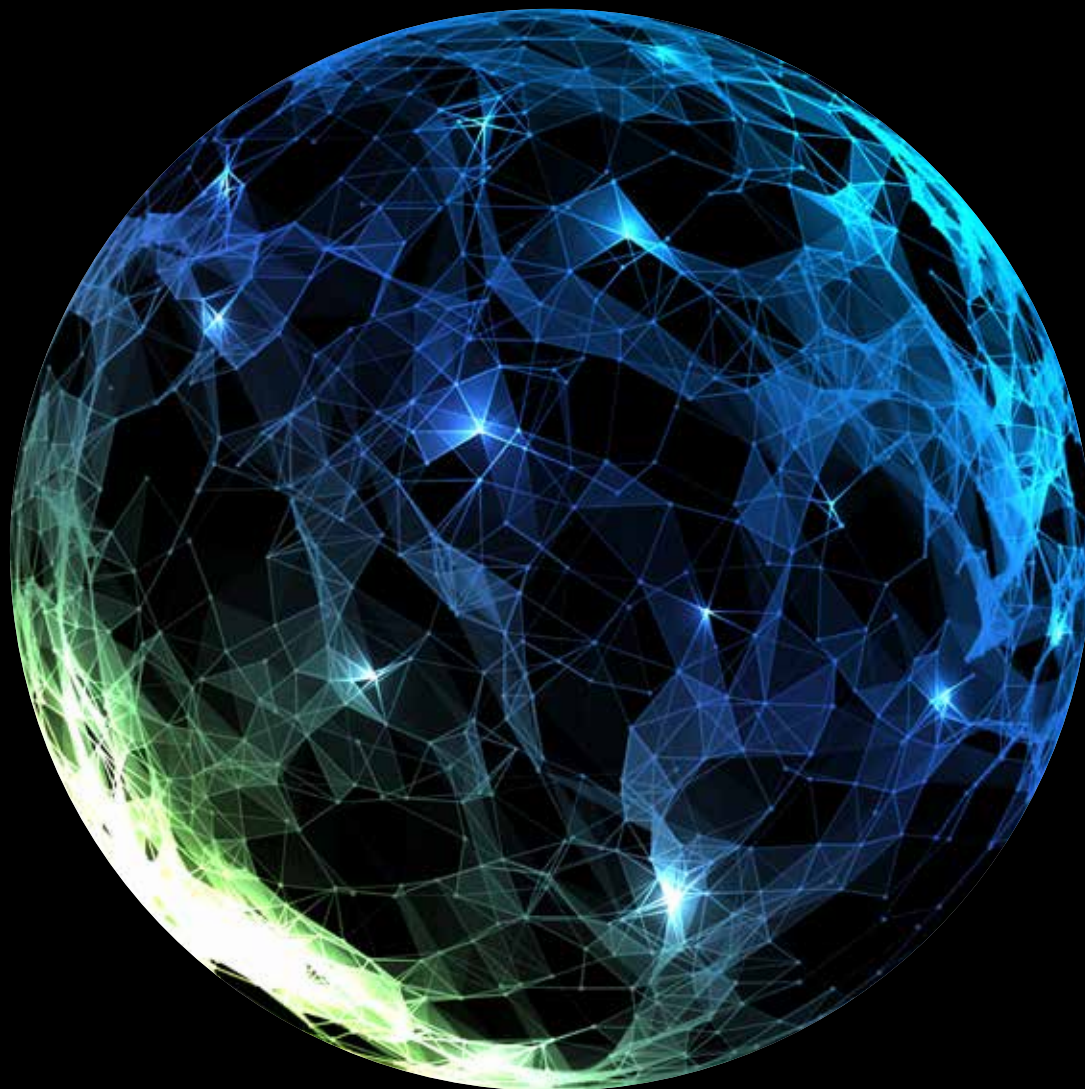


**Deloitte.**



# Family Enterprises: Perspectives Deloitte Private Newsletter

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# Contents

Foreword	04
Message from William Chou, Deloitte – Global Family Business Leader	05
In Conversation with Peter Pagonis, Partner, Deloitte Private	06
Interview with Harsh Mariwala, Chairman, Marico Limited	10
Family Business – Time to transition	14
Interview with Nishant Arya, Executive Director, JBM Group	16
Key judicial, regulatory and policy updates	22
Inheritance tax law update in India	25

# Foreword

It gives me immense pleasure to present this edition of our newsletter that focuses on the most topical theme of “family enterprise”.

Family enterprises have been part of our culture and tradition for a long time. They have contributed immensely to the evolution of business. At the root of most large and successful businesses or corporate groups, one would find a highly entrepreneurial, innovative, and resilient family enterprise. Such an enterprise continues to successfully reinvest its time, energy, and earnings over the years towards fulfilling its business and family objectives, and obligations.

In the second decade of the 21st century, the established concept of the “maximisation of shareholder value”, is morphing into a more inclusive concept of “maximisation of stakeholder value”. A business would survive and prosper over the long term only when it addresses the objectives of stakeholders – customers, suppliers, employees, the community, government, and finally, shareholders. Family enterprises are pivoting to varying degrees towards this philosophy.

The global COVID-19 pandemic has made it urgent for businesses to embrace this philosophy. Businesses, including family enterprises, have pitched in, quite substantially, to address stakeholder concerns, even as they seek to shield their business operations from the economic and commercial impact.

Family business leaders are actively engaged in understanding what drives them beyond making profit. Globally, business leaders are asking themselves questions such as “what is our greater purpose?” and “why do we exist?”

In the context, the focus of the family business leader is on five areas: (1) reinforcing the purpose of the enterprise; (2) business continuity; (3) adoption of technology; (4) communication and transparency; and (5) governance and structure.

This newsletter contains excerpts of conversations held with iconic family business leaders.

*Harsh Mariwala, an Indian entrepreneur, founder and chairman of Marico Limited*

It was my pleasure to have a conversation with Harsh Mariwala. He shared his philosophy in relation to “conscious capitalism”; “purpose”; and has dwelled on the principle of “business first” when it comes to the issue of governance. I am sure you will find his thoughts on the organisation’s “purpose” and “values” insightful, and anecdotes on positive impact for different stakeholders interesting.

*Nishant Arya, third-generation entrepreneur, executive director at JBM Group*

My colleague Romal Shetty, President – Consulting at Deloitte Touche Tohmatsu India LLP, had the opportunity of interviewing Nishant Arya. Nishant shared his journey at JBM Group, in particular the learnings that he had. He also talked about the transitions that the organisation went through, and managing expectation of various stakeholders.

Peter Pagonis, Family Enterprise leader at Deloitte Asia Pacific, has shared his experience of working with family business leaders. The themes that he has observed amongst family enterprise

include finding purpose, family governance, a common communication platform for family members, value preservation, and conflict management. In his journey, he has worked with different family business leaders. He shared his thoughts that confirm the belief that every family is unique and the family has to find its own solution.

The article titled “Family business – time to transition” focuses on technology adaptation and innovation.

In addition, there is selective information about tax and regulatory announcements and judicial pronouncements, which may be relevant to family business leaders and high net worth (HNW) individuals. Some of the notable points include references to the new guidelines for determining tax residential status in India, and the Supreme Court judgment in relation to a Will as well as transmission of agricultural land. There is also a discussion on inheritance tax/estate duty legislation.

