



Canadian Investment into India

Doing business the Canadian way.

S&A

C. SAVVA & ASSOCIATES LTD

CANADIAN INVESTMENT INTO INDIA



India has been ranked among the top countries in attracting global foreign direct investment in 2009 and will continue to remain among the top five most attractive destinations for international investors during 2010-11.

India presents a vast potential for overseas investment and is actively encouraging the entrance of foreign players into its markets. No company, of any size, aspiring to be a global player can ignore the opportunities present in one of the world's top emerging economies.

Canadian companies are increasingly eyeing the attractive investment opportunities in India, namely in the areas of services, telecommunication, construction activities and computer software and hardware. The services sector is Canada's largest and fastest growing economic component. Canadian services providers are continuing to look abroad in order to take advantage of expanding opportunities in the global marketplace. Vast opportunities exist in India's financial, education, transportation, telecommunications, energy, and computer and related services sectors, all of which are pivotal for India to sustain its impressive economic growth.



The purpose of this brochure is to provide a summary of the benefits of structuring Canadian investment into India through a Cyprus Holding Company.

Cyprus is a well established holding company jurisdiction that is commonly used by Canadians investing abroad. The Cyprus-India Double Tax Avoidance Agreement (DTAA) has long been considered one of the strongest Indian DTAA's and commonly used by many multinationals investing in India.

The main provision of the Cyprus-India DTAA is that no resident of Cyprus is taxable in India on capital gains arising out of sale of securities in India (irrespective of whether such sale is to an Indian or non-Indian resident). A similar provision exists within the Mauritius and Singapore DTAA's with India.

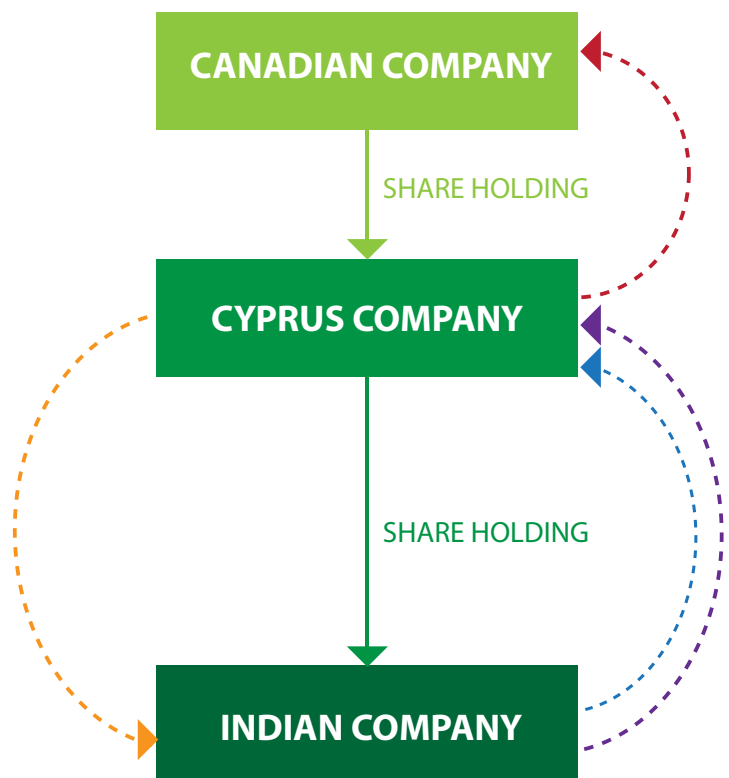


Some of the main advantages Canadian companies can derive from using a Cyprus Holding Company to hold Indian investments include the following:

- Capital gains exemption on sale of Indian shares, with no minimum holding requirements in terms of time and percentage of holding. In the absence of this exemption, Indian capital gains tax is either 21.12% for long term holding (over 12 months), or 42.23% for short term holding;
- India does not withhold tax on payment of dividends to non residents, however a 16.99% dividend distribution tax is payable on all dividends declared, distributed, or paid by an Indian resident company. With carefully tax planning, such tax can be avoided;
- Cypriot participation exemption rules will typically result in nil tax on dividend income received from India;
- Cyprus capitalisation can be either equity, debt, or a mixture of both, without tax or legal restrictions such as thin cap rules;
- Interest payments from India to Cyprus attract withholding tax of 10%;
- Royalty payments from India to Cyprus attract withholding tax of 10%;
- Credit relief is provided in Cyprus on all tax suffered in India;
- No Cyprus withholding tax on payment of dividends, interest, and royalties (subject to certain conditions) paid to a non-resident;
- No tax on gains from sale of Indian shares;
- Lowest corporate tax rate in Europe, being 10%;
- Cyprus is a considerably more cost effective jurisdiction for structuring Indian investment

when compared to other jurisdictions which are commonly used i.e. Singapore, Netherlands, Mauritius etc;

- The Cyprus Holding Company structure can also be utilised, and is ideal for investment into the European Union, Russia, Ukraine and other countries where investment is typically routed via Cyprus;
- Canada and Cyprus have entered into a DTAA.



- Financing
- Dividends: 0% withholding tax
- Dividends: 16.99% Indian Distribution Tax; or nil for buy-back of own shares
- Interest: 10% withholding tax

Savva & Associates doing business the Canadian way!

Being Canadian professionals, we have significant experience with structuring Canadian investment in jurisdictions like India, Russia, Ukraine, Poland, Romania (just to name a few).

We have advised on the Cyprus tax aspects and assisted with the formation and ongoing administration of Cyprus structures for a number of Canadian publicly listed companies who have invested in India.

In cooperation with our partners in both Canada and India, who represent the leading tax advisory firms in their respective jurisdictions, we are well positioned to assist you in providing high level Cyprus tax advice, and assisting with the formation and administration of a reliable structure which contains the appropriate level of substance.

Please contact us if you
would like to know more
about this opportunity

Toronto, Canada

C.Savva & Associates
4646 Heritage Hills Blvd
PO Box 14519
Mississauga, Ontario
L5R 4G3

Office: +1 (647) 999-7060
Email: cp.savva@savvacypprus.com

Nicosia, Cyprus

C.Savva & Associates
15 Aglantzia Avenue
2nd Floor
2108 Nicosia
Cyprus

Office: +357 22 516 671
Telefax: +357 22 516 672
Email: info@savvacypprus.com

