March 29, 2012

Dr. Manmohan Singh
Honorable Prime Minister of India
South Block, Raisina Hill
New Delhi 110011

Re: Finance Bill 2012

Dear Sir,

We are writing to express deep concerns about many of the tax provisions proposed in the Finance Bill 2012. We are independent trade associations, described in the attached statements, that together count more than 250,000 companies as members. Our member companies are engaged in a wide spectrum of industries throughout the world and based in many different countries, but they share a number of serious concerns about proposals advanced in the Finance Bill.

If enacted, these proposals will significantly alter the Indian taxation of our member companies, with retroactive effect extending back for as much as half a century, and reverse many decided cases. Some of our member companies had already begun reevaluating their investments in India due to increasing levels of controversy and uncertainty regarding taxation in recent years. The sudden and unprecedented move in the Bill has undermined confidence in the policies of the Government of India toward foreign investment and taxation and has called into question the very rule of law, due process, and fair treatment in India. This is now prompting a widespread reconsideration of the costs and benefits of investing in India.

Every nation has a sovereign right to legislate, but these proposals are disturbing to investors from India's trading partners in several major respects. Their policy direction is inconsistent with prevailing international norms, which, together with India's current difficulties in resolving international tax disputes, creates an intolerable risk of double taxation. Their unfettered retroactivity also departs significantly from the practice followed in other countries, which prohibit or carefully limit the use of retroactive tax legislation. Their disregard for the judiciary is particularly striking when compared with the practice of other countries, which respect their court decisions and the principle of *res judicata*. The proposals also create serious uncertainty about whether India intends to take unilateral action to upset the balance of its existing treaty obligations, as they authorize the Central Board of Direct Taxation to define many terms used in tax treaties, with effect from the date on which each treaty entered into force. Together, these proposals make it impossible for companies to predict the costs and risks of doing business in India or to have confidence that their results in past years will stand.

Other provisions of the Bill would protect the Government of India from having to return taxes previously collected as payments and deposits even if required to comply with court decisions, and would specifically grant the tax department powers to demand and collect tax from taxpayers notwithstanding court decisions to the contrary. This appears to permit revenue authorities to act unchecked by the judiciary and must be addressed.

Although presented as clarifications, these changes are seen as in clear reaction and contradiction to a long series of recent rulings and judgements rendered by Indian tribunals, High Courts and the Supreme Court of India, and they would likewise affect many currently pending cases and audits. The most prominent of the judgements that the proposals appear designed to reverse is the very recent Supreme Court ruling in the Vodafone case, holding that it is a well-established principle of Indian law that an overseas transaction cannot be taxed in India even if it has the indirect effect of changing control of a company in India. The Bill also would expand the definition of 'royalty' retroactively to 1976 to include, among other things, consideration received for computer software and for transmission by satellite, cable, optic fibre or similar technology. This provision appears designed to nullify a number of recent rulings and court decisions, including those in cases involving Asia Satellite Telecommunications, Ericsson, Factset Research Systems, Infosys Technologies, Intelsat, ISRO Satellite Centre, Lucent Technologies, Motorola, and TV Today Network. These are only a few of some two dozen retroactive provisions in the Bill. If tax law changes are made, they should not apply retroactively. Past court decisions must stand despite subsequent legislation.

There appears to be an assumption, often expressed by Indian tax authorities, that India's ability to attract foreign investment is not affected by its taxation policies and practices. This simply is not the case, especially as other countries adopt tax reforms and trade and regulatory measures to encourage foreign direct investment. India will lose significant ground as a destination for international investment if it fails to align itself with policy and practice around the world and restore confidence in the relevance of the judiciary.

Respectfully submitted,

Business Roundtable

Canadian Manufacturers & Exporters

Capital Markets Tax Committee of Asia

Confederation of British Industry

Japan Foreign Trade Council, Inc.

National Foreign Trade Council, Inc.

United States Council for International Business

cc: Shri Pranab Mukherjee
Honorable Minister of Finance
Ministry of Finance
North Block
New Delhi – 110001

Shri Salman Khurshid
Honourable Minister for Law & Justice
Ministry of Law and Justice
A-Wing, 4th Floor, Shastri Bhawan
New Delhi 110 001

Shri Anand Sharma
Honorable Minister of Commerce & Industry
Ministry of Commerce & Industry
Udyog Bhawan
New Delhi 110011

Business Roundtable

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Washington, DC 20001

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Facsimile 202.466.3509
Website brt.org

March 30, 2012

Business Roundtable (BRT), the association of chief executive officers of leading U.S. companies, represents member companies with over $6 trillion in annual revenues and more than 14 million employees. BRT member companies comprise nearly a third of the total value of the U.S. stock market and invest more than $150 billion annually in research and development -- nearly half of all private U.S. R&D spending. Our companies pay $163 billion in dividends to shareholders and generate an estimated $420 billion in sales for small and medium-sized businesses annually.

The Business Roundtable shares the concerns regarding the Finance Bill 2012 tax proposals discussed in the attached letter and urges that those proposals be reconsidered.

Sincerely,

John Engler

Canadian Manufacturers & Exporters

Manufacturiers et Exportateurs du Canada

March 30, 2012

Canadian Manufacturers & Exporters (CME) is Canada's largest trade and industry association, and the voice of manufacturing and global business in Canada.

