Bangalore Chamber of Industry and Commerce

e-Synergy

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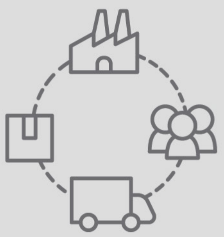
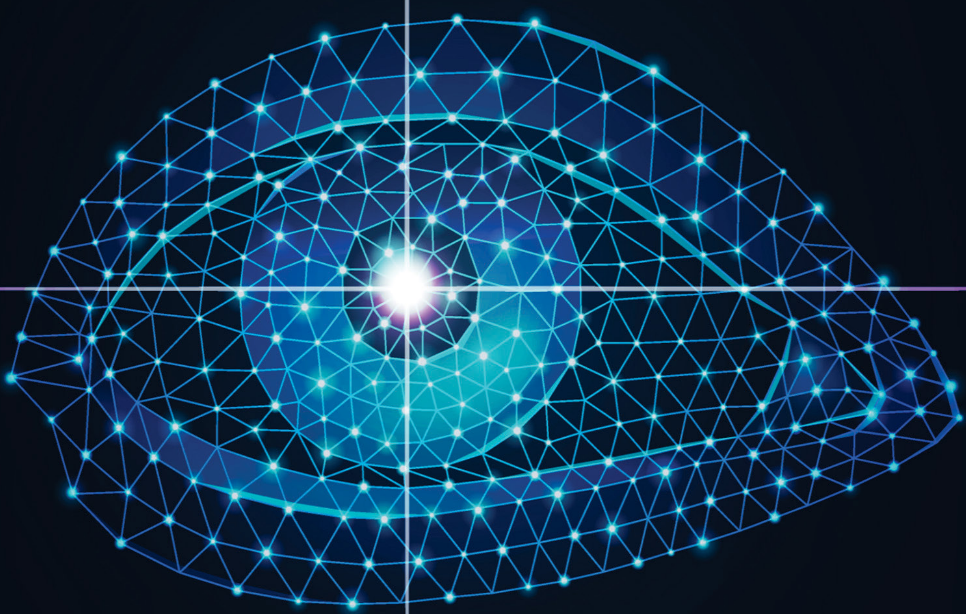


Supply Chain

Taxation

Extended Reality



MISSION

Namma Karnataka-
Gateway to Future India

VISION

Look Beyond

Together We Should

Content

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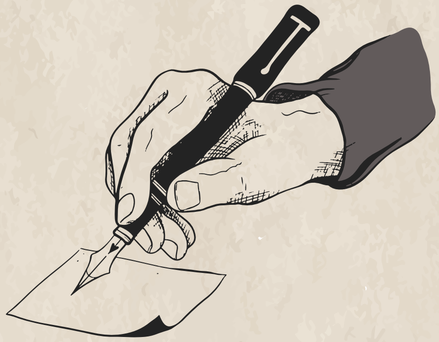
Foreword



T R Parasuraman
Past President, BCIC and
Executive Advisor
Toyota Group

Dear Members,

Greetings!

Karnataka plays a pivotal role in India's development epitomizing best of many worlds – a land of ancient heritage, rich culture, innovation, industrial growth, and a rich talent pool too!

The hon'ble Chief Minister has set an ambitious target of $1 trillon from Karnataka in India's target of $5 trillion economy by 2025. I am sure this will drive a huge growth in terms of industrialization beyond Bengaluru as today 90% of the economy of the state comes from Bengaluru.

BCIC would also like to place it on cards its deep appreciation to the Government of Karnataka and all the related stakeholders for garnering close to 10 lakh crores of investments in the recently concluded GIM thus setting a new landmark record for the state with MOU,s already signed for nearly 28% of the total investments committed. Interestingly 70% of these investments have been planned outside Bengaluru is a great step go beyond Bengaluru.

We, at, BCIC were proud to Partner with the Government of Karnataka in organizing Invest Karnataka - Global Investors Meet (GIM) 2022 from November 2 - 4, 2022 culminating in a grand success attracting crores of investment to the State. Happy to share that BCIC was represented in many high-powered committees constituted by the Government and facilitated more than 1500 registrations for the meet.

The Expert Committees of the Chamber have created the roadmap focussing on various activities helping Member organizations get through many challenges thus making the Chamber an effective convener, collaborator and community builder within the business eco-system.

I look forward to working together to strategically position the Chamber as a convener of thought leadership within the State.

I encourage our members to continue to stay involved in the Chamber's activities.

