RIS Policy Brief

New Approach on Tax Policies and Imperatives for FTAs and FDI: International Trade and Investment Partnerships

Introduction

In September 2019, India's finance minister Nirmala Sitharaman announced a major slashing of corporation tax rates. She reduced the base tax rate to 22 per cent from 30 for companies which will not seek exemptions; she further slashed the rate for new manufacturing companies to 15 per cent which were subject to an already lowered 25 per cent rate. With the surcharges the minimum corporation tax payable by a company is just a shade above 17 per cent. Yet despite these rates, India was under pressure to slash the rates further. It shall now abate.

The global minimum corporation tax of 15 per cent as suggested by the G7 nations and now broadly endorsed at the summit of G20 finance ministers is therefore a welcome development for India, subject to caveats. India has in the past often been a recipient rather than a rule setter for global economic policies. But this time, in collaboration with OECD, India is engaging in the writing of the rules for a global economic treaty. As the Finance Minister noted in her remarks, India urges the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS-IF) to work on ensuring a fairer, sustainable and inclusive tax system which results in meaningful revenue for developing countries like India.

The other major tax reform is the passage of the Taxation Laws (Amendment) Bill, 2021 by Parliament in the monsoon session of 2021. It makes the job of Indian negotiators for international treaties much easier. The bill provides for the withdrawal of tax demand made on indirect transfer of Indian assets if the transaction was undertaken before May 28, 2012, the day the infamous retrospective tax legislation came into being. It is also proposed to refund the amount paid in these cases without any interest thereon. For this purpose the bill seeks to amend the Income Tax Act of 1961 and the Finance Act of 2012. This means investors putting money into India shall know clearly what is the tax demand on their instruments without the ghost of a past law suddenly making an appearance.

Trade: After a significant pause, two nations among the top ten economies of the world, India and the UK, the fifth and sixth largest on nominal basis, shall begin an intensive level of discussions to finalise a trade deal. In May this year, the Prime

RIS *Policy Briefs* are prepared on specific policy issues for the policymakers.

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[1] Rappeport, Alan. 2021. Finance Leaders Reach Global Tax Deal Aimed at Ending Profit Shifting. The New York Times, June 5. *Retrieved from* https://www.nytimes.com/2021/06/05/us/politics/g7-global-minimum-tax.html

Ministers of the two nations launched an 'Enhanced Trade Partnership' (ETP) to unleash the trade potential between the two. It involves setting an ambitious target of more than doubling bilateral trade by 2030. As part of the ETP, India and the UK have also agreed on a roadmap to negotiate a comprehensive and balanced FTA, including consideration of an Interim Trade Agreement for delivering early gains. A critical element of the deal shall be the expected launch of a comprehensive partnership on migration and mobility that will facilitate greater opportunities for the mobility of students and professionals between the two countries.

The Emerging G20 approach and international tax concerns

Global Tax deal: There are several reasons why India is getting involved in the exercise of drafting a global tax deal. Once the global minimum tax comes into play, it could make several Indian companies foraying abroad carry a higher tax footprint. At the same time it could also be a significant source of revenue for India, going ahead, if the rules are worked out well so that companies with significant global presence are taxed in India in proportion to the business they conduct in India. for the business for some of the Indian IT companies.

So while Indian IT companies like TCS and Infosys might conceivably come under the tax radar abroad along with Indian conglomerates like Airtel and Tata group both of which have substantial investments abroad, companies like Amazon and Google may be taxed in India.

All these tax scenarios are of course going to be intensely argued before they enter the statute books. The agreements at London, has been debated and approved upon by the G20 group of finance ministers. The heads of states shall ratify them later this year. Only after the heads of state of the G20 accept the framework would this agreement be adopted by the legislatures of the respective countries. It is a long road ahead.

International attention is, nevertheless, focused on how after years of debate, the G20 nations have accepted a two pillar solution, to tax multinational companies more intensely. While pillar two has drawn more attention-it mandates a minimum rate of 15 per cent corporation tax effectively ending the attraction of tax havens for multinational companies, for Indian tax authorities it is pillar one of this agreement which carries the more serious macro implications.

