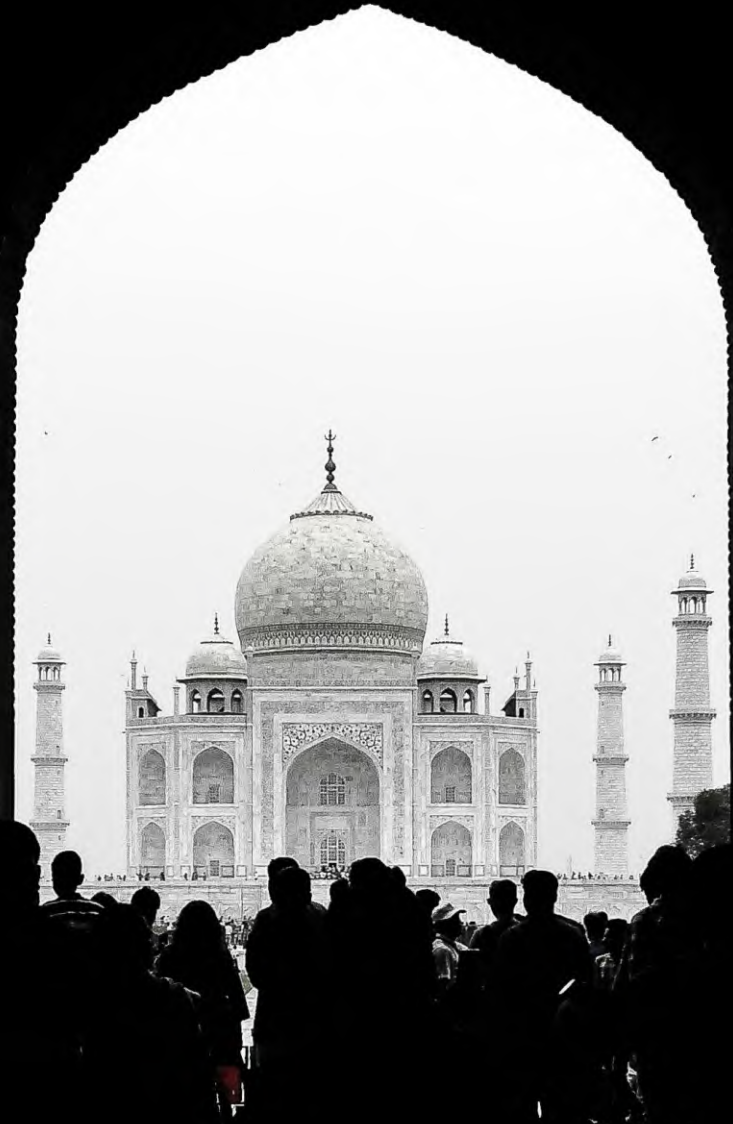


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**DOING
BUSINESS IN
INDIA**
GUIDE

Taj Mahal, New Delhi, India

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ABOUT THIS GUIDE

This guide has been compiled by Bhuta Shah & Co LLP., Chartered Accountants for the benefit of its clients and associate offices worldwide who are interested in doing business in India.

Its main purpose is to provide a broad overview of the various things that should be considered by organizations considering setting-up business in India.

While every effort has been made to ensure the accuracy of the information contained in this guide, no responsibility is accepted for its accuracy or completeness.

The information provided are indicative as underlying legislation and regulations are subject to frequent changes. We recommend taking professional advice before taking any decision of doing business in India or exploring an opportunity for expansion.

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Disclaimer: This compilation provides an overview regarding doing business in India. This statement is meant for information purposes only and should not be relied upon as a substitute for detailed advice or a basis for formulating business decisions.

Qutub Minar, New Delhi, India





1

INTRODUCTION

1.1 WHY INDIA?

India is set to dominate the global economic landscape, maintaining its status as the fastest-growing large economy for the next two fiscal years. The January 2025 edition of the World Bank's Global Economic Prospects (GEP) report projects India's economy to grow at a steady rate of 6.7% in both the FY26 and FY27, significantly outpacing global and regional peers. As compared to the expected global growth rate of 2.7%, India is expected to grow at a rate of 6.7%. India has firmly established itself as the third-largest startup ecosystem in the world, with over 1.57 lakh certificates issued by Department for Promotion of Industry and Internal Trade (DPIIT) for recognition of startups as of December 31, 2024.

According to the Periodic Labour Force Survey (PLFS) released by the Ministry of Statistics and Programme Implementation, India's unemployment rate among people aged 15 years and above fell marginally to 4.9% in 2024, from 5.0% in 2023. The data suggest progress in growing large economy with slight improvements in employment opportunities across the country.

This positions India as a compelling foreign investment hub, which is also set to overtake China's growth forecast of less than 5 percent in 2024. Even by the IMF's conservative estimates, India will emerge as the world's third-largest economy by 2027, surpassing Japan and Germany, with GDP exceeding US\$5 trillion.

India's consumer spending is growing rapidly, driven by rising incomes, urbanization of various centers across span India, other than metro cities, into two and three tier cities and easier access to financial credits. With private consumption increasing at 7.3% in FY24 and

per capita income crossing \$2,600, people are spending more on non-essential items like fashion, food, and wellness. By 2030, discretionary spending is expected to grow at an annual rate of 8.7%, with rural areas seeing slightly faster growth than urban centers



1.2 HISTORY



India is one of the oldest civilisations in the world, with a kaleidoscopic variety of sights and a rich cultural heritage. As the land of vast empires and historic trade routes, the Indian subcontinent has been associated with cultural and commercial wealth for much of its long history. Gradually annexed by the British East India Company from the early eighteenth century and colonised by the UK from the mid-nineteenth century, India became a Sovereign Nation in the year 1947 after a struggle for the independence that was marked by widespread use of non-violent resistance as a means of social protest. Since then, it has achieved all-round socio-economic progress. As well as being self-sufficient in agricultural production, India is now one of the top industrialised countries in the world and one of the few nations to have ventured into outer space.

The country's official name, 'India', is derived from Sindhu, the old Persian name of the river Indus. Another name in common usage, and officially recognised by the Constitution of India, is 'Bharat' – derived from the Sanskrit name of an ancient Hindu king whose story is to be found in the Mahabharata. A third name, 'Hindustan' (Persian for 'Land of the Hindus'), has been used since the Mughal Empire (sixteenth century).

1.3 GEOGRAPHY

Administration	28 States and 8 Union Territories
Longitude	68° 7' and 97° 25' east
Latitude	8° 4' and 37° 6' north
Coastline	The total length of the coastline of the mainland, Lakshadweep Islands and Andaman and Nicobar Islands is 7,517 km
Mainland Area	3 million sq km
Oceans	India tapers off into the Indian Ocean on the South between the Bay of Bengal on the West and the Arabian Sea on the East.
Climate	<p>India hosts six major climatic subtypes, ranging from arid desert in the west, alpine tundra and glaciers in the north, and humid tropical regions supporting rainforests in the southwest and the island territories. Winter (December-February), Summer (March-June), Monsoon (June-September) Post Monsoon (October-November).</p> <p>India does not have drastic climatic conditions across the country except to the Himalayan regions and some areas prone to floods in the eastern region. Diverse climatic conditions support multiple industries viz., agricultural, tourism, manufacturing, etc.</p>



1.4 POPULATION AND LANGUAGE



The latest United Nations Estimates (April 2025) indicate that India's population is over **1.462 BILLION**



Accounts for only **2.4%** of the world's total surface area yet supports and sustains **17.78%** of the world's population



Highest **working population** in the age group of **18 YEARS to 55 YEARS**



According to Periodic **Labour Force Survey (PLFS)** – Annual Report [July 2023-June 2024], participation of labour force has increased to **60.1%** in June 2024 from **57.9%** of June 2023

22

languages are officially recognised and accepted nationally



33 LANGUAGES

and around **2,000** regional dialects have also been identified

India is a union of states and is a sovereign, socialist, secular democratic republic with a parliamentary system of government. The President of India is the official head of the state and first citizen of India elected directly by an electoral college. The Prime Minister is, however, the de facto head of the government and exercises most executive powers.

India is the largest democracy in the world, with a federal form of government comprising three branches:

LEGISLATURE

The bicameral parliament consists of the Upper House (Rajya Sabha, Council of States) and the Lower House (Lok Sabha, House of the People). The laws in India are enacted by the legislature.

EXECUTIVE

The President and Vice President are the persons holding topmost executive office. Flowing down are the various bureaucrats who are Indian Finance Services, Indian Administrative Services, Indian Revenue Service, Indian Police Services and various others who are passed out through Civil Services Examinations (Union Public Services Commission).


JUDICIARY

The three-tiered system is led by the Supreme Court in New Delhi, with High Courts standing at the head of each state judicial system, followed by District and Sessions Courts in the judicial districts into which the states are divided. The third tier comprises local Courts of Civil and Criminal Jurisdiction.

Every state has a Legislative Assembly. Certain states also have an Upper House, called the State Legislative Council. Executive power is vested in each head of state, a governor appointed by the president. The Council of Ministers, headed by the Chief Minister, advises the governor in the discharge of executive functions. The Council of the Ministers of a State is collectively responsible to the Legislative Assembly of the State.



Rajabhai Tower, Mumbai, India

 The Indian economy is one of the fastest-growing economies, currently ranking **5th largest** in terms of nominal GDP (almost **US\$ 3.41 trillion**, in 2024)

 **3rd largest** in terms of purchasing power parity, after **USA** and **China**

The country is **one of the G20** major economies 

 a member of **BRICS** **The Indian GDP expanded 6.2%** from the previous year in the December quarter of 2024 

 For private consumption expenditure **6.9% VS 5.9%** in September quarter and public expenditures **8.3% VS 3.8%** in September quarter 

 Net external demand contributed positively to the GDP as **exports soared** by **10.4%** and **imports softened** by **1.1%**

Emphasis is being given to establishing India as a manufacturing hub, under the government's **'MAKE IN INDIA'** programme 

 The services sector is the biggest contributor to the national GDP – making a contribution of **54.72%**, compared with industry (**27.62%**) and agriculture and allied (**17.66%**) according to statistics for 2023-24.

In the major **MAKE-IN-INDIA** policy, the Indian Government is emphasizing technology research & development and manufacturing in the field of defence products and creating semi-conductor chips hub. 

 India's World Bank ranking on the Ease of Doing Business Index has improved significantly, moving from **142** in 2014 to **63** in recent years

Recently, the government inaugurated World Audio Visual and Entertainment Summit '**WAVES**' as emerging '**Orange Economy**' opening new era in the field of creative sector emphasising the nation's cultural richness and storytelling legacy in the field of entertainment industry in the august presence of **10,000** delegates including leaders from **90** countries.

- **Transfer of Property Act, 1882 (TOPA):**

The Transfer of Property Act (TOPA), 1882, is a key legislation in India that governs the transfer of property between living individuals. It provides a legal framework for transactions such as sales, leases, mortgages, exchanges, and gifts, ensuring clarity and enforceability in real estate dealings. The Act defines what constitutes a valid transfer, outlines the rights and duties of the parties involved, and mandates registration for many transactions to be legally effective. It also places certain restrictions on transfers to maintain the integrity of property rights and public interest.

- **Prevention of Money Laundering Act, 2002 (PMLA):**

The Prevention of Money Laundering Act (PMLA), 2002 is India's primary law to prevent the conversion of illegal money into legitimate assets. It empowers the Enforcement Directorate (ED) to investigate and confiscate properties involved in money laundering. The Act defines money laundering as turning "black money" into "white money" and imposes penalties. It establishes Special Courts and Adjudicating Authorities to handle such cases.

- **Information Technology Act, 2000 (IT Act):**

The Information Technology Act, 2000 serves as the foundational legal framework for regulating electronic commerce and cybercrime in India. It grants legal recognition to digital signatures and electronic records, ensuring their admissibility in court, thereby facilitating secure e-transactions and e-governance. The Act delineates offenses such as hacking and identity theft, prescribes penalties, and establishes mechanisms like the Cyber Appellate Tribunal for dispute resolution. Amendments in 2008 and 2018 expanded its scope to address evolving issues like data privacy and online safety.

- **Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI):**

The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act) is a key legal instrument that enables banks and financial institutions in India to recover dues from defaulting borrowers without court intervention. It empowers secured creditors to enforce security interests, such as mortgages or pledges, and facilitates asset seizure and auction for loan recovery. The Act also provides for the establishment of Asset Reconstruction Companies

(ARCs) and mandates the maintenance of a central registry (CERSAI) to record security interests. Applicable primarily to secured loans, SARFAESI streamlines NPA recovery, enhances financial sector efficiency, and alleviates pressure on the judicial system.

- **Negotiable Instruments Act, 1881 (NI Act):**


The Negotiable Instruments Act, 1881 governs the use and transfer of financial instruments like promissory notes, bills of exchange, and cheques in India. It defines these instruments, outlines how they can be transferred, and specifies the rights and duties of all parties involved. A key feature is the concept of a holder in due course, who gains valid title even if previous ownership was flawed. The Act also addresses the dishonor of instruments, including procedures for notice and remedies. Section 138 deals with cheque dishonor due to insufficient funds, making it a punishable offense, thus ensuring the reliability of cheque transactions.

- **Intellectual Property Rights (IPR) Laws:**

India's intellectual property framework includes the Patents Act, the Copyright Act, and the Trademarks Act, each offering legal protection for different forms of creative and innovative work. These laws safeguard inventions, artistic and literary works, and brand identities, respectively, ensuring that creators and businesses can secure exclusive rights and benefit from their intellectual creations.



The City Palace, Jaipur, Rajasthan, India

A photograph of the Hawa Mahal in Jaipur, India, showing its intricate facade with many windows. The building is illuminated with warm lights, and the sky is a clear blue. The image is used as a background for the top half of the page.

Hawa Mahal, Jaipur, India

2 NAVIGATING INDIA'S ECONOMIC LAWS & REGULATIONS: A STRATEGIC GUIDE FOR GLOBAL INVESTORS

India, the world's most populous democracy and one of the fastest-growing economies, offers a compelling investment destination underpinned by a dynamic and evolving legal framework. With a gross domestic product (GDP) exceeding USD 4 trillion and foreign direct investment (FDI) inflows reaching an all-time high of USD 42.2 billion in the first half of FY 2024-25, India is increasingly being recognized as a global hub for trade, investment, and innovation. The backbone of this success lies in the country's comprehensive economic laws and regulations. This article unpacks the legal and regulatory landscape investors must navigate to succeed in India.

2.1 THE LEGAL ENVIRONMENT: FOUNDATIONS OF ECONOMIC REGULATION

India's economic regulations are rooted in its common law system, heavily influenced by British legal traditions but tailored over decades to suit its own federal structure. The Indian legal framework can be categorized into three broad types:

- **Foreign Investment Laws:** These laws govern entry, ownership structure, repatriation of profits, and compliance norms for foreign entities. Oversight is largely exercised by the Department for Promotion of Industry and Internal Trade (DPIIT) and the Reserve Bank of India (RBI). The FDI Policy, updated annually, governs sectoral caps and approval routes (automatic or government).
- **General Business Laws:** These apply universally to all types of enterprises and include laws related to contracts, taxation, dispute resolution, labor, and corporate governance. They ensure legal uniformity

and predictability in commercial transactions.

- **Sector-Specific Regulations:** Certain sectors such as banking (RBI), insurance (IRDAI), telecommunications (TRAI), and capital markets (SEBI) are governed by specialized laws and regulators. These ensure prudential norms, consumer protection, and systemic stability in sensitive sectors.

2.1.1 Key legislation includes:

- **Companies Act, 2013:**

The Companies Act, 2013, is a key legislation in India that regulates the creation, management, and closure of companies. It superseded the Companies Act of 1956, aiming to enhance corporate governance, increase transparency, and safeguard investor interests. The Act addresses several facets of corporate functioning, such as company registration, financial disclosures, corporate social responsibility (CSR), and auditing standards.

- **Indian Contract Act, 1872:**

The Indian Contract Act, 1872, governs contractual relationships in India by defining what constitutes a valid contract and detailing the rights and obligations of the parties involved. It lays down essential elements such as offer and acceptance, consideration, capacity to contract, free consent, lawful object, and certainty of terms. The Act also addresses specific contract types like indemnity, guarantee, bailment, and pledge. In cases of breach, it provides legal remedies including compensation, specific performance, rescission, and quantum meruit, ensuring that affected parties can seek appropriate redress.

A brief overview of each of the key intellectual property laws in India:

- The **Patents Act, 1970 (amended in 2005)** protects inventions by granting exclusive rights to inventors for a period of 20 years. It applies to products and processes that are novel, involve an inventive step, and are industrially applicable. The 2005 amendment aligned the Act with the TRIPS Agreement, allowing product patents in pharmaceuticals and chemicals.
- The **Copyright Act, 1957** protects original literary, artistic, musical, and cinematographic works, as well as sound recordings and computer software. It gives creators the exclusive right to reproduce, distribute, perform, and communicate their work to the public. The protection generally lasts for the creator's lifetime plus 60 years.
- This **Trademarks Act, 1999** provides protection for distinctive signs such as logos, brand names, and slogans used in trade. Registered trademarks give the owner exclusive rights to use the mark and take legal action against unauthorized use. The registration is valid for 10 years and can be renewed indefinitely
- **Dispute Resolution and Regulatory Transparency**

India's pro-arbitration stance is reflected in several Supreme Court rulings upholding foreign arbitral awards and enforcing emergency arbitration.

Key developments include:

- Enactment of the Arbitration and Conciliation (Amendment) Act, 2021.
- Proposal of the Mediation Bill, 2021.
- Recognition of foreign-seated arbitration in Indian courts.

India has also decided as a policy not to introduce retrospective taxation law, signaling a clear commitment to legal certainty and investor protection.

- **Digital Personal Data Protection Act, 2023 (DPDP Act)**

The Digital Personal Data Protection Act, 2023 (DPDP Act) was enacted on 11 August 2023 to establish a robust framework for safeguarding digital personal data in India.

It is a landmark legislation in India designed to safeguard personal data while fostering innovation. It grants individuals rights such as informed consent, data erasure, and grievance redressal, empowering parents and guardians to ensure children's online safety. Data Fiduciaries are tasked with providing transparent information on data processing, implementing security measures, and reporting breaches. The Act establishes a digital-first Data Protection Board to handle complaints and ensure compliance. Striking a balance between regulation and innovation, it introduces a graded compliance framework for startups and MSMEs. Additionally, the Draft Digital Personal Data Protection



Gateway of India, Mumbai, India



Rules, 2025, released for public consultation, focus on operationalizing the Act with provisions for consent management, subsidy-related data processing, and breach handling, emphasizing simplicity and accessibility.

- **Competition Act, 2002:**

The Competition Act of 2002 is designed to foster healthy competition in India's markets, safeguard consumer interests, and uphold the freedom of trade. It restricts activities that adversely affect competition, including anti-competitive agreements and the misuse of market dominance. The enforcement and oversight of the Act are entrusted to the Competition Commission of India (CCI), which acts as the regulatory authority.

