

# Tax Hotline

July 01, 2005

## INDIA-SINGAPORE COMPREHENSIVE ECONOMIC COOPERATION AGREEMENT ("CECA")

On June 29, 2005, after 13 formal rounds of negotiations, India and Singapore successfully concluded the CECA. The CECA primarily encompasses trade in goods, trade in services, investment protections and other features. It is said that the Mutual Recognition Agreement ("MRA") will eliminate duplicative testing and certification of products in specific sectors, and the co-operation chapters in the CECA will facilitate bilateral cooperation in several sectors. In addition, the Double Taxation Avoidance Agreement ("DTAA") between India and Singapore has been amended to provide for sharing of information and improved tax treatment. Some of the key features of this CECA are as follows:

### KEY FEATURES OF CECA

- 1. Capital Gains Tax** - As per the CECA, tax residents will enjoy capital gains tax exemption on investments in India, subject to the limitations of benefits article.
- 2. Trade in Goods** - The Trade in Goods chapter provides for tariff concessions that will make Singapore goods more competitive vis-a-vis other foreign imports into India. Some of the sectors that will benefit include electrical and electronics, instrumentation, pharmaceuticals and plastics.
- 3. Customs** - The customs authorities in India and Singapore will provide an advance ruling on the eligibility of originating goods for preferential tariffs and tariff classification (upon the request of the trader) and enhance the application of risk management to focus on high-risk goods and facilitate the clearance of low risk consignments.
- 4. Standards and Technical Regulations, Sanitary and Phytosanitary Measures** - CECA provides a framework for concluding MRAs to eliminate duplicative testing and certification of products to facilitate entry of goods for sale in the respective markets.
- 5. Investment** - Investments in the nature of both Foreign Direct Investment ("FDI") and portfolio investments are covered. The chapter contains a number of useful features to protect investments such as - **(a)** Indian investors are not required to seek foreign investment approval for coverage, **(b)** there are provisions for broad range of investment instruments and assets, **(c)** national treatment to investors from both countries, **(d)** requirement for expropriating investments, directly or indirectly, being premised on public purpose and compensation based on market value, **(e)** allowing investors, to take a dispute to an international arbitration tribunal, **(f)** allowing investors to freely transfer funds, **(g)** India binding its recent liberalisation measures regulating the ability of current joint-ventures to enter into new joint-ventures.
- 6. Trade in Services** - The services chapter ensures that service suppliers in India and Singapore are guaranteed access into each other's markets. For financial services, Singapore owned or controlled financial institutions have been given greater privileges to access the Indian market.
- 7. Movement of Natural Persons** - This chapter enhances trade and investment flows by facilitating easier temporary entry for four categories of business persons (business visitors, short term service suppliers, professionals and intra-corporate transferee) from India and Singapore.
- 8. E-Commerce** - The chapter on electronic commerce addresses fair treatment of digital products, such as software, e-books and e-movies, coming from Singapore and prohibits imposition of customs duties on digital products delivered electronically.
- 9. Intellectual Property ("IP")** - The Parties have agreed to undertake and promote mutually beneficial cooperation in the fields of IP and Plant Variety Rights.
- 10. Science & Technology** - It expands an earlier agreement on science and technology signed in 1995 and the areas of focus that have been identified for possible cooperation are marine and agricultural biotechnology, space research, advance materials and information technology.
- 11. Media** - The media cooperation chapter offers a platform for the regulatory agencies from both sides to work closely together and promote greater industry and private sector collaboration. Some of the areas of collaboration that could be looked into are digital media and convergent services, intellectual property rights, education and training, co-production of film and television content, distribution and marketing, and research and development.
- 12. Dispute Settlement** - Disputes are subject to consultations, negotiations, conciliation and arbitration thereby enhancing the rule of law in international trade.

The Ministers of India and Singapore who are responsible for trade negotiations, will meet within a year of the date of entry into force of CECA for a review. Subsequent reviews will be done biennially or otherwise as appropriate.

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This is India's first ever CECA and is also the first comprehensive economic pact between Singapore and a South Asian country. The CECA is expected to enhance bilateral ties between both the countries by catalysing the already growing flows of trade, investment, ideas and people.

*Source:* [Signing of the India-Singapore CECA](#)

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