Family enterprise is the backbone of our society and there is an urgent need to focus on its sustainability, especially as the organisation grows in size and scale. This requires a healthy and open interaction between family members and the business. The wisdom shared by Harsh Mariwala and Nishant Arya; the key areas for consideration as set out by Peter Pagonis; important information on tax, policy, judicial pronouncements, and inheritance law, makes this edition a powerhouse of information. I hope you find this an enjoyable yet insightful read.

**Uday Bhansali**  
President – Financial Advisory

# Message from William Chou



**William Chou**  
Global Family Business leader

In Asia Pacific, High Net Worth (HNW) families and their businesses continue to be a significant and growing segment. Deloitte is committed to understanding how it can support families and family-controlled businesses with professional services across the Asia Pacific region, with India being a key focus area. We aim to support our HNW families through dedicated teams with a “think globally, act locally” mindset. We also focus on collaborating at both the Asia Pacific and

global levels to use the best services and solutions to help solve most critical and complex issues for families.

COVID-19 has affected the world but we are committed to standing by our clients, helping them navigate through these uncertain times. We are confident that HNW families are well positioned to not only recover but also find innovative ways to thrive and look beyond business as usual.



# Excerpts from discussion with Peter Pagonis, Partner, Deloitte Private



**Peter Pagonis**  
Partner, Deloitte Private

Peter is a Senior Partner of Deloitte Private and the Asia Pacific Family Enterprise Leader. He has over 35 years' experience specialising in servicing privately owned businesses, family businesses and family offices, typically with revenues between \$50million and \$2billion.

Over many years Peter has worked extensively with over 300 of Australia's

ultra-high net worth families in relation to succession planning, setting up the rules (constitution) for the future generations to follow and assisting in educating the next generation with wealth transfer. Peter sits on a number of Australia's largest family advisory boards.

As per the study done on family business in Asia Pacific, only 30% families survive

from 1st to 2nd generation, only 13% families survive from 2nd to 3rd generation and only 3% from 3rd to 4th generation. There could be several factors associated with this outcome, but a factor being people don't invest time on family succession.

In India, the ownership of assets mostly pass as a part of Will and in some cases, founders suggest in their Will on who would be the successor of the business.

Survival and growth of family businesses is key to wealth creation, development of the economy as well as employment. It is in this context, Peter shared his thoughts on varied aspects, which included Purpose, Governance and Mentoring / Coaching, amongst others.

### Purpose

Every individual has to find 'Purpose' for what is being done. Purpose becomes the North Star and defines the path that the family and business would follow in the journey ahead.

Founders or first generation promoters are really passionate about defining the purpose or the values of the business, their vision of business. Since first generation always tend to define that, the children are not able to articulate purpose from their perspective and that's always the missing link. Each member of the family should be given the chance to be heard and in turn it allows them to put their frustrations, and what they believe what's their view of purpose going forward. It is important to involve next generation as well for these conversations.

### Business Governance and Family Governance

In family succession, the common mistake people make is to have the governance in business but no family governance. Lack of communication, transparency, equality and education of the next generation are common themes that we see in family succession.

Before the family can finalise the governance and succession plan, they need to identify and resolve all outstanding issues amongst the family

members. Governance and succession will not be successful if the family issues are not addressed and resolved.

There has to be a clear distinction between Business Governance and Family Governance. In order to set up an effective Family Governance, families could consider setting up a Family Board, which will be a platform for communication amongst various stakeholders from the family.

As part of the process to work on family governance, we spend lot of time in interviewing the individuals on a one-on-one basis, from those interviews, we extract key family issues that need to be resolved and the rules and governance that needs to be put in place.

Questions that families need to answer on creating a family board are:

- Who should be the on the board or who should be the Chairperson for the family board?-It helps to have an independent person as the Chairperson for the family board, who may not have the vote but it is helpful for running the meetings.
- For the approval process - Is it majority or 100%?
- What types of decisions should be made by the Family Board vs the Business Board?
- Should only bloodline Family members be appointed to the Family Board?
- Should independence be considered?

Family Boards also help first generation in educating the second generation of the process of decision making and sharing the information related to entitlements. For entitlements, it is good practice to put in policies related to education, marriage, medical, travel and sustenance for reducing conflicts.

We have found that families consider the following key aspects during their succession discussions and this will also continue at the Family Board level:

- Legacy- Protection of the wealth for future generation, right governance, values, reputation and leadership
- Harmony - Making sure we have right communication, transparency and equality to avoid conflicts



- Philanthropy - what they do with their business, bring money back to community and start foundations
- Personal family risks - Medical, travel, physical and personal security, reputation, cyber and digital technology.

### Family assets

When families in first generation move up the ladder, with reference to the net worth, then the problem of distribution arises. The net worth of overall business goes up but the family members sitting in branches don't have access to the assets and the money, which causes conflict. Certain family members from branches feel they are better off with money with them instead of overall family and that leads to breaking up of the family business. Families, in their Family Board need to discuss this aspect and determine the path that would be followed. This could include a proposition that as business (ownership / management) is handed over from one generation to another, there is distribution of profits and assets.

Wealth preservation is key to all stakeholders. In this context, normally, family put assets in trusts, could be family trusts or special trusts. In this form, no one individual has ownership of assets. The trust can distribute income. The family members are the beneficiaries of the trust and the control is generally led by first generation promoters. So the assets are protected as assets are in trusts and not in one individual member's control. The family constitution structures remain and need not be changed with the change in family – birth, marriages, divorce, etc.

### Mentoring or coaching and identifying a Successor

In my experience, I have found that at times first generation promoters are difficult to coach or mentor. They are extremely adept with their businesses and decision making. In my experience, one common theme where they ask for help is "how to communicate and connect with the younger generation" within or outside the organization. That's the role a coach or mentor has to play with the founders of the business.

In my experience, one of the biggest issues faced by families is the first generation not wanting to relinquish control. In order to set up the next generation for success in their new role, the first generation needs to hand over some control by their actions.

Promoters seek coaching or mentoring for the next generation before inducting them into the business. The process starts with assessing the family members through family interviews. There has to be proper job description. The successor has to be ascertained by a process which determines the interest and capability of the person. Earlier, I have spoken about the importance of Family Board, here again, having a Family Board helps in identifying if it will be all the eligible members to get coached or a specific individual family member.

There are many difficult questions first generation promoters have to answer-

- If one of the member of the family is already in the business for long, should he/she be the CEO? Does the person really want to be the CEO or he/she is doing so under the pressure of the senior in the family? Does the person have the right skill sets to be the CEO? If not then it will be difficult as he/she will not get due respect from the internal and external stakeholders, including the business community.
- If there are more than one eligible members for the role, all of them will go through coaching/mentoring and at the end of which all of them would present to the family board and family board will decide who should be the CEO.
- If the family doesn't have the right successor or the kind of skills sets required for the role, another question is: Should we bring a family member or recruit from outside for the CEO position? It would be a delicate topic but in my experience it would be best to recruit from outside and the family member can sit on the family board and thus have a say in the business decisions.

**Conflict management**

Some key themes where families may want to focus on for conflict management:



**Communication** - More often than not, first generation don't interact with the second generation/ children and not just about business issues but also what's going on between the individual members, children. Thus, there is a need to improve communication and create platforms for sharing information / learnings.



**Equality** - Business owners, in particular first generation promoters many a times don't define what is given to which child. There is no clear process to define what each of the family member is getting from business as well as asset perspective. It is important for the family to think through a process, with the help of a professional advisor to assess what has everyone got and assist the family to bring in equity so that it doesn't create difference.



**Transparency** - To keep differences at bay, families can look to create various policies including education, housing, travel and health benefits of its individual members. Make it transparent through family board. Sometimes some children are not in business and others are, so it is important to have them in family board. The family board helps the family business to know what's happening in business and there is appropriate communication.