- **Competition (Amendment Act), 2023**

The Competition (Amendment) Act, 2023 introduced several key changes to India's competition law framework. Key Features of the Competition (Amendment) Act, 2023

- **Deal Value Threshold (DVT) Implementation:** As of September 10, 2024, mergers and acquisitions exceeding INR 20 billion (US\$238 million) now require approval from the Competition Commission of India (CCI), provided the target company has significant business operations in India.
- **Faster Merger Review Timelines:** The CCI's initial review period for mergers has been reduced from 30 working days to 15 days, while the overall review timeline has been shortened from 210 to 150 calendar days.

- **Expanded Anti-Trust Enforcement:** The Hub-and-Spoke cartel framework has been strengthened, ensuring stricter scrutiny of coordinated anti-competitive behaviour.
- **Limitation Period for Complaints:** A three-year limitation period has been introduced for filing complaints related to anti-competitive agreements and abuse of dominant position.

These aim to modernize India's competition law, making it more efficient and aligned with global standards.

- **Foreign Investment Framework in India**

India's regulatory landscape for cross-border financial transactions is primarily governed by the Foreign Exchange Management Act, 1999 ("FEMA"). The Reserve Bank of India ("RBI") serves as the principal authority for administering FEMA. FEMA's core objective is to support external trade and payments while fostering the sound development of India's foreign exchange ecosystem. It aims to maintain a stable and efficient foreign exchange market. To facilitate external trade and foreign exchange management, the RBI delegates powers to Authorized Dealer ("AD") Banks, enabling them to act as the first line of compliance authority for the Indian entities engaged in foreign transactions.

This regulatory framework aligns with India's broader goal of enhancing its appeal as an investment destination, consistent with initiatives like Make in India and the promotion of entrepreneurship through improved ease of doing business.

FEMA: Guiding Cross-Border Transactions

FEMA regulates a wide range of external transactions, including capital and current account transactions, foreign exchange dealings, export of goods and services, and repatriation of foreign currency. It also governs the roles and responsibilities of entities and individuals authorized to deal in foreign exchange and securities. As a thumb rule, while the current account transactions are generally allowed unless specifically prohibited, capital account transactions requires prior approval unless specifically allowed under the FEMA.

A crucial aspect of FEMA is the distinction it draws between residents and non-residents, which differs from the definitions used under the Income Tax Act, 1961. This classification directly impacts how transactions and remittances are treated under the law.

The Government of India and the RBI introduced legislations to help promote and protect foreign investments, some of which are as follows:

- Foreign Exchange Management (Borrowing and Lending) Regulations, 2018
- Foreign Exchange Management (Deposit) Regulations, 2016
- Foreign Exchange Management (Cross Border Merger) Regulations, 2018
- Foreign Exchange Management (Debt Instruments) Regulations, 2019
- Foreign Exchange Management (Overseas Investment) Regulations, 2022
- Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017; etc.

These legislations aim to simplify procedures and enhance transparency. Notably, it clarified key definitions, removed approval requirements for deferred consideration payments, investments under regulatory investigation, corporate guarantees to lower-tier subsidiaries, disinvestment-related write-offs, etc. and furthermore imposed a late submission fee for reporting delays and many more such steps were taken towards fulfilment of its goal.

Foreign Trade and Export Landscape

India's overall exports in 2023-24 reached US\$ 778.21 billion, demonstrating a positive growth of 67% from US\$ 466.22 billion in FY14 where merchandise exports and services, in FY 2023-24, stood at US\$ 437.10

billion and US\$ 341.11 billion respectively. Sectors such as iron ore, textile, pharmaceuticals, electronics, engineering goods played a significant role in such growth reflecting a resilient and a well-structured India's export framework.

Repatriation of Funds

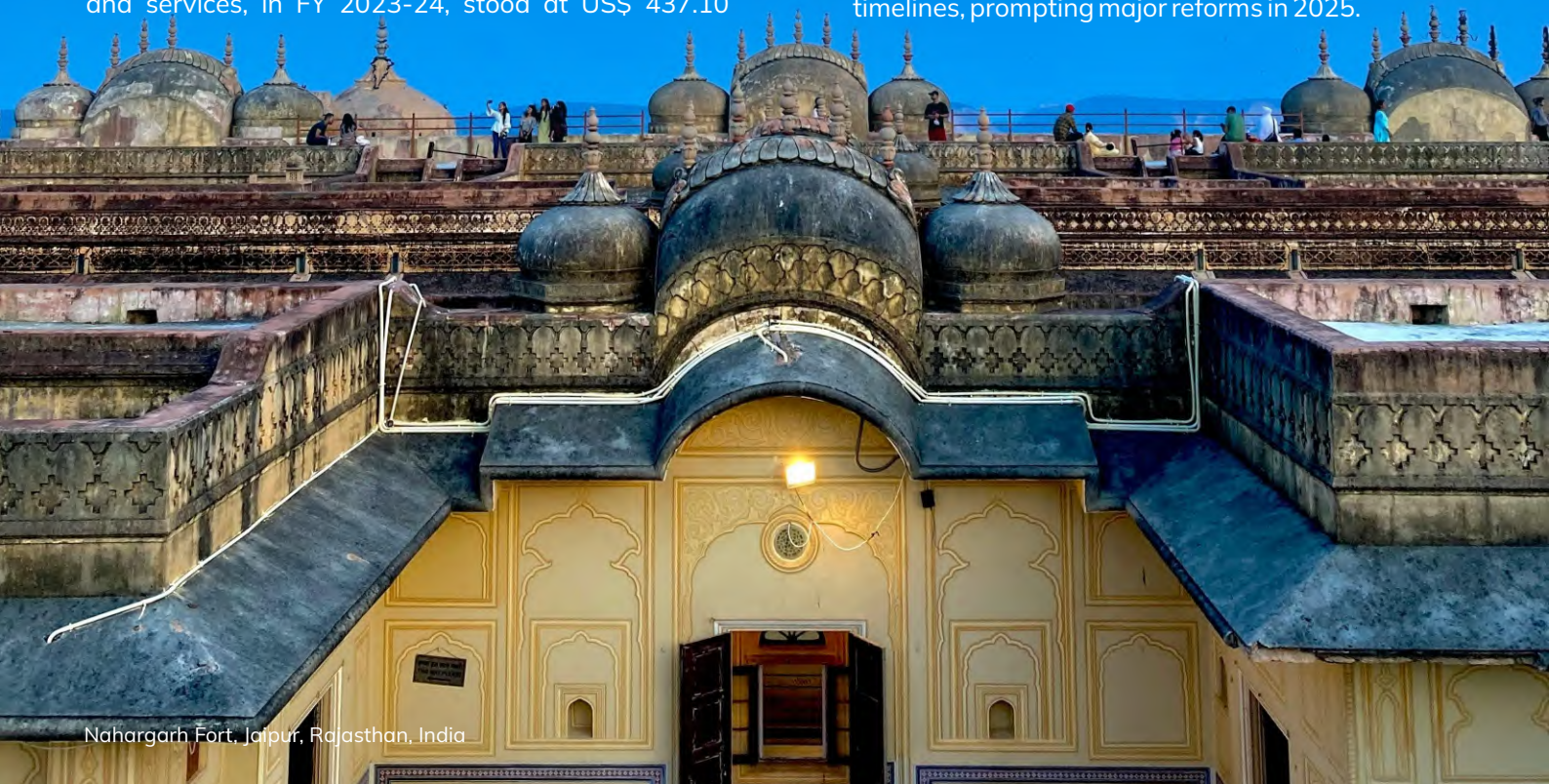
Ordinary course of return of funds to foreign investors in Indian companies is made through dividends and share buybacks, both serving as methods to distribute excess capital. Whilst outflows such as royalties, fees for technical services, and interest payments are treated as business expenses and therefore face stricter regulatory scrutiny. Such payments must be commercially justified and well-documented.

- **Indian Stamp Act 1899**

Stamp duty is an indirect tax levied by the State Government of India on property related transactions. Failure to pay stamp duty within the prescribed timelines may lead to legal complications. Payment of stamp duty is vital so as to ensure the documents are legal and are admissible in the court.

- **Insolvency and Bankruptcy Code ('IBC')**

The IBC, 2016 remains India's primary bankruptcy law, consolidating insolvency and bankruptcy frameworks into a single legislation. Initially implemented to tackle bad loans of up to US \$150 billion, the IBC has significantly influenced the banking sector. However, recent trends indicate declining recovery rates and prolonged resolution timelines, prompting major reforms in 2025.



Nahargarh Fort, Jaipur, Rajasthan, India

The status of IBC cases as of December 31, 2024 is tabulated as under:

8175

Corporate Insolvency
Resolution Process initiated

1119

Resolution
Plan approved

1130

Cases
Withdrawn

1236

Cases
Settled

2707

Cases under
Liquidation

India's insolvency process has received a major revamp with IBC 2025, tackling delays and boosting transparency.

Key Reforms:

- **Creditor-Led Resolutions:** Faster decisions, 165-day limit vs. 330 days earlier.
- **Expansion of Pre-Packaged Insolvency Resolution Process:** Now includes large corporations for swift out-of-court settlements.
- **Digital Automation:** Enhances efficiency, transparency, and consistency.
- **Tribunal Strengthening:** More National Company Law Tribunal benches to clear case backlog.
- **Real Estate Fixes:** Homebuyers get possession during resolution with 66% creditor approval.
- **Mandatory e-BKray (known as Bank Asset Auction Network) Auctions:** All liquidation assets sold digitally for fairer participation.
- **Stricter Bidder Scrutiny:** Section 29A enforcement blocks ineligible buyers.

2.1.2 Corporate Social Responsibility

Any Company operating in India and if it satisfies any one of the conditions as prescribed by the Company's Act 2013 needs to undertake CSR activities in India. The conditions prescribed in the Companies Act 2013 are as follows:

- ◆ **Net worth is more than INR 5,000 million**
- ◆ **Turnover is more than INR 10,000 million**
- ◆ **Net profit is more than INR 50 million.**

Companies need to spend minimum 2% of its average net profits made during the immediately preceding three financial years.

2.1.3 Accounting Standards

India plans for aligning with IFRS for reporting of financial statements.

- There are two sets of Accounting Standards (AS):
- Indian AS (known as Ind AS), which are similar to IFRS with minimal local modifications
- Existing notified AS.
- Ind AS is made applicable in different phases.

PHASE - I

Companies with a net worth** of more than INR 5 billion, whether listed* or unlisted, were required to adopt Ind AS from the financial year 2016–2017.

PHASE - II

All remaining listed* companies, and unlisted companies with a net worth of more than INR 2.5 billion, were required to adopt Ind AS from the financial year 2017–2018.

PHASE - III

Banks, Insurance and Non-Banking Finance Companies with a net worth** of more than INR 5 billion, whether listed* or unlisted, were required to adopt Ind AS from the financial year 2018–2019.

PHASE - IV

Non-Banking Finance Companies with a net worth** of more than INR 2.5 billion, whether listed* or unlisted, were required to adopt Ind AS from the financial year 2019–2020.

- Going forward, any company fulfilling any of the above criteria are required to follow IndAS. IndAS is applicable to both standalone and consolidated financial statements.
- Implementation of IndAS to Insurance Companies have been deferred till further notice by IRDA and to Banks have been deferred till further notice by RBI
- In case there are Banks/Insurance Companies/ NBFCs in a group, they may continue under existing notified AS. However, for consolidation their Financial Statements may be restated to IND AS to the extent practical.

*** Net worth will be determined based on the stand-alone accounts of the company as on 31st March 2014, or the first audited period ending after that date. Net Worth is the total of paid-up share capital and all reserves out of profit & securities premium account, after deducting accumulated losses, deferred expenditure, and miscellaneous*

expenditure not written off. Reserves created out of revaluation of assets and written back depreciation cannot be included.

** Listed- This does not include companies listed on SME platform*

Companies that are not required to adopt Ind AS will continue to apply existing notified AS, i.e. Companies (Accounting Standards) Rules, 2006, read with Companies (Accounting Standards) Amendment Rules, 2016.



3

BUSINESS STRUCTURES

Typical forms of business organisation in India are discussed in detail:

3.1 BRANCH OFFICE

Foreign companies can establish branch office in India post approval from Reserve Bank of India ('RBI') to undertake the following activities:

- Export/import of goods
- Render professional or consultancy services
- Carry out research work that involves the parent company
- Promote technical or financial collaborations between Indian companies and parent company or overseas group
- Represent the parent company in India and act as a buying/selling agent in India
- Render IT services and software development in India
- Offer technical support to the products supplied by the parent/group companies
- Airline/shipping activities.

Normally, the Branch Office should be engaged in the activity in which the parent company is engaged. Retail trading activities of any nature are not allowed for a Branch Office in India. A Branch Office is not allowed to carry out manufacturing or processing activities in India, directly or indirectly. Profits earned by the Branch Offices are freely remittable from India, subject to payment of applicable taxes.

Where the branch is proposed to be set up in special economic zones to undertake manufacturing and service activities, no RBI approval is required. However, such branches can function only on a stand-alone basis and in sectors where 100% FDI is permitted.

3.2 PROJECT OFFICE

A foreign company can open a temporary project office for the execution of a specific project or contract where a person resident outside India has secured from an Indian company a contract to execute a project in India, and the project:

- is funded directly by inward remittance from abroad; or
- is funded by a bilateral or multilateral international financing agency; or
- has been cleared by an appropriate authority; or
- has been granted a term loan by a public financial institution or a bank in India to the company or entity in India awarding the contract.

A branch office/project office is deemed to be a permanent establishment within the meaning of the double taxation avoidance agreement (DTAA) and is therefore subject to Indian income tax.

3.3 REPRESENTATIVE OFFICE/ LIAISON OFFICE

Foreign companies can establish offices to carry on liaison activities in India on behalf of the parent company. Permission to set up such offices is initially granted for a period of 3 years and this may be extended from time to time by an AD Category I bank. A person resident outside India permitted by the RBI to establish a liaison office in India may undertake the following activities:

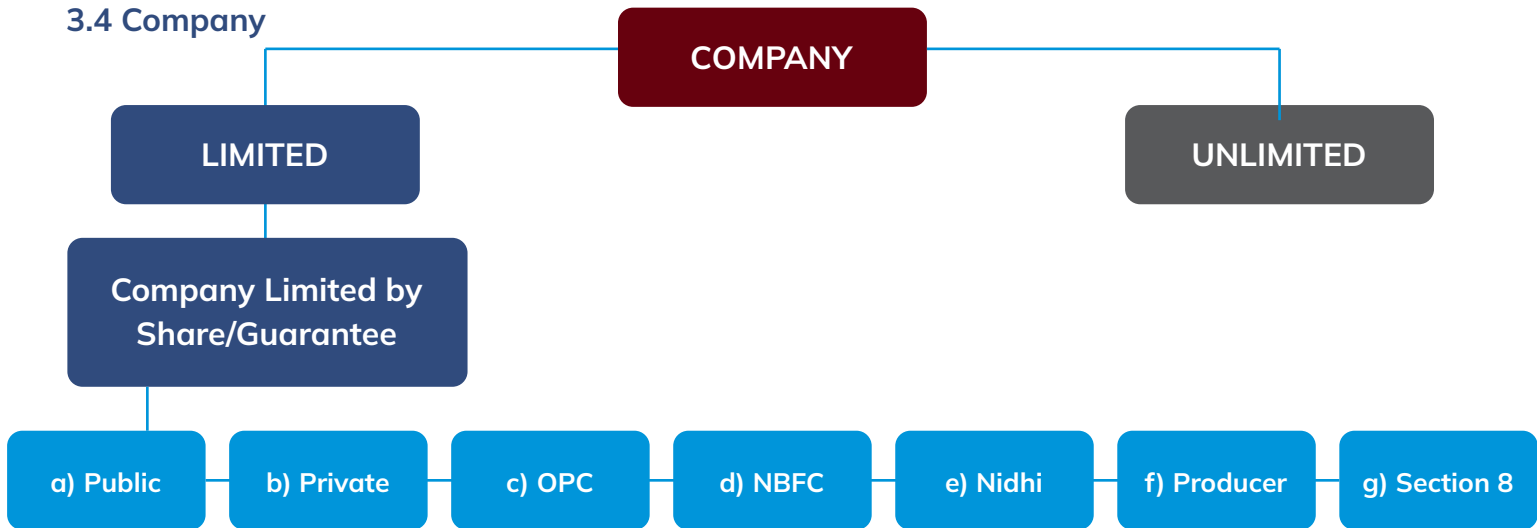
- Representing in India the parent company/group companies
- Promoting export/import from/to India
- Promoting technical/financial collaborations between parent/group companies and companies in India
- Acting as a communication channel between the parent company and Indian companies.

Foreign Insurance companies can establish Liaison Offices in India only after obtaining approval from the Insurance Regulatory and Development Authority (IRDA).

Foreign banks can establish Liaison Offices in India only after obtaining approval from the Department of Banking Operations and Development (DBOD), Reserve Bank of India. All other activities are prohibited, unless otherwise specifically permitted by the RBI. A liaison office is restricted from undertaking any trading, commercial or industrial activities or entering into contractual agreements or transactions. It is not permitted to generate income from any activities in India. All the expenses of the liaison office must be met from funds received through inward remittances



3.4 Company



A company is incorporated under the Companies Act, 2013 (or under any previous enactments) and has a status of separate legal entity. It may be incorporated as a private, public limited, or one-person company. No permission is required for foreign nationals to be appointed as directors of the proposed company. However, as per the provisions of the Companies Act, 2013, every company must appoint at least one resident director.

The Liability of the members of the Company can be Limited or unlimited:

In a limited company, the liability of members or subscribers is limited by either shares or guarantees:

- **Limited by shares:** The liability of members or subscribers is limited by memorandum of association to the amount, if any, unpaid on the (public or private) shares they each hold.
- **Limited by guarantee:** The liability of company members is limited by the memorandum of association to such amount as the members may respectively undertake to contribute to the assets of the company in the event of it being wound up.

An unlimited company is incorporated either with or without share capital, but its members' liability is unlimited – that is, members or shareholders have a joint, several and unlimited obligation to meet any insufficiency in the assets of the company in the event of the company's formal liquidation.

a) Public limited company

Public company means a company which -

- is not a private company;
- A company which is a subsidiary of a company, not being a private company, shall be deemed to be public company for the purposes of this Act even where such subsidiary company continues to be a

private company in its articles;

A public limited company is required to have a minimum of three directors, and seven members with no minimum Paid-up Share Capital.

b) Private limited company

Private company means a company which by its articles:

- restricts the right to transfer its shares;
- except in case of One Person Company, limits the number of its members to two hundred:

However, where two or more persons hold one or more shares in a company jointly, they are treated as a single member. Further,

- persons who are in the employment of the company; and
- persons who, having been formerly in the employment of the company, were members of the company while in that employment and have continued to be members after the employment ceased,

shall not be included in the number of members; and

- prohibits any invitation to the public to subscribe for any securities of the company;

A private limited company is required to have a minimum of two directors, and two members.

c) One-person company

As its name suggests, a one-person company has only one person as a member. The liability of the member is limited to the extent of their unpaid share capital. Only a natural person who is an Indian citizen and resident in India is eligible to incorporate a one-person company. A nominee is appointed to become the member if the sole member dies or becomes incapacitated.

d) Non-Banking Financial Companies (NBFC)

A Non-Banking Financial Corporation is a company incorporated under the Companies Act 2013 or 1956. According to Section 45-I (c) of the RBI Act, a Non-Banking Company carrying on the business of a financial institution will be considered as a NBFC. It further states that the NBFC can be engaged in the business of Loans and Advances, Acquisition of stocks, equities, debt etc issued by the government or any local authority or other marketable securities.