Under this pillar is the question of tax treatment of IT or digital companies. US Treasury secretary Janet Yellen has said she wants countries to get the "taxing rights on at least 20 per cent of profit exceeding a 10 per cent margin for the largest and most profitable multinational enterprises"[1]. Behind the ringing tone note the two words, *largest* and *most profitable.*

The US had carried a position to the G20 summit that only about 100 of the most profitable multi-national enterprises globally should be subject to this tax. Most such companies globally are the digital ones. In other words if these companies have a significant market presence in any economy, they have to pay a substantive tax there. The OECD, the club of rich countries, whose policy framework often coheres closely with those of the European Union, wanted no limit on the number of enterprises covered. The two italicised words imply, the US position has carried the day.

Digital tax and India

All digital services companies including Amazon pay a 2 per cent tax on their transactions in India, irrespective of their profit margin. The digital tax or equalisation levy was introduced in April 2020 for foreign e-commerce sellers of goods and services in India. The aim is to level the playing field with local businesses who pay taxes in India. After the changes made in Finance Act 2021, any foreign e-commerce companies will need to pay a 2 per cent tax on their inventory of non-resident sellers on their platforms. Inventory of resident sellers are not liable to be taxed, which makes clear the levy is clearly on foreign business. The tax is applicable for those companies whose annual revenue is above Rs 2 crore (20 million). But offshore e-commerce firms that sell exclusively through an Indian arm will not have to pay the two percent equalisation levy[2].

In response the US government body, US Trade Representative set India and five other countries, including UK and Italy, a time frame of 180 days to halt the tax and accept multilateral talks for a new taxation framework[3]. Else, they shall face potential retaliatory tariffs from Washington, the USTR announced after an investigation under Section 301 of the US Trade Act, 1974. "India's DST is discriminatory on its face. The law explicitly exempts Indian companies, while targeting non-Indian firms. The result is that U.S. "non-resident" providers of digital services are taxed, while Indian providers of the same digital services to the same customers are not."

India is not the only nation which has imposed a digital tax. France has imposed a three percent digital services tax on companies if they make annual supplies of taxable services of more than Euro 25 million in France and Euro 750 million globally. However in the list of countries on whom USTR served notice, France was omitted even though there was the same investigations as was done for India and with identical conclusions.

In June 2021, the USTR announced it would not go ahead with retaliatory set of 25 per cent additional tariffs on 40 Indian products. This was because discussions had begun among nations on ringing in a multilateral framework to replace the country wise digital taxes.

The proposed multilateral framework, however, poses problems for India. For instance it shall means, Indian IT giant TCS might be subject to this tax abroad, wherever it has a presence. Why? The proposals being debated at the G20 state that the tax shall apply to the 'largest and most profitable' businesses, defined as those with global annual revenues of €20 billion (approximately $23.6 billion) and a profit margin of 10 per cent or more. TCS with annual revenue of $23 billion (financial year 2020-21) and a profit margin of above 19 per cent is just on the cusp. India's second largest IT company Infosys with annual revenue of $13.56 billion shall escape even though its profits margin is also higher than ten percent. Now, there are bigger Indian companies than TCS, like RIL and SBI but they shall get excluded since extractives and regulated financial services businesses are excluded from the scope of this new tax formulation[4]. The same logic says that insurance giant LIC once it gets listed shall be excluded from the list of "largest and most profitable" businesses.

Yet while India will have to let a company like TCS be taxed by all jurisdictions where it does business, going by the same metric, Amazon with a lower than 10 per cent operating profit margin, shall also not be a potential tax target in countries like India where it does a substantial part of its business. The reasons are its profit margin is way less than the 10 per cent threshold. It also means that there shall be a disincentive for future tech companies from developing countries like India to expand. If they expand and show profits fairly, they shall be exposed to a larger tax levy in all countries where they shall expand. India expects its fintech companies to take place under the sun and capture large segments of the global market. In other words India could face a situation that while more domestic companies shall graduate to the club of top MNCs, thir counterparts tapping into the Indian market shall be able to duck the tax. This is quite

[2] Cyrill, Melissa. 2021. India's Digital Tax: Rules Where Levy is Applicable, US Response. India Briefing, June3. *Retrieved from* https://www.india-briefing.com/news/indias-digital-tax-2-percent-not-applicable-foreign-e-commerce-companies-indian-arm-21956.html/

[3] https://ustr.gov/sites/default/filesenforcement/301Investigations/ Report%20on%20India%E2%80%99s%20Digital%20Services%20Tax.pdf

[4] Li,Yen,Zhang,Lei and Jin,Min.2017. Report on consumer awareness and behaviour change in sustainable consumption: China sustainable consumption research program. Beijing, CCSFA,45p.

possible since the foreign MNCs will be taxable on their India exposure. Profitability of these companies will be certainly thin, in any case lower than the threshold of 10 per cent.

