audited and not required to file a certificate on international transactions is 10 January 2021.

All taxpayers must provide details of income, expenses, tax due, and tax paid. Other required details will depend on the applicable income tax return form. Generally, for years other than FY 2019-20, companies must submit a final return by 31 October (30 November for companies required to file a certificate on international transactions (see "Transfer pricing," below)) of the assessment year.

Returns for noncorporate taxpayers that are required by law to have their accounts audited generally also are due on 31 October (30 November for taxpayers required to file a certificate on international transactions (see "Transfer pricing," below)). All other taxpayers who are not required to have their accounts audited generally must submit a return by 30 July. Taxpayers claiming tax holidays or carrying forward tax losses must file their return of income on or before the due date.

Taxpayers must make four advance payments of their income tax liabilities during the tax year, on 15 June (15% of total tax payable); 15 September (30% of total tax payable); 15 December (30% of total tax payable); and 15 March (25% of total tax payable).

The government has introduced rules such as the mandatory filing of Know Your Customer (KYC) documentation for directors of companies, KYC requirements for foreign portfolio investors, and the mandatory dematerialization (i.e., conversion of physical share certificates into electronic format) of shares for public companies. Companies incorporated before December 2017 must file a form to verify that they are active.

Penalties: Penalties apply for failure to file a return, tax audit report, or certificate of international transactions; failure to comply with withholding tax obligations; and under reporting and misreporting of income. Criminal proceedings also may be initiated for failure to file an income tax return.

Rulings: The Authority for Advance Rulings (AAR) issues rulings on the tax consequences of transactions or proposed transactions with nonresidents. It also can issue rulings in relation to the tax liability of residents in prescribed cases, and on whether an arrangement is an impermissible avoidance arrangement. Rulings are binding on the applicant and the tax authorities for the specific transaction(s). Advance pricing agreements (APAs) also are possible. Vide Finance Bill, 2021, it has been proposed to replace AAR by one or more Board for Advance Rulings (BFAR) from a date to be notified. As per the proposal, advance rulings shall not be binding on the applicant or the tax authorities, and either party can file an appeal to High Court. Pending AAR cases will be transferred to BFAR.

Withholding tax

Rates				
Type of payment	**Residents**		**Nonresidents**	
	Company	**Individual**	**Company**	**Individual**
Dividends	10%/7.5%	10%/7.5%	10%/20% (plus surcharge and cess)	10%/20% (plus surcharge and cess)
Interest	10%/7.5%	10%/7.5%	5%/20%/40% (plus surcharge and cess)	5%/20%/30% (plus surcharge and cess)
Royalties	2%/1.5%/ 10%/7.5%	2%/1.5%/ 10%/7.5%	10%/20% (plus surcharge and cess)	10%/20% (plus surcharge and cess)
Fees for technical services	2%/1.5%	2%/1.5%	10%/20% (plus surcharge and cess)	10%/20% (plus surcharge and cess)

Dividends: Dividends paid to an Indian resident generally are subject to withholding tax at 10%; the rate is temporarily reduced to 7.5% for dividends paid as from 14 May 2020 through 31 March 2021.

As from 1 April 2020, dividends paid to a nonresident generally are subject to withholding tax at 20%. The rate is 10% for dividends paid on foreign currency bonds or global depository receipts. The withholding tax rates on dividends paid to nonresidents are subject to any applicable surcharge and cess and may be reduced under a tax treaty.

Interest: Interest paid to an Indian resident generally is subject to withholding tax at 10%; the rate is temporarily reduced to 7.5% for interest paid as from 14 May 2020 through 31 March 2021.

Interest paid to a nonresident on a foreign currency borrowing or debt generally is subject to a 20% withholding tax (plus any applicable surcharge and cess). A 5% withholding tax (plus any applicable surcharge and cess) applies to certain types of interest paid to a nonresident, including (i) interest paid on specific borrowings made before 1 July 2023 in foreign currency, and (ii) interest on investments made before 1 July 2023 by a foreign institutional investor or a qualified foreign investor in a rupee-denominated bond of an Indian company, a government security, or a municipal debt security.

The rates may be reduced under a tax treaty. Where a treaty applies, but the nonresident does not have a permanent account number (PAN) (i.e., a tax registration number), tax must be withheld at the higher of the applicable tax treaty rate or 20%; however, this does not apply if the payments are in the nature of interest and the foreign taxpayer provides the required documents to the payer. Where the interest income derived by a nonresident does not fulfill certain prescribed conditions for concessional withholding tax rates, a withholding tax rate of 30% (for individuals and entities other than a foreign company) or 40% (for a foreign company) applies (plus any applicable surcharge and cess). The rates may be reduced under a tax treaty.

Royalties: Royalties paid to an Indian resident generally are subject to withholding tax at 2% where the royalty is in the nature of consideration for the sale, distribution, or exhibition of cinematographic films; otherwise, the rate is 10%. The rates are temporarily reduced to 1.5% and 7.5%, respectively, for royalties paid as from 14 May 2020 through 31 March 2021. Royalties paid to a nonresident are subject to a 10% withholding tax (plus any applicable surcharge and cess). The rate may be reduced under a tax treaty. Where a treaty applies, but the nonresident does not have a PAN, tax must be withheld at the higher of the applicable tax treaty rate or 20%; however, this does not apply if the payments are in the nature of royalties and the foreign taxpayer provides the required documents to the payer.

Fees for technical services: Technical service fees paid to an Indian resident generally are subject to withholding tax at 2%; the rate is temporarily reduced to 7.5% for fees paid as from 14 May 2020 through 31 March 2021.

Technical service fees paid to a nonresident generally are subject to withholding tax at 10% (plus any applicable surcharge and cess). The rate may be reduced under a tax treaty. Where a treaty applies, but the nonresident does not have a PAN, tax must be withheld at the higher of the applicable tax treaty rate or 20%; however, this does not apply if the payments are in the nature of technical service fees and the foreign taxpayer provides the required documents to the payer.

Branch remittance tax: There is no branch remittance tax.

Anti-avoidance rules

Transfer pricing: The transfer pricing regime is influenced by OECD norm. The definition of "associated enterprise" extends beyond a shareholding or management relationship since it includes some deeming clauses. The transfer pricing provisions also cover specified domestic transactions with related parties where the aggregate value of those transactions exceeds INR 200 million in one year.

The pricing of these transactions must be determined with regard to arm's length principles, using methods prescribed under India's transfer pricing rules, which are similar to the methods prescribed in the OECD guidelines, with an additional sixth method (i.e., an "other method"). The arm's length price is determined based on multiple-year data, and based on a range (between the 35th and the 65th percentile of the data distribution) or the arithmetic mean (depending on certain prescribed conditions).

The taxpayer is required to maintain detailed information and transfer pricing documentation substantiating the arm's length nature of related party transactions. Companies also are required to submit a certificate to the tax authorities (in a prescribed format) from a practicing chartered accountant that sets out the details of associated enterprises, international transactions, etc., along with the methods used to determine an arm's length price. The certificate generally must be filed one month prior to the due date of filing the annual tax return, i.e., by 31 October of the assessment year. The filing deadline for the certificate for FY 2019-20 is extended to 15 January 2021.

The Indian transfer pricing documentation requirements have been updated to incorporate the specific reporting regime in respect of country-by-country reporting and the master file provided for under the OECD/G20 BEPS project.

Where the application of the arm's length price would reduce the income chargeable to tax in India or increase a loss, no adjustment will be made to the income or loss.

Secondary adjustments apply to transfer pricing adjustments relating to tax year 2016-17 and subsequent years. The taxpayer is required to repatriate cash to India within a prescribed time to the extent of a transfer pricing adjustment. If not repatriated, the amount of the adjustment is treated as an advance to the associated enterprise, and subject to notional interest taxable in India. The taxpayer has the option to pay additional tax of 20% on the value of the transfer pricing adjustment that is not repatriated to India, in which case notional interest will not be charged. Further, where current year income is increased due to secondary adjustments made to the books of the taxpayer, vide Finance Bill, 2021, it has been proposed that the taxpayer can now apply to the income tax officer to recompute the book profits of previous years along with tax payable for the purposes of recomputing the MAT liability.

If a taxpayer that benefits from a tax holiday is subject to a transfer pricing adjustment, the benefit is denied to the extent of the adjustment.

Safe harbor rules provide for the automatic acceptance of a taxpayer's transfer price that equals or exceeds the safe harbors.

A taxpayer also may enter into a unilateral, bilateral, or multilateral APA.

The Indian safe harbor rules and APAs also cover profit attribution.

Interest deduction limitations: There are no interest deduction limitation rules.

Controlled foreign companies: There are no CFC rules.

Hybrids: There is no anti-hybrid legislation.

Economic substance requirements: These are relevant in the context of the general anti-avoidance rule (see "General anti-avoidance rule," below). An arrangement is deemed to lack commercial substance where any one of the following criteria is met:

- The arrangement in its entirety differs significantly from the individual steps;
- The arrangement involves back-to-back financing, an accommodating party, or offsetting or cancelling transactions, intended to disguise the true nature of the transaction;
- The location of an asset, transaction, or place of residence is determined solely for the purpose of obtaining a tax benefit; or
- The arrangement has no significant effect on the business risks or net cash flows of any party to the arrangement, other than any effect attributable to the tax benefit.

Disclosure requirements: A foreign company with a liaison office, branch office, or project office in India is required to prepare financial statements and annual activity certificates on its activities and submit this information to the authorized dealer bank. Liaison and branch offices also must submit an annual activity certificate to the Director General of Income Tax.

Company law requires identification of a company's significant beneficial owners (SBOs). Any individual who, directly or indirectly, holds more than 10% of the shares, or voting rights, or rights to participate in more than 10% of the distributable dividends of a company; or who exercises significant influence over the company, etc., is considered an SBO. There are detailed rules for determining an SBO and indirect holdings must be taken into account. All SBOs are required to make timely disclosures regarding their holdings in an Indian company and any changes thereto to the company, and the company in turn must notify the Registrar of Companies.

Exit tax: There is no exit tax.

General anti-avoidance rule: The general anti-avoidance rule (GAAR) provisions empower the tax authorities to declare an arrangement as an impermissible avoidance arrangement if it was entered into with the main purpose of obtaining a tax benefit, and it:

- Creates rights or obligations that normally would not be created between persons dealing at arm's length;
- Results, directly or indirectly, in the misuse or abuse of the Income-tax Act, 1961;
- Lacks commercial substance or is deemed to lack commercial substance; and
- Is carried out in a manner that would not be used for bona fide purposes.

The GAAR applies to arrangements where the tax benefit exceeds INR 30 million. Once the GAAR is invoked, tax treaty benefits may be denied for the arrangement.

Other: To discourage transactions with persons located in jurisdictions that do not effectively exchange information with India, transactions with persons situated in certain jurisdictions designated by the government are subject to the Indian transfer pricing rules, and income paid to persons in those jurisdictions is subject to a minimum withholding tax of 30%.

Value added tax

Rates	
General rate	0%/5%/12%/18%/28%
Special rate	0.1%/0.25%/3%

Taxable transactions: Goods and services tax (GST) is a destination-based consumption tax applicable to the supply of goods or services. GST also is a part of the aggregate customs duty imposed on imports. Exports and supplies to SEZs are zero-rated for GST purposes.

Central GST (CGST) and state GST (SGST) are imposed simultaneously on a common tax base on all intrastate transactions. In the case of interstate supplies of goods and services, integrated GST (IGST) applies at a rate that is an aggregate of CGST and SGST.

GST applies to all goods and services other than alcoholic liquor for human consumption and certain petroleum products (see "Other," below).

Rates: Goods and services are categorized under a structure with five different rates: 0%, 5%, 12%, 18%, and 28%. There is no standard rate per se, but the rate for most services is 18%. Special rates of 0.1%, 0.25%, and 3% apply on supplies to merchant exporters, rough precious and semi-precious stones, and gold, respectively.

In addition to GST, a GST compensation cess primarily in the range of 12% to 96% applies to a few "demerit" and luxury items such as pan masala, coal, sparkling water, cars, and tobacco products.

Registration: Registration is state-specific. Two threshold limits of aggregate turnover (INR 4 million and INR 2 million) have been prescribed for exemption from registration and payment of GST for suppliers of goods and states may choose their own threshold limits.

Service providers continue to be governed by the originally prescribed threshold limits of aggregate turnover of INR 2 million (INR 1 million in certain special category states). The threshold exemption does not apply in specific cases, such as in the case of interstate taxable supplies (other than to persons making interstate supplies of services with aggregate turnover of less than INR 2 million (INR 1 million for special category states)), persons who are required to pay tax under the reverse-charge mechanism, electronic commerce operators required to collect tax at source, etc.

Filing and payment: GST compliance is an electronic process. Specific returns, filing obligations, and the time of payment are prescribed for different types of taxpayers, with most taxpayers being required to file monthly returns plus an annual return.

The monthly return in respect of outward supplies generally is due by the 11th day of the following month, with consolidated monthly returns (including information relating both to inward and outward supplies) and tax payments due by the 20th day of the following month.

Annual returns also must be filed by GST registered persons on or before 31 December following the relevant financial year. GST registered persons with aggregate turnover exceeding INR 20 million also must provide as a minimum a copy of the audited annual accounts and a reconciliation statement, reconciling the value of supplies declared in the returns submitted for the financial year with the audited annual financial statements.