The NBFC does not include a Company whose principal business is any of the following:

- Agricultural Activity.
- Industrial Activity.
- Purchase or sale of any goods excluding securities.
- Sale/purchase/construction of any immovable property – Providing of any services.

e) Nidhi Company

Nidhi Company is a type of Non-Banking Financial Company (NBFC). It is formed to borrow and lend money to its members. It inculcates the habit of saving among its members and works on the principle of mutual benefit. These companies typically operate in the southern part of the country. Nidhi Company isn't required to receive the license from Reserve Bank of India (RBI), hence it is easy to form. It is registered as a public company and should have "Nidhi Limited" as the last words of its name.

f) Producer Company

A Producer Company is hybrid of Company and Co-operative Society. It combines the goodness of a co-operative enterprise and vibrancy and efficiency of a

company and accommodates the unique elements of cooperative business with a regulatory framework similar to that of a company.

A producer company is a company incorporated under Companies Act 2013 (or previous Companies Act 1956).

g) Section 8 Company

The primary purpose of a Section 8 company is to promote arts, commerce, science, research, education, sports, charity, social welfare, religion, environmental protection, or other similar activities. Section 8 companies are not allowed to distribute profits or dividends to their members; instead, they must use profits to promote their objectives.

Section 8 companies are exempt from certain compliance requirements applicable to other companies, including those related to minimum capital requirements and the appointment of independent directors.

Section 8 companies have a separate legal entity from their members and are recognized by the Central Government. Section 8 companies have a management structure, including directors and members, who are responsible for overseeing the company's operations and promoting its charitable objectives. Section 8 companies often have objectives related to:



Education



Environmental Protection



Healthcare



Art and Culture



Social Welfare



Sports

Table 1. Comparison of business structures in India.

No	Particulars	Liaison office	Project office / Branch office	Subsidiary company	Limited liability partnership
01	Legal Status	Represent the parent company	PO is an extended arm of the parent and generally set up for execution of specific projects. A BO is set up for carrying activities in the course of business	Independent status	Independent status
02	Approval for Commencement	Requires specific approval from RBI	Requires specific approval from RBI	Company can be set up subject to FDI guidelines and Companies Act	LLP can be set up subject to FDI guidelines And LLP Act
03	Permitted activities	<p>Liaison activities such as:</p> <ol style="list-style-type: none"> 1) Representing the parent company or group companies in India. 2) Promoting export/import activities from/to India . 3) Facilitating technical/financial collaborations between parent/group companies and Indian companies. 4) Acting as a communication channel between the parent company and Indian companies. <p>*No commercial, trading or industrial activities are permitted</p>	<p>*The project office can only undertake the activity relating and incidental to the project.</p> <p>*The branch office can undertake only the following activities in India:</p> <ol style="list-style-type: none"> 1) Providing professional or consultancy services. 2) Promote export from or import to India. 3) Performing research work in which the parent company is engaged. 4) Encourage technical/financial collaboration between parent or group companies and Indian companies. 5) Representing the company in India and acting as an agent for trading. 6) Providing services in information technology and software development in India. 7) Rendering support (technical) for the products supplied by the parent company. 8) Operate as a foreign airline or shipping company. 	Activities specified in company's Memorandum of Association, subject to FDI guidelines and Companies Act	<p>LLP must be engaged in sectors for which 100% FDI is allowed through automatic route and no FDI-linked conditions are applicable.</p> <p>*Prohibited areas include Agriculture, Plantation, Print Media and Real Estate.</p>
04	Key compliance requirements under FEMA	Required to file annual activity certificate (by auditors in India), FLA Return with RBI.	Required to file annual activity certificate (by auditors in India), FLA Return with RBI.	Required to file FLA Return, FC-GPR and FC-TRS.	Required to report receipt of capital contribution from a Person Resident outside India and Annual Return on Foreign Liabilities and Assets on RBI SMF Portal.
05	Income tax rate	LO is not subject to tax in India, since not permitted to undertake any business activity. However, it is required to file its return of income in India.	<p>Foreign companies that have a Permanent Establishment ('PE') or Branch/ Project Office in India are taxable at the higher basic rate of 35%, with applicable surcharge and education cess.</p> <p>For Indian Companies, please refer, page 57</p>	The Indian government taxes a corporate tax to foreign subsidiaries at 35% of the income earned.	A Partnership Firm (including LLP) is taxable at 30% with applicable surcharge and education cess.
06	Ease of Exit	Prior approval of RBI, ROC and income tax authorities	Prior approval of RBI, ROC and income tax authorities	<p>Complex, depending upon strategy adopted</p> <p>A foreign subsidiary in India can be closed through strike-off or voluntary winding up under the Companies Act, 2013, or by transferring the company to another party.</p>	<p>Complex, depending upon strategy adopted</p> <p>An LLP can be wound up either voluntarily or compulsorily by ROC.</p>

BO: Branch Office; FDI: Foreign Direct Investment; FEMA: Foreign Exchange Management Act, 1999; LLP: Limited Liability Partnership; LO: Liaison Office; PO: Project Office; RBI: Reserve Bank of India; ROC: Registrars of Companies.

3.5 NGO

- NGOs are non-profit organisations that offer free services for various social causes and can operate at a local, national or international level.
- Working in an NGO can be a fulfilling profession that allows you to make a difference in the world, by providing charity, services or empowering the impoverished people.
- Jobs within NGOs can range from fundraisers who persuade individuals to donate, marketing coordinators who work on promoting the organisation's cause, to project managers who ensure the achievement of the NGO's goals.

NGOs are non-profit organisations that can provide their services for free or at a significantly lower cost than what a for-profit company might charge, often because private donors and government grants fund them. Section 8 companies, on the other hand, are privately owned businesses that are profit driven to make a profit themselves. As a result, the two types of organisations differ in how they operate and treat their customers. NGOs can be helpful if you're interested in low-cost resources. However, if you don't qualify for their assistance and need help with your housing, Section 8 companies may be a better option.

A Section 8 company is a type of NGO, but not all NGOs are Section 8 companies. Section 8 companies operate under specific regulations, while NGOs encompass a wider range of nonprofit entities. NGOs may be registered under various acts like the Trusts Act, Societies Registration Act, or as Section 8 companies, depending on their structure and objectives.

3.6 PARTNERSHIP

A partnership is an arrangement where entities and/or individuals agree to cooperate to advance their interests. A partnership is formed between one or more businesses in which partners (owners) work together

to achieve profits and share losses. The partnership is the simplest and least expensive co-owned business structure to create and maintain.

A partnership is considered to have a separate tax entity from its owners. However, the liability of partners is unlimited: if the firm's assets are insufficient to meet its business liabilities, these can be covered by the liquidation of the partners' personal property (if any). In few states such as Maharashtra, it is not mandatory to register a partnership firm.

3.7 LIMITED LIABILITY PARTNERSHIP ('LLP')

Regulated by the Limited Liability Partnership Act, 2008, an LLP is an alternative corporate business form that combines the limited liability of a company with the flexibility of a partnership arrangement: although it is a separate legal entity and liable to the full extent of its assets, the liability of an LLP's partners is limited to their agreed contribution. Limited compliances.

3.8 SOLE PROPRIETORSHIP

A sole proprietorship is a business structure where a single individual owns and operates the business, with no legal distinction between the owner and the business. The owner is personally liable for all debts and liabilities of the business.

A foreign citizen generally cannot form a sole proprietorship in India without specific approval from the Reserve Bank of India (RBI). While foreign nationals can register companies like private limited or public limited companies in India, establishing a proprietorship requires RBI approval for investment.

3.9 ALTERNATIVE INVESTMENT FUNDS (AIF)

AIFs are privately pooled investments and are regulated by SEBI. As the name suggests, AIFs are an alternate to traditional investment avenues. AIFs operate in a structured manner and offers a diverse range of investment strategies. AIFs can be established in the form of a Company, Trust or LLP.

AIFs help in diversifying an investment portfolio and reduce the risk of overall portfolio. Also, AIFs offer low volatility options for the investors seeking stability and consistent returns. There is more transparency, governance in their operations as they are regulated by SEBI. AIFs can hedge the risks of investors through advanced techniques, derivatives, short-selling, etc.

SEBI has classified AIFs in 3 categories based on their investment strategy and objectives:



Construction Site, Mumbai, India

- ### CATEGORY I

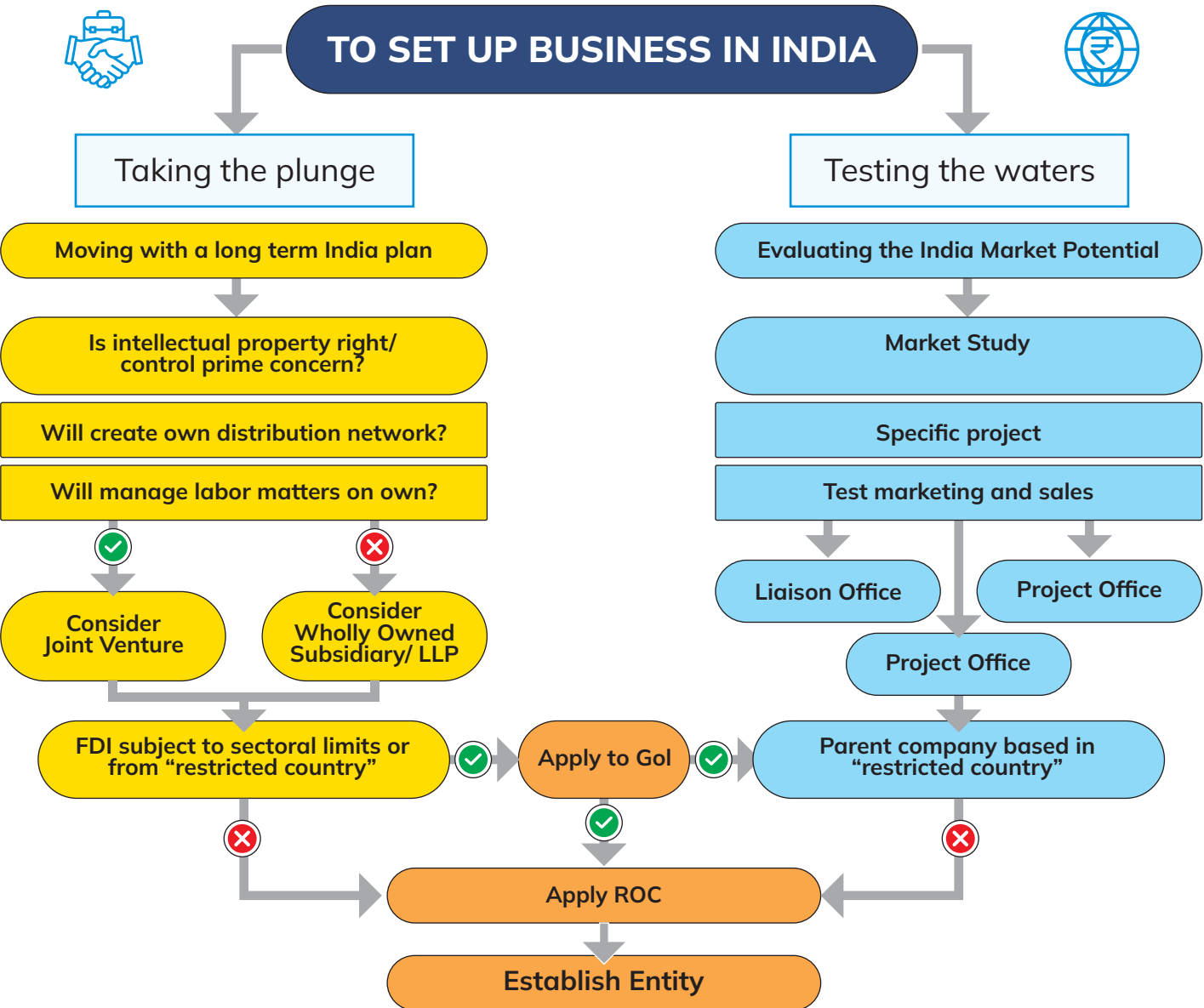
 - Social ventures or early stage ventures
 - SMEs or infrastructure
 - Start-up
 - Sectors which government consider as socially or economically desirable
 - Venture capital funds, SME Funds, social venture funds, Infrastructure funds.

CATEGORY II

 - AIFs funds which do not form part of Category I and III comes under the purview of Category II. Cat II funds are often categorized as private equity and debt funds. Category II AIFs have typically a fixed tenure i.e. close ended. There minimum tenure is of 3 years which can be further extend by 2 years with the prior approval of the investors.

CATEGORY III

 - Makes investments in listed / unlisted derivatives. Cat III funds are often categorized as hedge



<p>A foreign enterprise can consider the following routes for doing business in India</p>	Corporate Entity	Non-Corporate Entity
	Joint Venture with a partner (JV)	Project Office (PO)
	Wholly Owned Subsidiary (WOS)	Liaison Office (LO)
	Limited Liability Partnership (LLP)	Branch Office (BO)



4

RESTRUCTURING OF BUSINESS ORGANIZATION

India has emerged as a global hotspot for business expansion, backed by a stable political environment, liberal regulatory reforms, and targeted efforts to promote manufacturing and startups. This dynamic environment has fueled growth in restructuring, mergers, acquisitions, and liquidation activities across sectors.

Companies may undertake capital structuring to optimise their financial frameworks. Common methods include mergers, demergers spinoffs or slump sales and reorganization through reduction of capital, buy back of securities, consolidation of shares of different class or division of shares into different classes.

Comprehensive restructuring schemes can be executed through compromise or arrangement with creditors and shareholders as provided under Chapter XV, of the Companies Act, 2013. These schemes include mergers, demergers, capital reorganisations, and debt restructuring.

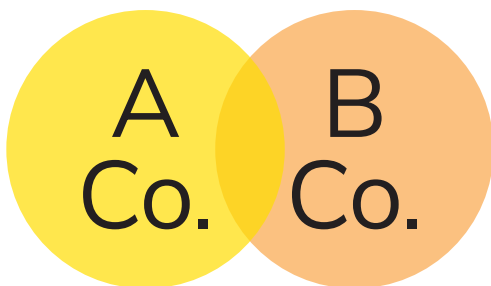
4.1 MERGERS AND ACQUISITIONS

Mergers and acquisitions (“M&A”) in India are driven by strategic goals such as market expansion, synergy creation, and competitive advantage.

These transactions are regulated by an integrated framework of corporate, tax, and allied laws. M&A transactions are typically classified into internal and external arrangements.

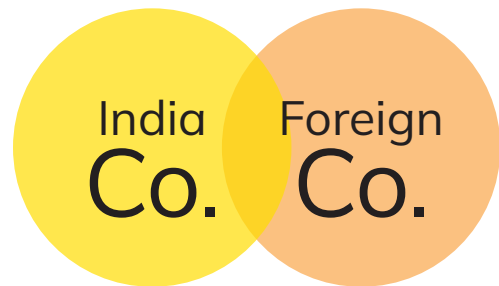
A merger involves the combination of two or more companies into one, where the assets and liabilities of the merging entities are consolidated. This may occur: -

- Between Indian companies (**domestic mergers**).



Domestic mergers are governed by the Companies Act, 2013 and if the company is listed, SEBI regulations also play a vital role in the process. The legislation mandates shareholder and creditor approvals and a final sanction from the National Company Law Tribunal (‘NCLT’) & other adjudicating authorities. The NCLT serves as the central authority overseeing corporate restructurings, offering a single-window clearance mechanism.

- **Between an Indian and a foreign company (cross-border mergers).**



- Cross-border mergers are allowed only with companies in jurisdictions notified by the Reserve Bank of India.
- In such cases, compliance with the FEMA is essential, particularly in relation to the issuance of shares to non-residents.
- **Fast Track Merger:** In a way to facilitate ease of doing business. Simplified provisions exist for mergers involving wholly owned subsidiaries, small companies and start-up companies (**Fast Track Merger**).

In such cases, applications are made to the Central Government through Regional Directors, bypassing NCLT unless objections are raised. The process for listed entities also includes adherence to SEBI regulations and obtaining necessary approvals.

- By way of merger of one or more companies with another company in so way that when merged form a new company as a result (**amalgamation**) by virtue of which all the property and liabilities become the property and liabilities of the newly formed company.

In terms of tax treatment, the Income Tax Act, 1961 further provides for tax-neutral mergers and allows the transferee company to carry forward the accumulated losses of the transferor company under prescribed conditions.

4.2 DEMERGER

A company can separate part of its business and transfers it to another entity, but the original company remains in operation with its other activities.

The process involves similar approvals and conditions for tax exemptions. Demergers allow companies to streamline operations and unlock value by separating distinct business units; or



4.3 ACQUISITIONS

This involves the purchase of capital / shares to gain control over a target company. These transactions can lead to joint ventures or full ownership. In the case of listed companies, exceeding shareholding thresholds or a change in control triggers a mandatory public offer under the SEBI Takeover Regulations.

4.4 SLUMP SALE

Another method of restructuring is through a slump sale, wherein an entire business undertaking is transferred on a going concern basis for a lump sum consideration.

This method simplifies the process by avoiding individual valuation of assets and liabilities. Although capital gains tax is applicable, the transaction is exempt from GST if it qualifies as a business transfer.

4.5 LIQUIDATION

Liquidation is the process of closing down a business and selling its assets to pay off debts, with any remaining funds distributed to shareholders. It's essentially the winding up of a company, which can be done voluntarily by the company (Voluntary Liquidation) or by a court order (Compulsory Liquidation).

- **Voluntary Liquidation**

Voluntary liquidation is initiated by shareholders when a company is solvent and no longer wishes to continue operations. The process begins with a resolution passed in board and shareholders' meetings and is managed by a licensed Insolvency Professional.

The company must ensure that it can pay off all liabilities and is not under investigation for fraud. Once liabilities are settled and commercial registrations are cancelled, the remaining surplus is distributed among

shareholders. Finally, an application is filed with the NCLT to obtain a formal dissolution order. The entire process typically takes between 12 to 18 months.

- **Compulsory Liquidation**

Compulsory liquidation occurs when a company is wound up by the NCLT on a petition filed by the company itself, shareholders, the Registrar of Companies, or government authorities. Grounds for such petitions include fraud, non-compliance, acting against national interest, or failure to file statutory returns for five consecutive years.

In this process, the government appoints a liquidator, and the management of the company loses all control. Since there are no defined timelines, compulsory liquidation may take anywhere from two to four years depending on the complexity of the case.

4.6 CLOSURE OF FOREIGN COMPANY OFFICES

Foreign companies with liaison, branch, or project offices in India must follow a structured closure process. This starts with ensuring compliance with all Ministry of Corporate Affairs ("MCA") requirements and applying for office closure.

Before approval is granted, companies must cancel all commercial registrations such as GST and Provident Fund and clear all dues. The Authorised Dealer ("AD") Bank checks for compliance with annual filings and may require certifications from auditors and a No Dues Certificate from the Income Tax Department.

Once all regulatory requirements are fulfilled, any remaining funds are repatriated to the head office, the bank account is closed, and a formal closure letter is issued by the AD Bank or Reserve Bank of India.