Given all the challenges, Family businesses have emerged out as one of the dominating business community in nations around the world. Family businesses make up a major part of the global economy, creating an estimated 70 to 90 percent of the global GDP annually. India is no exception. In India, family run businesses account for 85% of all Indian companies and account for

the vast majority of national output and employment.

The business families are commonly driven by the some basic values like mutual trust, cost consciousness, high level of risk taking ability, centralized decision making, agility, culture of driving business by intuition and relationships.





# Interview with Harsh Mariwala



Harsh Mariwala

Harsh Mariwala is an Indian entrepreneur, founder and Chairman of Marico, a Fortune India 500 company. Mariwala began his career in 1971 with Bombay Oil Industries which was controlled by his family. In 1990 he founded Marico, a fast moving consumer goods (FMCG) manufacturer and distributor that now has operations in 25 countries across Asia and Africa.

He is also the founder of Kaya Limited, which runs a chain of skin care clinics across India and the Middle East; Ascent Foundation, a peer-learning entrepreneurial platform; Marico Innovation Foundation, that works towards nurturing innovations in India; Mariwala Health Initiative, that supports mental health causes; and Sharrp Ventures, which serves as his family office.

**Uday:** Successful companies will embrace the need to articulate a clear organisational purpose and redefine performance to include their impact on the society.

**Harsh:** This starts with finding the “purpose” of the organisation ... “why we exist?” About 10 years ago, I was deeply influenced by a book, “Firms of Endearment: How World-Class Companies Profit from Passion and Purpose”; the principles espoused

therein were reinforced through multiple discussions with the authors. I felt a deep connection with the topic and thought of re-defining the purpose of my organisation. To achieve this, we engaged an external consultant who undertook a series of in-sighting exercises across the organisation to find a common purpose that could define a path for Marico.

After these exercises, we finally arrived at our purpose, “**make a difference,**”

which is now part of our logo as well. The central theme of the purpose was to make a difference to society, transform the lives of those we touch by nurturing them, and in turn maximise returns. It was important to ensure that the purpose has to be evangelised by the top leadership, and lived by everyone in the organisation.

During our annual townhall meetings, I hosted a special session wherein we discussed how we have been true to our purpose; how have we made a difference; and how have we affected the lives of others. We recognise and reward individuals who have demonstrated exemplary behaviour towards achieving our purpose.

Another aspect is defining the 'purpose' of our brands. Not just the organisation but each brand should have a purpose – people should be able to relate to the brand. My teams work extensively in identifying a purpose for each product, which then becomes a brand in itself. Let me give you a few examples to explain this further:

- Saffola (one of our iconic brands) is known as a heart friendly oil. We run heart health awareness camps, launched a region-specific hotline, and customised diet charts for our customers in different parts of the country. This in turn is what has created and maintains our customers' trust.
- Another example is the Nihar Shanti Amla brand that was not regarded as highly as some of our competitors' products. We adopted a purpose to support the education of girl child. To fulfil that purpose, we initiated programmes to improve education quality by training teachers. We appointed a film personality as a brand ambassador to drive this campaign. These initiatives improved product acceptance and brand attitudinal score.

I strongly believe that **the purpose of the product is something that binds customers and create loyalty.**

**Uday: We have heard you speak about “conscious capitalism” and investing in social initiatives for a business to be sustainable in the long run.**

**Harsh:** While organisations are becoming more conscious of operating ethically with keeping the interest of stakeholders involved, maximising returns still hold the utmost importance. But, in the long run, I believe that returns can only be achieved by aligning the interest of stakeholders, rather than focusing on one or two sets of stakeholders. Again, let me give you a few examples to drive home my point.

Marico works closely with its stakeholders to help them improve their lives and increase their returns.

**With our associates:** For our coconut oil business, supply of copra is crucial. We educate farmers on best farming practices and run a hotline to address their queries to help them improve productivity. We collaborate with agriculture institutes and own experimental farms that have been instrumental in increasing yields by 15-18 percent. We share this knowledge and know-how with our associates to help them improve their yields. At present, we touch the lives of about 50,000 farmers; we have been able to add about INR 100 crore to their income by improving productivity. Our vision is to take this number to INR 1,000 crore. This efforts have also helped us create an assured supply of copra.

Marico has also been able to reduce cost by directly sourcing from farmers and eliminating multiple intermediaries to reduce logistics cost. We have set up 60 collection centres where farmers can directly sell their produce to us, at prices that are higher than what they receive from intermediaries. We source 50-60 percent of the products from these collection centres. A decrease in logistics costs and moving close to the source have helped build trust and provide an uninterrupted supply for Marico.

I also want to tell you about another rather unique initiative. Ponds in several districts of Tamil Nadu are not quite deep. With the accumulation of sludge, they tend to run dry in summer. We initiated a programme to dig out this sludge, which in turn is a potent fertiliser and used in our farms. These ponds were rejuvenated and water levels remained constant throughout the year that benefitted the society.

For some of our other associates such as advertising agencies, we conduct a six-day residential training programme. This not only makes them feel valued but helps build an image that we are serious about building a deep connect with them.

***Working closely with our associates, we have a complete 360 degree view that helped us build deeper trust and a mutually beneficial relationship.***

**With our members (as we call our employees):** I realised early on that culture is an important element that attracts talent and binds them to the organisation. Therefore, I spend a significant amount of my time on ensuring that our culture is maintained and expanded. Our values include transparency and openness, no bias for action, opportunity seeking, and innovation, which help create a culture of not fearing failure.

Our regular cultural survey helps us ensure that everyone is living by organisation's values each day. We measure our culture against each value and take appropriate measures to address any imbalances.

We have an open office with a flat organisational structure. We conduct periodic open houses at every location to share information. Members are free to voice their views and ask any questions. We **empower our people to take decisions**. We have adopted policies such as self-authorisation of expenses and no approval for sick leave. This helps reinforce the

organisation's trust in its members. Cross-functional interactions and job rotations are some of the other things that we follow to motivate our members.

From an industry perspective, our talent comes from much bigger organisations and MNCs. We differentiate ourselves through our initiatives to provide employees an open environment, greater learning opportunities, and most importantly, empowered decision-making structures.

**With government:** Our industry is deregulated and we do not need to be in close connection with the government (other than for narrow regulatory requirements). We work with the Food Safety and Standards Authority of India (FSSAI), and have helped in educating and training their food inspectors. We have tied up with the FSSAI to advocate for appropriate nutrition levels in schools.

**With the community:** In the COVID-19 scenario, we are supporting six start-ups in the innovative and affordable category for masks (six ply masks); PPE suits (breathable); and equipment (different types of ventilators that are priced much lower than the imported ones and can be operated from small medical centres).

**With shareholders:** We have been able to add value to our shareholders by having good practices on Environment, Social, and Governance (ESG) – be it recycling wastewater or plastic, or using clean fuel. A good ESG practice supports the company's growth, and in turn, increases shareholder value. We go the extra mile on corporate governance and are highly regarded by our investors, including foreign institutions. We have built trust, confidence, and long-term relationships with our shareholders by following right governance practices and maximising returns.

**Uday: I understand one of the ways you are helping society is by supporting young entrepreneurs**

through Marico Innovation Foundation and Ascent Foundation.

**Harsh:** I believe that innovation has been the key for my growth and has completely changed my company's trajectory at different points. **Innovation has been at the top of the agenda for me because it differentiates one from others.** In the current competitive environment, newer needs are surfacing and we have to offer new products that have an impact on corporates as well as society.