Other than for a limited number of notified exceptions, e–invoicing (i.e., the generation of electronically authenticated invoices to effect GST supplies) is compulsory as from 1 January 2021 for taxpayers with turnover exceeding INR 1 billion in the three preceding financial years. E-invoicing was compulsory for taxpayers with turnover exceeding INR 5 billion in the three preceding financial years as from 1 October 2020.

A mandatory e-way bill system applies for the interstate and intrastate movement of goods above a certain value (except under certain specified circumstances).

Other: Alcohol for human consumption and certain petroleum products (petroleum crude, motor spirit (petrol), high speed diesel, natural gas, and aviation turbine fuel) continue to be taxed under the VAT regime (one of several indirect taxes replaced by GST in 2017). Interstate sales of these goods continue to be liable to central sales tax. Alcohol for human consumption also is liable to state excise duty, while the above petroleum products continue to be liable to central excise duty. The standard rates for VAT, central sales tax, and state excise duty on these products vary between states, while the standard rate for central excise duty depends on the nature of the petroleum product.

Registration for VAT and central sales tax is mandatory for taxpayers dealing in the relevant goods if the business's sales turnover exceeds a threshold (INR 500,000 in most states), although certain state VAT laws also specify monetary limits of sales and/or purchases.

VAT, central sales tax, and state excise duty returns and payments generally are due either monthly or quarterly, based on the amount of the tax liability.

GST paid on procurements of goods and services cannot be offset against a VAT or state excise duty liability. Similarly, a VAT or state excise duty credit cannot be offset against a GST liability.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

Social security contributions: The employer generally contributes 12% of eligible wages per month to the provident fund—8.33% of the wages (up to INR 15,000) is applied to the pension fund, with the balance paid to the provident fund (except in the case of "international workers," where the pension contribution by the employer is 8.33% of the wages). For employees joining the provident fund on or after 1 September 2014, the entire employer contribution (12% of wages) is applied to the provident fund.

All employees (including "international workers" but not "excluded employees," as defined in the Provident Fund Act) contribute 12% of eligible wages per month to the provident fund. However, where India has entered into a social security agreement (SSA) with the relevant foreign country, an inbound international worker (subject to certain conditions) is not liable to contribute to the provident fund in India upon obtaining a certificate of coverage (CoC). An international worker may be either (i) a foreign employee working for an establishment in India to which the Provident Fund Act applies, or (ii) an Indian employee seconded to a country with which India has entered into an SSA, who has not obtained a CoC, and is/will be eligible for benefits under the host country's social security program.

The aggregate employer contribution to the provident fund, national pension scheme, and superannuation fund in excess of INR 750,000, as well as any annual accretion on the excess contributions (in the form of dividends, interest, etc.), is a taxable perquisite for the employee. Vide Finance Bill, 2021, it has been proposed to tax the interest accrued on employee contributions to provident fund/other provident funds exceeding INR 250,000 in a year, subject to conditions.

Payroll tax: There is no payroll tax but the employer is responsible for withholding tax on salary income.

Capital duty: India does not impose capital duty.

Real property tax: Municipalities impose property taxes (based on assessed value) and states impose land-revenue taxes.

Transfer tax: STT is payable by the purchaser at the time of purchase, or on the seller at the time of sale of equity shares, derivatives, units in an equity-oriented fund, or units of a business trust listed on a recognized stock exchange in India.

Stamp duty: Transactions involving real estate and other specified transactions (including financial instruments and tribunal orders for amalgamation/demerger) in India attract stamp duty levied under the Indian Stamp Act and the stamp acts of the various states (with rates varying between the states).

As from 1 July 2020, stamp duty on securities market instruments is imposed at uniform rates across India.

Net wealth/worth tax: India does not impose a net wealth tax or net worth tax.

Inheritance/estate tax: India does not impose an inheritance tax or an estate tax.

Other: An equalization levy of 6% on the amount of consideration in excess of INR 100,000 for specified services received by a nonresident without a permanent establishment (PE) in India must be withheld by a resident payer or a nonresident payer with a PE in India. The "specified services" include online advertising or the provision of digital advertising space, other related facilities or services, or any other service that may be notified by the central government.

An equalization levy of 2% applies as from 1 April 2020 on the consideration from e-commerce supply and services (other than specified services within the scope of the 6% levy) made or provided by an e-commerce operator without a PE in India, and whose sales, turnover, or gross receipts from the e-commerce supply and services are at least INR 20 million during the tax year.

Income subject to the 6% equalization levy is not taxed in the hands of the recipient. Income arising from e-commerce supply or services made, provided, or facilitated on or after 1 April 2020 and subject to the equalization levy at 2%, is exempt from income tax only as from 1 April 2021. Therefore, for

FY 2020-21, both equalization levy and withholding tax potentially may apply. To provide clarity on this aspect, vide Finance Bill, 2021, it has been proposed to apply the exemption provision w.e.f. 1 April 2020. It has been further clarified that exemption will not apply to consideration, which is taxable as a royalty or fees for technical services in India.

Sale of goods or provision of services by an e-commerce operator to an e-commerce participant is subject to a 1% withholding tax.

Customs duties are imposed by the central government, generally on the import of goods into India, although certain exported goods also are liable to customs duties. Vide Finance Bill, 2021, a new cess called Agriculture and Infrastructure Development Cess (AIDC) is proposed to be imposed on import of specified goods. Consequently, rate of Basic Customs Duty is proposed to be reduced to ensure no additional burden on the consumer.

Tax treaties: India has comprehensive tax treaties with almost 100 countries. The OECD multilateral instrument (MLI) entered into force for India on 1 October 2019.

Tax authorities: Income Tax Department, Authority for Advance Rulings, Board for Advance Rulings.

UK BUSINESS FACILITATION

The UK government has been working to facilitate business operations. The online business registration process is clearly defined, though some types of company cannot register as an overseas firm in the UK, including partnerships and unincorporated bodies.

Registration as an overseas company is only required when the company has some degree of physical presence in the UK. After registering their business with the UK governmental body Companies House, overseas firms must separately register to pay corporation tax within three months.

On average, the process of setting up a business in the UK requires thirteen days, compared to the European average of 32 days, putting the UK in first place in Europe and sixth in the world. As of April 2016, companies have to declare all “persons of significant control.” This policy recognizes that individuals other than named directors can have significant influence on a company’s activity and that this information should be transparent.

Laws and Regulations on Foreign Direct Investment

There are few statutes governing or restricting foreign investment in the UK. The procedure for establishing a company in the UK is identical for British and foreign investors. No approval mechanisms exist for foreign investment, apart from the ad hoc process outlined in Section 1. Foreigners may freely establish or purchase enterprises in the UK, with a few limited exceptions, and acquire land or buildings. As mentioned earlier, the UK is currently reviewing its procedures and has proposed new rules for restricting foreign investment in those sectors of the economy with higher risk for affecting national security.

In 2015, the UK flattened its structure of corporate tax rates. The UK currently taxes corporations at a flat rate of 19 percent, with certain exceptions, with marginal tax relief granted for companies with profits falling between $391,000 (GBP 300,000) and $1.96 million (GBP 1.5 million).

Covid-19 imperatives led to announcement of a new Budget in 2021 with the following key provisions related to businesses.

- Corporation tax on company profits above £250,000 to rise from 19% to 25% in April 2023
- Rate to be kept at 19% for about 1.5 million smaller companies with profits of less than £50,000
- Stamp duty holiday on house purchases in England and Northern Ireland extended to 30 June
- No tax charged on sales of less than £500,000
- Tax breaks for firms to "unlock" £20bn worth of business investment
- Firms will be able "deduct" investment costs from tax bills, reducing taxable profits by 130%
- Incentives for firms to take on apprentices to rise to £3,000 and £126m for traineeships
- Lower VAT rate for hospitality firms to be maintained at 5% rate until September
- Interim 12.5% rate will then apply for the following six months
- Business rates holiday for firms in England to continue until June with 75% discount after that
- £5bn in Restart grants for shops and other businesses in England forced to close

Tax deductions are allowed for expenditure and depreciation of assets used for trade purposes. These include machinery, plant, industrial buildings, and assets used for research and development. A special rate of 20 percent is given to unit trusts and open-ended investment companies. Companies that make profits from oil extraction or oil rights in the UK, including its continental shelf, are known as "ring-fence" companies. Small "ring-fence" companies are taxed at a rate of 19 percent for profits up to $391,000 (GBP 300,000), and 30 percent for profits over $391,000 (GBP 300,000).

UK citizens also make mandatory payments of about 12 percent of income into the National Insurance system, which funds social security and retirement benefits. The UK requires non-domiciled residents of the UK to either pay tax on their worldwide income or the tax on the relevant part of their remitted foreign income being brought into the UK. If they have been resident in the UK for seven tax years of the previous nine, and they choose to pay tax only on their remitted earnings, they may be subject to an additional charge of $39,141 (GBP 30,000). If they have been resident in the UK for 12 of the last 14 tax years, they may be subject to an additional charge of $78,282 (GBP 60,000).

The Scottish Parliament has the legal power to increase or decrease the basic income tax rate in Scotland, currently 20 percent, by a maximum of three percentage points.

INDUSTRIAL POLICIES[1]

Investment Incentives

The UK offers a range of incentives for companies of any nationality locating in economically depressed regions of the country, as long as the investment generates employment. DIT works with its partner organizations in the devolved administrations – Scottish Development International,

1 Investment Climate Statement, US Department of State

the Welsh Government and Invest Northern Ireland – and with London and Partners and Local Enterprise Partnerships (LEPs) throughout England, to promote each region's particular strengths and expertise to overseas investors.

Local authorities in England and Wales also have power under the Local Government and Housing Act of 1989 to promote the economic development of their areas through a variety of assistance schemes, including the provision of grants, loan capital, property, or other financial benefit. Separate legislation, granting similar powers to local authorities, applies to Scotland and Northern Ireland. Where available, both domestic and overseas investors may also be eligible for loans from the European Investment Bank.

Foreign Trade Zones/Free Ports/Trade Facilitation

The cargo ports and freight transportation ports at Liverpool, Prestwick, Sheerness, Southampton, and Tilbury used for cargo storage and consolidation are designated as Free Trade Zones. No activities that add value to commodities are permitted within the Free Trade Zones, which are reserved for bonded storage, cargo consolidation, and reconfiguration of non-EU goods. The Free Trade Zones offer little benefit to U.S. exporters or investors, or any other non-EU exporters or investors. Questions remain as to whether the UK will continue to employ Free Trade Zones and Free Ports in a post-Brexit environment.

Performance and Data Localization Requirements

The UK does not mandate "forced localization" of data and does not require foreign IT firms to turn over source code. The Investigatory Powers Act became law in November 2016 addressing encryption and government surveillance. It permitted the broadening of capabilities for data retention and the investigatory powers of the state related to data.

As of May 2018, companies operating in the UK comply with the EU General Data Protection Regulation. The UK presently intends to transpose the requirements of the GDPR into UK domestic law after the UK withdraws from the EU. The impact of the UK leaving the EU on the free flow of data between the EU and the UK, and the UK and United States, is unknown at this time. The UK Government does not mandate local employment, though at least one director of any company registered in the UK must be ordinarily resident in the UK.

Immigration rules (HC1888) that came into effect on April 6, 2012 have wide-ranging implications for foreign employees, primarily affecting businesses looking to sponsor migrants under Tier 2 as well as migrants looking to apply for settlement in the UK. In particular, the UK Government has introduced a 12-month cooling off period for Tier 2 (General) applications similar to the one that is currently in place for Tier 2 (Intra-company transfer). The effect of this is that, while those who enter the UK under Tier 2 (General) to work for one company will be able to apply in-country under Tier 2 (General) to work for another company, if they leave the UK, they will not be able to apply to re-enter the UK under a fresh Tier 2 (General) permission until twelve months after their previous Tier 2 (General) permission has expired.

In addition, those who enter the UK under Tier 2 (Intra-company transfer) will not be able to change their status in-country to Tier 2 (General) under any circumstances. If they leave the UK, they will also not be able to apply to enter the UK under Tier 2 (General) until 12 months after their previous Tier 2 (Intra-company transfer) permission has expired.

Where an individual is sent to the UK on assignment under Tier 2 (Intracompany transfer), and the sponsoring company subsequently wishes to hire them permanently in the UK, they will not be able to apply either to remain in the UK under Tier 2 (General) or leave the UK and submit a Tier 2 (General) application overseas.

This means that employers must carefully consider the long-term plans for all assignees that they send to the UK and whether Tier 2 (Intracompany transfer) is the most appropriate category. This is because, if the assignee is subsequently required in the UK on a long-term basis, it will not be possible for them to make a new application under Tier 2 (General) until at least twelve months after their Tier 2 (Intra-company transfer) permission has expired.

In 2016, the British government updated requirements for Tier 2 visas by increasing the Tier 2 minimum salary threshold to GBP 30,000 for experienced workers. This change was phased in, with the minimum threshold increased to GBP 25,000 in fall 2016 and to GBP 30,000 in April 2017. Employers will continue to be able to recruit non-EEA graduates of UK universities without first testing the resident labor market and without being subject to the annual limit on Tier 2 (General) places, which will remain at 20,700 places per year. From April 2017, extra weighting was added within the Tier 2 (General) limit where the allocation of places is associated with the relocation of a high-value business to the UK or, potentially, supports an inward investment. It also waived the resident labor market test for these applications.

