A host of tax concessions and incentives exist in in India, which include tax holidays for new industrial undertakings or for firms located in India's 6 export processing Zones (EPZ), substantial investment and depreciation allowances, tax concessions for locating in designated backward areas, deductions for scientific research and export oriented companies are free of income tax.

For the current financial year (1991-92) the rate of surcharge on income tax has been raised from 8 to 15 percent in the case of domestic companies and also non-corporate assessees whose income exceeds on $5,000 p.a. Deduction for depreciation in the current accounting year has been restricted to 75%. In 1985, Canada and India signed a 5 year treaty to avoid double taxation in both countries.

Accounting System in India: Book keeping for a business concern in India has been developed on the lines of the system followed in the U.K. The maintenance of Books of Accounts is governed by the Indian Companies Act 1956. A limited company must appoint a company secretary, and its books of accounts have to be audited by a Chartered Accountant, the audit of which is governed by Institute of Chartered Accountants of India (ICAI). For companies incorporated in India the accounting year is from April 1st to March 31st.

j. Financial institutions

Long term finance for capital investment in industrial and infrastructural projects in India is provided by development banks, while working capital needs are met by commercial banks. Development banks in India can be divided into two groups, namely All India Financial Institutions (AIFIS) and state level financial institutions.

All India Financial Institution (AIFIS) provide direct assistance for medium and large scale projects with capital investment of over Cdn $ 2 million. They also provide indirect assistance to small projects by way of refinancing loans and rediscounting deffered payment guarantees given by the state level financial institutions and commercial banks. Among the AIFIS are Industrial Development Bank of India (IDBI), The Industrial Finance Corporation of India (IFCI) and Industrial Credit and Investment Corporation of India (ICICI). IDBI is wholly owned by the Government of India, IFCI is 50% owned by IDBI, and ICICI is a public limited company supported by the World Bank.

The state level financial institutions include State Financial Corporations (SFCS) and the State Industrial Development Corporation (SIDCS). SFCS have been set up in various states to cater to the financial needs of small and medium scale units. SIDCS/SIICS promote medium/large industrial ventures, and are wholly owned state government agencies.

There are other financial institutions engaged in export promotion and investment activities. The Export-Import Bank of India (EXIM Bank) finances and promotes foreign trade. The Export Credit and Guarantee Corporation (ECGC) provides insurance cover to exporters against credit risks, both commercial and political. The Life Insurance Corporation (LIC), General Insurance Corporation (GIC) and the Unit Trust of India (UTI) provide assistance to industrial ventures in consortium with AIFIS.

In the past two decades, India's banking sector has grown remarkably. Commercial banks provide working capital finance for various sectors of the economy, and in accordance with government policy, a portion of the credit is channelised towards priority sectors such as agriculture and small scale industry. The Reserve Bank of India (RBI) is vested with the responsibility for providing operational guidelines to the banking sector.

Commercial banks in India comprise nationalized and foreign banks. The main nationalized banks are State Bank of India, (with branches in Toronto and Vancouver), Central Bank, Bank of India and Canara Bank. The main foreign banks are ANZ Grindlays Bank PLC, Citibank, Hong Kong and Shanghai Banking Corporation, Standard Chartered Bank, American Express Bank, Bank of America and Canada's Bank of Nova Scotia. Indian Government policy towards new foreign banks entering the country has been rather restrictive. Several banks have recently entered into new areas such as leasing, credit cards, travellers cheques, mutual funds and other financial services.