Mr. Rabindra Sah
Chief Engineer
Tata Technologies

PLM - Key Enabler for Digital Thread & Digital Twin

Dear Readers,

Product Lifecycle Management (PLM) is process of managing the various stages of lifecycle of a product from its concept to design and manufacture, to sales, service and its disposal.

PLM integrates engineering product data, processes, resources and business systems. PLM data could be graphic and non-graphic data. PLM is applicable across the industries and across the enterprises-small, medium & large. It is backbone of the companies and referred as "Single Source of Truth".

It is essential that enterprises adopt and leverage digital platforms & solutions of PLM to achieve a competitive edge and faster time-to-market. The recent COVID-19 pandemic has further necessitated the need for framework & technologies of Product Lifecyle management

PLM creates Digital Thread & Continuity. Platform-based solutions of PLM enables single source of data truth, creates collaboration across internal department and functions (Including suppliers & partner) by real-time data synchronization, scalable and brings digital data continuity (eliminates traditional siloes functions) to work efficiently, effectively and more front loading for innovation.

PLM - Key Benefits

- PLM - Key Enabler for Digital Thread & Digital Twin
- Faster Time to Market
- PLM Leverage digital Technologies and its integration
- Managing Complexity
- Connecting Users, Departments, Suppliers, Partner, Customers
- Efficient Change Management
- Collaboration and Work from Anywhere
- Eliminates Silos and effort in searching for information
- Project Management
- Variant Management
- Productivity Improvement
- Digital Mockup
- Add layers of adoption to get next level of business Transformation
- More Front Loading
- Ability to Scale up / Flexibility to Grow
- Save Time and cost, Eliminate Rework

Sustainability and the future of the processed food industry

Mr. Prashant Gokhale
Managing Director
Bühler India Pvt. Ltd.

With the effects of climate change increasing in intensity, companies are facing challenges on both ends of the value chain; what will the future of processed food look like? Let us explore this topic.

Governments across the globe are dealing with ecological challenges on a scale unheard of until now. We are seeing the effects of climate change increase at an alarming rate. Flash Floods, landslides, historic temperature fluctuations – these are all warning signs that we are heading towards an ecological tipping point. These emerging scenarios have driven governments to implement stringent policies and demand more responsible actions on the part of companies. These trends have significantly impacted the FMCG industry.

Providing populations with adequate nutrition while balancing water consumption is becoming increasingly challenging. At the same time, focusing purely on calories has led to obesity becoming one of the biggest health concerns of our time. Losses in the supply chain, hunger, and protein availability are issues many countries are struggling to tackle.

The Food and Agriculture Organization (FAO) predicts that this shortage of protein will continue, particularly among the poor, which could exacerbate health problems among children. Animal protein is being increasingly seen as an unsustainable means of producing protein for human consumption. Fig. 2 below shows the water required to produce 1 kg of various animal products. Given these figures, it is evident that plant-based proteins promise a sustainable path forward for providing adequate nutrition. The quantity of carbon, too, is to be considered while measuring the impact of food production. One-third of greenhouse gas emissions can be attributed to the food processing industry. Methane from livestock raising accounted for 35 percent of food system greenhouse gas emissions and is broadly the same in developed and developing countries.

Ending hunger, encouraging responsible consumption, and limiting the adverse effects of climate change are all part of the Sustainable Development Goals (SDG) identified by the United Nations General Assembly. Plant-based proteins offer a more sustainable way of meeting the growing protein requirements of countries around the world and are a reliable way of meeting these SDG's.

The technological innovations in the last decade have brought plant-based proteins on par with proteins sourced purely from animals and have made it easier for us to consume responsibly. Whether it is vegetarian diets, extruded meat analogs, or lab-grown meat, we are at the moment in time when we must make a choice between continuing our current path and shifting to one where we can live sustainably.

It is imperative that organizations and nations plan their growth responsibly with the health of the planet as well as future generations in mind.