Capital Markets and Portfolio Investment

The City of London houses one of the largest and most comprehensive financial centers globally. London offers all forms of financial services: commercial banking, investment banking, insurance, venture capital, private equity, stock and currency brokers, fund managers, commodity dealers, accounting and legal services, as well as electronic clearing and settlement systems and bank payments systems. London is highly regarded by investors because of its solid regulatory, legal, and tax environments, a supportive market infrastructure, and a dynamic, highly skilled workforce.

The UK government is generally hospitable to foreign portfolio investment. Government policies are intended to facilitate the free flow of capital and to support the flow of resources in product and services markets. Foreign investors are able to obtain credit in local markets at normal market terms, and a wide range of credit instruments are available. The principles underlying legal, regulatory, and accounting systems are transparent, and they are consistent with international standards. In all cases, regulations have been published and are applied on a non-discriminatory basis by the Bank of England's Prudential Regulation Authority (PRA).

The London Stock Exchange is one of the most active equity markets in the world. London's markets have the advantage of bridging the gap between the day's trading in the Asian markets and the opening of the U.S. market. This bridge effect is also evidenced by the fact that many Russian and Central European companies have used London stock exchanges to tap global capital markets. The Alternative Investment Market (AIM), established in 1995 as a sub-market of the London Stock Exchange, is specifically designed for smaller, rapidly expanding companies. The AIM has a more flexible regulatory system than the main market and has no minimum market capitalization requirements. Since its launch, the AIM has raised more than $85 billion (GBP 68 billion) for more than 3,000 companies.

Money and Banking System

The UK banking sector is the largest in Europe and represents the continent's deepest capital pool. More than 150 financial services firms from the EU are based in the UK. The financial and related professional services industry contributed approximately 10 percent of UK Economic Output in 2019, employed approximately 2.3 million people, and contributed the most to UK tax receipts of any sector. The long-term impact of Brexit on the financial services industry is uncertain at this time. Some firms have already moved limited numbers of jobs outside the UK in order to service EU-based clients, but anticipate the UK will remain a top financial hub.

The Bank of England (BoE) serves as the central bank of the UK. According to BoE guidelines, foreign banking institutions are legally permitted to establish operations in the UK as subsidiaries or branches. Responsibilities for the prudential supervision of a non-European Economic Area (EEA) branch are split between the parent's home state supervisors and the PRA. However, the Prudential Regulation Authority (PRA) expects the whole firm to meet the PRA's threshold conditions. The PRA expects new non-EEA branches to focus on wholesale and corporate banking and to do so at a level that is not critical to the UK economy. The FCA is the conduct regulator for all banks operating in the United Kingdom. For non-EEA branches the FCA's Threshold Conditions and conduct of business rules apply, including areas such as anti-money laundering. Eligible deposits placed in non-EEA branches may be covered by the UK deposit guarantee program and therefore non-EEA branches may be subject to regulations concerning UK depositor protection.

There are no legal restrictions that prohibit non-UK residents from opening a business bank account; setting up a business bank account as a non-resident is in principle straightforward. However, in practice most banks will not accept applications from overseas due to fraud concerns and the additional administration costs. To open a personal bank account, an individual must at minimum present an internationally recognized proof of identification and prove residency in the UK. This is a problem for incoming FDI and American expatriates. Unless the business or the individual can prove UK residency, they will have limited banking options.

Investment Climate in Select Indian States

Karnataka | Maharashtra | Tamil Nadu
Uttar Pradesh | West Bengal

KARNATAKA

Overview

The state of Karnataka located in the southern region of India has established itself as a leading industrial state in the country. The IT hub of India, the state has the fourth largest technology cluster in the world.[1]

During 2011-12, Karnataka recorded a gross state domestic product (GSDP) of INR 6060. 10 billion measured in terms of 2011-12 constant prices. The GSDP of the state between 2011-12 and 2018-19 grew at a compound annual growth rate (CAGR) of around 7.44% to reach INR 11560.39 billion during 2019-20.

Over the years, Karnataka has developed significant presence in sectors such as automobile, aerospace, agro, biotech, textiles and garments and heavy engineering industries. The state also boasts of around 23 operational IT/ITes SEZs, 5 software technology parks and dedicated IT investment regions.[2]

Also a leading exporter, merchandise exports from the state stood at around US$ 17.36 billion in 2018-19.[3]

As per Department for Promotion of Industry and Internal Trade (DPIIT), cumulative FDI inflows to the state between the April 2000 and June 2019 period reached a total of US$ 40.68 billion.

The state also offers a wide range of fiscal and other policy incentives to industries and businesses. This has created an environment conducive for doing business and attracting greater investments to the state.

1 https://www.ibef.org/industry/karnataka-presentation

2 https://www.ibef.org/industry/karnataka-presentation

3 https://www.ibef.org/industry/karnataka-presentation

State Incentives

Area	Incentives
Ease of Doing Business	**Single Window Clearance Mechanism** o Regulatory and statutory approvals. o Nodal officer appointed for follow ups. o Online receipt of all applications. o Online project monitoring system. o Handbook for investors for guiding. **Simplification of regulatory procedures.** o Reduce time and cost of compliance. o Proposed to abolish trade license to all industries. o Simplify procurement of land and for speedy conversion of agriculture land. o Simplified procedure for acquiring land up to 30 acres and permitting deemed conversion.
Incentives	**Incentives and concessions to MSMEs** o Investment Promotion Subsidy as % on Value of Fixed Assets (See Table 1, Annex). o Exemption from stamp duty and reimbursement of land conversion fee (See Table 2, Annex). o Other Incentives ✓ Exemption from entry tax (100% exemption on entry of Plant & Machinery). ✓ Subsidy for setting up Effluent Treatment Plant (50% of the cost). ✓ Interest subsidy for Micro Enterprises (5% subsidy on term loans). ✓ Exemption from Tax on Electricity Tariff (100% exemption for different period). ✓ Water Harvesting / Conservation Measures. ✓ Energy Conservation (10% of capital cost). o Technology up-gradation. Quality Certification (See Table 3, Annex) **Incentives and concessions for Large, Mega, Ultra Mega, Super Mega enterprises.** o Exemption from Stamp Duty and Reimbursement of Land Conversion Fee – Other than Hyderabad Karnataka Area (See Table 4, Annex, for classification of zones) ✓ Zone 1: 100%, Zone 2: 100%, Zone 3: 75%, Zone 4: Nil – Hyderabad Karnataka Area ✓ HK Zone 1: 100%, HK Zone 2: o 100% Concessional Registration Charges ✓ Concessional rate of Rs. 1.00 per 1,000 rupees o Other exemptions, incentives and concessions ✓ Exemption from Entry Tax (eligible for 100% exemption on entry of Plant & Machinery) ✓ Subsidy for Setting up Energy Effluent Treatment Plant (Exemption up to 50% of cost) ✓ Interest free loan (On 100% of VAT and CST paid from commencement of production)

Area	Incentives
Creation of Quality Infrastructure	**Establishment of new industrial areas through Karnataka Industrial Area Development Board (KIADB)** o Readily available land. o Plots allotted only after complete development of the industrial area. o Proposed to acquire 40,000 acres of land. o Adequate availability of power, water and transportation for industrial areas. o Information about availability of land in KIADB website. **Establishment of industrial corridor** o Chennai-Bangalore-Chitradurga o Bangalore-Mumbai economic corridor o State industrial corridor: Bangalore-Mandya-Mysore-Chamrajnagar, Chitradurga-Bellary-Gulbarga-Bidar, Dharwad-Koppal-Raichur, Bangalore-Hassan-Mysore, Tumkur-Shimoga-Honnavar, Raichur-Bagalkot-Belgaum **Proposed to notify Special investment region** o Dharwad, Gadag, Haveri and Belgaum Districts. o Development of areas as industrial nodes. • Up-gradation of Infrastructure in existing industrial areas and estates • Maintenance of industrial areas o Industrial township areas in Mysore, Peenya, Bommasandra, Belgaum, Hubli. o Uniform guidelines for fixing property tax, development cess • Establishment of Industrial Areas and Estates by Private Investors or through PPP or in association with other Government agency. • State level body to coordinate the requirements of the industry
Export Promotion	**Incentives and Concessions** o Exemption from Entry Tax: For 100% EOU and Min Export Obligation of 50%, entry tax exemption at 100% is available. o Refund of Certification Charges: Refund of Cost incurred for Export Consultancy/Market Intelligence Studies (For exporter who have TO less than 50 million p.a. o Brand Promotion and Quality Assurance (50% expenses reimbursed): For exporters having TO less than 5 cr ore for setting warehouse, showrooms, display of international dept stores, testing and registration charges. o Export-Import Management: 50% of certification course charges reimbursed. o Support for Establishment of Container Freight Stations and other export infrastructure (25% of cost of project with a ceiling limit of Rs. 20.0 million). o Support for creation of Export facilitation facilities, R&D and testing services: Rs. 5.0 million or 50% of cost whichever is less. o Market Development Assistance: ✓ South American Countries (Assistance up to Rs. 175,000) ✓ Other Countries (Assistance up to Rs. 150,000) o Reimbursement of Export Credit Guarantee Insurance: Max of Rs. 50,000 or 10% of premium paid towards Export Credit Guarantee Insurance. o Support for development of exports in Gherkins, Rose Onions and Floriculture: Financial assistance up to 10% of procurement cost of seeds and training expenses.

Reference Document: Karnataka Industrial Policy, 2014-19

Annex

Table 1: Investment Promotion Subsidy (% on Value of Fixed Assets)

Area	Micro	Small	Medium
Hyderabad-Karnataka			
Zone 1	30%, Max 1.8 million	25%, Max 4.5 million	20%, Rs 5.5 million
Zone 2	25%, Max 1.5 million	20%, Max 4.0 million	15%, Rs. 5.0 million
Other than Hyderabad-Karnataka			
Zone 1	25%, Max 1.5 million	25%, Max 4.0 million	20%, Rs. 5.0 million
Zone 2	20%, Max 1.2 million	20%, Max 3.0 million	15%, Rs. 4.0 million
Zone 3	15%, 0.9 million	15%, 2.0 million	10%, Rs. 3.0 million
Zone 4	Nil	Nil	Nil

Table 2: Exemption from stamp duty and reimbursement of land conversion fee

Zones	Hyderabad-Karnataka	Other than Hyderabad-Karnataka
Zone 1	100%	100%
Zone 2	100%	100%
Zone 3	NA	75%
Zone 4	NA	Nil

Table 3: Technology up-gradation, Quality Certification

Incentive and Concession	Quantum and Zone
Interest subsidy on Technology Up-gradation Loan	5% on loans availed from KSFC & Scheduled commercial banks - All zones
ISO Series Certification	75% of cost (max. Rs. 75,000)- Except zone 4
BIS Certification	50%of fees payable to BIS (max. Rs. 20,000) - All Zones
Technology Adoption	25% of cost (max. Rs. 50,000)
Technology Business Incubation Center	25% of the cost (max: Rs. 5.0 million)
Recycling of electronic waste and plastic waste	Additional investment promotion subsidy of 5% (Max Rs. 1.0 million) - Except zone 4

Table 4: Classification of Taluks* into zones

Hyderabad Karnataka Taluks	
Zone 1	Most backward taluks, total 20 taluks
Zone 2	More backward taluks, total 11 taluks
Other than Hyderabad Karnataka Taluks	
Zone 1	Most backward taluks, total 23 taluks
Zone 2	More backward taluks, total 51 taluks
Zone 3	Backward taluks, total 62 taluks
Zone 4	Industrial developed taluks 9 taluks

* Taluk is a local term for administrative area or sub-district

MAHARASHTRA

Overview

Located in the western part of India, the state of Maharashtra has been one of the frontrunners in industrial development. World class infrastructure, effective industrial policies and a conducive environment facilitating ease of doing business are some of the factors that have led to rapid growth of industries in Maharashtra.

The gross state domestic product (GSDP) of the state (at 2011-12 constant prices) grew from Rs 12,803.69 billion during 2011-12 to reach Rs. 19,427.69 billion during 2017-18. The GSDP grew at a compound annual growth rate (CAGR) of 6.14% during the 7-year period between 2011-12 and 2017-18[4].

The most industrialised state of India, Maharashtra is also the largest producer of sugarcane in India and a leading producer of cotton in the country. Having witnessed rapid growth in technological advancements, Maharashtra has attracted several innovative enterprises in the country. It is also the automobile manufacturing hub of the country and a leader in agro based and food processing industries.

Maharashtra is one of the largest exporting states in the country, registering exports worth around US$ 4 billion during 2018-19[5]. The state also boasts of the largest number of special economic zones in the country[6].

The state is also home to a large base of small-scale industries and is endowed with abundant skilled and industrial labour. The state capital, Mumbai is the commercial capital of India and over the years have emerged into a global financial hub.

All these factors along with favourable investment policies, have made Maharashtra the most preferred investment destination for both domestic and global investors. As per Department for Promotion of Industry and Internal trade (DPIIT) estimates, Maharashtra attracted cumulative FDI inflows to the tune of US$ 128.85 billion between April 2000 and June 2019.

The state of Maharashtra, already a leader in industrial development in the country with its “Magnetic Maharashtra’ brand has a progressive vision, focused on inclusive and sustainable industrial growth and development.

State Incentives

Area	Incentives
Ease of Doing Business	• **Facilitating Maharashtra Industry, Trade & Investment Cell (MAITRI)** – MAITRI to facilitate clearances/permissions/Licenses to numerous enterprises. – All information on state’s resources, industrial infrastructure, procedure for setting up units, grievance redressal, and rules / regulations / orders etc. will be available on MAITRI portal. – Timely approvals and services to investors. – MAITRI facilitation and handholding setup shall be operationalized at regional levels, cost of which will be borne by concerned department for complaints received at MAITRI level – Special assistance cell for promotion of scheduled castes and tribes and women entrepreneurs.