Marico Innovation Foundation was founded in 2003 and is an organisation-led agency, while Ascent Foundation is my initiative. Through these foundations, we have been working with innovative companies and NGOs to support them through their journey. We have a governing board that helps identify highly innovative companies. We study these companies to know if we can add value to them. We also work with a group of former CEOs to help these companies.

We have often seen young entrepreneurs with good ideas and innovative models but they face challenges in scaling up. We guide them on the nuances of growing a business from an idea to scalable operations. We invest in their growth by providing regular support through our people. Our members at Marico and even our summer trainees work closely with some of these companies and help them run their operations.

**I believe that supporting innovation is the one of the best ways to stimulate sustainable and equitable growth.** It is an imperative for driving long-term economic value, enabling individuals to improve lives, and ensuring a successful future for the next generation.

**Uday: As a family managed organisation, a family member is usually appointed a successor of the business. You chose differently and appointed a professional CEO to run the business.**

**Harsh: What is good for the organisation, may not always be good for promoters.** The organisation's interest comes first. That is one principle I have always followed and has been the underlying basis for our decisions. It was not an easy decision but I always believed that family members are not automatically entitled to succession. I am an entrepreneur and wanted both my kids to have a similar experience in setting up an organisation from scratch. Now, I am extremely pleased that my kids have created their own path by venturing into new business lines. They are learning from their experiences each day.

**Marico has moved away from a promoter-driven organisation, to a promoter strategically managed organisation.** We have defined clear lines on roles and a clear vision for the organisation, capturing the same through strategy, values, culture, and mission. Marico's board of directors has been prepared well enough to ensure that the strategy is aligned with the organisation's purpose. A nomination and remuneration committee has put in place a succession plan as part of a risk-mitigation strategy. We have a strong professional culture that runs independently of any one shareholder.

As a chairman, I have a separate set of responsibilities than the CEO. I do not interfere in regular operations - **I have made a shift from "hands on" to "hands off with mind on".**





# Family Business – Time to Transition

The global business environment is changing rapidly and fundamentally – emerging technologies, social and demographic changes, the rise of the millennial generation, globalisation trends, industry disruptions, environmental shifts, political movements, actions of governments, and other forces.

Family enterprises are inherently wired for stable or gradually changing environments because gradual changes are more compatible with family culture.

Family enterprises usually do well with managing economic cycles. However, industry disruptions or transformations, which happen more frequently than economic cycles, can have more profound effects on a company or industry. Family enterprises need to

build new practices for the new business environment.

In the present business environment, the challenge for families is to learn how to thrive in these fluid and rapidly changing business environments. At the same time, they also need to preserve their identity as a business, and cohesion and values as a family, and pass the baton to the next generation. From that perspective, the COVID-19 crisis can be considered as the ultimate test for business families, especially in terms of values, vision, legacy, business, and family governance, succession planning, and wealth management. However, it is not only a test but also an opportunity. It is perceived as a catalyst for change for family enterprises, as concluded in our latest meeting of the Global Family Business Advisory Board.<sup>i</sup>

<sup>i</sup> The Global Family Business Advisory Board meeting is a client council comprising of senior family member executives from leading family businesses and provides Deloitte an outside in view on our family enterprise proposition.

### Technology as an enabler

When listing priorities, technology and innovation appear to be an important target for the short and medium term.

These are the top three priorities or above for 76 percent of the family businesses.

However, the following three main challenges emerge on the way:

- Lack of a digital strategy plan. Only one quarter of the family businesses<sup>ii</sup> have adopted a digital strategy, while 35 percent stated to have a fairly recent one.<sup>iii</sup>
- Technology is not fully exploited. How technology is used suggests a more operative use of it. Therefore, family businesses are not fully disclosing its potential.<sup>iv</sup>
- Little knowledge limits technology deployment. Family businesses are not fully aware of the potential of digitalisation, even if younger generations show more awareness than older ones. Future leaders are not expected to be tech-savvy, as understanding of advanced IT is the lowest scoring desired skill for next-generation leaders<sup>v</sup>.

COVID-19 as a catalyst of change; acceleration of implementing new technologies

### Business ecosystems

Regarding innovation, almost all family businesses agree that business ecosystems represent an opportunity to grow. However, the majority of them are conservative in collaboration and highly value IP ownership. Leaders of family businesses might need a shift in perspective to recognise how business ecosystems are changing, with new relationships, interconnectedness, and interdependence opening up more possibilities for growth.

In our 2018 global family business survey,<sup>vi</sup> we found the following:

- The attitude to collaboration is conservative. Almost half of the

family businesses rarely or never partner for innovation projects.

- Mergers and acquisitions (M&A) are the most common type of business combination. Acquiring knowledge and expanding competences is mainly carried out through M&A.
- IP ownership is quite important. One of the main difficulties family businesses encounter in partnering is IP ownership, which is important for 63 percent of the family businesses.

### Aspects from within

When asked to identify the aspects that will have a more relevant impact, family businesses highlight that internal factors are the most important ones for their future. Among those, succession is seen as a natural disruptive element. However, it seems to be overlooked when it comes to planning transition.

### Conclusions

- External events affect family businesses. Most family businesses are well-known for their long-term orientation. However, in day-to-day operations, they need to address short- and near-term aspects, such as market disruption and ecosystems.
- Short-term pressure is put on long-term plans. In this scenario, short-term priorities (such as achieving profitability or increasing financial performance) face long-term ones, namely keeping the business in the family and preserving its wealth. Under this lens, short-term and long-term priorities do not go hand in hand.
- The biggest challenges come from within. The following aspects need to be considered for the success of family businesses: doing succession planning, professionalising governance structures, finding and/or maintaining the strategic balance between the family interest and the business, and ensuring efficient ownership structures.

<sup>ii</sup> Next generation family business – Exploring business ecosystems. Deloitte, May 2018.

<sup>iii</sup> Next generation family business – Exploring business ecosystems. Deloitte, May 2018.

<sup>iv</sup> Next generation family business – Exploring business ecosystems. Deloitte, May 2018.

<sup>v</sup> Long-term goals meet short-term drive - Global family business survey 2019. Deloitte, June 2019.

<sup>vi</sup> Next generation family business – Exploring business ecosystems. Deloitte, May 2018.





# Interview with Nishant Arya, Executive Director, JBM Group



Nishant Arya

Nishant Arya spearheads \$2.2 Billion Indian conglomerate JBM Group as its Executive Director since 2010 and is enriched with education from Bradford University, UK and London School of Economics.

Arya's intense passion and enthusiasm for his work combined with visionary leadership and long-term thinking has been recognized and accolade as exemplary contribution to JBM Group and the automotive industry. Under his stewardship, JBM Auto Ltd. has been recognized amongst the "Elite set of the 10 greatest value creators in the Fortune India 500 companies".

He is on the Board of various JBM Group companies and Chairman of Tesco Go SpA, Europe also the Chairman of JBM Solaris Electric Vehicles Pvt. Ltd. and Linde-Wiemann, Germany.

**Romal:** You are the third generation of a business family. Tell us how did your family get into the auto components business?

**Nishant:** My grandfather, who is from Haryana, started the textile business, along with his brothers. Later, my father joined the family business and things were going smoothly.

One evening my grandfather called my father and asked if he would want to set up a completely new business

of manufacturing LPG cylinders. The government had just permitted domestic production of LPG cylinders, which were being imported until then. He had to move instantly to a new city and manufacture a product that was new for the country, creating and managing a facility that had nothing in common with textiles. However, my father immediately accepted the challenge. He was on his way to Delhi the next day. Within a year, a new but frugal and efficient LPG plant had been set up.