There are other reasons too. The effective tax India shall get to levy and the receipts from them could be less than those from the digital tax it currently deploys. In FY21 India earned Rs 2057 crore from the digital tax. In FY20 it was Rs 1,136 crore[5].

These are the reasons why the multilateral framework has important caveats for New Delhi. Indian revenue authorities are keen that they should be able to potentially access more than the "20 percent of profit exceeding the 10 percent margin" of foreign companies that do business in India. While the G7 declaration had used the word "at least" signifying this is a floor, chances are it could become a ceiling, the G20 meeting did not get into these issues, mindful of the differing positions of leading economies like India and even China.

To make the agreement stick, US Secretary of the Treasury Janet L. Yellen spoke with Finance Minister of India Nirmala Sitharaman on the subject, just days before the G20 meet to canvass support. Secretary Yellen pitched the position that the United States and India have a shared interest in implementing a robust global minimum tax. She stressed the importance of partnership with India in the G20 and OECD to seize a once-in-a-generation opportunity to remake the international tax system to help the global economy thrive.

Despite the concerns the flip side is of course a brighter one for the tax department. Whenever Indian companies do a merger or acquisition abroad, they set up a special purpose vehicle to carry out the transaction. These vehicles earlier carried a Mauritius address, but of late also carry a Cayman island address. Both these destinations offer a zero corporation tax rate. While India has a double taxation avoidance treaty with Mauritius and none with Cayman, the effect was the same. India got no tax from these transactions. Under the proposed pillar two, India could soon impose the 15 per cent tax and demand compliance. Essentially countries like India can now demand that whenever an underlying Indian asset is taxed at a lower rate abroad, the companies will pay a tax to India also. The aggregate tax must add up to the magic number of 15 per cent.

It helps that the effective minimum corporation tax rate in India is at present about 17 per cent. This means India therefore does not have to bother about tweaking its rate. These goodies will begin to roll in once the G7 agreement is ratified by the wider G20 group. Our tax people shall be able to pass an omnibus correction to all the double taxation avoidance agreements. The correction shall be deemed to have got inserted in each treaty. It shall be a landmark amendment and raise India's ability to tax offshore transactions by a quantum jump.

India amends a contentious tax law: Why do we name the passage of the Taxation Laws (Amendment) Bill, 2021 as a huge reform? It was passed by Parliament in the monsoon session of 2021 to bring to an end a seven year deadlock in Indian tax laws.

The bill awaiting the President's assent, provides for the withdrawal of tax demand made on indirect transfer of Indian assets if the transaction was undertaken before May 28, 2012, when the retrospective tax legislation was signed into law. It is also proposed to refund the amount paid in these cases without any interest thereon. For this purpose the bill seeks to amend the Income Tax Act of 1961 and the Finance Act of 2012. This means investors putting money into India shall know clearly what is the tax demand on their instruments without the ghost of a past law suddenly making an appearance.

[5] Seth, Dilasha. 2021. Google tax collection nearly doubles in FY21; Bengaluru tops the list. Business Standard, April 13. *Retrieved from* https://www.business-standard.com/article/economy-policy/google-tax-collection-nearly-doubles-in-fy21-bengaluru-tops-the-list-121041301460_1.html

The retrospective law was enacted by Parliament after a Supreme Court judgment in 2012 which had held the government had no right to make a tax demand on Vodafone for a buyout of a Hutchison-Whampoa floated company headquartered in Mauritius. The latter was the parent of the Indian entity that was running a telecom business in India. The tax demand was made by the Mumbai office of the department and was challenged, first in the Bombay High Court and then in the Supreme Court.

Post the adverse judgment, to make its position stick the tax department steered a law though Parliament that claimed that since the underlying asset was an Indian one, it had a) the right to claim for tax on the buy out and b) was entitled to do so even though the tax department had not sent a notice within the permissible number of years (six) to the parties. To make the notice stick, the tax department had invented a fiction which said it was within its right to reopen tax on all cases from the time the Income Tax Act of 1961 was passed. Foreign investors, rightly said, the tax notice was sweeping and made it a precedent for the government to reopen any past tax case, even after those were closed.