4 Calculations based on MOSPI data

5 https://agriexchange.apeda.gov.in/IndExp/PortNew.aspx

6 https://www.ibef.org/industry/maharashtra-presentation

Area	Incentives
	• **Regulatory simplification** – Procedural simplification in obtaining environmental clearances. – Procedures for building plan approvals for industries shall be rationalized across the state. – Maharashtra Industrial Development Corporation (MIDC) shall act as the interface for local authority taxation purposes in MIDC industrial areas
Fiscal Incentives to MSMEs	Micro, Small and Medium Enterprises (MSMEs) shall include units as per the definition of Government of India- Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, as well as the small industries with FCI of up to Rs. 500 million. • A basket of incentives, their aggregate amount not exceeding a specified ceiling will be offered to eligible MSME units (See Table 1, Annex) • Eligible units in Agro & Food Processing (secondary and tertiary processing units and Farmer Producer Companies for manufacturing/processing activity only), Green energy/ biofuel and Industry 4.0 shall be given additional support. • The power tariff subsidy, for eligible new units located (other than A areas) in Vidarbha, Marathwada, North Maharashtra, and districts of Raigad, Ratnagiri and Sindhudurg in Konkan will be to the extent of Rs. 1/- per unit consumed and in other areas (except A areas), to the tune of Rs. 0.5/- per unit consumed for 3 years from the date of commencement of commercial production. • In areas other than A, interest subsidy @ 5 per cent p.a., maximum up to the value of electricity consumed and bills paid for that year, will be admissible. • Stamp duty exemption (SDE) – 100% SDE for MSMEs within investment period for acquiring land (including assignment of lease rights and sale certificate) and for term loan purposes. However, in A and B areas SDE will be offered only to IT and BT manufacturing units in IT and BT parks. – Eligible Units under PSI 2013 Scheme will also be eligible for SDE for their investment period. • Exemption from electricity duty payment – for eligible new units in C, D, D+, No industries Districts and Naxalism Affected Area – 100% electricity duty exemption for export-oriented units and IT/BT units for 7 years in A and B areas. • All Central and State government schemes relevant to MSMEs shall be dovetailed in this policy • Marketing Assistance scheme for MSMEs to support marketing activities, to improve competitiveness at both national and international level. • For strengthening MSMEs, standalone incentives (not linked with PSI) shall be admissible to promote quality competitiveness, Zero Defect Zero Effect (ZED scheme), research & development, technology up-gradation, water & energy conservation, cleaner production measures and credit rating. • Eligible MSMEs & small industries as defined above shall be offered Investment Promotion Subsidy (IPS) on gross SGST paid by the unit on the first sale of eligible products billed and delivered to the same entity within Maharashtra.

<table>
<tr><th>Area</th><th>Incentives</th></tr>
<tr><td>Attracting Large, Mega and Utra-Mega Investments</td><td>

Large scale industries (LSI)

LSIs shall be offered incentives that are graded in a way so as to assist dispersal of investment to industrially under-developed areas. A basket of incentives, their aggregate amount not exceeding the specified ceiling will be offered to eligible LSI units (See Table 2, Annex)
LSI units in thrust areas to get additional benefits
Eligible LSI units to get Investment Promotion Subsidy (IPS) on gross SGST paid by them on the first sale of eligible products billed and delivered to the same entity within Maharashtra on a first come-first serve basis.
100% Stamp duty exemption (SDE) to eligible units within investment period for acquiring land (including assignment of lease rights and sale certificate) and for term loan purposes. However, in A and B areas, SDE will be offered only to IT and BT units in IT and BT Parks; Eligible Units under PSI 2013 Scheme will also be eligible for SDE for their investment period.
Exemption from electricity duty payment for eligible new units in C, D, D+, No industries Districts and Naxalism Affected Area; 100% electricity duty exemption for large scale export-oriented units and IT/BT units for 7 years in A and B areas.
Units applying for incentives in the first year of policy period will be given full basket of eligible incentives for respective category and location of the unit. If the unit applies in subsequent years of the policy period, the basket of incentives will be reduced by 5% for each year of delay in application. This provision will not be applicable to industries in thrust sectors.
Additional support to LSI units in Agro & Food Processing (secondary and tertiary processing units and Farmer Producer Companies for manufacturing/ processing activity only), Green energy/ biofuel and Industry 4.0.
Incentives to the LSI shall be given to promote quality competitiveness, research & development, technology up-gradation, water & energy conservation, cleaner production measures and credit rating.

Mega and Ultra Mega Projects Industrial units satisfying the minimum threshold limits of Fixed capital investment or Direct Employment prescribed (See Table 3, Annex) shall be classified as Megaprojects/ Ultra Mega Projects:
Government may consider providing customized package of incentives on case-to-case basis as deemed necessary for projects of special importance (may or may not be mega/ultra-mega projects), to be recommended by the High Power Committee (HPC) under the chairmanship of Chief Secretary and to be approved by the cabinet sub-committee.
Apart from Industries Departments Package Scheme of Incentives Micro, Small, Medium, Large, Mega and Ultra-Mega Units are given incentives/ concessions by other administrative departments of State Government (e.g. Spinning Mills). The financial refunds / incentives to an industrial unit from all sources put together shall be admissible within the limit of 100% of fixed capital investment

</td></tr>
</table>

Area	Incentives
Special Initiatives	• **Industries in the underdeveloped districts** – Additional fiscal incentives and period for availing these incentives, will be offered under PSI 2019 to MSMEs, large and mega projects in these districts to attract investments and generate employment in the following districts. a) Vidarbha, Marathwada, Ratnagiri, Sindhudurg and Dhule; b) No industry districts; c) Naxalism affected areas d) Aspirational districts – Threshold limit for creation of employment will be less than other areas for large and mega projects • **Industries in Agro and Food processing, green energy/biofuel and industry 4.0** – eligible units (secondary and tertiary processing units and Farmer Producer Companies for manufacturing/processing activity only) to be granted 20% additional fiscal assistance – two-year additional eligibility period
Land	• Through MIDC the state ensures availability of land (both developed and underdeveloped) to investors. • MIDC also creates land banks for industries and provides special fiscal incentives packages to projects of importance including emerging technologies. – Although large land banks are available in the state, considering the future industrial land requirement to facilitate Rs. 1000 billion of investment, MIDC shall create land banks across the state based on demand assessment. – The land earmarked for public health amenities in MIDC industrial estates shall be developed by concerned departments. Specially ESIC (Employees State Insurance Corporation) hospital facilities will be provided by concerned department as per needs and demand from industrial associations. – For sectors with same additional floor space index (FSI) (IT & ITeS, Biotechnology, Garmenting, Gems and Jewelery and Logistics & Warehousing) under the related policies of the State Government, interchangeability of land use shall be allowed with the approval of State Government. – Land owned by State Government or State Government Organization if required by MIDC for planned development will be made available at no cost.
Power	• MIDC ensures 4x7 power supply to its industries. • Under green industrial assistance for eligible units, solar captive power plant will be considered as a part of admissible fixed capital investment for the purpose of incentives. A captive solar power plant will be defined as one wherein at least 80% of power generated is utilized by the unit annually.

Reference – Maharashtra Industrial Policy 2019

Annexure

Table 1: Eligibility Criteria to MSMEs

Taluka/Area Classification	Maximum Admissible Fixed Capital Investment	Ceiling as % of FCI	Eligibility Period (Years)
A	For the purpose of this policy, MSME shall include units as per the MSMED Act, 2006, as well as the units with FCI of up to Rs. 500 million	-	-
B		30%	7
C		40%	7
D		50%	10
D+		60%	10
Vidarbha, Marathwada, Ratnagiri, Sindhudurg & Dhule		80%	10
No Industry Districts, Naxalism Affected Areas* and Aspirational Districts**		100%	10

*Naxalism affected areas as per Government Resolution No.: PSI -2013/ (CR- 54) /IND-8 Dated 1st April 2013 issued by Government of Maharashtra Industries, Energy and Labour Department.

** Aspirational Districts are Osmanabad, Gadchiroli, Washim and Nandurbar.

Table 2: Eligibility Criteria to LSI

Taluka/Area Classification	Maximum Admissible Fixed Capital Investment (Rs. Million)	Minimum Direct Employment (number of people)
A & B	7500	1000
C	5000	750
D	2500	500
D+	1500	400
Vidarbha, Marathwada, Ratnagiri, Sindhudurg & Dhule	1000	300
No Industry Districts, Naxalism Affected Areas* and Aspirational Districts**	1000	250

*Naxalism affected areas as per Government Resolution No.: PSI -2013/ (CR- 54) /IND-8 Dated 1st April 2013 issued by Government of Maharashtra Industries, Energy and Labour Department.

** Aspirational Districts are Osmanabad, Gadchiroli, Washim and Nandurbar.

Note: For MSME units the ceiling of fixed capital investment is Rs. 500 million. For units having investment more than Rs. 500 million & upto the minimum investment stipulated for large scale units in table 2 above, the industrial promotion subsidy shall be 40% of the SGST paid for the first sale of goods sold in Maharashtra and billed & delivered to the same entity. This incentive will not be applicable for units located in "A" & "B" zone.

Table 3: Eligibility Criteria related to incentives disbursement for mega and ultra-mega projects

Type of Unit	Taluka/Area of Classification	Minimum Admissible Fixed Capital Investment (Rs. Million)	Minimum Direct Employment (number of people)
Mega Industrial Units	A &B	1, 5000	2,000
	C	1,0000	1,500
	D	7500	1000
	D+	5000	750
	Vidarbha, Marathwada, Ratnagiri, Sindhudurg & Dhule	3500	500
	No Industry Districts, Naxalism Affected Areas* and Aspirational Districts**	2000	350
Ultra-mega Industrial Units	Entire State	40,000	4,000

*Naxalism affected areas as per Government Resolution No.: PSI -2013/ (CR- 54) /IND-8 Dated 1st April 2013 issued by Government of Maharashtra Industries, Energy and Labour Department.

** Aspirational Districts are Osmanabad, Gadchiroli, Washim and Nandurbar.

Provided that:

a) Ultra-Mega/ Mega projects based on employment criteria shall be required to maintain the qualifying direct employment on rolls of the company throughout the year. If the employment criteria is not maintained for any period of the year, then Industrial Promotion Subsidy shall not be admissible for such year/s.

b) Minimum Direct Employment prescribed in the table above should be created within a period of three years from the date of commercial production.

c) The investment in Captive Power Plant shall not be considered for determining the qualifying criteria for eligibility as Mega Project/Ultra Mega Project.

d) 100% Captive Process Vendor (CPV) investment can be considered as a part of admissible FCI. However, CPV investment will not be counted for determining qualifying criteria as Mega/ Ultra Mega Projects

e) The present policy of MIDC regarding allotting plots on priority basis to mega and ultra-mega projects shall be continued.

TAMIL NADU

Overview

The state of Tamil Nadu has always been at the forefront of economic and industrial growth and is one of the leading states in the country in several industries such as automobiles, components, leather, textiles, information technology, electronic hardware and hi-technology industries, among others.

The Gross State Domestic Product (GSDP) of Tamil Nadu, at 2011-12 constant prices, stood at around Rs. 7,514.86 billion during 2011-12, which grew at a (CAGR)compound annual growth rate of 6.11%, between the 8-year period of 2011-12 and 2018-19, to reach Rs. 12,075.26 billion in 2018-19.[7]

Industries in Tamil Nadu are aided with excellent infrastructure by the Tamil Nadu Industrial Development Corporation Ltd (TIDCO), State Industries Promotion Corporation of Tamil Nadu (SIPCOT), Tamil Nadu Industrial Investment Corporation Limited (TIIC), and Tamil Nadu Small Industries Development Corporation Limited (TANSIDCO), which are jointly developing industrial infrastructure in the state.

The state has an installed power generation capacity of 31.29 GW, as of November 2019. As of November 2019, the state has around 54 formally approved special economic zones (SEZs), 50 notified SEZs and 40 exporting SEZs.[8]

The state has also set up the Tamil Nadu Industrial Guidance & Export Promotion Bureau with the objectives of attracting major investment proposals into Tamil Nadu. The state attracted cumulative FDI inflows to the tune of US$ 31.19 billion during April 2000 to September 2019, as per Department of Investment Promotion of Industry and Internal Trade (DPIIT).

The Government of Tamil Nadu has also taken up major initiatives along with promoting favourable investment policies to attract greater investments to the state from both domestic and foreign investors.

State Incentives

Area	Incentives
Ease of Doing Business	• **Single window Mechanism** – Government of Tamil Nadu has established a Single Window facilitation mechanism under the Guidance Bureau to accord in-principle composite approval for pre- project clearances at the State Government level; Committee headed by the Chief Secretary will monitor progress of final approvals of all such cases – The Tamil Nadu Industria Development Corporation (TIDCO) will be mandated to facilitate various Infrastructure projects including Power, Port development, SEZ, waste treatment, handling and disposal, etc.

