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India-Germany Business Roundtable on 29 August 2019 at the Embassy

In preparation for the forthcoming India-Germany Inter Governmental Consultations to be held in Delhi between Prime Minister Narendra Modi and Chancellor Angela Merkel on 1 November 2019, Indian and German business communities in Germany discussed their plans and ideas of going forward at a Business Round Table co-chaired by Ambassador of India to Germany, Ms. Mukta D. Tomar and Parliamentary State Secretary of Federal Ministry of Economic Affairs and Energy, Mr. Christian Hirte.

1.2 Ambassador drew attention to major areas for greater cooperation - digitization and artificial intelligence, with focus on healthcare and agriculture and industry 4.0 as well as environment, waste management, and green urban mobility. She encouraged Indian and German businesses to work more closely together to garner synergies of opportunities in India and German manufacturing & technical capabilities.

1.3 Parliamentary State Secretary, Mr. Christian Hirte expressed his satisfaction at the strengthening India-Germany economic relationship and assured the participants that facilitation of businesses and growth in bilateral economic engagement was a priority for both Governments.

1.4 A discussion was held amongst businesses from both sides on their existing activities and future plans which was moderated by Mr Bernhard Steinrucke, Director General, Indo-German Chamber of Commerce. The session helped in bringing to the table issues faced by businesses and the mechanisms provided by the two Governments for addressing these including the Fast track Mechanisms that have been set up both in India and Germany.
Important News of the month

2. Despite the global slow-down, the fundamentals of Indian Economy are intact. A comparison of Indian economy with other world economies present this picture in a more clear term:

During the month, several measures were announced to further boost the Indian economy.

Review of FDI policy in various sectors

3.1 On 28 August 2019, significant amendments were made in the FDI policies across sectors to boost investment in India. [https://pib.gov.in](https://pib.gov.in)

Coal Mining

3.2 Earlier, 100% FDI under automatic route was allowed for coal & lignite mining for captive consumption by power projects, iron & steel and cement units and other eligible activities permitted under and subject to applicable laws and regulations. Further, 100% FDI under automatic route was also permitted for setting up coal processing plants like washeries subject to the condition that the company would not do coal mining and would not sell washed coal or sized coal from its coal processing plants in the open market and would supply the washed or sized coal to those parties who are supplying raw coal to coal processing plants for washing or sizing.

3.3 The revised policy permits 100% FDI under automatic route for sale of coal, for coal mining activities including associated processing infrastructure subject to provisions of Coal Mines (special provisions) Act, 2015 and the Mines and Minerals (development and regulation) Act, 1957 as
amended from time to time, and other relevant acts on the subject. "Associated Processing Infrastructure" would include coal washery, crushing, coal handling, and separation (magnetic and non-magnetic).

**Contract Manufacturing**

3.4 Earlier, the FDI policy provided for 100% FDI under automatic route in manufacturing sector. There was no specific provision for Contract Manufacturing in the Policy. In order to provide clarity on contract manufacturing, the revised policy allows 100% FDI under automatic route in contract manufacturing in India as well.

3.5 Subject to the provisions of the FDI policy, foreign investment in 'manufacturing' sector is under automatic route. Manufacturing activities may be conducted either by the investee entity or through contract manufacturing in India under a legally tenable contract, whether on Principal to Principal or Principal to Agent basis.

**Single Brand Retail Trading (SBRT)**

3.6 In the earlier FDI Policy, 30% of value of goods had to be procured from India if SBRT entity had FDI more than 51%. Further, as regards local sourcing requirement, the same could be met as an average during the first 5 years, and thereafter annually towards its India operations.

3.7 With a view to provide greater flexibility and ease of operations to SBRT entities, the revised FDI policy allows that all procurements made from India by the SBRT entity for that single brand shall be counted towards local sourcing, irrespective of whether the goods procured are sold in India or exported. Further, the current cap of considering exports for 5 years only is proposed to be removed, to give an impetus to exports.

3.8 In the old policy, it was provided that as regards local sourcing requirement, incremental sourcing for global operations by the non-resident entities undertaking single brand retail trading, either directly or through their group companies, would also be counted towards local sourcing requirement for the first 5 years.