BANKING

India's banking sector remains a key driver of economic growth, providing a robust framework for international business. The Reserve Bank of India (RBI) serves as the central authority, regulating the system under the Banking Regulation Act, 1949. Over time, the sector has evolved with digitalization, enhanced compliance measures, and increasing financial inclusion.

Indian banks can be categorized into public-sector banks, private-sector banks, and foreign banks. Public-sector banks, where the government holds a majority stake, continue to dominate, accounting for over 59% of total banking industry assets. Meanwhile, private-sector banks, with no government stake, have expanded their presence through innovation and customer-centric services. Foreign banks, operating within India, contribute to cross-border trade and financial integration.

Recent years have seen greater emphasis on digital banking, with neo-banks, payment banks, and fintech collaborations reshaping financial transactions. UPI, digital lending, and AI-driven credit assessments have enhanced accessibility and operational efficiency. Regulatory reforms, including stricter compliance and risk management frameworks, have reinforced financial stability.

Non-banking Finance Companies ('NBFC')

NBFCs have continued to evolve as crucial players in India's financial landscape, adapting to regulatory changes and market demands. The RBI's Revised Prudential Framework (2023) introduced a Scale-Based Regulation (SBR) approach, categorizing NBFCs based on their size and risk exposure, ensuring a more structured and risk-sensitive regulatory framework. Capital adequacy norms have been tightened, reinforcing financial stability, while governance enhancements have introduced stricter compliance and audit requirements to improve transparency.

Operationally, NBFCs have expanded their services beyond traditional lending, integrating technology and analytics to refine credit assessments and risk management. Many have strategically aligned with fintech players to provide digital lending, AI-driven credit solutions, and supply chain financing, creating new avenues for financial access. Consumer protection has gained greater attention, with regulators pushing for ethical lending practices, data security, and borrower-centric policies, ensuring a more responsible lending ecosystem.

Microcredit institutions

Microcredit institutions continue to expand, providing small loans to individuals lacking collateral, steady employment, or a verifiable credit history. The Microfinance Institutions (Regulation) Amendment Act, 2024 has improved financial access, ensuring that interest rates on small-scale business loans remain within RBI-defined margins.

Additionally, digital lending platforms, including neo-banks and payment banks, are contributing to financial inclusion by offering automated loan approvals, AI-powered credit scoring, and low-interest microloans to unbanked populations.

Unified Lending Infrastructure (ULI)

The Unified Lending Interface (ULI) is a transformative step toward building a more efficient, transparent, and digital-first lending ecosystem in India. It acts as a common digital infrastructure that allows seamless interaction between lenders, fintech, credit bureaus, and other financial data providers. By leveraging APIs and interoperable standards, ULI significantly reduces friction in the loan lifecycle—from data collection and verification to risk assessment and disbursal. India's MSME sector, comprising 63 million enterprises, faces a credit gap of nearly USD 530 billion, with only 14–16% of MSMEs having access to formal credit. ULI helps bridge this gap by integrating multiple data sources, including GST records, land records, and transaction history, enabling lenders to make faster and more informed decisions. As India advances toward open banking and embedded finance, ULI is poised to become a foundational layer supporting innovation and financial inclusion, much like UPI transformed digital payments.

Embedded Banking and Data Protection Bill

Embedded banking has gained prominence, allowing non-financial businesses to incorporate banking features within their services. With embedded finance models, users can access loans, payments, and investment services within e-commerce platforms, mobile apps, and other digital ecosystems. India's digital economy has grown 2.5 times faster than the physical economy, now accounting for over 15% of global GDP. To protect consumer financial data, India enacted the Data Protection Bill (2024), introducing:

- Stricter data security protocols for financial institutions to prevent fraud and unauthorized access, aligning with global cybersecurity standards.
- Explicit consumer consent requirements, ensuring

that financial data is shared only with user approval, reinforcing privacy protections.

- Expanded fraud detection with AI-powered monitoring tools integrated into banking systems, enhancing security in digital transactions.

Other initiatives in Banking and Finance Insurance

Initiatives	Particulars
UPI	Unified Payments Interface (UPI) continues to be the backbone of India's digital payments, processing 18.3 billion transactions in March 2025, marking a 14% year-on-year increase. India now accounts for 46% of the world's digital transactions, with retail digital payments growing 90-fold in the past 12 years
RBI's CBDC (Digital Rupee)	The Digital Rupee (e INR) is officially launched and is currently being pilot tested for retail and wholesale transactions. The Reserve Bank of India (RBI) aims to integrate e INR into mainstream financial systems, allowing businesses and individuals to conduct transactions seamlessly.
Neo-banks	India's neo banking market is projected to grow at a CAGR of 42.16%, reaching \$156.47 billion by FY2032. In 2023, 26% of India's population used neobanks, with 371.2 million account holders. These fully digital banks are leveraging AI-driven financial insights and personalized investment strategies to attract users.
ESG-Focused Banking	Green finance in India is gaining momentum, aligning with the country's climate goals. India's green finance sector is still evolving, but its G20 presidency in 2023 signalled a strong commitment to sustainability. Green bonds and financing programs are being structured to promote low-interest loans for sustainable businesses.



Insurance

India's insurance sector is a high-growth, premium industry driven by rising incomes and greater consumer awareness. It ranks as the fifth largest life insurance market among emerging economies, expanding annually at 32–34%. To protect the interests of the holders of insurance policies, and to regulate, promote and ensure orderly growth of the insurance industry, the India government has set up the Insurance Regulatory and Development Authority (IRDA). The IRDA is actively reforming the industry with a vision of "Insurance for all by 2047". FDI is allowed (under the RBI's automatic route, up to 74% & enhanced limit of 100% for insurance companies which invest the entire premium in India). FDI of INR 54,000 crore (US\$6.5 billion) has flowed into the sector over nine years due to relaxed regulations. In India, insurance is mainly of two types: life insurance and general insurance.

Until 1999, the insurance sector was regulated and was under the direct control of the government. The IRDA Act of 1999 deregulated the insurance sector in India, allowing private companies to enter; The insurance industry of India has 57 insurance companies - 24 are in the life insurance business, while 34 are in general insurance business (non-life insurers).

From FY'2022 onwards, the insurance industry has undergone numerous transformations in terms of new developments, modified regulations, proposals for amendments.

Some of the key changes include:

- Foreign reinsurers are now permitted to establish branch offices within India.
- Retail health insurance products can now be launched without prior IRDAI approval, extending the earlier flexibility granted only to group insurance products.
- The health insurance moratorium period has been reduced from 8 years to 5 years.
- Insurers are now required to issue a Customer Information Sheet (CIS) along with policy documents, providing key details such as clauses, benefits, premiums, and terms in simple, concise language.

Capital Market

The Indian capital market is among the most vibrant in the world, with 6 stock exchanges as of March 2025 – all of them tightly regulated and technologically advanced. Foremost among these are the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE), one of the oldest in Asia. Since it

began formal trading in 1875, the BSE has facilitated the growth of the Indian corporate sector by providing it with an efficient capital raising platform. Today the BSE is the world's premier exchange in terms of the number of listed companies (over 5,500); the fifth most active, in terms of number of transactions handled through its electronic trading system; and among the top 10 global exchanges in terms of market capitalisation of its listed companies.

Settlement Cycle

- India is making strides in faster stock settlement cycles, with the Securities and Exchange Board of India (SEBI) introducing a T+0 settlement system. This means that investors can receive stocks and funds on the same day, rather than waiting for the traditional T+1 or T+2 cycles.
- SEBI has gradually expanded the T+0 mechanism, starting with 25 stocks in March 2024, and from January 31, 2025, rolling it out to 500 top stocks by market capitalization.

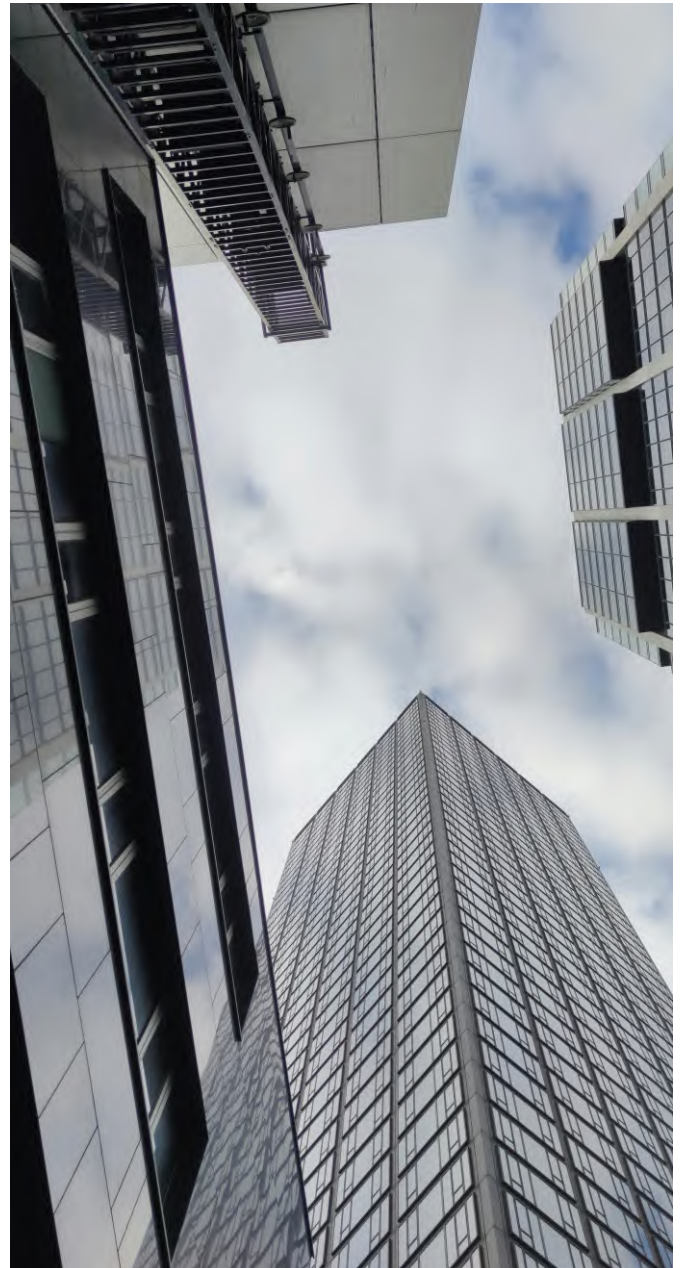
Debt Market

The Indian debt market is one of the largest in Asia. As elsewhere, the debt market in India is considered a useful alternative to banking channels for obtaining finance. The Indian debt market can be classified into three categories:

Category	Particulars
Government securities (G-Sec) market	The most dominant segment, comprising central and state government securities. Further, the introduction of tokenized government bonds (2024) has improved efficiency and investor confidence. The RBI Sovereign Green Bond Initiative has also led to increased issuance of green government securities, supporting sustainable finance. The government issued the first tranche of its first sovereign green bond for a total amount of INR 80 billion (equivalent to \$980 million) on January 25, 2023, and issued an additional INR 80 billion (\$968 million) in sovereign green bonds on February 9, 2023.
Bond Market	Includes corporate bonds, debentures, and public sector undertakings' (PSU) bonds, meeting financial requirements at a fixed cost. SEBI now mandates large corporations to raise at least 30% of their debt through corporate bond issuances to deepen market liquidity. India has also witnessed a surge in green bond issuances, with more than INR 3 trillion raised for sustainable infrastructure projects, reinforcing the country's commitment to environmentally responsible financing
Money market	Covers short-term instruments with maturities of up to one year, primarily used to manage liquidity and short-term financing needs. The RBI has expanded digital money market instruments, making fractional investments accessible to retail investors and improving retail participation in short-term debt securities

- **Junk Debt Securitization** – The rise of high-yield securitized debt instruments has led to increased investor participation in riskier debt categories, offering higher returns in exchange for elevated default risk. These structured finance tools help institutions package non-investment-grade debt into tradable securities, allowing greater access to capital while maintaining regulated transparency and risk mitigation measures. SEBI has introduced enhanced disclosure requirements for junk debt securitization to ensure investor protection and market stability.

Financial regulators, the Securities Exchange Board of India, the RBI, the Ministry of Corporate Affairs and various stock exchanges all oversee the capital markets in their designated jurisdictions, to ensure that investors are well-informed and protected against fraudulent practice.





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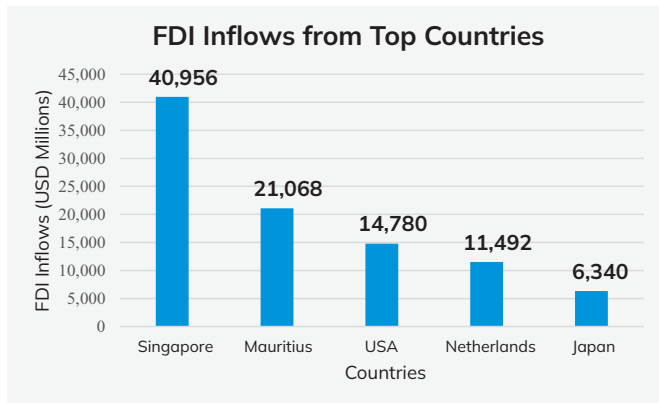
FOREIGN DIRECT INVESTMENT

In recent years, India has emerged as an attractive FDI destination.

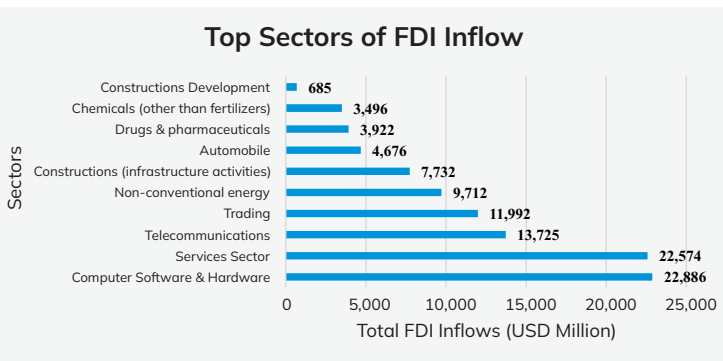
- Cumulative amount of FDI equity inflows from April 2000 to March 2025 stood at **USD 803.73 billion**;
- During the period April 2024 to Dec 2024, India received **USD 40.672 billion** FDI equity inflow according to IBEF reports.

Singapore is on the top spot as India's largest source of FDI in the FY 2024-2025 followed by Mauritius, USA, the Netherlands and Japan. Following is the Graphical representation of FDI Inflows from various countries:

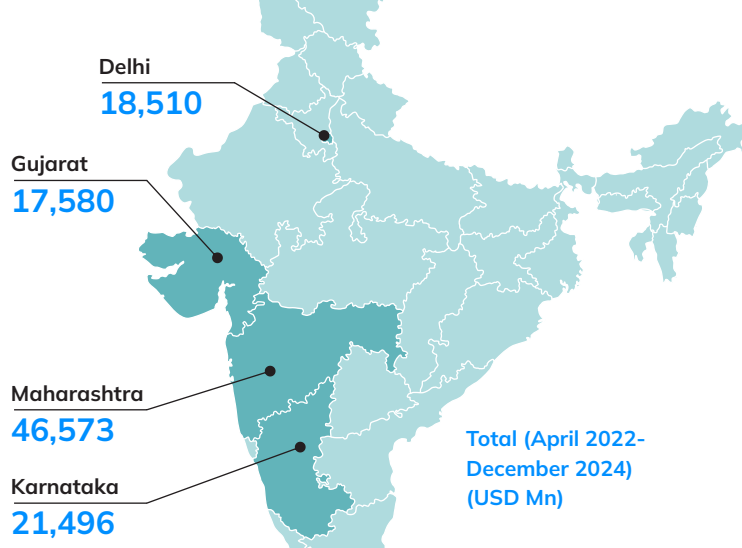
5.1 FDI INFLOWS FROM TOP COUNTRIES:



Top Sectors of FDI Inflow



Top States receiving FDI Inflow

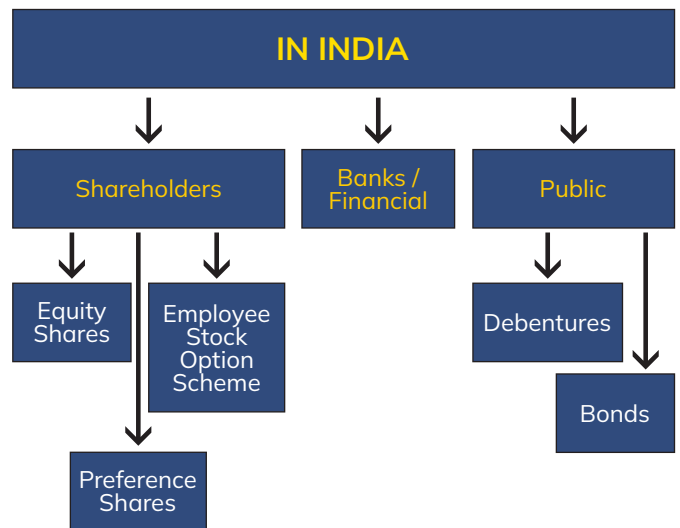


Recent government reforms in the field of FDI have allowed:

- FDI Cap increased to **74%** in **defense sector** under the automatic route.
- FDI Cap increased to **74%** in **multi brand retail** sector
- FDI Cap increased to **100%** in **renewable energy** sector
- Up to **20% foreign ownership** in Life Insurance Corporation of India.
- Establishment of International Financial Services Centres (IFSCs) offering tax and regulatory incentives.

5.2 FUNDING OPTIONS FOR BUSINESSES IN INDIA

Entities operating in India can raise funds in India or outside India through any of the following mechanism:



Companies operating in India can raise funds from issuing shares in the following manner:

Type of Shares	Attributes
Equity Shares	<ul style="list-style-type: none"> • Effective mode of raising funds by issue of equity shares. • Option of issuing shares with differential rights. • Shareholders are entitled to receive dividends as and when declared by the Company.
Rights Issue	<ul style="list-style-type: none"> • Rights Issue refers to raising of additional funds by issuing shares to existing shareholders in the proportion to their actual shareholding. • It allows the companies to raise additional capital without diluting existing ownership.
Preferential Issue	<ul style="list-style-type: none"> • Companies can quickly raise capital by offering shares to a chosen group of investors. • It is the private placement and shares are not offered to the public.
Share Warrants	<ul style="list-style-type: none"> • Share Warrants are the rights given to purchase/ sale the Company's shares at a predetermined price. • The purchase / sale transaction should occur on a set date or within a particular period.
Preference Shares	<ul style="list-style-type: none"> • As the name suggests, Preference Shareholders get preference in dividends. • However, Preference Shareholders do not have any voting rights. • Preference Shareholders have a priority claim over the company's assets in case of liquidation or bankruptcy. • There are various types of Preference shares viz., Cumulative, Participating, Convertible, etc.
Employee Stock Options (ESOPs)	Companies usually issue ESOPs to the employees to retain them by offering them to purchase shares at the discounted price.