The law was applied on seventeen tax cases (a large number) and led to a series of court cases. While there was adverse publicity for India with foreign investors, the cases have become arbitration issues too. In the largest of these involving Cairn India, the company has asked for a refund of Rs 8,100 crore. The others are puny in comparison. But so long as the demands were live, the companies had to show those in their balance sheets.

Of late the India government claims have been rejected by the arbitration panels. These have led to putative demands for seizure of Indian assets abroad by the legal representatives of the companies, an unsavoury development and with huge future economic repercussions for the economy's reputation as a jurisdiction for investments from abroad. The passage of the bill therefore firmly brings these developments to an end.[6]

Policy on Tax and FTAs: This one has not only got a a large tax deal but also a non-tax one. For the first time in trade talks with a country--in this case the UK--the India government has brought in domestic interest groups to hammer out their concerns before the official discussions begin. The new template has come into play as India and UK begin negotiations for a trade deal which the UK is more keen to seal and India wants to show it can seal one.

Let us parse the non-tax issues first as they can be more of a spoiler for this deal. While the organised dairy farmers from Gujarat and some other states led the opposition to RCEP, law firms and chartered accountants are expected to oppose any substantive deal with the UK. There is no surprise here. It has been well documented. An "information note for the consultation relating to a Free Trade Agreement between the United Kingdom and India" published by the UK department of international trade quotes an OECD country wise study on restrictions to international trade in services across 22 sectors. For India the study notes "India's restrictions to services trade are substantially higher than the UK across all the sectors"[7]. They are particularly high for legal and accounting services with scores of 0.89 and 0.82. On a range of zero to one, a score of one means totally closed to international trade. Even on other services the index for the 2020 shows India has far more barriers than the UK on every sort of services ranging from logistics, to insurance and computer business.[8]

Domestic commentaries have also pointed to the same problem, like in the case of India-EU talks. "For its part, the EU wants India to first liberalise its professional services sector, specifically accountancy and legal services. However, the Institute of Chartered Accountants of India and the Bar

[6] Kazmin, Ami and Findlay, Stephanie. 2021. India moves to scrap retrospective tax. Financial Times, August5. *Retrieved from* https://www.ft.com/content/6bb63863-c0eb-4e5b-99bd-b023847d3595

[7] United Kingdom, Department For International Trade.2021. An information note for the consultation relating to a Free Trade Agreement between the United Kingdom and India, London, 31p.

[8] Department of International Trade. 2021. An information note for the consultation relating to a Free Trade Agreement between the United Kingdom and India. London, 32p. *Retrieved from*https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/989234/dit-india-uk-consult-info-note.pdf

Council of India are vehemently opposed to such liberalisation as they fear competition from overseas accounting and law firms"[9].

What it boils down is as follows: India wants to expand access under Mode 4, that is movement of professionals and students. UK wants the liberal window to operate for Mode 3, which is about reciprocal access (commercial presence of firms offering professional services sectors, including accountancy, legal services, architectural and audit.

FTA negotiations India has done with countries have always snagged on this difference[10]. This time however, post Brexit, UK is keen to get in Indians under Mode 4, to make up the numbers for the dip in similar entry from the EU. India will be well off by seizing the opportunity to loosen its opposition to Mode 3 presence. It is understood that in recent negotiations with the UK there has been considerable movement on Mode 3. India would want to envelop its offers with commitments from UK on Mode 4.

Of the total annual $33 billion of trade between India and the UK, services is about $17.55 billion (2019) with a trade surplus in favour of India.

Unlike the last major trade deal India signed in 2005 with Singapore which was on goods trade later extended to services, the deal with the UK shall pivot on services. Even though trade in goods represents close to two thirds (62 per cent) of total UK trade with India it is services which are expanding faster. Since 2011, UK imports of services from India have increased by 96 per cent, while its exports of services to India have risen by 109 per cent over the same period.

The success of the deal will also depend on the nature of services the two economies could exchange. Since India is a service dominated economy so this agreement shall be a test case of how much of those concerns are reflected in the eventual deal.

