Foreign Direct Investment (FDI) Policy liberalized in key sectors

The Cabinet approved several important changes to the FDI policy with the objective of further liberalising and simplifying the foreign direct investment regime. The key changes made are briefly summarised below:

Single Brand Retail Trading

Foreign Investment in Single Brand retail was permitted under the automatic route upto 49%. Investments beyond 49% required Government approval. Going forward, 100% FDI under the automatic route will be permitted for Single Brand retail.

The requirement of sourcing 30% of purchases from India has also been modified. Going forward, it has been decided to permit single brand retail trading entity to set off its incremental sourcing of goods from India for global operations during initial 5 years, beginning 1st April of the year of the opening of first store against the mandatory sourcing requirement of 30% of purchases from India. For this purpose, incremental sourcing will mean the increase in terms of value of such global sourcing from India for that single brand (in rupee terms) in a particular financial year over the preceding financial year, by the non-resident entities undertaking single brand retail trading entity, either directly or through their group companies. After completion of this period, the entity shall be required to meet the 30% sourcing norms directly towards its India's operations on an annual basis.

Construction Development: Townships, Housing, Built-up Infrastructure and Real Estate Broking Services

Real-estate broking services have been excluded from the scope of 'real estate' business. Hence, the will be eligible for 100% FDI under automatic route

Power Exchanges

Foreign Institutional Investors (FIIs) / Foreign Portfolio Investors (FPIs) were allowed to invest in Power Exchanges only by purchases in the secondary market. This restriction has been removed, and FIIs/FPIs will be able to invest in Power Exchanges through the primary market as well.

Other key changes

Other key changes in the FDI policy include:

a) Opening of the automatic route for issue of shares for non-cash consideration (such as pre-incorporation expenses, import of machinery etc.)

b) Foreign investment into an Indian company, engaged only in the activity of investing in the capital of other Indian company/ies/ LLP and in Core Investing Companies is presently allowed upto 100% with prior Government approval. It has now been decided to align FDI policy on these sectors with FDI policy provisions on Other Financial Services. Going forward, if the above activities are regulated by any financial sector regulator, then foreign investment upto 100% under automatic route shall be allowed. On the other hand, if they are not regulated by any financial sector regulator or where only part is regulated or where there is doubt regarding the regulatory oversight, foreign investment up to 100% will be allowed under Government approval route, subject to conditions including minimum capitalization requirement, as may be decided by the Government.

c) It is provided that where a foreign investor specifies a particular auditor / audit firm having an international network for the Indian investee company, a joint audit of such company must be carried out where one of the auditors is not part of the same network.

ADDRESS

Mumbai
1101, One India Bulls Centre,
11th Floor, Tower 2B,
841, Senapati Bapat Marg,
Elphinstone Road (West),
Mumbai 400 013
Tel:+91 22 6108 1000 / 1900

Ahmedabad
B3, 3rd Floor, Safal Profitaire,
Near Auda Garden,
Prahladnagar, Corporate Road,
Ahmedabad - 380 015
Tel: +91-79-6134 3434

Bengaluru
Prestige Terraces, 2nd Floor
Union Street, Infantry Road,
Bengaluru 560 001
Tel: +91-80-4660 2500

Delhi / NCR
101 & 102, 1st Floor, Tower 4B
DLF Corporate Park
M G Road, Gurgaon
Haryana - 122 002
Tel: +91-124-668 7000

New York
340 Madison Avenue, 19th Floor,
New York,
New York 10173 USA
Tel: +1-212-220-9494

Singapore
Dhruva Advisors (Singapore) Pte. Ltd.
20 Collyer Quay, #23 01
Singapore 049319
Tel: +65 9105 3645

Dubai
U-Bora Tower 2,
11th Floor, Office 1101
Business Bay P.O. Box 127165
Dubai, UAE
Tel:+ 971 56 900 5849

KEY CONTACTS

Dinesh Kanabar (Mumbai)
dinesh.kanabar@dhruvaadvisors.com

Vishal Gada (Ahmedabad)
vishal.gada@dhruvaadvisors.com

Ajay Rotti (Bengaluru)
ajay.rotti@dhruvaadvisors.com

Krishan Malhotra (Delhi / NCR)
krishan.malhotra@dhruvaadvisors.com

Lawrence Zlatkin (New York)
lawrence.zlatkin@dhruvaadvisors.com

Mahip Gupta (Singapore)
mahip.gupta@dhruvaadvisors.com

Pratik Shah (Dubai)
pratik.shah@dhruvaadvisors.com

Dhruva Advisors was named **"India Tax Firm of the Year 2017"** at International Tax Review's Asia Tax Awards 2017