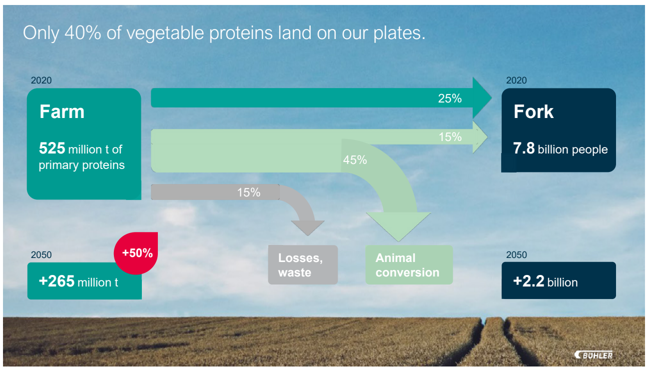


Fig. 1 Availability of Protein

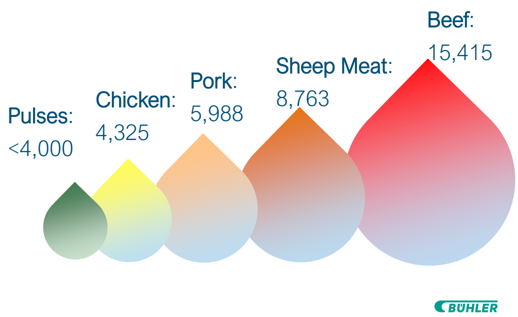


Fig. 2 Water Consumption (source: https://www.nature.com/scitable/blog/eyes-on-environment/water_world/)

3D Holograms – A New Era for Experiences

Mr. Raghava Kumar
Chief Technology Officer (CTO)
OpeZee

We believe, Artificial Intelligence and Holographic Technology will disrupt the experience centers business across the world. It could be a game zone or a corporate experience center or a museum, all will transform as next-gen experience centers very soon, " says Raghava Kumar, CTO and India Business Head of Opezee Private Limited, Bangalore based startup which is on its growth path .

3D Hologram Experiences represents the virtual reality in a new dimension. They are truly immersive and amazing. The power Internet of Things (IOT) and Artificial Intelligence (AI) enables experiences with real world. Now-a-Days, Digital Twin technology based on 3D Holograms powered by IOT and AI is taking the mission critical operations to the next including like nuclear plant, automotive plants, dark factories etc.,

Digital Persona experiences using 3D Holograms is a booming market across the world. Its truly immersive and realistic experience whether it is Netaji Subhas Chandra Bose experience in Alipore Jail in Kolkata or MF Hussain at Museum of Art and Photography at Bangalore or Comrade EK Nayanar at Kannur.

The interactive and Immersive 3D Holographic Tours changes the perspective of experiencing the Virtual Tourism. Using the specially built camera powered by new-age processing engine – delivers the 360-degree 3D holographic experience of the places without travelling physically to the places. This has been proved and most of the heritage sites in India is under conversion of 3D Holographic Tours which takes India Tourism to next level.

Hon'ble Minister for Home, Mr Amit Shah, experiencing the entire Project Model on 3D Holo Table during the Bhoomi-Puja for the expansion of Gwalior's Airport.

Imagine, a giant Dinosaur is coming in front of you or submerged into a beautiful aquarium or you are travelling with huge sharks under the sea – all are possible now with 3D Holograms which are available for public to experience it. This is a new era of 3D gaming which is accessible and affordable by a common public. So far, it was shown as graphics in 2D movies, but 3D Holograms Technology enabled us to experience it in our Cities in India.

We all know that LiDAR technology which is a remote sensing method that uses the light in the form of a pulsed laster to identify the ranges on the earth. It is very much used to make high-resolution maps, surveying and geomatics. The data collected from LiDAR scanners will be huge and very difficult to visualize it and process it. Now, using the 3D Holographic technology in combination of "Unlimited Data ™", we can visualize the 3D Data very easily. Not only that, we can collaborate and share the data like we do with online versions office applications.

Today, photogrammetry is used in various industries like Jewelry, Museums, Automotive Parts etc., The 3D Scans of the objects using the Photogrammetry techniques can be represented to the real world using the meta verse. 3D Holograms Technology compliments the meta verse to display the objects in true holographic manner.

The new age 3D Holograms technology being used to showcase the infrastructure development whether it is a groundbreaking ceremony or at exhibitions using the Holographic Products like Holo Wall and Holo Table powered by Opezee.

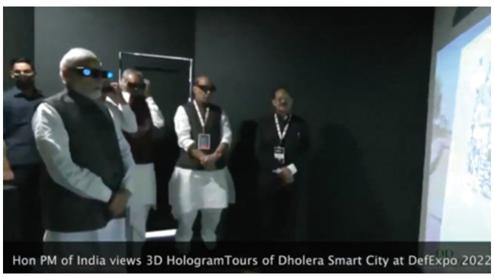
We at Opezee, a startup in Bangalore which was opened its presence in a 100sqft room five years back, now catering the domestic and international markets deeply focused on 3D Holographic Experiences delivery with its 100+ team size, as on today. Our partnership with Axiom Holographics, Australia (Formerly known an Euclideon Holographics) created new opportunities for both of us whether is a software or hardware to support each other.