When Nishant Arya entered the business, he redefined product markets to expand them further.

With the launch of India's first electric bus, "ECO-LIFE," the group took a leap by creating sustainable products and end-to-end solutions for customers. Nishant's continuous drive to innovate and adopt new business models has helped the group leap from INR 3,000 crore to INR 15,000 crore within a decade.

For the next two years, the business continued to expand. However, a new government took over and decided to import LPG cylinders again. And, the market for our product vanished almost overnight.

Instead of losing hope, my father started exploring what else could be done with the capacity that was now redundant. Incidentally, that is when Maruti was being set up in India. The company was exploring partners to localise manufacturing of parts and systems. Our company was shortlisted amongst thousands of other well-established organisations to bring in the world-class Japanese technology to India. Our newly developed expertise, capacity, and my father's passion came in handy as a differentiator, and eventually helped us secure that partnership. Thus, a new opportunity was created that has redefined JBM Group from a textile house to a leader in the auto components sector.

### Romal: How has your journey been with JBM and how have you helped reshape it?

**Nishant:** After completing my education, my father insisted I spend two years on the shop floor – “The Gamba”. That time, I did not fully understand this decision but now I do. One cannot lead a business unless one has experienced ground realities. He also ensured that I get this first-hand experience and training from different parts of the world. I, then, joined the family business. My focus was on making our business more independent and becoming a company offering differentiated products. I started with taking up the responsibility of reinvigorating the brand JBM. The brand underwent a complete image makeover, putting in place a new logo to integrate group businesses under one brand and a dynamic punchline for JBM Group – *Our Milestones are Touchstones*. Next on my agenda was organisational restructuring to optimise productivity and maximise profits. To achieve this, we had to deploy a state-of-the-art technology to make our products safe and affordable, and ensure

diversification in our product portfolio and geographic footprint.

JBM as an organisation has constantly focused towards bringing in best-in-class technology, adapt to the environment, and re-invent each day. We moved our focus from products to sustainability. I chose electric buses as a business as this product defines luxury, comfort, and safety. We wanted to make buses in India a conveyance of choice, not necessarily need, with enhanced comfort and innovative features.

That time, the larger agenda in my mind was to create an in-house integrated EV ecosystem that would enable the rapid deployment of electric vehicles (EV) in India. To institutionalise this, I developed the “**Well to Wheel**” (**W2W**) concept of JBM. W2W not only drives business across JBM's various verticals but also propels the group's initiatives towards sustainability and green manufacturing. Our multiple businesses, such as renewable energy, EV charging infrastructure, and EVs, have strategically synergised towards solutions ranging from generation to consumption of clean energy. I drive business sustainability with a multi-focal approach towards energy conservation, people skill enhancement, and societal development that leads to scalability of JBM.

With the introduction of the new business verticals, JBM Group was also transitioning towards newer customer and audience categories, such as Business to Consumer (B2C) and Business to Government (B2G), thereby re-innovating the JBM brand with a larger reach amongst the masses.

Eventually, based on a long-term group strategy, we strived to create an end-to-end solution that ranged from using solar energy, to charging EVs and storing energy by recycling battery. It was quite challenging at the beginning considering the market demand and manufacturing costs involved. However, that has now changed significantly. People driving innovative business models using the right technology have always been at the

JBM has proactively accepted new challenges. Current Chairman SK Arya made multiple shifts, almost overnight. He moved from textile, where his family was well established, to LPG cylinders and auto components. In doing so, he adopted technologies that were new to India. He also shifted his base from Mumbai to Faridabad. A lot has changed for JBM. However, this streak of taking risks remains unchanged. It has been reshaping JBM every few years.

### “Think Global and Act Local”

The acquisition of German auto firm Linde-Wiemann marked the beginning of a global journey for the group. The acquisition also reinforced the company's focus on continuously improving the product quality, minimising the time-to-market, and making it an integrated one-stop solution for customers.

core of our organisation. These are the drivers behind such success stories for the group.

Another point that has distinguished JBM and propelled its growth is identification and development of joint ventures (JVs) with the right partners. We have worked together with JV partners to develop new capabilities and introduce new offerings in the market.

**Romal: Talking about JVs, not many organisations are comfortable with the idea of JVs because of the associated challenges. What explains JBM's success with managing JVs?**

**Nishant:** Structuring a JV and making it work can, no doubt, be complex. The overarching objective has always been adding value to our customers and stakeholders. We begin with being clear on the expected ROI of the JV and how it would meet our objectives. These objectives could be reducing time-to-market; creating centres of excellence in focused products; improving customer processes; driving value for shareholders; and making them successful by creating win-win partnerships. We created value for our customers by understanding local nuances, and bringing the best-in-class engineering and manufacturing capabilities.

The other aspects that hold utmost importance and act as foundational pillars for managing such a partnership are robust corporate governance, risk management, and professional management. These values resonated well with our partners across regions, including Europe, North America, and Japan. Therefore, these values have helped build and maintain long-term relationships with our partners and customers.

Talking about mergers and acquisitions (M&A), we have completed 9–10 acquisitions in the past 10–12 years with a focus on finding a strategic fit that brings value to the overall organisation, at the right price. Most of the times, we

went for a majority stake. We respected the local culture of the acquired entities, but at the same time, transformed ourselves to align with global norms and standards.

These partnerships and alliances have also positioned us as a strong competitor in these dynamic market conditions. While quality, cost, development, design, and delivery are intrinsic for the sustenance of any organisation, we believe that competitiveness is built from building and effectively managing an organisation's resources and long-term relationships with stakeholders.

**Romal: Speaking of dynamic market conditions, what has changed in the past five years and how have you been able to adapt to the changing environment?**

**Nishant:** We imbibed and adopted the "Think Global, Act Local" approach in 2015 that formed the basis of our Vision 2020 **to create a global footprint**. After evaluating multiple partners, we acquired Germany's auto major Linde Wiemann for its right technology matrix, customer matrix, product portfolio, and global outreach. With this integrated view of the global and local environments, we are now focused on redefining the JBM of tomorrow with our "Vision 2025".

Given our focus on such strategic partnerships and a value-driven culture, the organisation grew from INR 3,000 crore in FY 2009–10 to INR 15,000 crore in FY 18–19. **"Our Milestones are our Touchstones" is the motto that keeps redefining our future vision.**

In addition to alliances, we brought in large-scale initiatives, and standardised our processes and systems to manage this exponential growth. Our fundamentals have been focused towards **Technology, Innovation, and People (TIP)** and have consistently strived to achieve excellence by way of 3Es: Enabling innovation, Empowering people, and Enhancing technology.

**"TIP – Enabling innovation, Empowering people, and Enhancing technology"**

Such initiatives focused on long-term capability building, both in terms of process and people, have been at the core of JBM's business transformation in recent years. Continuous realignment has helped position us to grab the right opportunities.

We have realigned and restructured ourselves in the past 10–15 years to ensure we have the right structure. This helped us serve the group's strategic interests, along with the pace to capture opportunities we had. We moved up the value chain from components to systems and products to sustainability and have captured the entire ecosystem now. This has been our journey.

**Romal: Considering recent scenarios, COVID-19 has brought unprecedented times for everyone but particularly affected the auto industry. How has the changing environment affected JBM? What are the opportunities you foresee and what strategies will it require across the organisation to be future-ready?**

**Nishant:** The auto industry has been reeling under pressure from the past 20 months since end-2018. This period, though challenging, gave us time to reflect and realign ourselves, and differentiate between the fat and muscle in the organisation. During this period, we worked on reorienting ourselves to understand how we can reduce our break-even period, and ensure profitability and long-term sustainability in the post COVID-19 era.

