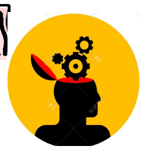


SVKM's
Narsee Monjee College of Commerce & Economics
Issue : November, 2015
Editors –
Harsh Thakrar (SYBcom-G)
Pooja Panikkar (TYBFM-A)

ECOBUZZ

IMPACT OF TRANS pacific PARTNERSHIP ON INDIA

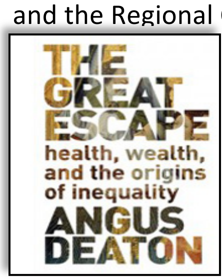
On 7th October, 2015, negotiators from 12 countries from the Pacific Rim struck a deal called the Trans Pacific Partnership (TPP). The TPP is concerned with the variety of economic policy with an aim to reduce the trade barriers amongst members and ease the flow of goods, services and investments. The partnership also aims to strengthen the rules on labour standards, environmental issues, origin criteria and intellectual property rights. The negotiators include – Brunei, Chile, New Zealand, Singapore, Australia, Canada, Japan, Malaysia, Mexico, Peru, USA, and Vietnam. It is considered as the most ambitious deal amongst these countries that have a population of 800 million and account for 40% of the global trade. Though two major economies of the region – China and South Korea are expected to join the TPP sooner or later.

The TPP will come into effect only after the negotiators ratifies the agreement. Details of how the deal will be implemented will depend on the arguments in the individual countries in the coming weeks and months. Those in favor of the deal will unleash new economic growth and those in against, especially the Americans who fear it could mean the jobs moving from the US to the developing countries. The TPP and other mega trade agreements under negotiation such as the Transatlantic Trade and Investment Partnership and the Regional Comprehensive Economic Partnership (RCEP) are bound to challenge India's businesses in many ways, says Commerce Minister.

1. The deal will erode the existing preferences for Indian products in established traditional markets such as the US and the European Union (EU), benefiting the partners to these agreements.
2. They are likely to develop rules architecture which will place greater burden of compliance on India's manufacturing and services standards for access to the markets of the participating countries.
3. The TPP would lead to high global standards and in the event of India's failure to mature and revitalize its manufacturing industry and induce efficiency in the export sector, it would be increasingly difficult for India to be able to export even if it's a part of RCEP.

Commerce Ministry says that these challenges should be considered as an opportunity to respond strategically and to persuade the Indian industry to raise its bar to match the high global standards in both products and services, and the framework of rules.

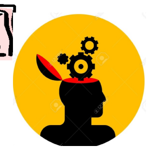
By- Harsh Thakrar
SYBcom - G



THE Great escape
By-Angus Deaton
The Nobel Prize winner for 2015, comments on economic development, poverty, sustained progress of the world and the inequality among the countries.

UPDATES –

1. **CBDT asks the industry to list top 5 tax issues which leads to smooth functioning.**
2. **India's brand value increases by 32% positioning her at Rank 7.**
3. **India-Germany enters an Investment Pact of $2.25 Billion**
4. **BoB officials caught in Rs.6000 crore forex scam**



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ECOBUZZ

Vodafone victory over the transfer pricing case

On 8th October 2015, the Indian arm of the British telecom company – Vodafone has scored another victory in the Indian Transfer Pricing Case. This case pertains to Financial Year 2007-08 when the British telecom sold its call centre business to Hutchinson's Indian entity and assignment of call options to Vodafone International BV.

Transfer Pricing is referred to the setting of the price for the sale of goods and services between related legal entities or Associated Enterprise (AE). In other words, it refers to the practice of arm's length pricing for transactions between the AEs to ensure that a fair price (one that is charged to an unrelated party) is charged. Such a provision is necessary so as to ensure fair pricing of the asset transferred and prevent tax evasion. For example, if a subsidiary company sells the goods to its parent company, then the cost of goods is the transfer price. Technically, Section 92-92F of the Indian Income Tax Act, 1961 deals with the Transfer Pricing Law.

An outcome favourable to the company augurs well for other foreign companies locked in similar disputes with the Indian Tax Department, including Royal Dutch Shell Plc., IBM Corp., and Nokia Oyj.

History -

1. The I-T department had slapped a transfer pricing order against Vodafone's Indian arm, seeking to add Rs.8500 Crore to its taxable for FY 07-08 for its sale of Ahmedabad –based call centre. The revenue authorities said the deal was an "undisclosed international transaction" which lead to application of transfer pricing norms.

2. Such demand was challenged by the telecom company in the Income-Tax Appellate Tribunal (ITAT) appealing that such a transaction was out of I-T jurisdiction. In December, 2014 the tribunal ruled that the sale of call centre business was an international transaction and assignment of call options had taken place. Therefore, the revenue department had jurisdiction to proceed against the company.

3. The company then challenged such order of Tribunal in the Bombay High Court.

4. The court ruled in the company's favour in an oral order. The bench relied on an earlier Supreme Court's judgment, and ruled that there had been no transfer of 'Call Options' and hence the transaction didn't fall under the purview of transfer pricing norms. (The detailed order has not been uploaded on the court's website yet)

Such a ruling is in benefit for the foreign companies and will cheer the investor's confidence. There are high chances that ITAT will appeal before the Supreme Court wrt this case. But, following Modi's principle of Make in India, there are bets that SC will too overrule this case leading to British Telecom giant's another victory!

By- Harsh Thakrar
SYBcom -G

For publishing articles on our Newsletter,
Contact us at: nmecoasso@gmail.com