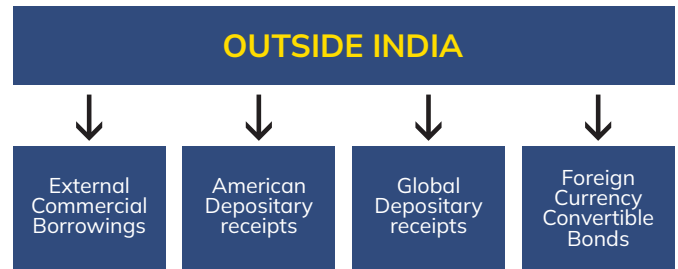
Companies operating in India can raise debt from market in the following manner:

Type of Debt Capital	Attributes
Debentures	<ul style="list-style-type: none"> • A debenture is a medium to long term debt instrument used by companies to borrow money at a fixed rate of interest. • Debenture holders are creditors of companies. They are entitled to receive a fixed rate of interest. • There are various types of Debentures viz., Redeemable / Irredeemable, Convertible / Non-convertible, etc.
Bonds	<ul style="list-style-type: none"> • Companies can raise funds by issue of Corporate Bonds. • Bondholders are entitled to receive a series of interests.
Banks / Financial Institutions	<ul style="list-style-type: none"> • Entities operating in India can obtain various types of loans from banks / financial institutions established in India. • Instance of loans - Term loan for purchase of machineries, • Loan against Property, • Loan for Working Capital

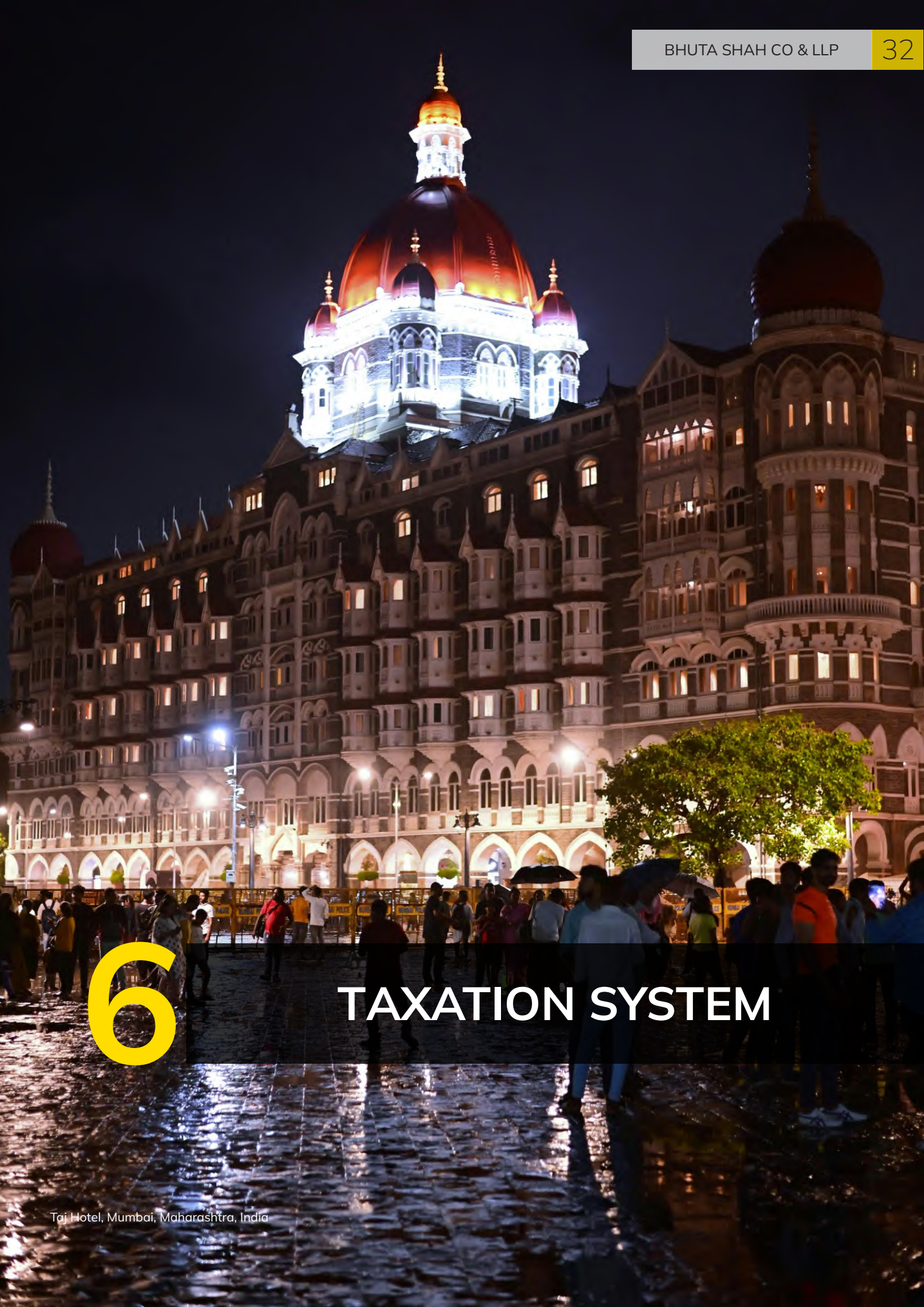


Devprayag Confluence, Uttarakhand, India

Entities operating in India can also raise funds from outside India through various mechanisms. Some of them are illustrated below:



Overseas sources of raising Capital	Attributes
External Commercial Borrowings (ECB)	<ul style="list-style-type: none"> • ECB refers to commercial loans [in the form of bank loans, buyers' credit, suppliers' credit, securitised instruments (e.g. floating rate notes and fixed rate bonds)]. • It helps Indian entities to raise funds in foreign currency from international market and has minimum average maturity of 3 years. • Transactions on ECB are governed by Foreign Exchange Management Act, 1999. • ECB can be raised through Automatic Route or Approval Route.
Foreign Currency Convertible Bonds (FCCBs)	<ul style="list-style-type: none"> • FCCB mean a bond issued by an Indian company expressed in foreign currency. • Principal and interest in respect of FCCB is payable in foreign currency. • In case of Optionally Convertible bonds, bondholders have the option to convert the bonds into equity shares.
American Depository Receipts (ADR)	<ul style="list-style-type: none"> • ADRs are negotiable security traded on US stock exchanges viz., NASDAQ, NYSE, etc. representing securities of a non-US companies. • Indian companies can issue ADRs which are then listed on US stock exchanges. • Through this mechanism, Indian companies gets access to the US capital markets and attract investments from US investors.
Global Depository Receipts (GDR)	<ul style="list-style-type: none"> • GDRs are commonly used by issuers to raise capital from international investors through private placement or public stock offerings. • GDR can be issued in more than one country. • GDRs are listed on various stock exchanges viz., London Stock exchange, Luxembourg Stock exchange, etc.



6

TAXATION SYSTEM

The Indian tax system can broadly be classified into two categories: Direct-tax and Indirect taxes.

6.1 DIRECT-TAX OR INCOME TAX

As per the provisions of the Indian Income Tax Act, 1961 ('the Act'), income tax is charged for every assessment year at the rate(s) prescribed in the Finance Act on each person's total income from the previous year. Everyone required to pay tax is known as an 'taxpayer'.

Previous Year	The financial year immediately preceding the Assessment Year
Assessment Year	The period of 12 months running from 1 April to 31 March (Indian fiscal year)
Tax Year	Income tax Bill 2025, which is going to replace the existing Act, has proposed to introduce a single concept of 'Tax Year'. The term "Tax year" refers to the twelve-month period starting on the 1st day of April of each financial year.

MEANING OF 'FOREIGN COMPANY' AND 'DOMESTIC COMPANY'

Foreign Company

Any company that is not a domestic company.

Domestic Company

'An Indian company, or any other company, which, in respect of its income is liable to tax under this Act, has made the prescribed arrangements for the declaration and payment, within India, of the dividends payable out of such income'. In other words, any company incorporated in India will be a domestic company.

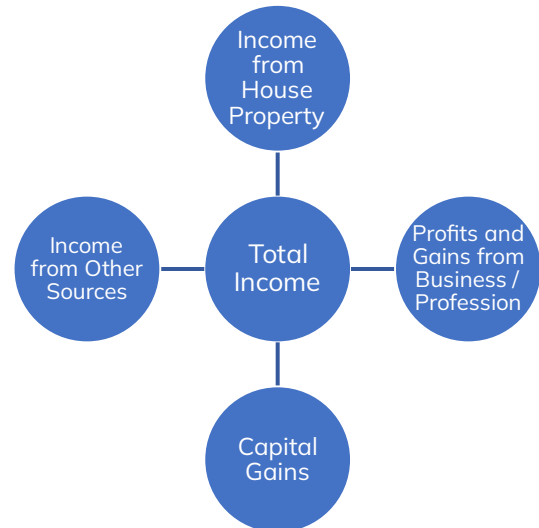
Concept of 'residence'

A company is said to be resident in India in any previous year either if it is an Indian company or if its 'place of effective management' (POEM) in that year is in India. A company's POEM is wherever it makes key

management and commercial decisions. Concept of residence is very important as the incidence of tax will depend upon the residential status of the taxpayer. Generally resident is subject to tax on its global income whereas the non-resident is taxable only in respect of income received or deemed to be received in India or accrued or deemed to be accrued in India.

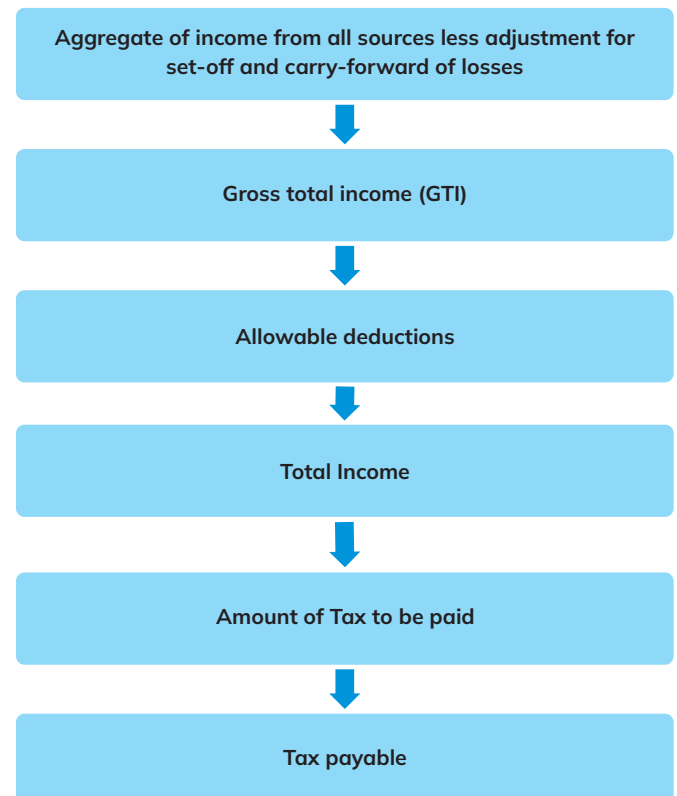
Sources of income

When calculating total income for tax purposes, all income earned by a company is classified as follows:



Ascertainment of taxable income and tax payable

Determination of taxable income.



Advance tax

The tax for the current assessment year must be estimated by the company and paid in advance in four instalments:

- **By 15 June:** 15% of the total tax payable for that assessment year
- **By 15 September:** 45% of the total tax payable for that assessment year
- **By 15 December:** 75% of the total tax payable for that assessment year
- **By 15 March:** 100% of the total tax payable for that assessment year.

Minimum Alternate Tax (MAT)

The provisions for paying MAT apply to a foreign company, just as they do to an Indian company. Even if there is no tax payable for any assessment year according to the computation based on the normal provisions of the Act, the company would be liable to pay tax at 15% of its book profits, plus applicable surcharge and health and education cess, as follows:

Surcharge Rate*

Domestic Company ■
Foreign Company ■

7%

2%

If book profit is between INR 10–100 million

12%

5%

If book profit exceeds INR 100 million

*Excluding health and education cess at 4%.

In other words, this is the minimum amount of tax that the company would have to pay if its books of accounts show profits. When the companies pay tax as per the MAT provisions, it can claim the credit of the same i.e. excess of taxes paid as per MAT provisions over the normal provisions. MAT credit can be claimed by the companies in the subsequent years when it is liable to pay the taxes as per the normal provisions. MAT credit can be claimed to the extent that tax payable as per the normal provisions is more than the tax payable as per the MAT provisions.

6.2 AUDIT OF ACCOUNTS FROM TAX PERSPECTIVE

In addition to the requirements of audit as per the provisions of the Companies Act, 2013, a company is subject to a further audit (commonly referred to as the tax audit). A tax audit is applicable when the gross

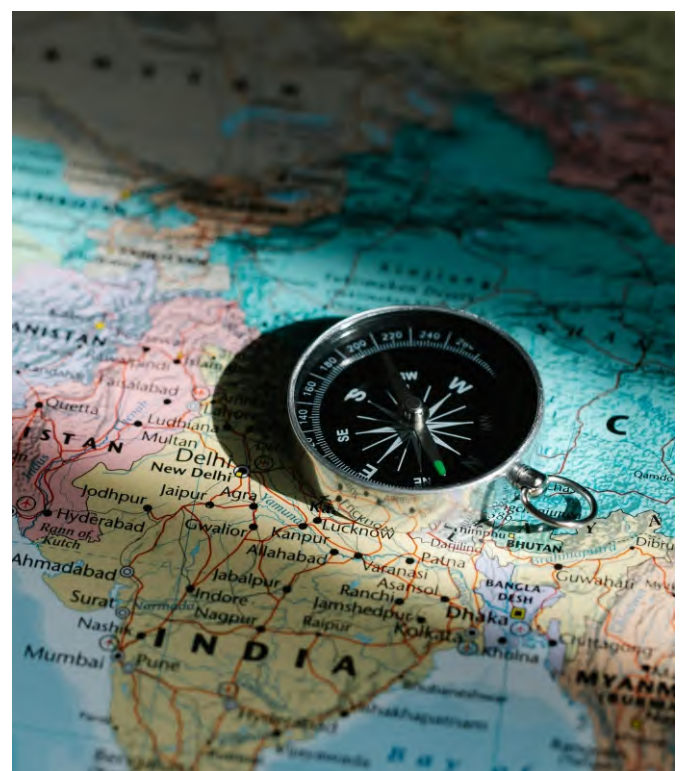
turnover or receipts for a financial year exceeds INR 10 million. However, if the cash receipts / cash payments do not exceed 5% of the total receipts / total payments, then provisions of the tax audit would be applicable if gross turnover or receipts exceeds INR 100 million.

6.3 INCOME TAX RETURNS

Every company is required to file its income tax return by the due date specified in the Act (currently 31 October of the Assessment year). For companies that need to submit a transfer pricing audit report along with their income tax return, the deadline to file income tax return would be 30 November of the subsequent Financial Year.

Interest

Particulars of interest	Levy
Section 234A: Interest on belated filing of tax return	Interest payable at 1% of outstanding tax liability till the month in which tax return gets filed.
Section 234B: Interest on shortfall of advance tax	Interest payable at 1% p.m. of the outstanding tax liability, if the advance tax paid is less than 90% of assessed tax (total tax less tax deducted at source).
Section 234C: Interest on deferment of advance tax	Interest payable at 1% p.m. if there is default in payment of any advance tax instalment.
Section 234D: Interest on excess refunds	Interest payable at 0.5% p.m. on the excess refund granted to the taxpayer.
Section 244A: Interest on refund	Interest receivable at 0.5% p.m. on the refund amount, from date of tax payment till date on which refund is granted.



6.4 DOUBLE TAXATION AVOIDANCE AGREEMENTS (DTAA)

Taxation of the same income of a person in more than one country can arise when countries follow different rules for income taxation. There are two main rules for income taxation:

- **Source of income** – the income may be subject to tax in the country where the source of such income exists (i.e. where the business establishment is situated or where the asset/property is located), whether the income earner is a resident in that country or not.
- **Residential status** – if a person is resident of a country, they may also have to pay tax on any income earned outside that country.

Some countries may follow a mix of these two rules, which can result in the problem of double taxation if a person is taxed on the basis of the source of income rule in one country and residential status in another country, or a mixture of the two rules.

In India, income tax liability is based on the taxpayer's residential status during the previous year. While the non-residents are taxed on the income accrued / deemed to accrue in India, or receive / deemed to receive in India, subject to the provisions of DTAA, the person/company resident in India, must pay tax on any income accrued, arising or received outside India.

The position in many other countries being broadly similar, it frequently happens that a person may be found to be a resident in more than one country or that the same item of their income may be treated as accruing, arising or received in more than one country – with the result that the same item becomes liable to tax in more than one country.

6.5 FOREIGN TAX CREDIT (FTC)

Foreign tax credit is a mechanism that allows residents who have paid taxes on their foreign income in another country to offset or reduce their tax liability in India. Taxpayer can claim the FTC by furnishing the statement in Form No. 67 on or before the end of the assessment year.

Relief against such hardship can be provided via bilateral or unilateral relief:

Bilateral relief

The governments of two countries can enter into a DTAA to provide relief against such double taxation, worked out on the basis of mutual agreement between the two concerned sovereign states. This may be called a scheme of 'bilateral relief', as both concerned powers

agree on the basis of the relief to be granted by either of them.

Unilateral relief

Bilateral relief is not always possible, since no country can reach such an agreement with all the countries of the world for all time. Given the crippling hardship of the taxpayer in all such cases, some relief can be provided by the home country, regardless of whether the other country has any agreement with India or has otherwise provided for any relief in respect of such double taxation. This is known as unilateral relief.

6.6 WITHHOLDING TAX / TAX DEDUCTION AT SOURCE

Certain payments made by person resident in India to another person resident in India are subject to withholding tax such as professional fees, salary, etc. Payments made to person not resident in India can also be subject to withholding tax as per the rates applicable if such payments are taxable in India. Section 206AA provides that if the Indian permanent account number (PAN) number (ie Indian Income-tax registration number) of the payee is not available, tax is deducted at the rates prescribed in the Act, or the rates in force, or 20% (whichever is higher).

Thus, if a foreign company/non-resident does not have a PAN, any payment to them could be subject to a higher rate of tax, if the same is taxable in India. However, where the payment is in the nature of royalties, fees for technical services, interest or transfer of any capital asset, then PAN of the non-resident is not mandatory (subject to furnishing of certain specified details). In certain cases, a foreign company is also required to deduct withholding tax on payments made by it to a person resident in or outside India. Also, the non-resident persons are required to file a Form 10F online to avail the benefits of DTAA.

If any person, principal officer or company does not deduct whole or any part of the tax, or after deducting fails to pay such tax as required by the provisions of the Act, then Section 201(1A) specifies that the taxpayer is liable to pay simple interest as under:

- At 1% for every month or part of a month on the amount of such tax from the date on which such tax was deductible to the date on which such tax is deducted
- At 1.5% for every month or part of the month on the amount of such tax from the date on which such tax was deducted to the date on which such tax is actually paid.



6.7 TRANSFER PRICING

All international transactions between associate enterprises that take place after 1 April 2001 would have to comply with the transfer pricing guidelines. As a result, any income arising from an international transaction in the hands of an entity in India shall be computed having regard to the arm's-length price. Non-disclosure or non-computation of such arm's-length price is subject to penalty provisions. A company must obtain a transfer pricing report from an Indian Chartered Accountant in Form 3CEB, which has to be submitted to the tax authorities within the prescribed time i.e. 31 October of the next financial year.