7 Calculations based on MOSPI data

8 https://www.ibef.org/states/tamil-nadu-presentation

<table>
<tr><th>Area</th><th>Incentives</th></tr>
<tr><td>Standard Incentives</td><td>To include all industries in categories A & B districts[9]

• Capital Subsidy and Electricity Tax Exemption
– Irrespective of the location of the project, new or expansion manufacturing units will be given a back-ended capital subsidy and electricity tax exemption on power purchased from the Tamil Nadu Generation and Distribution Corporation Ltd. (TANGEDCO) or generated and consumed from captive sources based on employment and investment in fixed assets /eligible assets as the case may be, made within the following investment period (Table 1, see Annex).
– New or expansion manufacturing units located within SIPCOT Industrial parks in respect of A & B districts will be provided an additional capital subsidy of 50% over and above the eligible limit, as enumerated in table 1 (Table 1, see Annex).
– New or expansion manufacturing units located outside the SIPCOT Industrial Parks in B & C districts will be provided an additional capital subsidy of 10% and 25% respectively over and above the eligible limit, as enumerated in table 1 (Table 1, see Annex).

• Stamp Duty Concessions
– 50% Exemption from Stamp duty on lease or sale of land meant for industrial use shall be offered for projects located in Industrial parks promoted by SIPCOT in A and B category districts.
– In case of ultra-mega projects, this will be 100%, irrespective of location.

• Environmental Protection Infrastructure subsidy
– Individual Manufacturing Units adopting Zero Effluent or Wastewater Discharge, Clean Development Mechanism and Emissions Trading Mechanism will be given a higher amount of subsidy on a case-to-case basis.</td></tr>
<tr><td>Structured package of Incentives</td><td>Apart from standard incentives, Mega, Super-mega A, Super-mega B and Ultra-mega projects will be eligible for a structured package of incentives as detailed below (Table 2, see Annex), for A & B category districts, if they satisfy both the investment and the minimum employment criteria fixed for each category.</td></tr>
<tr><td>Additional Incentives</td><td>• Additional employment generation
– An additional 10% output VAT+CST paid will be given as Investment Promotion subsidy/soft loan to the investors if they double the committed employment levels within the investment period, which is capped to the investment made in the eligible fixed assets (EFA) during the Investment period. This additional incentive will be applicable for ‘B’ and ‘C’ category districts only.

• The investment period may be extended by the Government in deserving cases, for valid reasons.

• In the case of Investment Promotion Soft loan, the cap will be the one fixed for the respective categories/class. In the case of Investment Promotion subsidy, the cap will be half of the one fixed for the respective category/class. For soft loan, the interest charged will be 0.1% per annum. The project/company may exercise a onetime option for availing either Investment Promotion soft loan or subsidy before the commencement of the commercial production.</td></tr>
</table>

9 For the purpose of administering fiscal incentives, the districts of the state are classified as – 1. A comprising of Chennai, Tiruvallur & Kancheepuram; 2. B comprising of other than A & C districts (20 districts) and 3. C Southern districts (9 districts);

Area	Incentives
Special package for southern districts[10]	Industries set up in the southern districts will be eligible for a special package which will be higher than the package available for the rest of the State as detailed below (Table 3, see Annex) • **Capital Subsidy and Electricity Tax Exemption:** New or expansion manufacturing units established in Southern districts will be given a back-ended capital subsidy and Electricity Tax exemption as enumerated under standard incentives. • **Stamp Duty concession:** 50% Stamp duty concession shall be offered for lands purchased/leased for the projects located in areas other than Industrial parks promoted by SIPCOT – In the case of Ultra Mega projects and the projects located in SIPCOT Industrial Parks, this will be 100%. Parks would be valued at actual land or building value paid by the manufacturing. • **Environmental Protection Infrastructure subsidy:** Dedicated Effluent Treatment Plants (ETP) and / or Hazardous Waste Treatment Storage and Disposal Facility (HWTSDF) set up by individual manufacturing units would be eligible for an Environment Protection Infrastructure subsidy of Rs.3.0 million or 25% of capital cost of setting up such ETP/ HWTSDF, whichever is less. – Individual Manufacturing Units adopting Zero Effluent or Wastewater Discharge, Clean Development Mechanism and Emissions Trading Mechanism will be given a higher amount of subsidy on a case-to-case basis. • **Structured Package of Incentives:** Apart from the standard incentives mentioned above, Mega, Super-mega A, Super-mega B and Ultra-mega projects set up in these districts will be eligible for a structured package of incentives (Table 4, see Annex). • Investments made below Rs.2,000 million are also eligible for receiving VAT related fiscal incentives (Table 5, see Annex) • **Others** – SIPCOT will acquire and allot lands for starting new industries in Southern Districts where lands in SIPCOT parks are not available. For this, the minimum area required by the investing company shall be at least 25 acres and the investment should be more than Rs.500 million. The lands required by the company shall be barren, non-irrigated and dry land to the extent possible. Land requirement with more than 10% wetlands will not be entertained. – The state shall allocate necessary funds for the industrial infrastructure development of the Southern districts to create common infrastructure like roads, water supply etc. – Uninterrupted power supply will be given to the projects set up in the Southern Districts if they are covered by MoU or Government Order (non-MoU)

Reference: Tamil Nadu Industrial Policy 2014, Industries Department, Government of Tamil Nadu

10 Southern Districts refer to the Districts of Madurai, Theni, Dindigul, Sivagangai, Ramanathapuram, Virudhunagar, Tirunelveli, Thoothukudi and Kanniyakumari

Annexure

Table 1: Capital Subsidy and Electricity Tax Exemption

Investment in fixed assets/ eligible fixed assets (in Rs. million)	Direct Employment (in numbers)	Capital Subsidy (in Rs. million)	Electricity tax exemption (in no. of years) from date of commercial production
50-500	100	3.0	2 years
500-1000	200	6.0	3 years
1000-2000	300	10.0	4 years
2,000 to 5,000	400	15.0	5 years
5,000-15,000	600	17.5	5 years
15,000-30,000	800	20.0	5 years
30,000 and above	1000	22.5	5 years

Table 2: Fiscal incentives for Mega, Super-mega & Ultra-mega projects

Investment Category	Investment Range (in Rs. million)		Fiscal Incentives Offered
	A Districts	B Districts	For a & B group districts
Mega	Above 5000-15,000, creating an employment of 300 in 3 years	Above 3500-10,000, creating an employment of 200 in 3 years	Net output VAT+CST paid will be given as Investment promotion subsidy/ soft loan for 10 years from the date of commercial production with a ceiling of 80% of investment made in EFA within the investment period. In respect of expansion projects, the cap will be 70%. Base volume principle and sliding scale will be applied.
Super Mega A	Above 15,000-30,000, creating an employment of 400 in 5 years	Above 10,000-20,000, creating an employment of 300 in 5 years	Net output VAT+CST paid will be given as Investment promotion subsidy/ soft loan for 12 years from date of commercial production with a ceiling of 90% of investment made in EFA within the investment period. If ceiling is not reached within 12 years, addl. period up to 6 years will be considered. In respect of expansion projects, the cap will be 80%. Base volume principle and sliding scale will be applied. Refund of VAT paid on capital goods will be given as subsidy during the investment period. However, this subsidy will be included for capping of incentive based on Net Output VAT+CST.

Investment Category	Investment Range (in Rs. million)		Fiscal Incentives Offered
	A Districts	B Districts	For a & B group districts
Super Mega B	Above 30,000-50,000, creating an employment of 600 in 6 years	Above 20,000-40,000, creating an employment of 500 in 6 years	Net output VAT+CST paid will be given as Investment promotion subsidy/ soft loan for 14 years from date of commercial production with a ceiling of 100% of investment made in EFA within the investment period. If ceiling is not reached within 14 years, addl. period up to 7 years will be considered. In respect of expansion projects, the cap will be 80%. Base volume principle and sliding scale will be applied. Refund of VAT paid on capital goods will be given as subsidy during the investment period. However, this subsidy will be included for capping of incentive based on Net Output VAT+CST.
Ultra-Mega	Above 50,000, creating an employment of 700 in 7 years	Above 40,000, creating an employment of 600 in 7 years	Gross output VAT and CST paid will be given in the form of Investment Promotion Subsidy/soft loan for 16 years (or) till the cumulative availment of the gross Output VAT+CST paid by the Company reaches 100% of eligible investment within the investment period, whichever is earlier. Input VAT refund as Investment Promotion subsidy for a period concurrent with the period of output VAT+CST refund or soft loan. Refund of VAT paid on Capital Goods and tax paid on Works Contract will be given as subsidy during investment period. However, these two subsidies will be included for the ceiling fixed for Gross Output VAT+CST based incentive. In respect of expansion projects, the cap will be 80%. Base volume principle and Sliding scale will be applied.

Table 3: Special Package for Southern Districts

Category	Investment Range (in Rs. million)
Mega Projects	Above 2000-5000 creating an employment of 100 in 4 years
Super Mega A	Above 5000-15000 creating an employment of 250 in 5 years
Super Mega B	Above 15000-30000 creating an employment of 350 in 6 years
Ultra-Mega	Above 30000 creating an employment of 500 in 7 years

Note:

"Mega Project" means a manufacturing project, new or expansion, located in C category districts with the following investment ranges and creating the employment stipulated;

"Super Mega Project-A" means a manufacturing project, new or expansion, located in C category districts with the following investment ranges and creating the employment stipulated;

"Super Mega Project-B" means a manufacturing project, new or expansion, located in C category districts with the following investment ranges and creating the employment stipulated;

"Ultra-Mega Project" means a manufacturing project, new or expansion, located in C category districts with the following investment ranges and creating the employment stipulated.

Table 4: Structured Package of Incentives for Southern Districts

Investment Category	Investment Range (in Rs. billion)	Fiscal incentives offered
Mega	Above 2 to 5, creating an employment of 100 in 4 years	Net output VAT+CST paid will be given as Investment Promotion subsidy/ soft loan for 10 years from the date of commercial production with a ceiling of 100% of investment made in EFA within the investment period. In respect of expansion projects, the cap will be 100%. Base volume principle will be applied. No Sliding scale.
Super Mega A	Above 5-15, creating an employment of 250 in 5 years	Net output VAT+CST paid will be given as Investment Promotion subsidy/ soft loan for 12 years from the date of commercial production with a ceiling of 100% of investment made in EFA within the investment period. If ceiling is not reached within 12 years, additional period up to 6 years will be given. In respect of expansion projects, the cap will be 100%. Base volume principle will be applied. No Sliding scale. Refund of VAT paid on capital goods will be given as subsidy during the investment period.

Investment Category	Investment Range (in Rs. billion)	Fiscal incentives offered
Super Mega B	15-30, creating an employment of 350 in 6 years	Net output VAT+CST paid will be given as Investment Promotion subsidy/ soft loan for 14 years from the date of commercial production with a ceiling of 100% of investment made in EFA within the investment period. If ceiling is not reached within 14 years, additional period up to 7 years will be given. In respect of expansion projects, the cap will be 100%. Base volume principle will be applied. No Sliding scale. Refund of VAT paid on capital goods will be given as subsidy during the investment period.
Ultra-Mega B	Above 30, creating an employment of 500 in 7 years	Refund of gross output VAT and CST will be given in the form of Investment Promotion Subsidy for 16 years (or) till the cumulative availment of the gross Output VAT+CST paid by the Company reaches 100% of eligible investment within the investment period, whichever is earlier. Input VAT refund as Investment Promotion subsidy for a period concurrent with the period of output VAT/CST refund or soft loan. Refund of VAT paid on Capital Goods will be given as subsidy during investment period. Refund of tax paid on Works Contract will be given as subsidy during investment period. In respect of expansion projects, the cap will be 100%. Base volume principle will be applied. No Sliding scale.

Table 5: VAT related Fiscal Incentives

Investment within 3 years	Soft loan given would be equal to VAT paid in the
Rs. 500-1000 million	First 3 years from the commencement of commercial production
Rs. 1000-2000 million	First 4 years from the commencement of commercial production

UTTAR PRADESH

Overview

Spread across 2,40, 928 square Kms, Uttar Pradesh (UP) is the fourth largest state in India[11]. Uttar Pradesh is also the most populous state in the country with a population of 199.8 million, accounting for around 16.5% (as per 2011 census) of India's total population.

During 2011-12, UP's Gross State Domestic Product (GSDP) stood at Rs. 7240.5 billion, in terms of constant (2011-12) prices. The GSDP grew at a CAGR of 5% during the 9-year period between 2011-12 and 2019-20, to reach a GSDP of Rs. 11668.17 billion during 2019-20[12].

The state is the largest producer of food grains in the country, producing key crops such as rice, wheat, maize, among others. The state is also one of the leading tourist destinations in the country owing to the presence of the Taj Mahal in Agra. A major exporter, merchandise exports from the state stood at US$ 16.29 billion in 2018-19[13].

As of 2019, the state recorded an installed power generation capacity of 25,958 MW[14]. The state also has a significant presence of MSMEs and a large base of skilled workers. UP is rapidly emerging as a location for IT and ITeS industries, captive business process outsourcing (BPO) and electronics.

The state attracted Foreign Direct Investment (FDI) equity inflows to the tune of US$ 698 million during the April 2000 to June 2019 period as per estimates by the Department for Promotion of Industry and International Trade (DPIIT).

The state offers a wide range of subsidies, fiscal and policy incentives and assistance to businesses and sector-specific policies for IT and biotechnology. It is also slated to be the home for a Defence Industrial Corridor, which would make it a defence production hub for indigenous manufacturing of high technology defence equipment.

The Industrial Investment and Employment Promotion Policy of Uttar Pradesh 2017 envisages to create an enabling framework that strengthens existing industries by enhancing their competitiveness while harnessing the strengths of the new ones. This in turn will help in attracting national as well as international investments.