3.9 However, prevalent business models involve not only sourcing from India for global operations by the entity or its group companies, but also through an unrelated third Party, done at the behest of the entity undertaking single brand retail trading or its group companies. In order to cover such business practices, in the revised policy, it has been decided that 'sourcing of goods from India for global operations' can be done directly by the entity undertaking SBRT or its group companies (resident or non-resident), or indirectly by them through a third party under a legally tenable agreement.

3.10 The old policy provided that only that part of the global sourcing would be counted towards local sourcing requirement which is over and above the previous year's value. Such requirement of year-on-year incremental increase in exports induces aberrations in the system as companies with lower exports in a base year or any of the subsequent years can meet the current requirements, while a company with consistently high exports gets unduly discriminated against. The revised policy states that entire sourcing from India for global operations shall be considered towards local sourcing requirement (and no incremental value).

3.11 The earlier policy required that SBRT entities have to operate through brick and mortar
stores before starting retail trading of that brand through e-commerce. This created an artificial restriction and was out of sync with current market practices. It has now been changed and the now, retail trading through online trade can also be undertaken prior to opening of brick and mortar stores, subject to the condition that the entity opens brick and mortar stores within 2 years from date of start of online retail. Online sales will lead to creation of jobs in logistics, digital payments, customer care, training and product skilling.

**Digital Media**

3.12 Earlier, the FDI policy provided for 49% FDI under approval route in Up-linking of 'News & Current Affairs' TV Channels. In the revised policy, it has been decided to permit 26% FDI under government route for uploading/streaming of News & Current Affairs through Digital Media, on the lines of print media.

**Major Impact and Benefits from FDI Policy Reform**

i. The changes in FDI policy will result in making India a more attractive FDI destination, leading to benefits of increased investments, employment and growth.

ii. In the coal sector, for sale of coal, 100% FDI under automatic route for coal mining, activities including associated processing infrastructure will attract international players to create an efficient and competitive coal market.

iii. Further, manufacturing through contract contributes equally to the objective of Make in India. FDI now being permitted under automatic route in contract manufacturing will be a big boost to Manufacturing sector in India.

iv. Easing local sourcing norms for FDI in Single Brand Retail Trading (SBRT) was announced in Union Budget Speech of Finance Minister. This will lead to greater flexibility and ease of operations for SBRT entities, besides creating a level playing field for companies with higher exports in a base year. In addition, permitting online sales prior to opening of brick and mortar stores brings policy in sync with current market practices. Online sales will also lead to creation of jobs in logistics, digital payments, customer care, training and product skilling.

v. The above amendments to the FDI Policy are meant to liberalize and simplify the FDI policy to provide ease of doing business in the country, leading to larger FDI inflows and thereby contributing to growth of investment, income and employment.

**Government withdraws enhanced surcharge on tax payable on transfer of certain assets**

4. In order to encourage investment in the capital market, the Government withdrew the enhanced surcharge levied by Finance (no. 2) Act, 2019 on long and short term capital gains arising from transfer of equity shares/units referred in section 111A and 112A of the Income-tax Act 1961 (the Act). The surcharge increase has been removed for both domestic and foreign investors and that the pre-budget position is restored. The move is a big relief for investors, including foreign portfolio investors.

**Measures for Start-ups - No angel tax**

5.1 Startups registered with the Commerce Ministry will be totally exempt from an anti-evasion provision in the Income-tax Act for taxation of share premium known as the ‘angel tax’. "Section 56
(2)(viib) of the Income-tax Act shall not to apply to startups registered with the commerce ministry.

Start-up Cell

5.2 In order to redress grievances and address various tax related issues in the cases of startups, a Start-up Cell has also been constituted by Central Board of Direct Taxes (CBDT) of Ministry of Finance. The Cell will work towards redressal of grievances and mitigate tax-related issues in case of Start-up entities with respect to administration of the Income-tax Act, 1961.

Amalgamation of Public Sector Banks (PSBs)

6.1 Over the last 5 years, several initiatives were taken for financial sector reforms. The Union Finance Minister gave a detailed presentation on 30 August regarding reforms in the banking sector (details may be seen at https://pib.gov.in/PressReleaseDetail.aspx?PRID=1583661). Results of the ongoing banking reforms are evident from following statistical comparisons:

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Banking Reforms

6.2 It was further announced that 10 PSBs would be consolidated into 4 entities to ensure smoother flow of credit into economy, strong national presence and global reach and operational efficiency gains to reduce cost of lending.