In addition, the provisions of transfer pricing have been made applicable to specified domestic transactions. The threshold limit for specified domestic transactions to be subjected to transfer pricing provisions is INR 200 million.

Place of effective management

In 2017, the Government issued guidelines on testing a Place Of Effective Management (POEM) when determining Indian residency status of a non-Indian company ('the Guidelines'). The Guidelines emphasise that the POEM test is one of 'substance over form'. It provides that a POEM determination is based on whether a company has 'active business outside India' ('ABOI').

A company shall be said to be engaged in ABOI if the following conditions are fulfilled:

- Passive income is not more than 50% of its total income; and
- Total assets situated in India is less than 50% of its total assets; and
- Total number of employees situated in India or are resident in India are less than 50%; and

- The payroll expenses incurred on such employees is less than 50% of its total payroll expenditure.

Passive income of a company shall be aggregate of, -

- Income from the transactions where both the purchase and sale of goods is from / to its associated enterprises; and
- Income by way of royalty, dividend, capital gains, interest or rental income.

General principles for determining POEM – 'substance over form' approach

The Guidelines provide the following general principles of relevance for determining POEM:

- The entity may have more than one place of management, but can have only one POEM
- Principles in the Guidelines have equal weights
- Review and study of all facts related to the management and control of the company are necessary, as the POEM determination cannot be based on isolated facts
- If, during the tax year, the POEM exists both inside and outside India, the POEM is presumed to be in India if it is predominantly in India.

Test for determining the POEM of a foreign company

The POEM of a foreign company is based on whether it has active business inside or outside India. If it is established that it has ABOI, then its POEM is considered to be outside India. Several direct and deeming parameters have been chalked out to establish ABOI, which must be determined separately each year. POEM guidelines will not apply to a company if the turnover / gross receipts is less than or equal to INR 500 millions in a financial year.

'No POEM'

The POEM cannot be established in India merely because one or more of the following conditions exist:

- Foreign company is wholly owned by an Indian company
- Foreign company has a permanent establishment in India
- One or some of the directors of a foreign company reside in India
- Local management in India relates to activities carried out by a foreign company in India
- Support functions that are preparatory and auxiliary in character are based in India.

6.8 RATE OF TAX

Foreign companies are currently charged tax at 35% plus 2% surcharge (if income is INR 10–100 million) or 5% surcharge (if income exceeds INR 100 million) and health and education cess at 4% on their business profits and income arising from short-term capital gains. Long-term capital gains are taxed at 12.5%

under Section 112 of the Act. Short-term capital gains on sale of listed shares are taxed at 20% under Section 111A (i.e., inclusive of securities transaction tax). These rates are subject to certain exceptions, where the income is taxed on a gross basis but at a lower rate of tax.

Indian companies (other than eligible startups) are charged to tax at 25% (turnover threshold for PY 2023–24 does not exceeds 400 crores) plus a surcharge of 7% (if income is INR 10–100 million) or surcharge of 12% (if income exceeds INR 100 million) and health and education cess at 4%. In all other cases 30 per cent.

The dividend is taxable in the hands of shareholders and therefore the domestic company or Mutual Funds are no longer required to pay any DDT u/s 115-O or 115R respectively. Further to avoid double taxation of the dividend income, companies which have received dividend income from another company and redistributed dividends to its shareholders, such dividend income received is exempt to the extent redistributed during the year under Section 80M of the Act.

Comparison of effective tax rates for companies as given below:

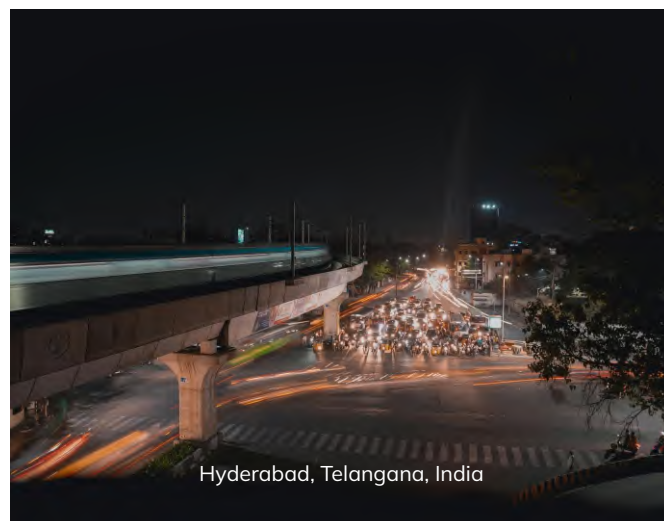
DOMESTIC COMPANY

Income (INR)	OLD PROVISIONS				CONCESSIONAL TAX PROVISION	
	Turnover more than INR 4,000 million in FY 2023–24		Turnover less than INR 4,000 million in FY 2023–24		Section 115BAA	Section 115BAB
	Effective normal tax %	Effective MAT %	Effective normal Tax %	Effective MAT %		
<10 million	26.00	15.60	31.20	15.60	25.17(*)	17.16(*)
10–100 million	27.82	16.69	33.38	16.69		
>100 million	29.12	17.47	34.94	17.47		

FOREIGN COMPANY

Income (INR)		
	Effective normal tax %	Effective MAT %
<10 million	36.4	15.60
10–100 million	37.13	15.91
>100 million	38.22	16.38

FY, financial year; INR, Indian rupees; MAT, minimum alternate tax.



Hyderabad, Telangana, India



Sea Link Bridge, Mumbai, India

***Under Section 115BAA**

In case of a domestic company, there is an option to pay income-tax at the rate of 22% (plus surcharge at the rate of 10% and the applicable cess) of the total income, irrespective of the total turnover or gross receipts, subject to the prescribed conditions.

****Under Section 115BAB**

In case of a domestic manufacturing company, there is another option to pay income-tax at the rate of 15% (plus surcharge at the rate of 10% and the applicable cess) of the total income, irrespective of the total turnover or gross receipts, subject to the prescribed conditions.

General anti-avoidance rules (GAAR)

GAAR, as introduced by the Finance Act, 2017, aims to counter aggressive tax avoidance schemes. It empowers officials to deny the tax benefits on impermissible avoidance arrangements, the main purpose of which is to obtain a tax benefit. The initial onus here would be on the tax authorities to prove that the main purpose is to obtain a tax benefit. Provisions of GAAR will apply only when tax benefits (excluding interest) are exceeding INR 30 millions.

Legislative changes in accordance with BEPS Action Plan

India has been an active member of the Organisation for Economic Co-operation and Development (OECD)'s Base Erosion and Profit Shifting (BEPS) initiatives and played its part in reaching international consensus. The following legislative changes have been made towards implementation of BEPS recommendations.

Country-by-country reporting

In its BEPS report, to standardise transfer pricing documentation across the countries, the OECD recommended a three-tiered structure consisting of:

- A master file containing standardised information relevant to all multinational enterprises (MNE) group members
- A local file containing all material transactions of the local taxpayer
- A CbC report containing information relating to global allocation of the MNE's income, taxes, etc.

This provision results from the OECD report on Action 13 of the BEPS Action Plan to revise standards for transfer pricing documentation and provide a template for CbC reporting. This three-tier documentation will require taxpayers to articulate consistent transfer pricing positions and will provide tax administrations with useful information to assess transfer pricing risks. It will help tax administrations to determine where their resources can most effectively be deployed, and, where audits are required, provide information to initiate and focus audit enquiries. This reporting system will not only provide more transparent information on MNEs for the tax authorities but also ensure closer compliance with documentation requirements.

Limitation of interest

Section 94B of the Act was introduced vide Finance Act, 2017 has introduced with regard to limitation of interest: with effect from assessment year 2018–19, interest expenses claimed by an entity in respect of payment to its non-resident associated enterprise (AE) or to a third party (if the AE provides an implicit/explicit guarantee to the lender) has been restricted to 30% of earnings of the company before interest, tax, depreciation and amortisation or interest paid (whichever is less). In order to target only large interest payments, the threshold of interest expenditure is INR 10 million. These provisions are in line with the recommendations of the OECD Action Plan 4 (which mentions 10–30%) to address BEPS via excess interest deductions.

Secondary adjustment

With effect from assessment year 2018–19, the Finance Act, 2017 has introduced the concept of secondary adjustment. This means an adjustment in the books of account of the taxpayer and its AE to reflect that the actual allocation of profits between the taxpayer and its AE are consistent with the transfer price determined as a result of primary adjustment, thereby removing the imbalance between the taxpayer's cash account and actual profit. The concept of re-characterizing the main transfer pricing adjustment and again subjecting it to tax consequences is generally regarded as 'secondary adjustment'.

Multilateral instruments (MLI)

The MLI modifies tax treaties that are 'covered tax agreements'. A covered tax agreement is a DTAA that is in force between parties to the MLI and for which both parties have made a notification that they wish to modify the agreement using the MLI.

The MLI allows jurisdictions to swiftly implement measures to strengthen existing tax treaties to protect governments against tax avoidance strategies that inappropriately use tax treaties to artificially shift profits to low- or no-tax location.

On 7 June 2017, 68 jurisdictions signed the MLI during a signing ceremony hosted by the OECD in Paris. Four more jurisdictions, namely Cameroon, Curacao, Mauritius and Nigeria, signed the MLI after the first ceremony. On 24 January 2018, six additional jurisdictions signed the MLI during a second signing ceremony which took place at the OECD Headquarters in Paris; in conjunction with a plenary session of the Inclusive Framework on Base Erosion and Profit Shifting (BEPS). Four other jurisdictions (Algeria, Kazakhstan, Oman and Swaziland) expressed their intent to sign the MLI in the near future.

Signatories of the MLI may choose which existing tax treaties they would like to modify using the MLI. Once a tax treaty has been listed by the two parties, it becomes an agreement to be covered by the MLI. The current signatories have listed over 2,350 treaties, already leading up to over 1,100 matched agreements.

Abuse of tax treaties is an important source of BEPS. The MLI helps the fight against BEPS by implementing the tax treaty-related measures developed through the

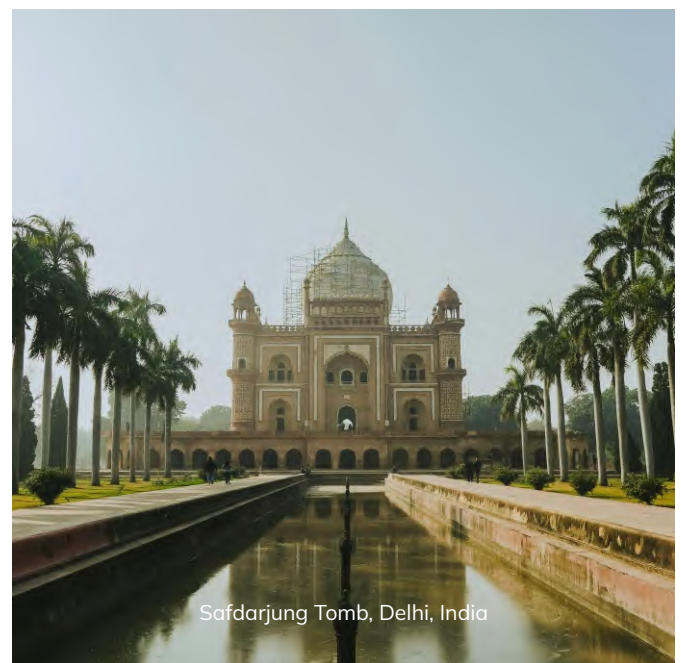
BEPS Project in existing bilateral tax treaties in a synchronised and efficient manner. These measures will prevent treaty abuse, improve dispute resolution, prevent the artificial avoidance of permanent establishment status and neutralise the effects of hybrid mismatch arrangements.

MLI: Indian Perspective

India has taken a visionary approach to MLI aligning with OECD -G20 BEPS Project to avoid tax avoidance. India's stance is comprehensive covering 93 DTAA's (excluding China and Marshall Islands). India introduced specific reservations on key provisions. Notably, India has focused on prevention of treaty abuse. Measures taken by India include a minimum holding period of 365 days for dividend transfer transactions and carefully standardized corresponding transfer pricing adjustments. These measures reflect a balance between international alignment and domestic fiscal prudence. India aspires to enhance tax transparency and compliance without unduly compromising the competitive edge it offers to foreign investors. This seeks to leverage international tax standards while tailoring them to local priorities.

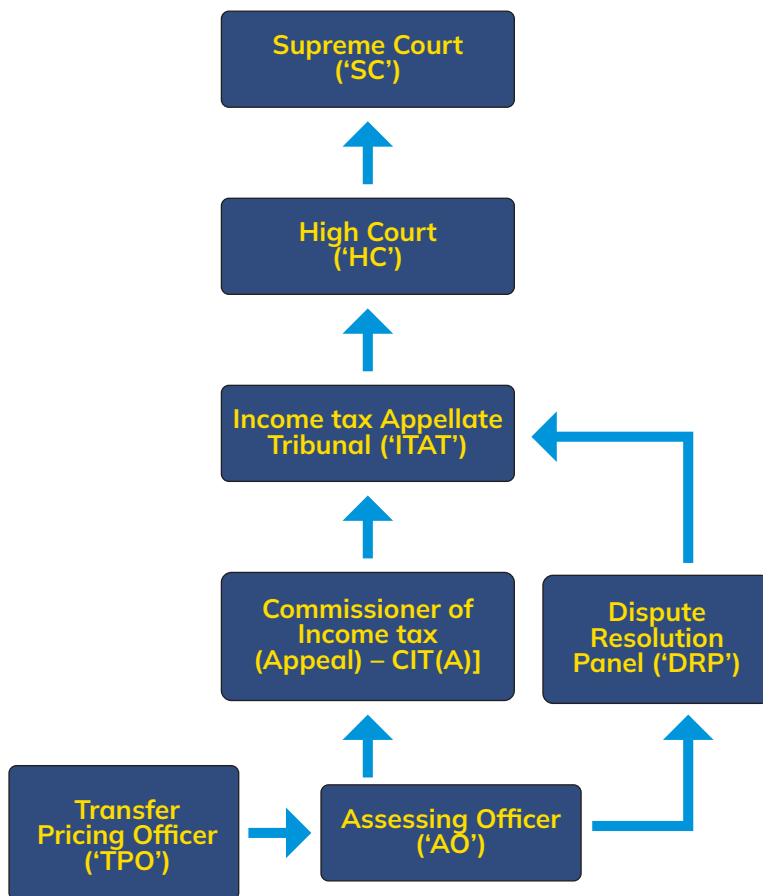
6.9 TAX DISPUTE RESOLUTION MECHANISM IN INDIA

Success of any tax policy is largely dependent on an effective administration that would minimize assessment, appellate proceedings, tax avoidance, tax evasion and improve taxpayers' compliance. A state cannot levy tax without the taxpayer being granted the right to dispute it. It is an integral part of the tax system. In India, there are various platforms wherein aggrieved taxpayer can file an appeal / application for the different grievances.



Safdarjung Tomb, Delhi, India

The diagrammatic view of the hierarchy of the judicial system pertaining to the direct tax is as below:



Assessing Officer (AO):

- AO means the Income-Tax Officer / Assistant Commissioner of Income-Tax / Deputy Commissioner of Income-Tax / Joint Commissioner of Income-Tax / Additional Commissioner of Income-Tax / Transfer Pricing Officer / Centralised Processing Centre, who is authorized by the Board to exercise or perform all or any of the powers and functions conferred on, or assigned to an AO under the Act.
- AO is an officer of the Income Tax Department who is responsible for ensuring correctness of Income Tax Returns filed by the taxpayers in his/her jurisdiction.
- The AO has the authority to ask for supporting documents, conduct the assessment proceedings, recompute the taxable income and tax demand / refund (if any).
- The AO handles taxpayer concerns or requests, viz. rectifying the mistakes apparent from record, reducing or eliminating demands and granting refunds. Every taxpayer is assigned a jurisdictional

Assessing Officer based on the address mentioned by the taxpayer in the Permanent Account Number.

Dispute Resolution Panel (DRP):

- The DRP is an Alternative Dispute Resolution (ADR) mechanism for resolving disputes related to Transfer Pricing and taxability of non-residents. This Panel has been set up with a view to providing speedy disposal of cases in a fair and just manner.
- The Panel typically consists of 3 Commissioner of Income-tax who are required to give direction to the AO for passing the final order as they deem fit after hearing the taxpayer.
- Taxpayer who has received an adverse order from the Transfer Pricing Officer or non-resident taxpayer who has received a draft adverse order, can opt for resolution by filing an application before the DRP.

Commissioner of Income tax (Appeal):

- Taxpayer can file an appeal before CIT(A) if it is aggrieved by the order passed by the Income tax authority.
- The Central Government has notified an e-appeal scheme for disposal of appeal so as to impart greater efficiency, transparency and accountability by eliminating the interface between the CIT(A) and the taxpayer in the course of appellate proceedings to the extent technologically feasible (bearing in few cases like international tax, transfer pricing, etc.)

Income tax Appellate Tribunal (ITAT):

- Ministry of Law and Justice regulates the functioning of the ITAT. ITAT is a quasi-judicial institution.
- Taxpayer / Revenue aggrieved by the decision of the CIT(A) / DRP needs to file an appeal before ITAT.
- Revenue can file an appeal against the order of the CIT(A) before the ITAT only when tax effect exceeds INR 6 million.
- The order passed by the ITAT is final unless the question of law arises for determination.

ITAT has implemented hybrid / virtual hearings at all Benches which facilitates litigants to attend hearing of the case virtually. 1,22,302 hearings have been conducted through video conferencing before various benches of ITAT between July 2023 till December 2024. 26,000 appeals and applications had been filed before various benches of ITAT till February 2025.



Lake Shore Hotel, Rajasthan, India

High Court:

- The Constitution of India provides for a High Court for each State. The High Court resolves the issues arising from the question on law.
- The High Court serves as a highest judicial authority at both the State and Union Territory levels. The decision of the high court is final unless reversed by the Supreme Court or by retrospective amendment.
- Revenue can file an appeal before the High Court only when tax effect exceeds INR 20 million.

Supreme Court:

- Supreme Court is the Apex Court of the Republic of India. It is the final court and has extensive powers in the form of appellate and advisory jurisdictions.
- As the highest court, its decisions are binding on the lower courts as well as the Union / State governments.
- Revenue can file an appeal before the Supreme Court only when tax-effect exceeds INR 50 million.

Authority of Advance ruling (AAR):

- Government of India had established AAR wherein taxpayers were able to file an application before the AAR so as to seek tax certainty and avoid disputes on any question of law in relation to transactions that were proposed to be undertaken by the taxpayer.
- Such rulings were binding upon the applicant and the income tax authorities.
- GOI has replaced the AAR with **Board for Advance Ruling (BAR)** and the same is headquartered in Mumbai and Delhi.
- Central Government has constituted BAR with an intent to ensure timely disposal of applications filed before the AAR.

Dispute Resolution Committee (DRC): Central Government has constituted the DRC Committee to resolve the small disputes. Application can be filed before only when both the following conditions are satisfied:

- If the returned income is less than or equal to INR 5 million; and
- Aggregate value of proposed variation is less than or equal to INR 1 million.