Initiatives such as “order to cash” have helped build internal sensitivity within JBM towards saving and managing cash flow. Each rupee saved is equivalent to each rupee earned as everyone spoke only about cash being the king; no one spoke about virtual profits. Enhancing our asset turnover has proven to be a real opportunity in the current scenario.

Within this time, we modified and improved our existing E<sup>3</sup> philosophy to have more objective and tangible business metrics of Excellence, EBITDA, and Employees.

The existing downturn in the sector, coupled with COVID-19, has given us enough time to deep dive and rethink our plans. The actions we have taken during this period will ensure a leaner and agile organisation that is ready to

take on growth opportunities when the market eventually goes up.

Not only that, the current times have also forced us to adapt to more virtual and efficient ways of working. This has made us realise how technology and digitisation can help drive value internally for our customers and serve as a differentiator for us.

Moving from processes to people, talent first has always been at the core of our talent philosophy. However, our focus is now shifting towards a performance and accountability driven culture to enable JBM realise its “Vision 2025”. We also started a journey called “**LEAP to Unlock.**” *The journey focuses on Leadership, Excellence, Agility, and Performance to unlock people's potential and motivate them to come up with new ideas.*

The JBM of yesterday and today is quite different – we went through consolidation of our entities, mergers, and created scale.

**Romal: Talent management is one the key aspects of the overall organisational strategy. As a leader, what are some of your key priorities for the future talent in the organisation?**

**Nishant:** DRIVE, JBM's annual Leadership Development Programme (LDP), is a key tool that identifies potential growth areas and opportunities for our people to enable them take up bigger roles in achieving organisational objectives. Our objectives are outlined on the basis of JBM Strategy Cube – comprising products, process, customers, and localisation. Similarly, we launched ‘Taiyari Udaan Ki’ at a stage when JBM had outlined its vision to reach a defined level of performance in a specified time frame. It entailed empowering our people to be able to achieve the desired organisational objectives at that point in time.

We have been proactive in connecting with our people. We have conveyed to them that the opportunity

### “Leap to Unlock”

It is one of the many talent initiatives launched to focus on excellence, agility, and performance to pursue more innovative and efficient ways of working by listening to employees' ideas.

We are motivating people to work with cross-functional teams and understand how an organisation's goals are the binding factor, and how collectively teams can work towards them.

presented by the current times does not come often. In this period, we have flexibility to make changes we want to – restructuring, realigning, and reorienting ourselves. **“LEAP to unlock,”** brought out self-belief and self-confidence. We have tried to create a balance between responsibility and accountability using systems and processes; we are structurally moving in that direction.

We are motivating people to work with cross-functional teams and understand how an organisation’s goals are the binding factor and how collectively teams can work towards them.

Consciously, we are taking steps to identify the bright talent within the organisation and provide them a platform to grow. We are also creating a path for them to align to a larger objective and monitor if they are able to move forward and take a high-level ownership. With these changes, we are preparing ourselves for “Vision 2025”.

**Romal: COVID-19 is pushing companies to digitisation, both in the shop floor and for the white-collar work. Organisations and people are learning to work remotely. How have you been able to drive digitisation and virtualisation for your organisation?**

**Nishant:** Even in the pre-COVID-19 period for the past couple of years, we have been focusing on digitisation. The objective has been multi-dimensional, right from enabling data-based, decision-making to gaining more competitive ground in the market.

Sustainability and digitisation will be the key focus areas for our businesses that will help us achieve our “Vision 2025”. We are trying to inculcate the behaviour of “first time right and every time right” in our approach and use technology to drive value.

Green buildings and automation have been our core principles while setting up new plants for lithium batteries and large EVs.

Adopting digitisation has been an interesting journey; artificial intelligence (AI), machine learning, and Industry 4.0 have given us a different analytical approach. As part of our long-term strategy, we have introduced an independent digitisation and AI function in a recent restructuring exercise to provide services to the group and customers through a centrally run team. Some of the things we have done during COVID-19 through this newly introduced function include embracing face recognition to maintain social distancing, launching multiple city-wide manufacturing solutions, and introducing applications using AI, machine learning, and digitisation.

**Romal: From your experience, what would be your advice for the next generation, i.e., younger folks from promoter families who are trying to fill up big shoes?**

**Nishant:** People must keep their values intact because they form the basics of every person. I inherited many values from my parents – be it integrity, ethics, ownership, and commitment. Values such as respect, teamwork, trust, and delight, and how we contribute in different ‘green’ ways are essential to me as a person. I believe in the ‘fail fast and fail cheap’ approach for new companies to prosper in a shorter turnaround time with better value of investments. However, they must possess a few essential traits:

**Ability to change** – Learning and change go hand-in-hand. Take every opportunity to learn. Be agile and adapt new ideas. Learn, unlearn, and relearn quickly.

Any role you perform (be it a promoter or a professional in an organisation), you have to be a **people’s person**. Communication is complete when the other person understands your perspective. Effective communication is one way to nurture your people, challenge them positively, and motivate them to surpass the standards and targets, which bring out the best in them. That is the responsibility of any entrepreneur or person in a leadership role.

We have introduced a completely independent vertical to drive focus on “digitisation, AI, and Industry 4.0.”

The intent is to bring the organisation and its resources and processes up to speed (using innovation and virtual ways of working), along with enhancing customer value through exploring new technologies and means to interact with our stakeholders across the value chain.

One of my first impactful experiences was in Israel where I was asked if I have evaluated failed start-ups and how could I learn anything from them.

The learning was while failure is an inevitable part of any journey, the difference is how quickly one learns from it, bounces back, and reinvents oneself for even bigger successes.

My ‘mantra’ is, if faced with a failure, “fail fast and fail cheap.”



**Work-life balance** is essential to rejuvenate yourself and identify what you are working for. For me, work-life balance has two key elements – **passion and drive**. What drives you and what is your passion? It is something that defines me as a person. I am a big fan of the Formula 1 racing. It teaches you that **“perfect timing between speed and balance gives one the edge,”** not the best car.

**Romal: Sometimes, family members may have a different style of working or differences in opinions. How does one align amongst the family?**

**Nishant:** Differences in opinions or perspectives in two individuals are inevitable. However, focusing on what is right for the organisation is important. When it comes to organisational decisions, it is not about whose perspective is right. It is about which perspective adds maximum value to the organisation and what matters for growth.

Another important thing that influences perspective is the culture in a family and an organisation. In our family, we were always motivated to have our own view but with a clear logic to support it. This is something we try to inculcate in our organisation as well. We believe that a constructive, healthy argument is good. It makes conversations and decisions more comprehensive and holistic; any situation can be looked at from different perspectives.

Simultaneously, having an innovative approach and mindset has been critical for us. We constantly look at sustainable work models for stakeholders. There is no status quo. Catching the pulse – what is required in the current scenario – is important. Understanding customers’ needs and looking at stakeholders’ interest are our key focus areas. This has been the priority for us over everything else.

**Romal: In your journey, you may have had your share of hits and misses. What are the things that you would be proud of so far? What are the things that you would do differently, if you could go back in time?**

**Nishant:** My journey has been interesting and challenging with ever-changing milestones. However, we as an organisation have been proud of multiple things, such as our drive towards sustainability; perspective on an end-to-end solution through the “Well to Wheel” idea; ability to establish ourselves as a differentiated products organisation; and our journey in the EV business. Steadily moving towards our goals and achieving results have been our morale booster.