About Opezee;

OpEzee is bringing cutting edge and innovative 3D Holographic Solutions as well as world-class Visualization Services to India ... and globally! A startup - founded by Mayank Manish - the company has rapidly grown into servicing a very niche segment of Corporates and Government delivering some of the most advanced visualization and rendering solutions and wit the projection of these experiences on the innovative 3D Holographic Technologies.

Opezee has its clients in the domains like museums, real estate companies, educational institutions, government, manufacturing industry, IT companies and thrilled to provide solutions that are tailored to various use cases for them.

Opezee has Holozone Centers bring 3D Holographic Entertainment and Games in a manner that has not been experienced by people before! The first ever 3D Holographic Experience center is now live in Bangalore, India.



Hon'ble Prime Minister, Shri Narendra Modi experiencing our 3D Holograms at DefExpo 2022.

Holding equity in a subsidiary is more taxing than it ever was – A new GST battle!

Ms. Tanmayee Rajkumar
Partner, King & Partridge, Advocates

Ms. Shruti Singh Baghel
Advocate, King & Partridge, Advocates

After liberalization in the nineties, foreign companies investing in India through subsidiary companies set up here is a common phenomenon. More recently, a number of homegrown companies have set up subsidiaries outside India. The Companies Act, 2013 defines a "holding company" as one having one or more subsidiary companies and a "subsidiary" as a company in which the holding company controls the composition of the Board of Directors or controls more than half of the total share capital either on its own or through one or more of its subsidiary companies.

Recent audits under the Goods and Services Tax Act, 2017 ("GST Act") have given rise to a peculiar issue, which hitherto was beyond one's imagination. The proposal is to levy GST on 'the service of holding equity' in the Subsidiary. The present article analyses this unique proposal of the GST authorities and the legal provisions in connection thereto, in the backdrop of a growing need for predictability, certainty and finality in tax assessments.

The Revenue's case:

The Revenue's contention is that holding of equity in a subsidiary is a supply of service. Whilst in the case of an Indian holding company having a foreign subsidiary, the charge is proposed on a forward charge basis, in the case of a foreign holding company with an Indian subsidiary, the authorities seek to levy tax under the reverse charge mechanism, contending that it is an inward supply of services. This interpretation seems to be primarily on account of the scheme of classification of services which contains an entry - 'service of holding equity of subsidiary company' against Service Accounting Code ('SAC') 997171. Whilst the alleged service in some cases is valued by adopting 1% of the share capital as the transaction value, in some others, the earnings per share are adopted, invoking Section 15 read with Rules 27(c) and 32(2)(b)(i) of the GST Rules.

Whether holding equity in a subsidiary by the holding company constitutes 'supply' of services?

The taxable event for levy of tax under the GST Act is "supply" of goods or services. 'Supply' under section 7(1) of the CGST Act includes all forms of supply of goods or services or both, made or agreed to be made for a consideration by a person in the course or furtherance of business and under clause (c) includes certain activities specified in Schedule I, although they are made without consideration. Entry 2 of Schedule I specifies supply of goods or services or both between related parties, when made in the course of or in furtherance of business. Thus, under Schedule I where there is supply of services between related parties, although there may be no consideration, it is deemed to be a supply. Services is defined in section 2(102) as under:

> *"services means anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged;*
>
> *Explanation. ––For the removal of doubts, it is hereby clarified that the expression "services" includes facilitating or arranging transactions in securities"*

Thus, supply of a service connotes a positive action on the part of the service provider which results in a service being rendered to the recipient. Merely because the definition of "services" is negatively worded to include "anything other than...", the concepts of supply and service cannot be stretched to include situations which do not involve any service at all in the first place.

In fact, 'transaction in securities' is excluded from the definition of 'services' and vide the Central Goods and Service Tax (Amendment) Act, 2018 an explanation to the definition of 'service' was inserted to include within its ambit any act of "facilitating or arranging transactions in securities". Thus, facilitating transactions in securities like brokering and other stock market intermediary services are still services. Quite consciously however the Parliament made no attempt to suggest that holding of securities per se is a service, the irresistible conclusion being therefore that it was never intended to be covered under the definition of services. In fact, if the Revenue's contention that investment by a holding company in a subsidiary would amount to supply of services is accepted, the very activity of transaction in securities which is sought to be excluded by the Legislature would be rendered entirely otiose.