DRC has the power to reduce or waive any penalty imposed under the Act or grant immunity from prosecution for any offence punishable under the Act.

Mutual Agreement Procedure (MAP):

MAP is an alternate tax dispute resolution mechanism available to the taxpayers under the DTAA for resolving disputes giving rise to double taxation or taxation not in accordance with the tax treaties. India has entered into DTAA with various countries and almost all treaties have MAP mechanism to resolve the dispute.

A MAP request can be made by a taxpayer when it considers that the actions of the tax authorities of one or both of the treaty partners results or will result in taxation not in accordance with the relevant DTAA. MAP cases involve cross border double taxation that could either be juridical double taxation (same income taxed twice in the hands of the same entity in two different countries) or economic double taxation (same income taxed in the hands of two separate entities, who are Associated Enterprises, in two different countries).

Competent Authorities (CAs) can enter into the discussions and negotiations with the CAs of another treaty partners as they endeavour to resolve international tax disputes under MAP.

Safe Harbour Rules

Safe Harbour means circumstances in which the Indian income-tax authorities will accept the transfer price declared by the taxpayer. These provisions aim to simplify compliance and reduce litigation by allowing eligible taxpayers to adopt predefined margins or prices for specified international transactions.

Adoption of Arm's length price as per conditions specified in Safe Harbour rules provides shield to the taxpayers from the intense scrutiny related to transfer pricing under specific conditions. That is, if a taxpayer adheres to prescribed profit margin or pricing methods for cross-border transactions, then the tax authorities commit not to challenge it.

Taxpayer can determine arm's length price subject to Safe Harbour Rules if it is satisfying any of the conditions mentioned below and the value of Eligible International Transactions ("EIT" - as defined under the Income-tax Rules, 1962 – "the Rules") is less than or equal to INR 300 Crores:

- Engaged in providing software development services (SDS) / information technology enabled services (ITES) / Knowledge Process Outsourcing services (KPO)
- Intra-group loan
- Corporate guarantee
- Contract R&D services (CRD) related to SDS to foreign principal
- CRD related to generic pharmaceutical drugs (GPD)
- Manufacture and export of core / non-core auto components where 90% of total turnover is in the nature of original equipment manufacture sales (including 'Lithium-ion batteries for use in electric or hybrid electric vehicles')
- Receiving certain low value-adding intra-group services.
- Sale of raw diamond by a 'foreign company engaged in the business of diamond mining in a notified special zone'



Range have specified in respect of EITs. If the value of an EIT is within the said range, it is to be considered as "Safe Harbour" and the transfer price declared by a taxpayer shall be accepted by Indian income-tax authorities. Few instances of "Safe Harbour" are tabulated below:

EIT	Parameter for Safe Harbour	Range specified as Safe Harbour
Provision of SDS / ITES services		a. Where EIT value is upto INR 100 Crores -> 17% of EIT value b. Where EIT value is above INR 100 Crores and does not exceed INR 300 Crores -> 18% of EIT value
Provision of KPO services	Operating Profit Margin in relation to Operating Expense	Value of EIT is up to INR 300 Crores a. Minimum 24% and employee cost in relation to operating expense is minimum 60% b. Minimum 21% and employee cost in relation to operating expense is within range of 40% - 60% c. Minimum 18% and employee cost in relation to operating expense is up to 40%
Provision of CRD services related to SDS		Minimum 24% where EIT value is up to INR 300 Crores
Provision of CRD services related to GPD is same as SDS		
Low value-adding intra-group services	NA	Entire value of EIT (including a mark-up of up to 5%) where the value is up to INR 10 Crores.
Sale of raw diamond by Foreign Company in a notified special zone	NA	4% of sale proceeds

Advance Pricing Agreement (APA):

Considering the globalized economy with expanding cross-border production chains and growing trade within entities of the same group, in order to avoid lengthy litigation and provide certainty to the taxpayers, the Indian government implemented APA in 2012.

An APA is a formal, binding agreement between a taxpayer and Indian income-tax authorities. It pre-determines the Transfer Pricing methodology or the arm's length range for specified international transactions for a fixed period to reduce uncertainty and mitigate the risk of disputes. The APA mechanism



Ghat, Varanasi, Uttar Pradesh, India

is primarily governed by Section 92CC / 92CD of the Act read with relevant Rules.

The APAs are binding on tax authorities. An APA is granted to a taxpayer for a maximum period of 9 years. This period includes 5 years of prospective period and roll-back period of 4 years, if the taxpayer opts for it.

Types of APAs

In India, APAs are bifurcated into 3 categories based on number of participants to APAs. Broadly, they can be classified as follows:

Type of APAs	Particulars of APAs
Unilateral APAs	Entered between taxpayers and tax authorities and meant for transactions conducted within India. This APAs does not cover issue of double taxation.
Bilateral APAs	Entered between taxpayers, tax authorities and one foreign jurisdiction to address concern of double taxation by ensuring that both jurisdictions agree on Transfer Pricing Method
Multilateral APAs	Entered between taxpayers, tax authorities and more than one foreign jurisdiction. This APAs offers a comprehensive solution in complex international scenarios reducing the risk of taxation conflicts amongst multiple countries

Recent Trends

There has been a recent surge in number of APAs entered into by taxpayers in India. In FY 2023-24, the Government entered into a record 125 APAs with taxpayers. This includes 86 Unilateral APAs and 39 Bilateral APAs which marks the highest ever APAs in any FY since the launch of APA program. Total APAs entered by tax authorities in India till 31 March 2025 are tabulated below:

615 Unilateral APA	199 Bilateral APA	1 Multilateral APA	815 Total APA
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The number of APAs signed by the tax authorities reflects the broader efforts of the Government to align with the best global practices and enhance the ease of doing business.

6.10 GOODS AND SERVICES TAX

GST is the biggest tax reform that India has witnessed since independence. It is a destination-based consumption tax, levied on “supply” of goods and services, implemented with effect from 1st July 2017. GST has subsumed multiple taxes including Central Excise, Service Tax, Value Added Tax, Central Sales Tax, Entry Tax, Octroi, Entertainment Tax in to a Single levy.

- Dual structure levy:** The Centre and States/Union territories, both have the power to levy tax on supply of goods and services. It has three components:

Type of Levy	Particulars
CGST	Central GST (levied and collected by the Central Government)
SGST / UT GST	State / Union Territory GST (levied and collected by the State / UT Government)
IGST	Integrated GST (levied on inter-state and international supply by the Central Government)
Compensation Cess	Levied on specified supplies for the purpose to compensate the states for the loss of revenue on account of implementation of GST

- Nature of Supply:** When the supply of goods / services is undertaken within the State, the same is regarded as intra-state transactions and when undertaken between two states, it is regarded as inter-state transaction.
- Registration Requirement:** Businesses whose turnover exceeds INR 2 million is required to register as a normal taxable person. The threshold limit is increased from INR 2 million to INR 4 million for GST registration in case where the supplier is exclusively engaged in supply of goods. Further, special provisions exist for non-resident taxable persons (NRTPs), providing for simplified registration and return processes.
- Tax rates:** Presently, India has four-tier GST system with tax rates of 5%, 12%, 18%, and 28%. Additionally, Compensation cess is being levied on demerit goods and certain luxury items.
- Reverse Charge Mechanism (RCM):** In common parlance, the supplier of goods or services is liable to pay GST on taxable supply. However, in certain specified cases, the liability to pay shifts to the



City Palace, Rajasthan, India

recipient of goods or services under the reverse charge mechanism.

6.11 CUSTOM DUTY

Customs duty is levied by the Indian Government on the import of goods into India. It is also levied on export of specified goods from India. Custom duty plays a vital role in controlling the movement of goods, protecting domestic industries and regulating the entry of restricted or prohibited items.

India follows the Harmonized System of Nomenclature (HSN) for classification, where goods are classified under tariff headings based on their description of goods. The rates at which duties of customs shall be levied under the Customs Act are specified in the first and second schedule. Four major ad-valorem rates of basic customs duty are 5%, 15%, 25% and 35%. Various types of duties inter-alia includes Basic customs duty, Anti-dumping duty, Countervailing Duty, Safeguard duty.

While most goods are permitted “free entry” into India for sale or home consumption, there are a list of goods in the “Restricted entry list” for which import is permitted after securing pre-approval from the DGFT, Ministry of Commerce. The list of such “Restricted Item” inter-alia includes Defence equipment, environmental goods, specified drugs and chemicals, specified live animals etc.

Export Linked Incentive Schemes:

Export-linked incentive schemes aim to support and encourage domestic industries and boost exports. These schemes provide incentives such as rebates /subsidies, to the exporters to help them offset costs and remain competitive in the global market.

Non-Tariff Barriers:

Non-tariff barriers (NTBs) in India refer to trade restrictions that don't involve tariffs, but can be in the form of regulations, standards, testing and other measures that can limit imports and exports. It can arise from import bans, quotas, quality conditions, complex regulatory environment that impacts trade.

Some are explained in detail below:

- a) **Bureau of Indian Standards (BIS):** BIS is the national standards body of India setting quality standards for various products and services. It provides certification and licences manufacturers to use BIS standard mark (ISI Mark) on products that comply with quality standards.
- b) **SCOMET (Special Chemicals, Organisms, Materials, Equipment and Technologies):** The export of SCOMET items often requires licence from DGFT. The purpose of SCOMET is to ensure safety and security by controlling the export of sensitive goods.



7

FOREIGN POLICIES

7.1 FREE TRADE AGREEMENTS

India has entered into several Free Trade Agreements (FTAs) with countries like UK, Australia, Mauritius, United Arab Emirates, European Union, Japan amongst others to boost exports, foster international trade and maintain economic relations with other countries. Some of the FTAs are:

1. India UK Free Trade Agreement
2. India-Mauritius Comprehensive Economic Corporation and Partnership Agreement
3. India-UAE Comprehensive Partnership Agreement
4. India-Australia Economic Cooperation and Trade Agreement
5. India Africa Trade Agreements
6. India-US Trade deal – India and US are under active negotiation to finalise the trade deal and the same is expected to close very soon

7.2 FOREIGN TRADE POLICY (FTP)

India's FTP provides a framework of guidelines, regulates and promotes India's international trade. The policy aims to provide export incentives, focuses on tax remission, improved trade facilitation through technology, greater collaboration among exporters and foster trade. It includes several incentives to support exporters and promote collaborative trade:

1. Advance Authorization Scheme
2. Duty-free Import Authorisation Scheme
3. Remission of Duties and Taxes on Exported Products (RoDTEP)
4. Export Promotion Capital Goods Scheme
5. Recognition of Export Oriented Unit (EOU) Scheme, Electronics Hardware Technology Park (EHTP) Scheme, Software Technology Park (STP) Scheme or Bio- Technology Park (BTP) Scheme units

In addition, to augment exports and generate employment, the government has introduced the concept of the special economic zones (SEZ). A SEZ is a clearly delineated duty-free enclave – deemed to be foreign territory for the purposes of trade operations, duties and tariffs. Like Export Oriented Units (EOUs), units set up in a SEZ are entitled to various benefits and incentives.

The Foreign Trade Policy (FTP) 2023 emphasizes perpetual validity and aims to achieve export targets of USD 2 trillion by 2030. Key features include:

- Shift from incentives to remission and entitlement-based benefits.
- Integration with WTO compliance norms.
- Continued support through schemes like RoDTEP, EPCG, and Advance Authorization.




8

GIFT CITY - INTERNATIONAL FINANCIAL SERVICES CENTRE

GIFT City, Gujarat, India





Gujarat International Finance Tec-City, popularly known as GIFT City, is India's pioneering financial and technological hub designed to bring global financial services back to Indian shores. Positioned between Ahmedabad and Gandhinagar on the banks of the Sabarmati River, GIFT City is a dream project of the Government of India and the Government of Gujarat.

GIFT City, Gujarat, India

1. HISTORY AND VISION

GIFT City was conceptualized in 2007 and gained momentum in April 2015, when the Government of India designated it as the country's first International Financial Services Centre ("IFSC") under the Special Economic Zones ("SEZ") Act, 2005. The initiative endeavoured to retain capital domestically by offering a competitive alternative to prominent international hubs like Singapore and London.

2. IFSC

- IFSC is a dedicated zone that provides financial services for cross-border transactions, primarily in foreign currencies.
- It is designed to bring back offshore financial activities conducted by domestic/ foreign entities and to serve as a gateway for global investors.
- IFSCs offer a liberal regulatory regime, tax benefits, and an ecosystem for banking, insurance, capital markets, fund management, and fintech innovation.

3. BRIEFING IFSC IN INDIA

- IFSC is located in GIFT City, Gujarat.
- Operates under the SEZ Act, 2005, and regulated by the unified authority International Financial Services Centre Authority ("IFSCA").
- Offers a globally competitive environment with tax

holidays, GST exemptions on international services.

- It hosts international exchanges, global banks, insurers, fund managers, fintech firms, aircraft leasing and bullion exchanges — making it a comprehensive financial hub for inbound and outbound investment activities.

4. SECTORS OPERATIONAL AT IFSC

- a. Banking
- b. Capital Markets
- c. Insurance
- d. Fund Management
- e. Family Offices
- f. Fintech

5. PROFESSIONAL AND ANCILLARY FRAMEWORK

- i. GIFT IFSC supports not only core financial services but also a robust ancillary ecosystem that includes:
 - a. Legal services
 - b. Accounting and bookkeeping
 - c. Tax advisory and audit
 - d. Management consulting
 - e. Trusteeship services
- ii. These entities operate under a dedicated

framework notified by IFSCA to ensure efficiency, transparency, and international compliance.

- iii. Ancillary units support the seamless functioning of core sectors like banking, insurance, capital markets, and funds.
- iv. Dispute resolution is streamlined through tie-ups with international bodies like the Singapore International Arbitration Centre (“SIAC”).
- v. Co-location of core and support services under one jurisdiction enhances integration and ease of doing business.

6. TAXATION BENEFITS (DIRECT & INDIRECT)

i. Direct Tax Benefits

- 100% income tax exemption for any 10 consecutive years out of the first 15 years for units in IFSC.
- Minimum Alternate Tax (MAT)/AMT reduced to 9%; not applicable under the new tax regime.
- Interest income to non-residents on IFSC-related lending is tax-exempt or taxed at reduced rates.
- Non-resident unit holders of Cat III AIF are not subject to tax in India. The tax is payable at the Fund level only. (Further, the derivative transactions are not taxable even at Fund level)

ii. Indirect Tax Benefits (GST)

- No GST on services:
 - a) Received by an IFSC unit
 - b) Provided to other SEZ/IFSC units or offshore clients
- No GST or stamp duty on transactions executed on IFSC exchanges.



7. SUBSIDIES AND INCENTIVES

Various subsidies and incentives to organizations in IFSC is tabulated below:

Organisations	Nature of Subsidy	Subsidy Parameters
IT/ITeS, Data Centres, Cloud, R&D	CAPEX Subsidy	Up to 25% of project cost (max INR 500 million for IT Townships; INR 1.5 billion for data centres).
	OPEX Subsidy (Rent)	50% of monthly rent (up to INR 10,000) for first 2 years; 25% (up to INR 5,000) for next 3 years.
	Power Subsidy	INR 1/unit for 5 years for data centres
	R&D Support	60% of machinery cost (up to INR 50 million).
Other Business	Capital Investment Subsidy	25% of eligible CAPEX (up to INR 2 billion for large investors)
	Operating Expense Subsidy	15% of eligible OPEX for 5 years
	Employment incentives	
All Organizations	50% of one-month salary	INR 50,000 (men), INR 60,000 (women)
	Provident Fund (PF) Reimbursement	100% for women, 75% for men
	Electricity Duty Waiver	5 years
	Interest Subsidy	Up to INR 10 million/year for 5 years

8. CONCLUSION

GIFT City IFSC is India's bold leap into the world of global finance. With a unified regulatory environment, world-class infrastructure, tax incentives, and robust support services, it creates an unparalleled ecosystem for cross-border financial activity. It is not only repatriating offshore transactions but also positioning India as a global price setter and investment destination.

Whether you're a global bank, asset manager, insurer, fintech innovator, or service provider — GIFT IFSC offers a comprehensive, tax-efficient, and future-ready platform. Backed by visionary policy and a strong governance model, it is well on its path to becoming a leading international financial centre of the world.



9

LABOUR AND PERSONNEL

STATUTORY REQUIREMENTS FOR IMMIGRATION

The entry of foreigners into India is regulated by the Acts passed by the Indian Parliament and related rules that are framed periodically by the central government.

Foreign nationals wishing to take up employment in India should apply for an employment visa, issued by Indian embassies and missions in their country. Initially granted for a period of 1 year, visa can be extended in India to cover the period of the contract.

Usually, the employer offering an employment opportunity initiates the visa application process in India. Alternatively, the applicant may apply to the Indian Embassy/High Commission in their country of residence. Both approaches require recent photographs of the applicant, together with proof of employment (the appointment/contract letter, terms and conditions of employment, etc.).

Any foreign national (including those of Indian origin) coming to India with a visa that covers a period longer than 180 days is required to register with the local or regional Foreigners Registration Officer (FRO)/Foreigners Regional Registration Office (FRRO) in person or via e-FRRO within 14 days of their first arrival in India. This only needs to be done once for the duration of the visa, regardless of how many times the visitor leaves and re-enters India; only if they return on a new visa are they required to register again.

Some categories are exempt from this requirement:

- Those visiting India on tourist visas for up to 180 days, who can move freely in the country (apart from restricted/protected areas and prohibited places), unless the visa bears a registration endorsement.
- US nationals holding 10-year tourist/business visas, provided their continuous stay during each visit does not exceed 180 days
- Foreign nationals of Indian origin holding a 5-year multiple-entry visa with an endorsement that their stay should not exceed 180 days during each visit. Should they wish to stay in India continuously for more than 180 days, then registration is required within 14 days of arrival
- 'Person of Indian origin' card holders, provided their continuous stay does not exceed 180 days. If it does, they should approach the local or regional FRO to register; this must be done within 30 days of the 180-day limit. Children below 16 years are exempted from registration.

Once the FRRO is satisfied with the documents, a residency permit is issued to the foreign national. A

Residential Permit (RP) is issued for long-term visa holders, valid for the visa duration. In some cases, an online Residential Permit is generated after e-FRRO processing.

Work permits in India

Non-nationals planning to work or conduct business in India must apply for an appropriate visa before entering the country. There are two relevant visas for those planning to work in India; these function similarly to a work permit:

- **Business visa** – allows visits to India of up to 6 months to conduct business for a non-Indian company.
- **Employment visa** – required for foreigners coming to India for employment. The maximum length for this visa is 5 years, although it is not always guaranteed that the visa will be issued to cover the entire duration of an employment contract. However, it is possible to get this visa extended. This visa offers the possibility to live and work in India on a more permanent basis.

Major labour laws in India

In a bid to simplify labour compliances and enhance the ease of doing business, the Union Government has consolidated 29 central labour laws into four comprehensive Labour Codes:

- 1) **Code on Wages, 2019 – Covers 4 Laws** i.e. The Payment of Wages Act, 1936; The Minimum Wages Act, 1948; The Payment of Bonus Act, 1965 and The Equal Remuneration Act, 1976
 - Applicable to all establishments and employees in both organised and unorganised sectors
 - Introduces a uniform framework for timely payment of wages and minimum wage enforcement.
 - Introduces the concept of a "floor wage" to be fixed by the Central Government, ensuring states do not set wages below this rate.
 - It prohibits gender-based discrimination in wages and recruitment.
 - Wage periods may be set as daily, weekly, fortnightly, or monthly, with overtime paid at double the standard rate.
 - Advisory boards and penalties for non-compliance are prescribed.