All these factors make Uttar Pradesh an upcoming destination for setting up business as well as investment for both domestic and foreign investors.

The incentives provided by the State's Industrial Investment and Employment Promotion Policy 2017 are listed below.

11 Reference: Industrial Investment and Employment Promotion Policy of Uttar Pradesh, 2017

12 Calculations based on MOSPI data

13 https://www.ibef.org/states/uttar-pradesh.aspx

14 https://www.ibef.org/states/uttar-pradesh.aspx

State Incentives

Area	Incentives
Ease of Doing Business	• A dedicated Single Window Clearance Department directly under the Chief Minister's Office is the sole interface of the Government for providing all industrial services/ clearances/ approvals/ permissions/ licenses • Single Window Technology Portal of international standards is developed through which applications will be received and all industrial services/ clearances/ approvals/ permissions/ licenses will be delivered online • For effective functioning of the Single Window Clearance mechanism a State Level Committee chaired by the Chief Secretary, GoUP is constituted • For creating an enabling structure to expedite decision making pertaining to industrial projects, State Investment Promotion Board (SIPB) is constituted under the Chairmanship of Chief Minister and the Chief Secretary to the Government as Member Convener.
Fiscal Incentives	• Stamp duty exemption of 100% in Bundelkhand & Poorvanchal, 75% in Madhyanchal & Paschimanchal (except Gautambuddhnagar & Ghaziabad districts) region of the state and 50% in Gautambuddhnagar & Ghaziabad districts. • EPF reimbursement facility to the extent of 50% of employer's contribution to all such new Industrial units providing direct employment to 100 or more unskilled workers. • Reimbursement of net VAT and CST or the net amount deposited in State's account vis-a-vis share of the state under GST as follows which will not be more than the amount deposited annually o 90% for Small Industries for 5 years subject to annual ceiling of 20% of capital investment or actual tax deposited, whichever is lower, with an overall ceiling of 100% of fixed capital investment in Bundelkhand & Poorvanchal; 90% of fixed capital investment in Madhyanchal & Paschimanchal (except Gautambuddhnagar & Ghaziabad districts) and 80% of fixed capital o investment in Gautambuddhnagar & Ghaziabad districts. o 60% for Medium Industries for 5 years subject to annual ceiling of 20% of capital investment or actual tax deposited, whichever is lower, with an overall ceiling of 100% of fixed capital investment in Bundelkhand & Poorvanchal, 90% of fixed capital investment in Madhyanchal & Paschimanchal (except Gautambuddhnagar & Ghaziabad districts) and 80% of fixed capital o investment in Gautambuddhnagar & Ghaziabad districts. o 60% for large Industries (capital investment of above Rs. 100 million and below the capital investment required for consideration under various categories of mega investment) for 5 years subject to annual ceiling of 20% of capital investment or actual tax deposited, whichever is lower, with an overall ceiling of 100% of fixed capital investment in Bundelkhand & Poorvanchal, 90% of fixed capital investment in Madhyanchal & Paschimanchal (except Gautambuddh Nagar & Ghaziabad districts) and 80% of fixed capital investment in Gautambuddh Nagar & Ghaziabad districts. o 70% for Mega/ Mega Plus/ Super Mega category Industries for 10 years subject to annual ceiling of 20% of capital investment reimbursed or actual tax deposited, whichever is lower, with an overall ceiling of 300% of fixed capital investment Bundelkhand & Poorvanchal, 200% of fixed capital investment in Madhyanchal, 100% in Paschimanchal (except Gautambuddh Nagar & Ghaziabad districts) and 80% of fixed capital investment Gautambuddh Nagar & Ghaziabad districts.

Area	Incentives
	• Capital Interest Subsidy to the extent of 5% per annum for 5 years in the form of reimbursement on loan taken for procurement of plant & machinery, subject to an annual ceiling of Rs. 5 million. • Infrastructure Interest Subsidy to the extent of 5% per annum for 5 years in the form of reimbursement on loan taken for development of infrastructural amenities for self-use like roads, sewer, water drainage, erection of power line, transformer and power feeder, subject to an overall ceiling of Rs. 10 million. • Exemption from electricity duty to all new industrial units set up in the state for 10 years. • Exemption from electricity duty for 10 years to all new industrial units producing electricity from captive power plants for self-use. • Exemption from agricultural trading Mandi fee for all new food processing units on purchase of raw material for 5 years. • Industries which are disallowed for input tax credit under GST regime, will be provided reimbursement of that amount of VAT/CST/GST paid on purchase of plant and machinery, building material and other capital goods during construction and commissioning period and raw materials and other inputs in respect of which input tax credit has not been allowed. • Interest free loan equivalent to the sum of VAT and CST/state share of GST deposited by industrial units admissible to eligible industrial units under the previous policy will be continued
Land	• Government will identify vacant land that can be used for the purpose of Land Banks for industry in industrial areas/ zones. • Availability of land parcels at competitive prices to investors. • Necessary infrastructure planning in existing and new areas as per industry requirements in all regions, based on geographical strength and after assessment of demand. • Rules relating to allotment and management of land will be rationalized and made investor friendly including land use change.
Power	• Identify and provide industrial clusters having minimum specified load with independent feeders and exemption from power cuts. • Procedure from enhancement, reduction and surrender of power load to be simplified. • Open access for all industry sectors in the state and single point open access to private industrial parks in accordance with Electricity Act 2003.
National Investment & Manufacturing Zones (NIMZ)	• Speedy implementation of two NIMZs in Jhansi and Auraiya under provision of National Manufacturing Policy • Manufacturing industries set up in this area to be provided with facilities such as simplified business regulations; incentives for technology acquisitions and production/adoption of pollution control equipment/machines/devices; skill development incentives by private sector; access to finance for small and medium enterprises
Special Economic Zones (SEZ)	• 19 SEZs have been notified in the state in addition to Noida & Moradabad SEZs set up by the Central & State Governments respectively • SEZs to be provided with simplified clearances, world class infrastructure and a stable fiscal regime

Area	Incentives
Industrial & Investment regions and Integrated Manufacturing Clusters	• Speedy access to key markets; adequate supply of water and electricity; excellent waste management system and recycling facilities with advanced infrastructure to suit requirements of modern industries
Support to MSME Sector	• A corpus fund will be created to implement 'Vishwakarma Shram Samman Yojana' to provide assistance in terms of margin money subsidy and interest subsidy to artisans and entrepreneurs of local traditional industries. • GoUP with assistance from financial institutions will create an SME Venture Capital Fund for promoting Start-ups and emerging SMEs.
Promotion of Industrial Parks/ Estates	• Developing new industrial parks and upgrading new ones – Focus on developing food, IT, textile and pharma parks & parks around major national highways, expressways and state highways. – Promote country specific industrial parks. – Logistic facilities including truck terminals and accommodation facilities for employees in all major industrial parks. • Promoting private industrial parks/estates – Provision of financial assistance to developers of such estates/parks. – Assistance in identifying suitable land to accelerate investments in planned manner by providing plug and play facilities – Truck parking bays and accommodation facilities for all employees – Special focus on promoting industrial parks around Kanpur, Kanpur-Allahabad and Varanasi-Allahabad zones. • Incentives for private sector industrial parks/estates - Government to provide following incentives to industrial parks/ estates of more than 100 acres in Bundelkhand & Poorvanchal; 150 acres in Madhyanchal; and more than 50 acres in case of Agro Parks in Bundelkhand, Poorvanchal and Madhyanchal developed by private sector: – Interest subsidy in the form of reimbursement of interest of up to 50% of annual interest on the loan taken to buy land, calculated on the basis of prevalent circle rate, for 7 years subject to a maximum ceiling of Rs. 5 million per annum per industrial estate/agro park. – Interest subsidy in the form of reimbursement of interest of up to 60% of annual interest for 7 years on the loan taken for building infrastructure in the industrial parks/ estates subject to Rs. 100 million per year with an overall ceiling of Rs. 500 million per industrial estate / agro park. – Interest subsidy in the form of reimbursement of interest of up to 60% of annual interest for 7 years on the loan taken for building Hostel/Dormitory Housing for workers in the industrial parks/ estates subject Rs. 50 million per year with an overall ceiling of Rs. 300 million per industrial estate/agro park. – 100% exemption/ reimbursement on stamp duty on the purchase of land by the developer and 50% exemption on stamp duty to individual buyers (first) will be provided on purchase of plot in the industrial parks/ estates.

Area	Incentives
Environment Related Reforms	• Effluent Treatment Plant (ETP) and rainwater harvesting will be encouraged • Need based financial assistance to be provided for development of Green Industrial Estate • Need based financial assistance to be provided for shifting chemical-based units from residential zone to industrial zone
Skill Development & Innovation	• GoUP will periodically map Industry specific skill gaps & requirements and introduce industry-responsive short term, long term & modular courses in existing ITIs, Polytechnic & Engineering colleges with active user-industry participation and involvement in formulating the course material and training • Establishing Skill Development Centres in major industrial areas/ clusters/ parks with special focus on harnessing the social capital in rural areas • Special attention will also be given to skill development of SC/ ST/ Backward class and Women entrepreneurs on handicrafts and household business • Innovation – Promoting Start-Ups • Regulatory Simplification and Handholding • Funding Support and Incentives • Incubation Support
Additional Incentives	• Units generating minimum employment of 200 direct workers including skilled and unskilled will be provided 10% additional EPF reimbursement facility on employer's contribution • Infrastructure Interest Subsidy of 5% per annum for 5 years for development of infrastructural amenities for self-use subject to an overall ceiling of Rs 10 million • Interest subsidy of 5% per annum for 5 years for industrial research, quality improvement and development of products by incurring expenditure on procurement of plant, machinery & equipment for setting up testing labs, quality certification labs and tool rooms, subject to an overall ceiling of Rs 10 million

Reference: Industrial Investment and Employment Promotion Policy of Uttar Pradesh, 2017

WEST BENGAL

Overview

Situated in the eastern part of India, the state of West Bengal is one of India's largest state economies and ranks as the sixth largest state in terms of economic size. The largest producer of rice in India, the state is also rich in minerals and is projected to be the next major IT hub of India.

West Bengal's gross state domestic product (GSDP) increased from Rs. 5,204.85 billion in 2011-12 to reach Rs. 8,009.13 billion during 2018-19. During this 8-year period, the GSDP recorded a compound annual growth rate (CAGR) of around 5.54%[15]. The state is also the second largest tea producing state in India and a major producer of fish. West Bengal is also a key producer of petroleum and petrochemicals.

The state had an installed power generation capacity of 10,786.89 MW as of November 2019[16].

The state achieved the 11th rank among Indian states in ease of doing business and reforms. Along with the states of Sikkim, Andaman and Nicobar Islands, the state attracted FDI investment flows to the tune of US$ 5.6 billion between April 2000 and June 2019, as per estimates of Department of Promotion of Industry and Internal trade (DPIIT).

Recent policies such as West Bengal Information Technology and Electronics Policy of 2018 envisages the state as one of the leading IT states of India. These along with the states' industrial and investment policies have created a favourable business environment and has made West Bengal as one of the most attractive destinations for foreign investments.

State Incentives

Area	Incentives
Ease of Doing Business	• **Ease of Doing Business (EoDB) through creation of a Single Window System for industrial start-ups.** – Initiatives undertaken based on simplified tax regime and e-governance in financial matters in Phase 1. – Extension of EoDB to other aspects of business cycle – from setting up of business to a Single Window Service Delivery System and covering incentive tracking and delivery, in phase 2. – Other components ▪ Shilpa Sathi (e-enabled business portal). ▪ Time Bound, process driven, and ICT enabled systems – all applications to be cleared by line departments; all enquiries, approvals, rejections to be completed within 30 days, etc. ▪ E-tendering and e-Procurement. ▪ Optimum incentives to the Investors. ▪ Minimizing time and space of file movement - reducing red tape. ▪ Ready Land Bank information in public domain. ▪ Bringing the best talent and knowledge in the private sector in planning and implementation through Transaction Advisory services from empanelled firms. ▪ Transparency in the allotment and sharing of public resources.