One other interesting question, even assuming there is an element of service, is whether entries 2 and 4 of Schedule I can apply at all – entry 2 in the case of an Indian holding company and Entry 4 in the case of a foreign holding company. These entries

[1] As notified vide Notification No. 11/2017-Central Tax (Rate) dated 28.06.2017 and Notification no. 8/2017-Integrated Tax (Rate) dated 28.06.2017. [2] As per section 2(52) of the CGST Act. [3] As per section 2(102) of the CGST Act.

operate when the supply is between related parties for no consideration and at first blush seems like they could stand attracted. However, at the point of investment in shares by a company in another, the two companies are unrelated and it is only as a consequence of the investment itself that the two become related parties. This important aspect seems to have been overlooked by the Revenue authorities. Of course, the Revenue authorities seem to be issuing notices for the current tax periods, although the investment itself took place much prior to even GST coming into force. However, that could never sustain as the "service of holding equity", if at all, could be said to have occurred in the year of investment and not every year thereafter that the investment continues to be held. That interpretation could lead to disastrous consequences of virtually earnings per share every year getting taxed. Questions also arise as to whether, when a holding company makes an investment in a subsidiary, it can be said to be "in the course of" or "furtherance of business" as except in investment companies, the business per se may not be holding shares/securities.

Mere existence of an SAC cannot make a transaction a 'supply'.

The entire basis of the Revenue's actions seems to be on account of Service Accounting Code No. 997171 – "services of holding equity of subsidiary companies" in terms of Notification No. 11/2017-Central Tax (Rate) dated 28.06.2017 and Notification no. 8/2017-Integrated Tax (Rate) dated 28.06.2017. These notifications are issued deriving power from sections 9(1), 11(1), 15(5) and 16(1) of the CGST Act and section 5(1) and 6(1) of IGST Act, which vests the government with the power to notify the rate of tax or manner of determining the value of supply but does not vest the power to 'deem a transaction as service'. If such a power is indeed given, it would amount to excessive delegation of legislative power and thus unconstitutional. Thus, these notifications cannot be read to mean that anything and everything contained in the scheme of classification would qualify as a 'service'. To the contrary in fact, the Revenue is to first establish that there is a taxable event i.,e that there is a supply of service and it is then that the classification and the rate of tax would become relevant. In fact the Explanatory notes to the Scheme of classification of service explains the service code as including services provided by holding companies for the purpose of owing controlling interest. Thus, merely holding shares is not an economic activity but an investment activity and even going by the SAC, it would only be in those cases where the investment is to own controlling interest that there could be said to be a service.

However, the fact remains that for the purposes of section 7, if shares held by a holding company is a supply of service, there is no reason why shares held by a minority shareholder would not be one and from that standpoint, the Revenue has a challenging task to defend the differentiation and possible challenges involving Article 14 of the Constitution of India.

Charge fails in the absence of a valuation mechanism:

Most importantly, there is no provision for valuation of the alleged service of holding equity by a holding company in a subsidiary company. The Revenue attempts to determine value for such transaction by invoking Rule 32(2) of the CGST Rules, which deals with the 'service of purchase and sale of foreign currency including money changing'. This is but a flawed move because had it been a case of purchase or sale of securities, the SAC would have been different. Thus, in the absence of a mechanism to tax such transaction and lack of means to value the alleged service, no tax is leviable going by the now settled position that where there is no valuation mechanism for taxing a particular transaction, the charge would necessarily fail .

Income-tax perspective:

Subscription to shares in a company involves no charge under the Income-tax Act, 1961 as, from the perspective of the recipient of the capital ie., the subsidiary, it is a capital receipt. No deduction is permitted to the investing company as it is an expenditure in the capital field. If indeed this were to be a service as contended by the Revenue authorities, the unintended and disastrous consequence would be that the receipt would have to be a revenue receipt in the hands of the subsidiary chargeable to income-tax and conversely the expenditure allowable as a deduction in the hands of the holding company.

Conclusion:

On holding shares in the subsidiary, the holding company has the right to control the subsidiary company, to protect its financial interest and regulate the capital infused by it. Such control is not exercised with an intention to benefit the subsidiary or is not a "service" to the subsidiary. It is a shareholder activity, pure and simple. There is certainly a lack of clarity on the subject and has opened a pandora's box for the trade and industry. With tax certainty being the need of the hour, a clarification from the Revenue would be a welcome move.