2) Industrial Relations Code, 2020 – Covers 3 Laws i.e. The Trade Unions Act, 1926; The Industrial Employment (Standing Orders) Act, 1946 and The Industrial Disputes Act, 1947

- The definition of ‘worker’ includes various roles up to a salary threshold of INR 18,000.
- Introduction of Fixed-term employment offering parity in benefits with permanent employees.
- Establishments with up to 300 workers may lay off or close without prior approval.
- Provides for a re-skilling fund, helplines for migrant workers, a national migrant worker database.
- Provides equality measures for women, including night shift provisions with safeguards.

3) Occupational Safety, Health and Working Conditions Code, 2020 – Covers 13 Laws viz., the Factories Act, Mines Act, Contract Labour Act, and others.

- Code mandates safe working conditions and annual health checks.
- Extends protections to audio-visual workers and inter-state migrants earning up to INR 18,000
- Benefits such as portability of welfare schemes, journey allowances, and mandatory appointment letters are introduced.
- Hazardous work provisions are applicable regardless of manpower.
- Women may work night shifts with consent and safety assurance.
- Daily work hours are capped at eight.

4) Social Security Code, 2020 – Covers 9 Laws viz., EPF, ESI, Maternity Benefit, and Gratuity Acts.

- Widens coverage to gig workers, platform workers, and inter-state migrants.
- Mandates ESI coverage in all districts and EPF for all establishments with 20+ workers.
- Proposal for set up of National Social Security Board and Social Security Fund.
- Fixed-term employees are eligible for gratuity without minimum service, and eligibility of working journalists is reduced to three years.
- All unorganised workers will be registered through a simplified self-certification portal.

The new labour codes are currently at various stages of implementation. At present, the erstwhile labour laws continue to be applicable in most states. Once enforced, the new codes will supersede all existing labour legislations. These reforms are a significant improvement, addressing the deficiencies of the previous framework while consolidating multiple laws into a streamlined and comprehensive structure.

International mobility

India’s excellent global reputation helps to explain the steady growth of its expatriate community. According to an HSBC survey, India is a better country for expats than the USA and China because of its political stability, stable economy and entrepreneurial environment. Needless to say, many foreign companies choose to establish their office space in India rather than elsewhere in the world.





10

MAJOR POLICY REFORMS IN THE INDIAN ECONOMY

10.1 THE INCOME TAX BILL, 2025 (ITB 2025)

- Introduced on 13 February 2025 replacing the existing Income Tax Act, 1961 (ITA 1961).
- Effective from 1 April 2026.
- Simplification of taxes.
- Digital integration and automation to enhance compliance.
- **Some of the key changes of ITB 2025 are summarized below:**
 - Simplify language without altering tax rates or incidence. E.g. Instead of 'Previous Year' and 'Assessment Year', concept of 'Tax Year', which aligns directly with the financial year.
 - Formulas and tables to present key provisions more clearly.
 - Deletion of the redundant provisions.
 - Terms defined at several places in the ITA 1961, have now been placed in one place.
 - Consolidation of similar provisions at one place. For example:
 - Exemptions provisions related to the specific categories are mentioned in the specific schedules.
 - Various deductions available to the taxpayer, mentioned in the different chapters in ITA 1961, have been consolidated and mentioned in a single chapter.
 - The Official navigator and utility for comparing the corresponding Sections between ITB 2025 and ITA 1961.

Please refer the below link for detailed analysis of the ITB 2025.

<https://bhutashah.com/wp-content/uploads/2025/05/White-Paper-on-Income-Tax-Bill-2025.pdf>



10.2 ESG DISCLOSURE REQUIREMENTS

- Greater transparency and accountability in corporate sustainability practices.
- Disclose their responses to climate-related risks and opportunities.
 - **INDIA** - SEBI mandates the top **250 firms** to report sustainability metrics for **75%** of their supply chain partners, with accuracy assurance from fiscal year 2025-26.
 - **GLOBAL** - Frameworks like ESG Book LEO aim to streamline reporting and align with standards such as ISSB and GRI. For example-
 - **EUROPE** - Reduce compliance burdens while preventing greenwashing.
 - **AUSTRALIA** - Sector-specific regulations which mandates sustainability disclosures for large companies.

10.3 MEASURES TO ENSURE THE DEVELOPMENT OF ARTIFICIAL INTELLIGENCE (AI)

Artificial Intelligence (AI) is the simulation of human cognitive processes by machines.

The Ministry of Electronics and Information Technology (MeitY) of India envisions the AI program as an umbrella initiative for utilizing transformative technologies to promote inclusion, innovation, and adoption for social impact.

India is rapidly building a strong AI computing and semiconductor infrastructure to support its growing digital economy.

Numerous forecasts suggest AI will add USD 967 billion to India's economy by 2035.

Some steps taken by the MeitY and the GOI are -

- **India AI Mission (2024)**
 - The government allocated INR 10,300 crore over five years.
 - Focus on development of a high-end common computing facility equipped with 18,693 Graphics Processing Units (GPUs), making it one of the most extensive AI compute infrastructures globally.

- **National Programme on Artificial Intelligence ('NPAI')**
 - Foster inclusion, innovation and adoption for making a social impact.
- **'AI for all'**
 - Programme introduced by the Government of India.
 - Self-learning online programme
- **AI Start-ups**
 - Allocation of an amount of INR 20,000 Crores by the government.
- **Centres of Excellence (COE)**
 - For agriculture, health, sustainable cities and education.

GOI is working with various Countries to increase India's presence in the AI field. Some of the examples of the same are as under:

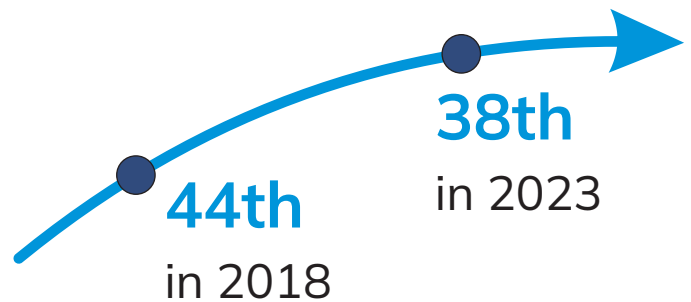
- **India-US: US-India Artificial Intelligence**
 - Led by Indo-US Science and Technology Forum (IUSSTF).
 - Exchange of ideas between the two countries
 - Identifying R&D opportunities
 - Exploring potential collaboration prospects
 - Focus on critical sectors viz., healthcare, smart cities, agriculture, etc.

- **India-Germany:**
 - Led by the Indo-German Science and Technology Centre (IGSTC).
 - Joint initiative of Department of Science & Technology (DST), GOI and Federal Ministry of Education and Research (BMBF), Government of Germany.
 - Focus on healthcare and sustainability.

- India also joined Global Partnership on Artificial Intelligence ('GPAI') in 2022 and served as a Lead Chair in 2024.

10.4 NATIONAL LOGISTICS POLICY (NLP)

- Launched in September 2022.
- Targeting a reduction in logistics costs from the current 13–14% of GDP to single digits by 2030.
- Enhance India's global trade competitiveness and ease of doing business.
- India improved its ranking in the World Bank's Logistics Performance Index (LPI) to 38th in 2023, up from 44th in 2018, a testament to policy progress.



10.5 DIGITAL INDIA INITIATIVE

- Launched in 2015 to enhance access to government services, improve connectivity, and support the economy by embracing the digital revolution.
- Here's an overview of the latest developments and their financial impact-

Government Investments in Digital Infrastructure

- **INR 7.5 lakh crore** towards digital infrastructure as part of the National Infrastructure Pipeline (NIP).
- Expanding internet access and technology adoption.
- Expected to improve productivity, create jobs, and contribute to GDP growth.

Digital Literacy and Inclusion

- 6 million beneficiaries of the PMGDISHA program
- Digitally enable citizens in remote areas, improving their access to education, government services, and economic opportunities.

Contribution to the Digital Economy

- Forecast to contribute **8% of GDP by 2025**.
- With more people engaging in online services, e-commerce, and digital payments, this sector is becoming an economic powerhouse creating millions of jobs and generating revenue.

Jan Vishwas Bill 2.0

- Legislative initiative aimed at further improving the ease of doing business in India.
- Decriminalizing over 100 provisions across various laws.

- Building on the Jan Vishwas Act of 2023, which decriminalized 183 provisions, this bill seeks to modernize outdated regulations and create a trust-based, people-friendly framework.
- It emphasizes proportional penalties for offences, ensuring that minor violations do not lead to imprisonment while maintaining stringent measures for serious infractions.
- Commitment to fostering a competitive and cooperative regulatory environment.

Business Reform Action Plan (BRAP)

- Initiative by the Department for Promotion of Industry and Internal Trade (DPIIT) under the Ministry of Commerce and Industry, India.
- It aims to enhance the ease of doing business across the country by fostering a competitive environment among states and union territories.
- Implementation of reforms in areas such as labour, environment, taxes, land administration, and utility permits.
- Encourages digitization, process simplification, and transparency to attract investments and improve governance.
- By ranking states based on their reform efforts, BRAP promotes healthy competition and supports India's broader economic growth objectives.

National Single Window System (NSWS)

- Digital platform launched by the Government of India to streamline the process of obtaining business

approvals.

- One-stop solution for investors and entrepreneurs, allowing them to access and apply for over 600 central and state-level approvals.
- Enhances transparency, reduces complexity, and provides real-time tracking of applications.
- With features like the "Know Your Approvals" tool, it simplifies the identification of necessary permits based on business type and location, fostering ease of doing business and attracting investments in India.

Invest India

- Established in 2009 through a collaboration between the Ministry of Commerce and Industry and leading Industry Associations.
- Supports both domestic and global investors.
- As the national investment promotion and facilitation agency, it focuses on sector-specific investor targeting and development of new partnerships to enable sustainable investments in India.
- It facilitates and empowers all investors under the 'Make in India' initiative to establish, operate and expand their businesses in India.
- Focuses on three core areas:

Investment
Facilitation

Trade
Growth

R&D
Collaboration



partnerships. The AIC T-Hub Healthcare Accelerator, launched in 2025, is currently supporting 20 MedTech and digital health startups, providing mentorship, market access, and investor engagement.

AIM 2.0 introduces new programs such as the Language Inclusive Program of Innovation (LIPI), which establishes 30 Vernacular Innovation Centres to support non-English-speaking entrepreneurs. Additionally, the Frontier Program is creating customized innovation ecosystems for underserved regions, ensuring inclusive growth.

These updates reinforce India's commitment to fostering a dynamic innovation ecosystem, ensuring startups and students have access to cutting-edge resources.

Production Linked Incentive (PLI) Schemes

The PLI Scheme was launched in 2020 and expanded ever since. These schemes provide financial incentives to boost domestic manufacturing in various strategic sectors, attract investments, enhance production capacity, and improve India's export competitiveness. Sectors like electronics, telecom, pharmaceuticals, and automobiles have benefited. The aim is to create global manufacturing champions and integrate India into global value chains.

'Make in India' programme

Launched in September 2014, India's Make in India initiative continues to propel manufacturing expansion, targeting 4 crore jobs by 2025 and 8 crores by 2030, while boosting exports.

Key Developments:

- **Industrial Output:** 5.2% YoY growth (Jan 2025), led by **electrical equipment (+22.1%)**, refined **petroleum (+8.9%)**, and basic **metals (+6.7%)**.
- **Manufacturing PMI:** Hit a 16-year high of **58.9** (July 2024).
- **PLI Scheme:** Secured **\$21B** investments, **\$170B** output, achieving **92% fiscal target**.
- **Electronics Boom:** Mobile exports up **52%**, projected at **INR 1.85T** (\$22B) in **FY25**.
- **Defense Surge:** **\$15.2B** production, **65% growth** since 2020; exports to double to **\$6.5B by 2029**.
- **Policy Push:** New MSME mission, semiconductor expansion, and footwear & leather scheme aiming for **INR 4 lakh crore turnover**.
- India is cementing its status as a global manufacturing hub - stronger output, rising exports, and policy-driven growth.

Focus on Infrastructure Development

Launched in October 2021, the PM Gati Shakti National Master Plan continues to revolutionize India's infrastructure landscape. As of October 2024, the initiative has onboarded 44 Central Ministries and 36 States/UTs, integrating 1,614 data layers to facilitate coordinated planning and execution of projects. Notably, 208 major infrastructure projects worth INR 15.39 lakh crore have been evaluated under this plan, aiming to enhance multi-modal connectivity and reduce logistics costs.



Yamuna Bridge, Prayagraj, UP, India

11

AGENCIES PROVIDING ASSISTANCE

Tractor on a Wetland, India



Kolkata, West Bengal, India

11.1 DEPARTMENT OF COMMERCE

- The Department of Commerce has been set up under the Ministry of Commerce and Industry to regulate, develop and promote India's international trade and commerce.
- Its basic role is to facilitate an environment and infrastructure that will encourage accelerated growth of international trade.
- The department formulates, implements and monitors the appropriate international and commercial policies – including the foreign trade policy, which provides a basic framework for strategies to be followed in promoting exports and trade.

11.2 MINISTRY OF FINANCE

The Ministry of Finance is concerned with taxation, financial legislation, financial institutions, capital markets, central and state finances, and the union budget.

The Union Finance Ministry of India comprises five departments:

- Department of Economic Affairs
- Department of Expenditure
- Department of Revenue
- Department of Investment and Public Asset Management
- Department of Financial Services.

11.3 SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI)

- The Securities and Exchange Board of India (SEBI) Act, 1992, established SEBI as the principal regulatory authority for India's securities market.
- The Act aims to protect investors, promote market development, and ensure fair and transparent practices.
- It empowers SEBI with –
 - quasi-legislative authority

- quasi-judicial authority
- quasi-executive authority

to regulate market intermediaries, oversee company listings, and prevent fraudulent activities, thereby fostering a stable and trustworthy investment environment.

- SEBI looks after the functioning of the Stock Exchange markets in India. The two major types of Stock Exchanges operating in India are as follows:
 - Bombay Stock exchange
 - National Stock Exchange

11.4 MINISTRY OF CORPORATE AFFAIRS

- The Ministry is primarily concerned with administration of the Companies Act and associated Acts, rules and regulations that regulate the functioning of the corporate sector – including
 - the Competition Act, 2002
 - the Partnership Act, 1932
 - the Limited Liability Partnership Act, 2008
 - the Companies (Donations to National Funds) Act, 1951
 - the Insolvency and Bankruptcy Code, 2016
 - the Societies Registration Act, 1980.
- The Ministry also exercises supervision over three professional bodies that are constituted under three separate Acts of the Parliament for proper and orderly growth of their respective professions:
 - the Institute of Chartered Accountants of India,
 - the Institute of Company Secretaries of India
 - the Institute of Cost and Works Accountants of India.
- The following offices are affiliated to the Ministry of Corporate Affairs:
 - Serious Fraud Investigation Office
 - Competition Commission of India
 - Indian Institute of Corporate Affairs.

11.5 REGISTRAR OF COMPANIES

Registrar of Companies – appointed under Section 396 of the Companies Act, 2013 – are vested with the primary duty of registering companies floated in the respective states and union territories, ensuring that they comply with statutory requirements. These offices keep a registry of company records that are available for inspection by members of the public on payment of the prescribed fee. The Central Government exercises administrative control over these offices through the respective regional directors.

11.6 DEPARTMENT OF INDUSTRIAL POLICY AND PROMOTION

From 24th May, 2017, the Government of India has abolished the Foreign Investment Promotion Board (FIPB). Further the Government issued an Office Memorandum on 5th June, 2017 which made Department of Industrial Policy & Promotion (DIPP) as the nodal agency for coordinating FDI proposals requiring government approval and entrusted it with the task of preparing and issuing a standard operating procedure (SOP) for processing the FDI applications.

11.7 DIRECTORATE GENERAL OF FOREIGN TRADE

Known before 1991 as the Chief Controller of Imports and Exports, the DGFT is a government organisation responsible for the formulation of national export and import (EXIM) guidelines and principles. The DGFT is responsible for implementing the foreign trade (EXIM) policy, with the main objective of promoting Indian exports.

11.8 COMPETITION COMMISSION OF INDIA (CCI)

The CCI acts as the competition regulator in India. It aims at establishing a competitive environment in the Indian economy through proactive engagement with all the stakeholders, the government, and international jurisdiction.

The objectives of the Commission are:

- To prevent practices that harm the competition.
- To promote and sustain competition in markets.
- To protect the interests of consumers.
- To ensure freedom of trade.



Kolkata, West Bengal, India

Authority / Department	Website
Reserve Bank of India (RBI)	https://www.rbi.org.in
Ministry of Corporate Affairs (MCA)	http://www.mca.gov.in
Securities and Exchange Board of India (SEBI)	http://www.sebi.gov.in
Ministry of Finance	http://finmin.nic.in
Income-tax Department	http://www.incometaxindia.gov.in
Foreign Investment Facilitation Portal (FIFP)	http://www.fifp.gov.in
Central Board of Indirect Taxes and Customs (CBIC)	http://www.cbic.gov.in
Goods & Services Tax Network (GSTN)	http://www.gstn.org
GST Portal	https://www.gst.gov.in
Directorate General of Foreign Trade (DGFT)	http://dgft.gov.in
Start-up India	https://www.startupindia.gov.in
Department for Promotion of Industry and Internal Trade (DPIIT)	https://dpiit.gov.in
Invest India	https://www.investindia.gov.in
Government of India Portal	https://www.india.gov.in
Government of India Web Directory	http://goidirectory.nic.in
Ministry of Commerce and Industry	https://commerce.gov.in
NITI Aayog	https://www.niti.gov.in
MSME Ministry (Micro, Small and Medium Enterprises)	https://msme.gov.in
Employees' Provident Fund Organisation (EPFO)	https://www.epfindia.gov.in
Employees' State Insurance Corporation (ESIC)	https://www.esic.gov.in
National Company Law Tribunal (NCLT)	https://nclt.gov.in
National Company Law Appellate Tribunal (NCLAT)	https://nclat.gov.in
Controller General of Patents, Designs & Trademarks (CGPDTM)	https://ipindia.gov.in
Ministry of Electronics & IT (MeitY)	https://www.meity.gov.in
Government e-Marketplace (GeM)	https://gem.gov.in
Ministry of Environment, Forest and Climate Change (MoEFCC)	https://moef.gov.in
Central Public Procurement Portal (CPPP)	https://eprocure.gov.in
Insolvency and Bankruptcy Board of India	https://ibbi.gov.in/en



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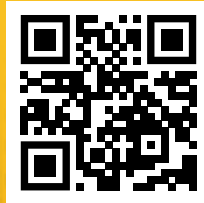
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151, 5th Floor, Moksha Mansion 1st Cross, Sarjapur, Sarjapur - Marathahalli Road, 1st Block Koramangala, Bengaluru, Karnataka – 560 034.

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