What we could have done differently was to start out on the digitisation journey earlier. We could also have looked at developing talent internally and building a more people focused strategy. However, in the past few years, we have taken the right steps in that direction towards improving employee experience, learning, and growth for our employees. That said, this is a continuously evolving process of upskilling our talent and providing them the right opportunities to succeed in their individual journeys, along with JBM.

In the past few years, we have also moved our focus from cost, value, or competitiveness to only one key metric – the **“total cost of ownership”**. Our customers have started valuing us differently. We have been able to differentiate ourselves from our competition. We have brought in learning and cultural changes in our organisation including ourselves. It has been a fantastic journey!

As I always say, **“intent and content”** both are important. When both of these come together, only then one reach the final goal.





# Key judicial, regulatory and policy updates

## Judicial updates

- **Supreme Court rules on proving wills**

In its judgement dated 19 May 2020 in case of Kavita Kanwar vs Pamela Mehta & ORS, the Supreme Court dealt with the issue of proving of wills, and when a will may be considered to be invalid and executed under suspicious circumstances.

In the said judgement, the Supreme Court referred to several judicial precedents, including the judgement dated 24 April 2020 of the Supreme Court in Civil Appeal No. 6076 of 2009: Shivakumar & Ors. v. Sharanabasppa & Ors, wherein the following was observed.

While a will is usually the simplest of the legal documents, its effective execution and proving is important. The unique feature of a will is that it speaks from the death of the testator

and, therefore, the maker thereof is not available for deposing about the circumstances in which the will was executed. This introduces an element of solemnity in the decision of the question as to whether the document propounded is the last will of the testator. The initial onus naturally is on the propounder. However, this can be taken to have been primarily discharged on a proof of the essential facts considered while making the will.

- **Supreme Court holds that for testamentary disposition of Agriculture Land to be valid, the legatee should meet eligibility requirements**

In its judgment dated 15 June 2020 in the case of Vinodchandra Sakarlal Kapdia and others, the Supreme Court held that testamentary disposition of agricultural land to a non-agriculturist through a

“will” is void. The Apex court said that if a testamentary disposition that does not have an element of consideration is permitted, the land can be bequeathed to a total stranger who may not cultivate the land himself, and the legislative intent to do away with absentee landlordism and protect cultivating tenants would then be rendered otiose. The Supreme Court stated this position while analysing the Bombay Tenancy and Agricultural Lands, Act, 1948.

- **Conditions for becoming resident made more stringent for individuals**

The Finance Act 2020 has brought the following amendments to income tax law:

- The period of a minimum stay of 182 days to trigger tax residency stands reduced to 120 days in case of a citizen of India, or a person of Indian origin, who being outside India, visits India in a particular tax year and have taxable income (other than from foreign sources) of more than INR 1.5 million in the country.
  - An Indian citizen with taxable income (other than income from foreign sources) exceeding INR 1.5 million shall be deemed to be a resident in India, if he/she is not liable to tax in any other country or territory by reason of his/her domicile or residence or any other criteria of similar nature.
  - Relaxation has been provided to certain instances of deemed residence to exclude income from foreign sources being subject to tax in India.
- **Compensation received on reduction of profit sharing ratio, not taxable**  
In case of Anik Industries Ltd (116 taxmann.385), the Mumbai Bench of the Indian Income-tax Appellate Tribunal (ITAT) rendered its decision that compensation received by a partner on a reduction in profit sharing ratio is not chargeable to capital gains tax.

### Select relief measures

- **Reduction in rates for tax deduction at source (TDS)/Tax Collection at Source (TCS)**  
TDS rates for specified payments to residents (except salary payments) and TCS rates for specified receipts to be reduced by 25 percent, subject to certain conditions. The revised rates should apply from 14 May 2020 to 31 March 2021.
- **Immediate issuance of income-tax refunds**  
Pending refunds of non-corporate taxpayers (including proprietorships, partnerships, and limited liability partnerships) are proposed to be issued immediately.
- **Extension of time period for payment under Vivad Se Vishwas Scheme**  
Under this scheme, the time period for making payment without any additional amount, has been extended to 31 December 2020.
- **Extension of due date for filing of income-tax return**  
The due date for filing income-tax returns for the assessment year 2020–21 corresponding to the financial year 2019–20, has been extended from 31 July 2020/31 October 2020 to 30 November 2020.
- **Extension of due date for making investments/payments**  
The due date for making various investments/payments for claiming deduction under section 80C (LIC, PPF, NSC etc.), 80D (Mediclin), 80G (donations), etc., has also been further extended to 31 July 2020, for claiming the deduction under these sections for FY 2019–20.

### Select policy updates

- **Relief to real estate**  
State governments have been requested to consider an extension of up to 6 months for registration and completion date suo-moto of RERA-registered real estate projects expiring on or after 25 March 2020.

This may be further extended by another 3 months based on the situation in the state.

COVID-19 should be considered as an event necessitating invocation of the 'force majeure' clause under RERA. It is also proposed to extend timelines for various statutory compliances under RERA.

- **Relief to contractors**

Extension of up to 6 months is granted, for completion of contractual obligations of central agencies (such as railways, the Ministry of Road Transport and Highways, and the Central Public Works Department), in respect of EPC and concession agreements.

Government agencies shall partially release bank guarantees

of contractors, to the extent that contracts are partially completed, to ease cash flow.

- **Market access measures for Indian companies and MSMEs**

For MSMEs, e-market linkages will be promoted as a replacement for trade fairs and exhibitions.

MSME receivables from the government and central public sector enterprises will be released in 45 days.

Global tenders will be disallowed in government procurement tenders up to INR 2 billion (~US\$ 26.67 million). Such a measure is aimed at supporting the 'Make in India' initiative and will increase business for MSMEs.



# Inheritance tax law update in India

Inheritance tax is a levy on transmission of assets from one generation to next. Like any other form of tax, the main purpose for introduction of inheritance tax is to boost state's revenue. In addition to providing a revenue source to the government, the levy is viewed as a measure to reduce wealth inequality. Inheritance tax is generally targeted at affluent citizens / residents and is therefore based on the premise of "ability to pay".

The origins of modern inheritance tax can be traced back to late nineteenth century when these levy was introduced in England and America. In England, the inheritance tax was introduced in 1894 with abolition of then existing probate duty. As a reminder, India too had Estate Duty law that was legislated in 1953 with the twin objective of reducing unequal distribution of wealth and assist the State in financing development schemes.

In 1985 the said Estate Duty was repealed as it did not achieve the stated objectives.

The provisions of erstwhile Estate Duty Act, 1953 were largely "influenced" by the inheritance tax laws of England.

## Overview of erstwhile Estate Duty Act, 1953

Under the said erstwhile law, demise of the property owner triggered the liability to Estate Duty. "Property" subject to tax was defined in the broadest possible terms and included all movable and immovable property (except immovable property situated outside India), interest in expectancy, interest in co-parcenary property (joint heirship), debt or enforceable right, etc. In case of a person "domiciled" in India, his movable property situated outside India was also subject to estate duty in India.

There were certain anti-avoidance provisions under which the property was “deemed to pass on death” as follows:

- Property Gifted in contemplation of death or not made bonafide within two year period before death were considered as passing on death;
- Conversion of ownership in joint holding was considered as passing on death;
- Where the deceased was competent to dispose of property at the time of his death, such property was deemed to pass on death;
- Interest in a property that ceased on death to the extent of benefit accruing or arising as a result of cessation of such interest;
- Settlement of property where interest in the property was reserved to the settlor even after the settlement. Even reserving right to maintenance of self (settlor) and relatives was considered as reserving an interest; and
- Transfer of property to a controlled company where the benefits from the company accrued to the deceased for three years preceding death.