[4] Govind Saran Ganga Saran v. CST, 1985 (Supp) SCC 205 ; Commissioner, Central Excise v. Larsen & Toubro Ltd., (2016) 1 SCC 1705

Know the Organisation Chain & Unchain the business growth

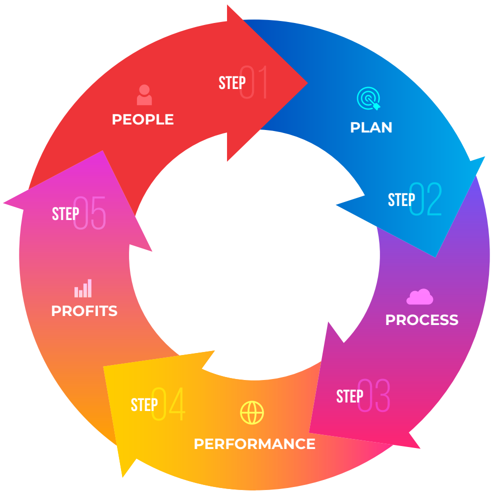
Dr. Krishna Kumar N G
Ph.D, Business Coach,
Mentor & Trainer

Chain is a unit of linear measurement for land surveys. It has 100 links and measures 66ft. Chain also means continuity of some links. If you have many thoughts and if they are linked then you will call it as a chain of thoughts. Absolutely, it is a not a healthy habit but we do have some chain smokers. We also call out on chain reactions. Links hold the chain so, a weak link leads to a weak chain.

I had written earlier an article about Business Chain which has links namely, Business Development, Marketing & Sales, Operations, Human Resources, Finance, Innovation and Ethics & Culture. Any weakness in any of these links will have a significant effect on the performance of the organisation.

In continuation, this article is about the Organisation chain as shown in the picture here.

The five Ps' shown here i.e People, Plan, Process, Performance and Profits form the links of an organisation chain. Each of these links is important and all of them are linked. One link can't be better off than the other link. They are all equal and inclusive.



People: An organisation is made of the people, by the people and for the people of course this includes customers also. People are the back bone of the organisation. When we talk about the organisation we proudly mention about the people of the organisation, their experience, their skills, their expertise etc. Are you having the right people for the organisation or are you just having the people for the organisation. Challenge is how do you say who is right and who does not fit the bill? What are the metrics? How do you arrive at these metrics? How will you make it inclusive to address DEI? People in the organisation chain is a dynamic link which has to be constantly nurtured.

Plan: Every business needs a plan to know where it wants to go, a plan which will form a basis for the organisation to review whether it is going in the right direction or not. If you don't have a plan, you will go nowhere. It is imperative that a good plan will lead to a respectable growth. Plan can be flexible but should be goal oriented. Plan is the medium which will tell you where you are now and gives you a chance to figure out where you want to be after a period of time. It could be one year or three years horizon. So, how good is your plan?

Process: Well, who will not say that process is not required. Many start-ups did not take off due to the lack of process in their organisation that they set up with big dreams. Most of the MSME's challenges are not having a proper business process. Process for capturing the enquiries and attending them, process for highly efficient operations, process of billing and collection, process of hiring the right people and retaining them, process for building a good organisation and many more. Successful organisations' have right processes for all the business activities. What have you thought about either setting up or improving the processes in your business activities?

Performance: Perform or perish – this is a common warning for all the organisations. But when we say perform, we refer to some sort of measurement which will say whether there is an improvement in what you are doing. Working, merely should not be considered as a criterion for performance. A machine installed for a purpose should perform for what it is. People should perform for what they have been hired for. So on so forth. But have you ever thought about a criterion to measure or set performance standards? How do you define poor performance and excellent performance and anything in between these two. What tools are you using to measure performance? Is performance a weak link in your organisation?

Profits: You are a for profit organisation and not a charity organisation. Is it not? Then, are you making real profits or notional profits? In my experience I have noticed that many MSMEs don't even know how much profits they are making or whether they are making any profits at all. Organisational Profit is a positive outcome of winning a profitable order / job, delivering to the customer at profitable margins, and invoicing & collecting before the interest costs hit you. The tough part is not getting the right profit for you to grow at reasonable levels. Money stuck up as outstanding should not be construed as profits. Are you running your business on book profits or on real cash positive profits?

Which **"P"** is strong for your and which one is weak? What will you do about strengthening the weak link **P**?

Build a strong organisation chain and unchain your business growth.

Bangalore Chamber of Industry and Commerce

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