Indian firms generate $6.07 billion of legal, accounting and management business with the UK annually. "Other business services" to the UK is consequently the largest line of trade between the two countries including both goods and services. Other than payment for professional and management consulting services, the category also includes technical and trade-related services. It is thrice India's next largest export, that of refined oil to Britain.

To ensure the agreement does not have to be called off like the way India's entry into RCEP was aborted in 2019 at the last hour, Prime Minister Narendra Modi has tasked the commerce ministry to hold the widest possible consultations with domestic constituents, before making any commitments.

Some commentators post the RCEP developments had taken the position that the break off of the RCEP talks was not last minute, pointing to India's established opposition to the issues that remained unresolved, "..many Indian businesspeople and agricultural interests had been wary of the country joining the RCEP and were putting increasing pressure on New Delhi to protect the domestic manufacturing, produce, and dairy sectors."[11]

But they omit to factor in why the Prime Minister of India should have made a highly publicised visit to the negotiating table at Bangkok in November 2-4, 2019, and his speech even the day before, extolling the need for the RCEP. "India remains committed to a comprehensive and balanced outcome from the ongoing RCEP negotiations. Their successful conclusion is in the interest of everyone involved".[12] Despite such ringing endorsement and physical presence he withdraw. "…anti-trade constituencies began a countrywide agitation from mid-October 2019 on India's decision to join the RCEP. The timing of the agitation was significant with the RCEP talks scheduled to

[9] Khorana, Sangeet. 2015. FTA: strategic all for the EU and India? *In* What does India think edited by François Godement, Chapter 14. London: European Council on Foreign Relations, P 102-106.

[10] Chauhan, Vijay Pratap Singh. 2021. Analysing India's potential free trade agreements with the UK and the EU – Part 1. *Competition Law* .14 June. *Retrieved from* https://competition.cyrilamarchandblogs.com/2021/06/analysing-indias-potential-free-trade-agreements-with-the-uk-and-the-eu-part-1/

[11] Pant, Harsh V. and Sarma, Nandini. 2019. Modi was right. India isn't ready for free trade: until the country can address its own economic problems, agreements like the RCEP may do more harm than good. *Foreign Policy.* 19 November. *Retrieved from* https://foreignpolicy.com/2019/11/19/modi-pull-out-rcep-india-manufacturers-compete-china/

[12] PTI. 2019. India has put forward reasonable proposals for RCEP deal, says PM Modi. *Mint.* 02 November. *Retrieved from https://www.livemint.com/news/india/india-has-put-forward-reasonable-proposals-for-rcep-deal-says-pm-modi-11572688894296.html*

conclude at the ASEAN Summit in Bangkok from 31 October to 4 November 2019".[13]

Taking the cue from such developments, commerce minister Piyush Goyal has told business leaders a trade agreement with the UK is what India expects to sign before it does with any other country including Canada, Australia or with UAE. This shall be India's first significant trade deal since the NDA government came to power at the centre, in 2014. The one signed with Mauritius this year covered only 500 odd tariff lines.

The ministry has therefore not only taken the unusual step of setting up working groups on trade headed by joint secretaries, but has also populated with representatives of industry chambers. It mimics the route UK's department of trade has trod on to elicit public response. New Delhi has asked the stakeholders for comments prior to launch of the discussions on the FTA with UK. "It is understood that an FTA with UK would allow us to explore futuristic opportunities in trade and investment by making exports easier and promoting investment flows…. towards this aim the government of India is committed to seeking an inclusive trade policy that takes into account of the views of all the stakeholders".[14] These plans were in the offing since 2018 but have been dusted up recently.

Unlike the "information note for the consultation relating to a Free Trade Agreement between the United Kingdom and India"[15], issued by London, New Delhi, however, does not plan to issue any comparable public document. It is, instead, relying on business chambers and think tanks to issue those, so that the ministry can retain an element of deniability on any of the topics.

It is also a challenge as to how much India can accommodate the demand to open up in these services. There are issues also about the applicability of the European General Data Protection Rules, that India has objections about.

