European Economic Community International Institutional Partners Scheme, 1993

TREATY
India

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Rule EUROPEAN-ECONOMIC-COMMUNITY-INTERNATIONAL-INSTITUTION of 1993

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European Economic Community International Institutional Partners Scheme, 1993The Scheme specified for the purpose of Section 10(23BBB).

1983.

S.O. 719(E), dated 29th September, 1994. - The Central Government hereby notifies the following scheme for facilitating investments by the European Economic Community for the benefit of establishment of joint ventures in India.

1.

(i)This Scheme may be called the European Economic Community International Institutional Partners (ECIIP) Scheme, 1993.(ii)It shall be deemed to have come into force with effect from 1st April, 1993.

2. Definitions.

- In this Scheme, unless the context otherwise requires : (a) European Economic Community means the European Economic Community (EEC) established by the Treaty of Rome of 25th March, 1957.(b) Institutional Partner means a financial institution approved in this behalf by the Central Government.(c) Facility means any of the four facilities offered by the European Economic Community under its International Institutional Partners Scheme, as given in the annexure to this

Scheme.

3. Structure of the Scheme.

(1)The European Economic Community has developed a financial instrument called the European Community International Investment Partners (ECIIP) Scheme to promote joint ventures in Asia, Latin America and the Mediterranean countries. EEC signs framework agreements with financial institutions in the target country, and makes available its financial assistance through these partner financial institutions. ECIIP specifically aims its assistance at small and medium sized companies, but larger companies can also benefit, if their projects are particularly interesting for the development of the country.(2)EEC has so far entered into Memoranda of Understanding (MOUs) with three financial institutions in India, viz., ICICI, IDBI and the Exim Bank of India. EEC may in future decide to have similar MOUs with other financial institutions and/or banks in India.(3)The European Economic Community has expressed an intention that the community does not intend to repatriate interest, dividends, or capital gains arising out of the investments under the ECIIP Scheme. Nothing the expressed intention of the community that the community does not intend to repatriate proceeds of sale of shares or dividends arising out of the investments made under ECIIP Scheme, and intends to reinvest such proceeds in India, which, is also the preferred arrangement in so far as the Government of India is concerned, the Government of India has inserted a new clause (23BBB) in section 10 of the Income-tax Act to provide income-tax exemption on any income of the European Economic Community derived in India by way of interest, dividends or capital gains from investments made out of its funds under this Scheme. This exemption will take effect from 1st April, 1994, and will, accordingly, apply in relation to the assessment year 1994-95 (relevant for the income year 1993-94) and subsequent years. All such incomes derived by the European Economic Community on or after 1st April, 1993, would be exempt from tax accordingly.

4. Investments and disinvestments.

(1)The investments made by the European Economic Community under the ECIIP Scheme would be counted as domestic investments, and not foreign investments, for the purpose of the Statement on Industrial Policy, dated 24th July, 1991. Investments under the ECIIP Scheme would not be counted as promoters quota for the purpose of Securities and Exchange Board of India (SEBI) Guidelines. In all other sense also, investments of the European Economic Community under the ECIIP Scheme would be treated at par with the investments of the partner institutions.(2)All the investments would be made by EEC through ECIIP approved partner institutions who would hold the investment instruments on behalf of EEC. EEC would be able to disinvest also through the ECIIP partner institutions, in accordance with the disinvestment guidelines issued by the Reserve Bank of India on September 15, 1992, as modified from time to time. Disinvestment when made would be made in suitable lots by these partner institutions, so as to have minimum disturbance of dislocation of the stock exchange prices of the scrips unloaded. EEC has indicated to the Government of India that disinvestment proceeds, and funds realised therefrom, would also be reinvested as investible funds of EEC for projects approved under this Scheme.(3)This equity holding by ECIIP partner institutions on behalf of EEC out of ECIIP funds would be in addition to any equity which may be held by these institutions out of their own funds, or equity of any foreign investors hailing from

European countries.

5. Eligibility of partner institutions.

(1)The Indian Financial Institutions desiring to become partner institution of EEC for any of its facilities under ECIIP, in order to seek loans and equity participation from EEC in industrial and financial ventures promoted by them would be required to be approved in this behalf by the Government of India.(2)It would be possible for the European Economic Community to enter into any number of memoranda of understanding with partner institution among banks, financial institutions, the State Industrial Development Corporations and the State Finance Corporations under the ECIIP Scheme. Once the memorandum of understanding/framework agreement is lodged with the Government of India and accepted, suitable modification to this Scheme would be announced accordingly.

6. Use of funds provided by ECIIP.

(1)All investments under the ECIIP facilities in joint ventures permitted in India will be made by the partner institutions without the requirement of any approval from the Central Government for such individual investments.(2)The partner institutions shall maintain separate accounts in their books of account for the funds under the ECIIP facilities handled by them on behalf of the European Economic Community and for depositing the sale proceeds of its investments if any.

7. Tax exemption.

(1)The tax exemption would be available to EEC only in respect of investments made out of ECIIP funds, which would be used by the EEC through partner institutions as seed money for promoting industrial enterprises with the European Investors hailing from EEC member countries in India.(2)The exemption from income-tax on dividend, interest and capital gains tax on disinvestment available to EEC under this Scheme will not be available in respect of the equity held by foreign investors hailing from EEC member countries, or the equity held by the ECIIP partner institutions out of their own funds.Annexure

	Facility 1	Facility 2	Facility 3	Facility 4
Typeof operation	Identificationof potential joint venture projects and partners.	Operationsprior to launching a joint venture.	Financingcapital requirements.	Humanresource development : training and management assistance.
Beneficiaries	Chambersof commerce, professional associations, public agencies and ECIIPFinancial	Companies,either individually or jointly, local or European,	Jointventures established by partners from EEC and from	

	Institutions, Individual companies may not benefit fromfacility 1.	wishing toundertake a joint venture investment project.	eligiblecountries Both partners must have a meaningful participation.Investment in local companies which operate under a licensing andtechnical assistance agreement with an EEC company.	
Access	Thebeneficiary may apply directly to the EEC or through a finan□ cialinstitution.		Applicationto be made through a financial institution.	
Typeof finance	Grant	Interestfree advance to be converted later either into a grant, a loan orequity.	Equityholding or equity loan The financial institution must co-financethe projects.	Interestfree loan
Amountavailable	Maximumof 10,000 ECU	Maximumof 2,50,000 ECU	Maximumof 10,00,000 ECUThemaximum total support per project is 10,00,000 ECU	Maximumof 2,50,000 ECU
Limits	Upto 50 per cent of the cost.	Upto 50 per cent of the cost.	20per cent of the capital of the joint venture.	Upto 50 per cent of the cost.