Since 1871, we have made a difference for Canada's manufacturing and exporting communities. Fighting for their future. Saving them money. Helping them grow.

The association represents more than 10,000 leading companies nationwide. More than 85 per cent of CME's members are small and medium-sized enterprises. As Canada's leading business network, CME - through various initiatives including the establishment of the Canadian Manufacturing Coalition - touches more than 100,000 companies from coast to coast, engaged in manufacturing, global business and service-related industries.

CME's membership network accounts for an estimated 82 per cent of Canadian manufacturing production and 90 per cent of goods and services exports.

CME shares the concerns regarding the Finance Bill 2012 tax proposals discussed in the attached letter and urges that those proposals be reconsidered.

Sincerely,

Jean Michel Laurin
Vice President, Global Business Policy

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Capital Markets Tax Committee of Asia

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30 March 2012

Capital Markets Tax Committee of Asia ("CMTC") is a financial services industry body consisting of a number of banks, investment banks, securities firms and other diversified financial services institutions operating in Asia who are represented through their regional tax directors.

The main objects of the CMTC, according to its Constitution, are "to provide a forum for discussion by corporate tax managers responsible for the tax affairs of investment banks, securities firms, banks and other diversified financial services institutions of topical taxation issues in Asia affecting their capital and securities markets and similar activities; ... to keep members informed of up to date information on taxation matters affecting capital and securities markets, and to exchange views on the technical analysis thereof; [and] to represent the interests of its members through acting as the respected voice of investment banks, securities firms, banks and other diversified financial services institutions, and to participate in liaison or advocacy activities on tax matters either directly or indirectly through representation with other groups or societies concerned with or by fiscal matters."

CMTC shares the concerns regarding the Finance Bill 2012 tax proposals discussed in the attached letter and urges that those proposals be reconsidered.

Yours sincerely,

Jocelyn Lam
Chairperson

CBI
THE VOICE OF BUSINESS

30 March 2012

Dear Sirs

The CBI – Confederation of British Industry - is the UK's leading business organisation, speaking for some 240,000 businesses that together employ around a third of the private sector workforce. With offices across the UK as well as representation in Brussels, Washington, Beijing and Delhi, the CBI co-ordinates the voice of British business around the world.

The CBI shares the concerns regarding the Finance Bill 2012 tax proposals discussed in the attached letter and urges that those proposals be reconsidered.

Yours sincerely

John Cridland CBE
Director-General

John Cridland CBE Director-General
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Japan Foreign Trade Council, Inc.

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TEL : (03) 3435-5952 FAX : (03) 3435-5979

JFTC

March 29, 2012

JFTC was founded in 1947 as a core private-sector organization in the area of international trade with nationwide membership of private companies and organizations. The membership of JFTC is composed of regular members represented by trading companies (Shoshas) and trading organizations, and supporting members consisting of manufactures, financial institutions, shipping companies, and other companies and organizations with interest in international trade. JFTC is involved in a wide range of activities with the objective of contributing to the prosperity of Japanese economy and the enhancement of international society through trade. Most importantly, JFTC functions to develop a consensus within the business community regarding various trade-related issues, and actively presents specific proposals to the government and related organizations for the solution of such problems.

JFTC shares the concerns regarding the Finance Bill 2012 tax proposals discussed in the attached letter and urges that those proposals be reconsidered.

Sincerely yours,

Shoei Utsuda
Chairman

NATIONAL FOREIGN TRADE COUNCIL, INC.

1625 K STREET, NW, WASHINGTON, DC 20006-1604

TEL: (202) 887-0278 FAX: (202) 452-8160

March 30, 2012

The NFTC, organized in 1914, is an association of some 250 U.S. business enterprises engaged in all aspects of international trade and investment. Our membership covers the full spectrum of industrial, commercial, financial and service activities. The NFTC therefore seeks to foster a level playing field in the international business arena by eliminating major tax inequities in the treatment of U.S. companies operating abroad. To achieve this goal, American businesses must be able to participate fully in business activities throughout the world, through the export of goods, services, technology, and entertainment and through direct investment in facilities abroad. Foreign trade is fundamental to economic growth.

The NFTC shares the concerns regarding the Finance Bill 2012 tax proposals discussed in the attached letter and urges that those proposals be reconsidered.

Sincerely yours,

William Reinsch
President

March 30, 2012

Founded in 1945, the U.S. Council for International Business (USCIB) is an international business association whose membership consists of top U.S.-based global companies and professional services firms from every sector of our economy, and with operations in every region of the world. USCIB promotes open markets, competitiveness and innovation, sustainable development and corporate responsibility, supported by international engagement and prudent regulation. With a unique global advocacy network encompassing the International Chamber of Commerce, the International Organization of Employers and the Business and Industry Advisory Committee to the OECD, USCIB provides business views to policy makers and regulatory authorities worldwide, and works to facilitate international trade and investment.

USCIB shares the concerns regarding the Finance Bill 2012 tax proposals discussed in the attached letter and urges that those proposals be reconsidered.

Sincerely,

Peter M. Robinson
President and CEO