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# Foreign Direct Investment Policy and Strategy

## Investing in India

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25 March 2021

## **Entry Options in India**

COMPANY (Includes Private and Public company governed by the Companies Act 2013)

- A company is a separate legal entity with limited liability
- Treated as a tax resident in India
- It requires at least two members and two directors (one of which should be Resident in India)
- Governed by its Memorandum and Articles



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## Limited Liability Partnership (Governed by Limited Liability Partnership Act, 2008)

- LLP is a separate legal entity
- Taxed as a resident firm in India (unless control and management is wholly outside India)
- Must have at least two individuals as Designated Partners and at least one of the Designated Partner shall be a resident of India
- Governed by the LLP Agreement



#### Branch Office/ Project Office

- · Activities other than Manufacturing activities can be conducted by Branch
- Project office can be set up for executing all project related work
- No separate legal status
- Taxable as a Foreign company



### Liaison Office

- Activity limited to communication
- No separate legal status
- Funds can be received from the HO alone to meet the expenses

## **Foreign Direct Investment Policy**

#### Framework

- Nodal Department : The Department for Promotion of Industry and Internal Trade
- FDI policy is reviewed on an ongoing basis and forms part of the Foreign Exchange Management Act, 1999 ("FEMA") and is notified through Rules issued by Central Government
- Foreign Investment Facilitation Portal (FIFP) is the new online single point interface of the GoI to facilitate FDI (<u>https://fifp.gov.in/</u>)

#### Permitted

- 100% FDI permitted without approvals in most sectors including Contract Manufacturing
- Automatic and Approval Routes

| Restricted         |       |  |  |  |
|--------------------|-------|--|--|--|
| Sectors            | Caps  |  |  |  |
| Private Banking    | 74%   |  |  |  |
| Insurance          | 74%** |  |  |  |
| Multi-Brand Retail | 51%   |  |  |  |
| Print Media        | 26%   |  |  |  |
| Defense Equipment* | 74%*  |  |  |  |

#### Prohibited

- Agriculture
- Gambling and Lottery
- Real Estate
- Tobacco products
- Atomic Energy

## **Recent FDI Changes**

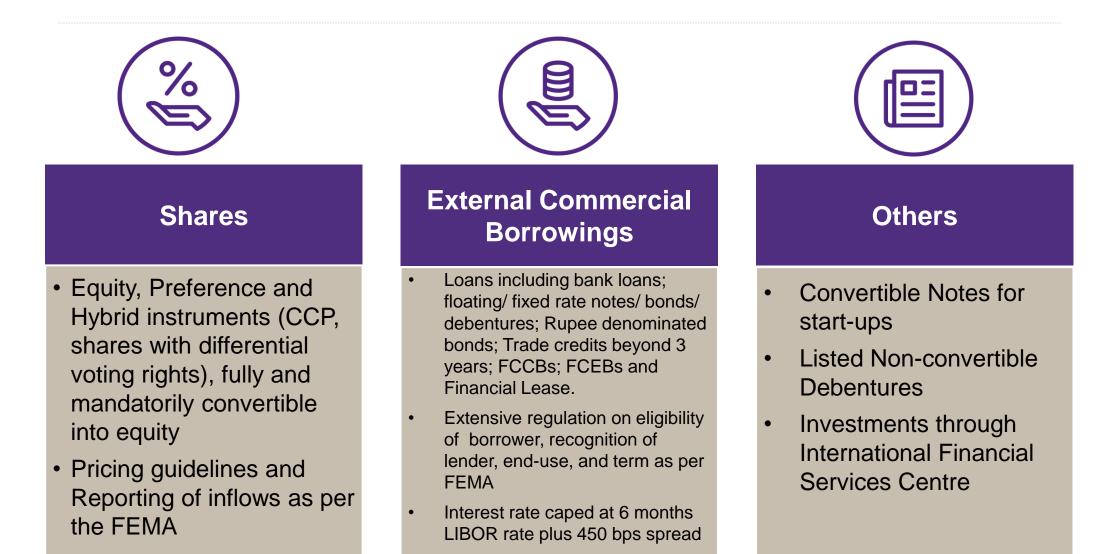
- Investments from countries which share land border with India (such as China, Pakistan, Bangladesh and Myanmar) and entities owned by citizens of these countries shall be made only through Approval route
- Relaxation of FDI limits in the following sectors:
  NRI investments norms relaxed further One Person

Companies and Downstream investments

| Sectors                        | Route                    | Revised Caps |  |
|--------------------------------|--------------------------|--------------|--|
| Railways                       | Approval                 | 100%         |  |
| Insurance<br>intermediaries    | Automatic                | 100%         |  |
| Coal Mining                    | Automatic                | 100%         |  |
| Single Brand<br>Product Retail | Automatic                | 100%         |  |
| Air Transport<br>Service       | Approval<br>(beyond 49%) | 100%         |  |



## **Foreign Funding Sources**



## Contact us

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