15 Calculations based on MOSPI data

16 https://www.ibef.org/states/west-bengal.aspx

Area	Incentives
Fiscal Incentives	• **Fiscal incentives and concessions for Investment under scale 1** (Rs 100-1000 million Fixed Capital Investment (FCI)) – Industrial Promotion Assistance (IPA) ▪ Industrial units under Group B, C & D (See Table 30, Annex) and falling in scale 1 will be granted Industrial Promotion Assistance (IPA) ▪ Total IPA for which an industrial unit would be eligible shall be equivalent to certain percentage of the tax paid by the unit in the previous year. ▪ Central Sales Tax (CST) shall be considered for the first three years from the Commencement of Commercial Production as certified by DI. ▪ IPA would be admissible for a number of years (See Table 31, annex) and up to 75% of the FCI by the industry, whichever is reached earlier. – Waiver of Electricity Duty ▪ An eligible unit with investment under scale 1, provided the unit has obtained all kinds of statutory clearance will be entitled to receive subsidy on Electricity Duty (See Table 32, Annex). – Stamp Duty ▪ The new Industries under Scale 1 will be eligible for 75% Stamp Duty refund for all the areas. The stamp duty paid by the unit has to be certified by the concerned Registering Authority. • **Fiscal Incentives for Investment under Scale – 2, 3 & 4** – Industrial Promotion Assistance (IPA) ▪ Industrial units under Group B, Group C and Group D falling in the scales of 2, 3 & 4 will be granted Industrial Promotion Assistance (IPA). ▪ The IPA for which an industrial unit would be eligible shall be equivalent to certain percentage of the tax paid by the unit in the previous year. ▪ Value Added Tax (VAT) shall be considered for the entire eligible period. ▪ Central Sales Tax (CST) shall be considered for the first three years from the Commencement of Commercial. ▪ Production as certified by DI. IPA would be admissible for a number of years (See Tables 32.1 - 32.3, Annex) and up to 75% of the Fixed Capital Investment by the industry, whichever is reached earlier. – Exemption from Stamp Duty ▪ Stamp Duty to be paid in respect of loan agreements, credit deeds mortgage and hypothecation deeds executed for availing term loans from State Govt. and/or State Financial Corporation, Industrial Investment Development Corporation, National Level Financial Institutions, commercial Banks, RRBs, Co-operative Banks, West Bengal State SC/ST Development Corporation, West Bengal State Minority Development Corporation and other institutions which may be notified by the Government from time to time for the initial period of five years only and for lease deeds, lease cum-sale and absolute sale deeds executed by industrial enterprises in respect of industrial plots, sheds, industrial tenements, by WBIIDC, WBIDC, WBSIDC, Industrial Co-operatives and approved private industrial estates shall be exempted as (See Table 33, Annex).

<table>
<tr><th>Area</th><th>Incentives</th></tr>
<tr><td></td><td>Fiscal Incentives common for Investment under Scale – 1, 2, 3 & 4:
– Anchor Unit Subsidy
Anchor unit subsidy of Rs. 10 million shall be offered for the first two manufacturing enterprises with minimum employment of 100 members and minimum investment of Rs. 500 million in each of the Sub-Divisions coming in Groups - B, C & D (subsidy applicable only in areas where no industrial enterprises with investment of Rs. 500 million and above exist at present).
– Patent Registration
Industrial units will be encouraged for filing their successfully generated, registered and accepted patents based on their original work/research.
The State Government will provide financial assistance of 50% of the expenditure incurred, up to maximum of Rs. 0.2 million, per patent.
– Waiver and Land Conversion Fee
Payment of conversion fee for converting the land from agriculture use to industrial use including for development of industrial areas by private investors will be waived as (See Table 34, Annex).
– Waiver of Electricity Duty for EoUs, VAT/CST exempted units and Power Intensive Units
100% Export - oriented units (EoU) units exempted from paying VAT/ CST and Power Intensive Units as defined in WBIPS 2005 will be entitled to receive Waiver of Electricity Duty without ceiling for no. of years and percentage of waiver in line with (See Table 32, Annex) above. However, in such case benefit of IPA will not be applicable to the Power Intensive Units.</td></tr>
<tr><td>Additional incentives on employment generation</td><td>Units will be entitled to reimbursement of the undernoted expenditure incurred by it if at least 50% of the employees in the unit are recruited from amongst the persons registered with the Employment Bank of the State at the time of claiming this incentive.
Subject to condition above, an eligible unit in the medium and large sector will be entitled to reimbursement to the extent of a certain % of the expenditure incurred by it for paying its contribution towards Employees State Insurance (ESI) and employees provident Fund (EPF) depending on the location of the unit (See Table 35, Annex).
The reimbursement of the expenditure prescribed will be payable every 6-month based on minimum statutory limit and subject to the condition that the unit has paid its contribution towards ESI & EPF on due dates.</td></tr>
</table>

Reference Document: Investment and Industrial Policy of West Bengal, Government of West Bengal, 2013

Annex

Table 1: Classification of Areas

Classification of Areas	
Group A	Kolkata Municipal Corporation, North 24 Parganas (Bidhannagar Municipality and Nabadiganta Industrial Township), South 24 Parganas (Alipur Subdivision).
Group B	Howrah, North 24 Parganas (Barrackpore and Barasat Sadar Subdivisions), South 24 Parganas (excluding the area under the jurisdiction of the Kolkata Municipal Corporation and Sundarban Development Board), Durgapur and Asansol Subdivisions of Burdwan District and Haldia Subdivision of Purba Medinipur Districts.
Group C	Murshidabad, Birbhum, Nadia, Hooghly Districts, Burdwan (excluding Asansol and Durgapur Subdivisions), Purba Medinipur District (except Haldia Subdivision), North 24 Parganas (Bongaon and Basirhat Subdivisions), South 24 Parganas (Baruipur, Canning, Diamond Harbour, Kakdwip Subdivision).
Group D	Malda, Coochbehar, Uttar Dinajpur, Dakshin Dinajpur, Jalpaiguri, Darjeeling, Purulia, Bankura and Paschim Midnapur Districts and area under Sundarban Development Board.

Table 2: IPA

		Year from the Commencement of Commercial Production							
Areas	**IPA for number of years**	**Y1**	**Y2**	**Y3**	**Y4**	**Y5**	**Y6**	**Y7**	**Y8**
B & C	8	80%	80%	80%	80%	80%	80%	80%	80%
D	8	90%	90%	90%	90%	90%	90%	90%	90%

Table 3: Waiver of Electricity Duty

Group/Zones	No. of Years	% of Waiver	Ceiling of Waiver of Electricity Duty
'B' & 'C'	1 to 5 years	100% of Electricity Duty subject to the maximum ceiling	Maximum of Rs 12.5 million per year
'D'	1 to 10 years	Group 'D'- 100% waiver from Year-1 to Year-5 and thereafter, 75% waiver from Year-6 to Year-10	Rs 250 million per year /

Table 4.1: IPA for Scale 2 (FCI above Rs 1000 million and up to 5000 million)

	Year from the Commencement of Commercial Production								
Areas	**Y1**	**Y2**	**Y3**	**Y4**	**Y5**	**Y6**	**Y7**	**Y8**	**Y9**
B & C	80%	80%	80%	80%	80%	80%	80%	80%	80%
D	90%	90%	90%	90%	90%	90%	90%	90%	90%

Table 4.2: IPA for Scale 3 (FCI above Rs 5000 million and up to 10,000 million)

	Year from the Commencement of Commercial Production											
Areas	**Y1**	**Y2**	**Y3**	**Y4**	**Y5**	**Y6**	**Y7**	**Y8**	**Y9**	**Y10**	**Y11**	**Y12**
B & C	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
D	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%

Table 4.3: IPA for Scale 4 (FCI above Rs 10000 million)

	Year from the Commencement of Commercial Production														
Areas	**Y1**	**Y2**	**Y3**	**Y4**	**Y5**	**Y6**	**Y7**	**Y8**	**Y9**	**Y10**	**Y11**	**Y12**	**Y13**	**Y14**	**Y15**
B & C	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
D	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%

Table 5: Stamp Duty Waiver

Groups/Zones	% of Stamp Duty Waiver
B	50%
C	75%
D	90%

Table 6: Waiver and Land Conversion Fee

Groups/Zones	% of Conversion Fee Waiver
B	50%
C	75%
D	100%

**The waiver of conversion fee will be on reimbursement basis after implementation of projects

Table 7: Reimbursement % of contribution towards ESI & EPF

Groups/Zones	Reimbursement % of contribution towards ESI & EPF
Group ‘B’ area: 5 years	80%
Group ‘B’ area: 5 years	80%
Group ‘D’ area: 10 years	100%

CII in the UK

Celebrating 40 Years of CII UK in 2021

The year 2021 is an important milestone year for the Confederation of Indian Industry (CII) as it completes 40 years in the UK.

CII first opened its office in the UK in 1979, ran it for under a year and then reopened in 1981. The year 2021 therefore is an important year and as the two countries navigate their way through the pandemic and are poised to signing the much-awaited Enhanced Trade Partnership Agreement, in preparation of the Free Trade Agreement between India and UK. CII UK office plays an important role in nurturing this relationship between the two countries and in keeping the priorities of Indian industry at centre stage for the UK stakeholders.

As the organisation evolves and grows in size and scale, milestone years become an opportunity to pause and reflect thereby evolving with time, the objectives that most suit the needs of the current time, looking therefore to the future.

CII UK has developed the following guidelines to develop its workstream and to make an impact via its various activities:

1. **Perception:** The Indian industry perception must be corrected to being viewed as Jobs Creator, as Nation builder and as Global leaders as opposed to jobs takers.
2. **Visibility:** To achieve a change in perception, visibility of the Indian industry, its footprint and impact is critical. The statistics published each year in the CII Grant Thornton India Meets Britain Tracker are quoted by many in the UK; however its real impact must be delivered at the grassroot levels with increased visibility via media and in Parliamentary references on Industry especially in the context of EU negotiations and Brexit.
3. **Influence:** CII's circle of influence via its stakeholders, partners and members must be leveraged to produce a strong bargaining chip for the Indian industry.
4. **Access:** CII has a strong presence at every level of administration in India and is integrated and well connected with Indian industry at each level

whether it is National, state, regional, zonal or district levels. In the UK via the Local Enterprise Partnerships (LEPs) and various regional stakeholders, this model of cluster partnership must be leveraged.

5. **Network:** CII provides an additional access to networks owing to its strong focus and work across geographies and sectors. This must be increased further to provide great value to its members and to its partners in the UK.

6. **Communication:** Increase communication between members and stakeholders to ensure exchange of ideas, inputs and feedback. Ensure greater connectivity and contact with various stakeholders to keep discussions and feedback channels open.

CII UK has a broad-based work plan spanning policy issues and business networking for Indian companies in the UK, facilitating incoming business delegations from India to the UK, assisting delegation from UK to India, and supporting visits for Government of India and State Government officials. The following are the areas that CII UK focusses on:

Policy Advocacy

- **CII India Business Forum (IBF), UK:** CII has an India Business Forum in the UK, which comprises Indian companies with operations in the UK. The group serves as a platform to address Indian industry concerns, interests and policy challenges and raise them with key stakeholders in the UK government, for Indian Industry to experience greater ease of doing business in the UK.

  CII under the aegis of the IBF has compiled a document of key Indian industry asks of the UK. These are currently being shared at a series of consultations with Government Ministers by CII UK. So far meetings have been held with Ministers and Shadow Ministers, Deputy Mayor of London to propose a post Brexit and post pandemic roadmap for Indian industry in UK.

- **CII "India Meets Britain" Tracker:** This is an annual survey of the fastest growing Indian companies in the UK. It serves to highlight and celebrate Indian industry achievements and contribution to the UK economy, and showcase their success stories of collaboration to the stakeholders across UK.

- **CII "Britain Meets India" Tracker:** In continuing with CII-GT's contribution to highlighting the footprint of fastest growing businesses, this year (2021) saw the launch of the first edition of the Britain Meets India Tracker launched in partnership with Grant Thornton.

- **UK Immigration policy:** CII has been actively making policy recommendations to the UK Home Office and have been working closely with the team at HCI in the response to the UK Immigration policy. A response to the UK's Immigration White Paper was provided immediately after this was announced. A set of recommendations from Indian industry were submitted to Home Office officials ahead of their India visit, then subsequently feeding into the new Points Based system with rounds of follow ups with Home Office on New Immigration Policy. The new Office of Investment set up by the UK Government works via its trade and investment advisors across UK regions, works closely with the CII UK team to improve movement of high skilled professionals between the two countries and also undertake reforms by way of mutual recognition of qualifications.

- **Social Security:** CII, in partnership with IBF member, Moore Kingston Smith, launched a Social Security paper making the case for a Social Security Agreement between UK and India. This report is now being updated and due to be launch ahead of the Economic Financial Dialogue (EFD).

- Submission to the Inquiry on "Global Britain and India" by Foreign Affairs Select (Commons) committee Chaired by Tom Tugendhat MP in 2019 was published as a detailed report on a Post Brexit roadmap of engagement for UK and India.

Complement Government Initiatives

- To align with Government initiatives and generate awareness of collaborative opportunities for UK and Indian companies.
- Enable linkages via local, regional and National governmental and cluster-to-cluster partnerships across UK and India.
- Engage actively with elected representatives in the UK via the Indian Industry and Diaspora.

Bilateral Institutional Dialogues

- India-UK CEOs Forum: CII is the Secretariat from the Indian side and works in close coordination with UKIBC, the UK Secretariat. Mr Ajay Piramal, Chairman, Piramal Group, is the Indian Co-Chair. The last meeting took place in London in April 2018, on the side-lines of PM Modi's visit to the UK for CHOGM.
- India-UK Joint Economic and Trade Committee (JETCO): CII has been involved with business-led Working Groups under JETCO for several years. The 14th meeting of JETCO took place virtually last month and is planned physically in October in New Delhi. CII is the India secretariat for the Joint Working Groups on Digital & Data Services and Food & Drink and also provides inputs to the Joint Working Group on Trade.

CII Regional Partnerships

CII explores opportunities for Indian businesses beyond the London metropolitan area, by venturing more into the business hinterland and enhancing two-way trade and investment flows.

CII has also worked on developing regional India partnerships to leverage opportunities across UK and India and help Indian Industry benefit from the Industrial Strategy and Devolved administration in UK via the Local Enterprise Partnerships (LEPs).

CII works closely with the Consulates of India in Birmingham, Edinburgh and Honorary Consulate in Wales supporting activities in the regions.