The law in India had its fair share of contentious issues and resultant litigation. These included answers to questions such as – whether interest in a trust can be considered as ‘property; whether ‘goodwill’ in a partnership firm will be subjected to estate duty; etc.

As mentioned earlier, Estate Duty was abolished in 1985. The then Finance Minister, while repealing the law, indicated that:

*As both wealth-tax and estate duty laws apply to the property of a person, the former applying to his property before death and the latter after his death, the existence of two separate laws with reference to the same property amounts to procedural harassment to the taxpayers and the heirs of the deceased who have to*

*comply with the provisions of two different laws. Having considered the relative merits of the two taxes, I am of dire view that estate duty has not achieved the twin objectives with which it was introduced, namely, to reduce unequal distribution of wealth and assist the States in financing their development schemes. While the yield from estate duty is only about Rs.20 crores, its cost of administration is relatively high. I, therefore, propose to abolish the levy of estate duty in respect of estates passing on deaths occurring on or after 16th March, 1985. I will come forward in due course with suitable legislation for this purpose.*

#### What lies ahead?

Since last few years there has been a strong buzz in India on possible re-introduction on estate duty. There are contentions, both in favour and against the usefulness of such a levy.

Oxfam India in its Policy Brief of October 2017<sup>1</sup> has stated that India has a very high income and wealth inequality by international and historical standards. As per the Policy Brief, share of top decile of the population in country’s wealth has gone up from 52.9% to 80.7% in roughly 14 years and this growing inequality justifies the re-introduction of estate duty that acts as a wealth equalizer.

Though on one side, it is believed that estate duty promotes social equity, on the other hand it may also lead to flight of capital. While estate duty may be a source of revenue collection, global statistics suggests that share of estate duty in government’s kitty is not very significant. In USA and the UK estate tax collection constitutes less than 2 percent of the total tax collection. Given the age group and average life expectancy of individuals who may be subjected to estate duty, India is likely to follow the said global trend. Further, less than 5% of total deaths are subject to inheritance tax in the UK. The said

<sup>1</sup> [https://www.oxfamindia.org/sites/default/files/2019-07/Policy%20Brief%20-%20Inheritance%20Tax%20%26%20Inequality%20%282017%29\\_0.pdf](https://www.oxfamindia.org/sites/default/files/2019-07/Policy%20Brief%20-%20Inheritance%20Tax%20%26%20Inequality%20%282017%29_0.pdf)

number is 0.2% in the US due to large exemption limits. Although many nations like USA, UK, Japan, etc. levy estate duty, number of countries like Australia, Singapore, China etc. have chosen not to.

**Snapshot of inheritance tax across globe**

Many geographies across the globe have such inheritance tax / estate duty on statute though the form and structure is different. Given below is a snapshot of inheritance tax as is applicable in select jurisdictions. The summary below represents illustrative information and should be regarded as being exhaustive.

Countries	Peak Tax rate	Primary obligation	Tax Base	Exclusions / Reliefs / comments (Illustrative)
<b>US</b>	40%	Estate of the deceased	<ul style="list-style-type: none"> <li>Deceased being US citizen / residents: worldwide properties</li> <li>Deceased (others): US situs properties</li> </ul>	<p><b>Exclusions:</b></p> <ul style="list-style-type: none"> <li>Property passing on to surviving US citizen spouse;</li> <li>Property passing on to surviving non-US citizen spouse (subject to conditions)</li> <li>Qualified donations</li> </ul> <p><b>Reliefs:</b></p> <ul style="list-style-type: none"> <li>2020 Unified Tax Credit of USD 11.58 million for US citizens/resident with sunset provisions at the end of 2025.</li> <li>Unused unified tax credit can be added to the tax credit of a surviving US citizen spouse (subject to conditions)</li> </ul>
<b>Japan</b>	55%	Recipient	<ul style="list-style-type: none"> <li>Recipient being domiciled in Japan (or) Deceased or recipient domiciled in Japan at any time within 10 years immediately before the time of death: worldwide assets</li> <li>Others: Japan situs assets</li> </ul>	<p><b>Exclusions:</b></p> <ul style="list-style-type: none"> <li>Specified donations</li> <li>JPY5 million each per statutory heir for life insurance proceeds and retirement allowance</li> </ul> <p><b>Reliefs:</b></p> <ul style="list-style-type: none"> <li>JPY160 million or inheritance tax amount on statutory share for spouse in inheritance under Japanese civil law (whichever of greater) is creditable against the spouse’s inheritance tax due.</li> <li>For minor heirs under 20 years old, JPY100,000 x (20 – heir’s age)</li> </ul>
<b>Philippines</b>	6%	Estate of the deceased	<ul style="list-style-type: none"> <li>Deceased being resident of Philippines: worldwide assets</li> <li>Others: Philippines situs assets</li> </ul>	<p><b>Exclusions:</b></p> <ul style="list-style-type: none"> <li>Family home (not exceeding PHP 10 million)</li> </ul> <p><b>Reliefs:</b></p> <ul style="list-style-type: none"> <li>Standard deduction PHP 5 million for residents</li> <li>Standard deduction PHP 500,000 for non-residents</li> </ul>



Countries	Peak Tax rate	Primary obligation	Tax Base	Exclusions / Reliefs / comments (Illustrative)
South Korea	50%	Recipient	<ul style="list-style-type: none"> <li>Deceased being resident of South Korea: worldwide assets</li> <li>Others: South Korea situs assets</li> </ul>	<p><b>Reliefs:</b></p> <ul style="list-style-type: none"> <li>Spousal deduction is allowed between the minimum of KRW 500 million and the maximum of KRW 3 billion</li> <li>KRW 50 million per child of personal deduction and KRW 200 million of basic deduction is allowed (the minimum of KRW 500 million in total)</li> <li>KRW 200 million of the basic deduction is only applied if the deceased is a non-resident.</li> </ul>
Thailand	10%	Recipient	<ul style="list-style-type: none"> <li>Recipient being Thai national / resident / juristic person: worldwide assets</li> <li>Others: Thailand situs assets</li> </ul>	<p><b>Exclusions:</b></p> <ul style="list-style-type: none"> <li>Inheritance by a spouse</li> </ul> <p><b>Reliefs:</b></p> <ul style="list-style-type: none"> <li>THB 100 million from each deceased person</li> <li>The rate of 10% is reduced to 5% if the recipient is an ascendant or a descendant</li> </ul>
Turkey	10%	Recipient	<ul style="list-style-type: none"> <li>Recipient / deceased being Turkish citizen: worldwide assets</li> <li>Others: Turkey situs assets</li> </ul>	<p><b>Reliefs:</b> (applicable amounts for 2020 calendar year):</p> <ul style="list-style-type: none"> <li>TRY 306,603 of the inheritance shares corresponding to each child and spouse (if no children, spouse is entitled to TRY 613.582 relief)</li> </ul>

# Connect with us

**Uday Bhansali**

President, Financial Advisory  
Deloitte Touche Tohmatsu India LLP  
[udaybhansali@deloitte.com](mailto:udaybhansali@deloitte.com)

**Romal Shetty**

President, Consulting  
Deloitte Touche Tohmatsu India LLP  
[romalshetty@deloitte.com](mailto:romalshetty@deloitte.com)

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