India's Foreign Trade in Q1 of 2019-20

7. India’s overall exports (Merchandise and Services combined) in April-July 2019-20 are estimated to be USD 181.47 billion, exhibiting a positive growth of 3.13% over the same period last
year. Overall imports in April-July 2019-20* are estimated to be USD 214.37 billion, exhibiting a negative growth of 0.45 per cent over the same period last year.

**First National Time Release Study to enable faster movement of cargo across borders**

8.1 Ministry of Finance, as part of its strategic commitment to improve global trade, has conducted India’s first national Time Release Study (TRS) between 1–7 August. The exercise will be institutionalized on an annual basis, during the same period every year hereafter. The TRS is an internationally recognized tool advocated by World Customs Organization to measure the efficiency and effectiveness of international trade flows.

8.2 This initiative will measure rule based and procedural bottlenecks (including physical touchpoints) in the clearance of goods, from the time of arrival until the physical release of cargo. The aim is to identify and address bottlenecks in the trade flow process and take the corresponding policy and operational measures required to improve the effectiveness and efficiency of border procedures, without compromising efficient trade control.

*Note: The latest data for services sector released by RBI is for June 2019. The data for July 2019 is an estimation, which will be revised based on RBI’s subsequent release.
Activities during the month
9.1 73rd Independence Day of India was celebrated at the Embassy. Ambassador Ms Mukta D. Tomar hoisted the national flag and read out the address of the Hon’ble President of India’s to the nation, delivered on the eve of Independence Day. It was followed by enthralling and captivating cultural performances by the members of the Indian diaspora.
9.2 Indian National Days Celebration Committee (INDCC) Berlin celebrated 73rd Independence Day of India on 17 August. Ms Paramita Tripathi, Deputy Chief of Mission was Guest of Honour while Dr Manuela Schmidt, Vice President of Berlin Senate was Chief Guest.

More than 500 members of the Indian community attended the Independence Day celebrations. Cultural programmes from different regions of India were performed.

9.3 Ambassador met Görlitz Lord Mayor Octavian Ursu and signed the Golden Book of Görlitz.

9.4 Ambassador met Mr. Heinz Lehmann, Member of Saxony Parliament from Görlitz.
9.5 Ambassador visited the Interdisciplinary Centre for Ecological and Revitalising Urban Transformation (IZS) at Görlitz and met with German and Indian scholars.

9.6 Ms Paramita Tripathi, Deputy Chief of Mission presented a book “Bharat Ek Parichay” to the library of Brandenburg University of Technology, Cottbus. She met with Prof. Dr. Christiane Hipp, Acting President of Brandenburg University of Technology and discussed ways of increasing collaboration and exchanges in science and technology.

9.7 Indian Embassy Table Tennis Team led by Captain Ambassador won Silver medal at the 1st Diplomats’ Table Tennis Tournament in Berlin.

9.8 Classical music on Indian slide guitar with Manish Pingle, accompanied by Shri Arup Sen Gupta at the table was organized at the Embassy on 22 August.
9.9 Geetopadesham - A Yugalbandhi of Kathak & Kathakali by Kalamandalam Goutam and Sudip Chakraborty was presented.

9.10 Bharatnatyam Recital by Ms. Deepika Panchamukhi and Ms. Shruti Abhishek.
Upcoming Events

10.1 Dhrupad - Classical North Indian vocal music will be presented by Mr Yvan Trunzler on 19 September. An accomplished vocalist Mr Trunzler has conducted many workshops in Europe & America, and manages his own school in Lyon (France).

10.2 Ms Nirali Kartik represents the venerable tradition of Indian classical music in a way that relates to the contemporary audience. On 23 September, she will present Hindustani Vocal at the Embassy.

10.3 150th birthday of Mahatma Gandhi will be celebrated at the Embassy on 2 October.
All previous issues of E-Newsletter can be viewed at the Embassy’s website: https://indianembassyberlin.gov.in.

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