- **Manchester India Partnership (MIP):** CII is the founding Board member of the Manchester India Partnership and actively supports the business engagements between India and Greater Manchester region. The current Chair of the MIP is Mr Simon Arora, CEO, B&M and Deputy Chair is Ms Joanne Ahmed, Partner, Deloitte.
- **West Midlands India Partnership (WMIP):** CII is the founding Executive Board member of the West Midlands India Partnership, a regional partnership that was curated with active support from West Midlands Growth Company, Consul General of India, Birmingham, Dr Shashank Vikram and Mayor of West Midlands Region, Andy Street. CII also runs a regional India Business Forum

in the West Midlands region.

- **Scotland India Partnership:** In its infancy, the CII Regional India Business Forum that runs in Scotland hopes to pave way for a robust India regional partnership here. Discussions are currently on with Consul General of India, Edinburgh and Scottish Development International to float this partnership.
- **Northern Powerhouse India Partnership:** Though not a formally announced partnership, the Northern Powerhouse engagement is an extension of the Manchester India Partnership (MIP), as Greater Manchester is a leading region in the North of England. CII published the report on Northern Powerhouse India Partnership via the Manchester India Partnership that highlighted opportunities in the NPH region.

Sectoral Work

- CII works to strengthen India-UK economic cooperation in strategic sectors such as manufacturing, technology, infrastructure and skills, services, hospitality, healthcare & life sciences, food & drink as well as focusing on new and emerging sectors such as media and entertainment, sports and tourism.
- In 2008, CII signed an MOU with the Midlands-based Warwick Manufacturing Group to strengthen work on climate change, high-tech manufacturing and global healthcare. WMG is partner to the CII Naoroji Godrej Centre of Manufacturing Excellence and has successfully conducted the WMG Engineering Business Management programme for CII's member companies. With the Intensive Programme on Manufacturing Excellence, CII and WMG together aim to develop manufacturing champions in India and contribute to the Government of India's Make in India initiative'.

Market Facilitation

CII's strength is the network and the bridge of business opportunities that it provides between UK and India via its extensive presence across India. CII has been working to showcase business and investment opportunities across India to UK companies through sessions, workshops and conferences in the UK and facilitating delegations of UK businesses to India. CII has also been assisting delegations of Indian States seeking to showcase investment opportunities and attract FDI.

Similarly, CII also seeks to showcase business and technology partnership opportunities in the UK to Indian companies seeking to venture overseas.

CII Market Facilitation Services (MFS)

CII's International Department launched Market Facilitation Services (MFS) last year to offer targeted trade and investment facilitation services to Indian companies looking to expand business operations in global markets. A consultancy service, MFS is part of CII's constant efforts to reorient activities to keep pace with changing paradigms in the global trade and investment ecosystem.

MFS aims to assist member-companies interested in entering new markets through trade and investment facilitation projects. The service entails fee-based, bespoke firm-level advisory services for specific requirements of individual member-companies by way of the following deliverables:

1. **Export advisory reports:** With the objective of providing members a deep dive into the export potential of identified products at the 6-digit HS Code level, these reports detail the following:
   - i. Shortlisting of products at the 6-digit HS Code level
   - ii. Calculating India's revealed comparative advantage (RCA) for each shortlisted products to ascertain maximum exports potential
   - iii. Exports' CAGR of top RCA products
   - iv. Analysis of top importers and imports' CAGR of top RCA products
   - v. Analysis of BoT negative markets to identify countries that import products for consumption rather than re-exports
   - vi. Analysis of import propensity index (IPI) of BoT negative markets
   - vii. Analysis of India's FTAs with shortlisted markets
   - viii. Matrix of top RCA products + best export markets + tariffs and NTBs imposed on each 6-digit product shortlisted
   - ix. A further drilling down to the NTL level for each country to highlight customisations popular in each country
   - x. List of importers for each top RCA product in each shortlisted country; list of trade fairs/events (if any) in shortlisted countries
2. **Market analysis reports:** For detailed sector-specific information, MFS ties up with partner-consultancy firms in identified countries to prepare reports that focus on providing customised market research on the following aspects:
   - i. Sectoral overview and value chain
   - ii. Market structure

iii. Market size, trends and drivers

iv. Demand and supply dynamics

v. Profiling of key stakeholders

vi. Consumer segmentation

vii. Key developments, distribution and marketing channels

viii. Key competitors and agents, distributors, or strategic partners (if any) in the market

ix. Market intelligence for identifying the relevant projects/potential customers in the target segments in regions of interest

x. Assess the market potential of these products in identified target markets

xi. Trade and investment developments in the sector

xii. Investment opportunities

xiii. Sectoral SWOT analysis

3. **Investment advisory reports:** For members looking at entity incorporation or investing in identified countries, MFS prepares investment advisory reports that offer the following information:

   i. Identify and enumerate possible business entity structuring option available for undertaking business in identified country

   ii. Assessment of the identified business structuring options

   iii. Various forms of business entities associated with these options (limited liability co., branch, etc.)

   iv. Detail taxation and legal aspects associated with various business structures

   v. Comparative evaluation of these options considering the relative pros and cons, along with relevant tax and legal considerations

   vi. Shortlist the appropriate entity structuring option

   vii. Information on entity incorporation steps

   viii. Information on labour laws and regulations, minimum wages, etc.

   ix. Documentation support for setting up the entity

   x. Assistance with government liaisoning, if needed

4. **Partner identification:** In case member-companies are interested in exploring partnership options in identified countries, MFS can assist in the following manner:

   i. Identification of potential partner firms

   ii. Outreach to potential partner firms

   iii. Preparing an in-depth profile of interested firms; information may be limited for private companies that are not listed

   iv. Company profile with general background, product portfolio, financial data and key officials

   v. References contacted by CII

   vi. Establishing contacts through virtual introductions via emails and/or telecon

MoU

Manchester India Partnership

The award-winning Manchester India Partnership (MIP) was established in February 2018 to unite private businesses, academia and the public sector across India and Greater Manchester to build and strengthen trade, investment, cultural, and educational ties.

Established as one of the UK's primary sources of foreign direct investment (FDI) and one of the world's fastest growing economies, India's ambitions complement the rich history and continual innovation of the UK's fastest growing city, Manchester.

Creating direct connectivity between Manchester and India has been the top priority for the MIP. As the sixth largest gateway to India in Europe, the strong underlying business and diaspora links between the UK North and India are driving a continued requirement for a direct route. The MIP supported the acquisition and launch of Jet Airways, Manchester to Mumbai in November 2018. This was one of the most successful direct flights to ever launch from Manchester Airport achieving over 90% load in its 3 months of service. The MIP continue to work closely with Manchester Airport to secure a new direct route which has the potential to unlock significant bilateral trade and investment opportunities.

Confederation of British Industry (CBI)

The CBI is a not-for-profit membership organisation, founded by Royal Charter on 30 July 1965 when the British Employers' Confederation, the Federation of British Industries and the National Association of British Manufacturers joined together to form the Confederation of British Industry.

The CBI speaks on behalf of 190,000 businesses. Together they employ nearly 7 million people, about one-third of the private sector-employed workforce.

The CBI has offices across the UK as well as in Brussels, Beijing, New Delhi and Washington DC.

COMMONWEALTH

Enterprise and Investment Council

Commonwealth Enterprise and Investment Council (CWEIC)

CWEIC is a commercial, not-for-profit membership organisation with an official mandate from the Commonwealth Heads of Government to facilitate trade and investment throughout the 54 Commonwealth member nations. The role of CWEIC is to use the convening power and trusted network of the Commonwealth, which is led by Her Majesty The Queen, to drive trade and investment.

CWEIC's network includes around 100 business and government Strategic Partners (members) including Standard Chartered, Zenith Bank, Trade & Investment Queensland and the Government of the Maldives from 30 countries and territories. Every two years, CWEIC hosts the Commonwealth Business Forum in association with the host country of The Commonwealth Heads of Government Meeting (CHOGM). The next Commonwealth Business Forum 2021 will take place in June in Kigali, in Rwanda.

UNIVERSITY OF BIRMINGHAM

University of Birmingham, India Institute

The University of Birmingham was established by Queen Victoria by Royal Charter in 1900 and was the UK's first civic or 'redbrick' university. The first phase of building work on the campus was completed in 1909 under the auspices of the esteemed architect Sir Aston Webb. They celebrated the centenary of those buildings in July 2009.

Birmingham has continued to be a university unafraid to do things a little differently, and in response to the challenges of the day. It was a founder member of the National Union of Students and the first university in the country to:

- be built on a campus model
- establish a faculty of commerce
- incorporate a medical school
- offer degrees in dentistry
- create a women's hall of residence
- have a purpose-built students' union building

West Midlands India Partnership (WMIP)

WMIP was launched on Friday 26 June in a virtual event attracting over 300 people online from across the world.

The WMIP will build on India's strong track record of foreign direct investment (FDI) in the West Midlands, acting as a single point-of-contact for potential new investors.

The region's strong business offer has already attracted some of India's biggest companies, including Tata Motors, State Bank of India, Infosys, OLA, Enzen Global, Suprajit Group, Elder Pharmaceuticals and more recently, Microland.

WMIP develops stronger ties with India beyond the transactional relationship and works on areas of mutual benefit through civic partnerships, cultural collaborations and working on the living bridge of over 200,000 people of Indian origin. WMIP aims to expand on this strong base through targeted marketing and communications campaigns to encourage new Indian visitors, students and businesses to the West Midlands.

UNIVERSITY OF BIRMINGHAM

Warwick Manufacturing Group (WMG)

WMG is a world leading research and education group and an international role model for successful collaboration between academia and the private and public sectors. WMG is motivated by having an impact on the world.

Academics work with industry partners, applying innovation and intellectual rigour in science, technology and engineering to develop the ideas, technologies and talents that will shape the future. WMG delivers the skills and technology that industry and society needs, using their expertise to make a difference.

Partners

UK India Business Council

The UKIBC strengthens the UK-India trade and investment ties through policy advocacy, strategic advisory and membership services, and supporting governmental deliberations. We are the leading organisation focused on promoting bilateral economic relations between the UK and India.

Structured as a not-for-profit organisation, we are an independent, business-led and Government backed knowledge partner with unique networks in the Indian and UK public and private sectors. As a business-led organisation, it is imperative that businesses' needs lead our work. We ask our members – UK and Indian businesses – what their advocacy needs are and advocate for them at all levels of Government to facilitate trade, investment and economic growth between the UK and India, working with stakeholders across the UK and Indian Governments, including State Governments in India as well as central, devolved administrations, and city regions in the UK.

Government of Wales

The Welsh Government has 3 offices in India, Mumbai, Bangalore and Delhi. These offices are responsible for trade and investment, government relations, tourism, culture and education. Our main remit is to deliver the ambitions of the International Strategy launched in January 2020 by the Minister for International Relations and Welsh Language. The strategy sets out the vision for the next 5 years and the ambitions are:

- Raise Wales' profile internationally
- Grow our economy by helping businesses in Wales increase exports and by attracting high quality inward investment
- Establish Wales as a globally responsible nation.

All activity untaken by the international teams is aligned to the above ambitions.

Indian Investment in Wales accounts for companies such as Tata Steel, First Source, Mahindra and Wockhardt amongst others. Welsh companies in India include Admiral Insurance, Iceland Foods and Indoor Biotech.

City of London (CoL)

The City of London Corporation is the governing body of Britain's 'Square Mile', that houses the world's leading financial and professional services hub. This is home to over 250 foreign banks, including more than 15 large Indian financial services firms and banks, and the world's largest market for rupee-denominated masala bonds.

Based in Guildhall, the City Corporation looks after and promotes the City of London and is dedicated to a vibrant and thriving City, supporting a diverse and sustainable London within a globally-successful UK. It aims to support and promote London as the world's leading international financial and business centre, and to attract new business to the capital and the whole UK.

The City Corporation has a long-standing programme of work in India, opening a representative office in Mumbai over 10 years ago. It has been actively supporting the UK government and UK financial and professional services industry with engagement on India, particularly in areas of innovation (fintech & cyber), capital markets, sustainable finance and insurance.

Confederation of Indian Industry

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering Industry, Government, and civil society through working closely with Government on policy issues, interfacing with thought leaders, and enhancing efficiency, competitiveness and business opportunities for Industry.

For more than 125 years, CII has been engaged in shaping India's development journey and works proactively on transforming Indian Industry's engagement in national development. The premier business association has over 9000 members, from the private as well as public sectors, and an indirect membership of over 300,000 enterprises from around 294 national and regional sectoral industry bodies.

With 62 offices, including 10 Centres of Excellence, in India, and 8 overseas offices in Australia, Egypt, Germany, Indonesia, Singapore, UAE, UK, and USA, as well as institutional partnerships with 394 counterpart organizations in 133 countries, CII serves as a reference point for Indian industry and the international business community.

Confederation of Indian Industry

RESEARCH

CII Research is an Industry think-tank providing thought leadership on strategic economic and industry issues critical to national growth and development. Drawing on a deep reservoir of industry leaders and industry associations spanning all sectors and present across the country, CII Research originates analytical reports in consultation with stakeholders. Based on strategic perceptions and data, these in-depth insights suggest specific policies and action plans that would enhance the role of Indian industry in nation-building.

Confederation of Indian Industry
The Mantosh Sondhi Centre
23, Institutional Area, Lodi Road, New Delhi – 110 003 (India)
T: 91 11 45771000 / 24629994-7 • E: info@cii.in • W: www.cii.in

Follow us on:

cii.in/facebook cii.in/twitter cii.in/linkedin cii.in/youtube

Reach us via our Membership Helpline: 00-91-99104 46244
CII Helpline Toll Free Number: 1800-103-1244