The caution has also rubbed off on Indian industry. At a discussion with their UK counterparts in April, to estimate the timeline needed to sign an Interim Trade Agreement between the two nations, most Indian leaders said they did not expect the talks to begin in earnest within the next three months. Since Indian firms have used the island as their preferred landing point to tap the European market, demand for this category of business shot up over the years. With that attraction reduced, post Brexit, it could be difficult for Indian industry to get very excited or concerned about an India-UK trade deal. Yet as Ficci says industry is looking forward to a trade deal with the UK. "Many sectors are keen and they hope that talks on services will also be part of the negotiations".[16]

Modi and British Prime Minister Boris Johnson's virtual summit in May therefore caught the industry somewhat surprised. Even though the two leaders did not set any deadlines, the upbeat note was obvious. "The enhanced trade partnership between India and UK will generate several thousands of direct and indirect jobs in both the countries", a release issued by the Prime Minister's Office noted[17].

Tax issues

UK claims the average tariff on goods exported to India is 14.6 per cent, while exports from India draw a tariff of 4.2 per cent. This is the tax implication of the deal. India has to consider the extent to which it will reduce import duties on a host of items. From the UK those goods to be imported shall mostly be luxury items like those on alcohol or on cars. Reducing duty on them while also giving Britain registered professionals a toehold in a very vocal constituency of lawyers and chartered accountants is going to be a very tough political call. A rich man's deal is how it could get painted.

Yet, if the deal has to proceed substantive reductions in customs duties are essential. As a counterplea India can press for more

[13] Palit A. 2021. Will India's Disengaging Trade Policy Restrict it From Playing a Greater Global Role? World Trade Review 1–17. https://doi.org/10.1017/S1474745620000518

[14] India. Ministry of Commerce and Industry. 2021. Suggestions from stakeholders and trade associations on India-UK enhanced trade partnership. 25th June. *Retrieved from* https://commerce.gov.in/wp-content/uploads/2021/06/Consultation-paper_India-UK-ETP-1.pdf

[15] An information note for the consultation relating to a Free Trade Agreement between the United Kingdom and India https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/989234/dit-india-uk-consult-info-note.pdf

[16] Lynch, Emma. 2020. Webinar: UK-India relations post Brexit. UK India Business Council. 4th December. *Retrieved from* https://www.ukibc.com/webinar-uk-india-relations-post-brexit/

[17] India, Prime Minister Office, 2021. India-Uk Virtual Summit . Delhi, PIB, May 4.*Retrieved from.* https://pib.gov.in/PressReleseDetail.aspx?PRID=1715968

accommodation like exports of technical textiles and machinery parts ($1.58 billion and $1.07 billion of exports from India).

And if they come into play, subsequent negotiations with EU or even with USA shall use them as precedents. Yet to push growth India needs the FTA with UK. This is the tax element of the deal and links the two other tax issues that India has tackled this year.

For the Indian commerce ministry the trade deal shall be an important achievement. Also India need not be worried that the services heavy agreement with the UK shall be a template for other FTAs. Canada and Australia are commodity driven economies.

The eventual plans for engagement between the two countries are multilayered. They include not only an eventual free trade agreement between the fifth and sixth largest economies of the world, there would be an eventual Comprehensive Strategic Partnership within 2030. The volume of bilateral trade is expected to be doubled by then. The plans are part of a Roadmap 2030 adopted by them to develop a deeper and stronger engagement in the key areas of people to people contacts, trade and economy, defence and security, climate action and health.

Conclusion

In 2021 India has begun to rework its tax treatment of international business, substantially. The three key developments in this regard are India agreeing to join a multilateral negotiation on corporation tax through the G20, unilaterally revoking a long drawn tax dispute over retrospective powers of taxation that had roiled sentiments of foreign investors and finally engaging with the UK to conclude a free trade agreement that will involve relaxing India's another long held position of not allowing foreign professional service firms to operate in India. It can now strongly claim that "Trade disputes are not a one-way street"

The first two has been welcomed by business interests within India and abroad and by most political parties. As we pointed out the legal and accounting professionals from India are still reluctant to let British firms get a toehold in their sector here. The UK government note also recognises this. "India is relatively more restrictive in the trade of legal and accounting services," it noted.

Since the liberalisation of the Indian economy in 1991 despite major developments in each decade there has been no single calendar year where three such significant tax related issues been tackled together. Each are responses to international developments. The first, global tax shows India is willing to join a multilateral negotiation even by clipping some sovereign rights. The second, retrospective tax issue demonstrates a willingness to play by the international order again by restricting sovereign rights. The third picks up from the beneficial effect of these two developments and seeks to reward India accordingly.

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