



**FY2023**

# **Proposals for the Enhancement of India's Economy through Improvement of Business Environment**

**Japan Chamber of Commerce and Industry in India (JCCI)**

**November, 2023**

# 1. Foreword

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## ■ Towards building a Sustainable and Vibrant Business Relationship between Japan and India

- In 2022, the 70th anniversary year of the establishment of diplomatic relations between Japan and India, Prime Minister Kishida and Prime Minister Modi agreed to set a target of JPY 5 trillion in public and private investment and financing from Japan to India over the next five years. Both leaders continued to hold meetings in 2023, while fulfilling their responsibilities as the hosting countries of the G7 and G20 respectively.
- Japanese investment in India has been active, particularly in the manufacturing industry, including automotives. Japanese companies have also contributed substantially towards realizing Prime Minister Modi's stated goals "Make in India" and "Atmanirbhar Bharat".
- In order to further expand future investment, it is essential to facilitate communication between Japan and India and to deepen a common understanding of Japanese companies' perspectives on the business environment in India
- In the form of this set of proposals for improving the business environment, the endeavor of the Japan Chamber of Commerce and Industry in India remains as always to promote future-oriented discussions and dialogue with relevant authorities in India

## 2. Priority Areas

## 2-1 (Investment) Improvement of business environment in which foreign companies can invest with confidence

- Under the vision of “Make in India for World”, Japan requests that India, which has an important role in the new supply chain framework, actively consider improving its FDI (foreign direct investment) environment.
- Specifically, Japan would like to point out the following items such as simplification of process for land acquisition, expediting court proceedings, and others as included below.

Proposals	No.
Easing of RBI regulations	4a-2
Expedition of Legal Proceedings in Indian Courts	4a-4
Simplification of the process of relocation of Japanese expatriates within India	4c-6
Domestic warehousing: Simplification of warehouse licensing procedures	4i-18
GST imposed on payment of salaries to Japanese Expatriates paid by Japan head office and reimbursed by Indian subsidiary	4j-1
Reinvestigation after tax audit by tax office	4j-7

## 2-2 (Trade) Improvement of business environment in which foreign companies can invest with confidence

- Japan would like to address to the trade environment within the framework of the new supply chain under the vision of “Make in India for World”.
- Specifically, Japan would like to mention the following items such as consistent customs clearance system, air cargo operations, improving the logistics road network, and others as included below.

Proposals	No.
Unification of custom process using the certificate of origin for importing	4c-8
Cash flow pressure due to advance GST payments	4g - 4
Customs System: Advance Ruling System in HS Code Selection	4i - 1
Customs Clearance System: Request to review “Late Filing Penalty” Rule	4i-2
Air cargo operations: Promote awareness of e-AWB and digitization of related documents	4i - 7

## 2-3 Development of Economic and Social Infrastructure

- In order for India to play a vital role in the new supply chain frameworks under the visions of “Make in India” and “Make for World”, Japan requests India to actively augment infrastructure that facilitates exports from India.
- Specifically, Japan focuses on 1) Securing stable backup power sources to support social infrastructure, and 2) steps towards stabilization of power transmission and distribution systems; and 3) Enhancing connectivity.

Proposals	No.
Promoting the construction of gas pipelines in compliance with diesel power generation regulations	4c - 3
Promotion of the maintenance of important roads at state borders	4c - 5
Improving the logistics road network: Delhi NCR	4i - 9,10
Rail transportation business: Stable lead time between JNPT and Delhi	4i - 15

## 2-4 Deregulation in the Financial Sector

- In order to lead to better entry and investment of Japanese companies and lead to the development of a sound insurance market, Japan requests India to review financial regulations, such as Priority Sector Lending (PSL) for foreign banks, the minimum required borrowing period for External Commercial Borrowing (ECB), FDI restrictions in the insurance sector and restrictions on reinsurance transactions.

Proposals	No.
Revision of corporate income tax rates for foreign banks	4b-1
Deregulation related to PSL (Renewable Energy)	4b-2
Relaxation of the FDI restrictions in the insurance sector	4b-4,5



## 2-5 Improvement of BIS process

- Japan requests India to introduce and implement new or amended conditions based on sufficient consultation with stakeholders including Japanese companies on Bureau of Indian Standards (BIS) processes.
- This includes the application of standards in accordance with appropriate and effective technical guidelines, adjustment of the timing for adding and implementing regulated products in a way that does not hinder the operations of stakeholders and streamlining the approval process.

Proposals	No.
Support for NOC Handling During BIS Mandatory Certification and Shortening of the Certification Process	4a - 3
Smooth Processing of Certification of Compressor Manufacturing Units	4d-1
Review of period required for implementation of revised IS Standard	4f - 1

## 2-6 Accelerating Decarbonization / Establishment of a JCM

- To achieve pragmatic energy transitions toward carbon neutrality, Japan requests India to implement policy in a timely manner to achieve this goal.
- This includes rational energy efficiency standards, subsidies and tax incentives on energy-efficient capital investments and use of alternative energy, and appropriate safeguards on technology transfers.
- Japan also requests India to establish a Joint Crediting Mechanism (JCM) between Japan and India as early as possible. Also, the list of 13 technology areas to be considered for trading of carbon credits under Article 6.2 announced by Ministry of Environment, Forests and Climate Change in February 2023 narrows down the target industries of the JCM. However, in order to promote decarbonization on a rapid and large scale, we would like to see coordination among relevant Indian ministries to ensure that projects implemented under JCM in other countries (e.g. Solar power generation) are also included.

Proposals	No.
Early Conclusion of Carbon Credit System, Reexamination of target industries	4a-1
Introduction and development of inspection systems for automobiles	4c-1
Participation in JCM (Bilateral Credit)	4e-1
Establishment of Various Subsidy Schemes for Waste-to-Energy (WtE) plant	4e-2

## 2-7 Expedition of Patent Process and Extension of Patent Prosecution Highway (PPH)

- Under the vision of “Make in India for the World”, in order to develop Japanese (advanced) technology in the chemical and environmental sectors in India as well as in the manufacturing sector, Japan requests India to ensure prompt and adequate protection of intellectual property.
- Specifically, Japan would like to point out the following items such as procedures for obtaining IP rights and measures against counterfeit goods, including the restarting of the India-Japan Patent Prosecution Highway (PPH) to enable patent rights to be granted quickly.

Proposals	No.
Expediting patent examination	4k-2
User-friendly procedures of patent filing	4k-3
Quality control of patent examination	4k-4
Anti-Counterfeiting	4k-6
Prevention of unfair competition	4k-13