DOING BUSINESS
IN INDIA
DOING BUSINESS IN INDIA
Major reforms were undertaken over the past year. The transformational Goods and Services Tax (GST) was launched at the stroke of midnight on 1 July 2017. And the long-festering Twin Balance Sheet (TBS) problem was decisively addressed by sending major stressed companies for resolution under the new Indian Bankruptcy Code and implementing a major recapitalization package to strengthen the public sector banks. As a result of these measures, the dissipating effects of earlier policy actions, and the export uplift from the global recovery, the economy began to accelerate in the second half of the year. This should allow real GDP growth to reach 6¾ percent for the year as a whole, rising to 7-7½ percent in 2018-19, thereby re-instating India as the world’s fastest growing major economy. Against emerging macroeconomic concerns, policy vigilance will be necessary in the coming year, especially if high international oil prices persist or elevated stock prices correct sharply, provoking a ‘sudden stall’ in capital flows.

India is all set to evolve as a hub for design, innovation and manufacturing. Aided by Government measures, we will see India become a nation of young innovators. I believe that India will see a huge number of start-ups in both digital and manufacturing in the years ahead, and that India will become a nation of job creators rather than job seekers. Budget 2018 focuses on improving the country’s basic infrastructure such as railways and roads along with a boost to Make in India which would reduce the transaction costs of exporters.

EEPC India flagging Indian engineering abroad is back with its compendium of India Facts. The report has highlighted details regarding India’s existing tax structure, SEZ policy, FDI policy, trade, etc. It also includes details of the Indian engineering industry.

This ready reckoner would facilitate you to understand the basics of India’s economy.

Ravi Sehgal
Chairman, EEPC India
Foreword

2018 is likely to be a turnaround year not only for the Indian economy but also the global economy which grew over three percent after many years in 2017. There have also been some key developments that indicate a rosy prognosis for the world and the Indian economy. The demise of the Trans-Pacific Partnership (TPP), India’s 30-point jump to join the top 100 countries in the World Bank’s ‘ease of doing business’ index, the rollout of GST in India, announcement of the Mid-Term Review of Foreign Trade Policy and the outstanding performance of India’s overall exports, are clearly some of them. The share of the manufacturing sector to the gross domestic product (GDP) is all set to reach 25 per cent by 2022, from 16 per cent, and generate 100 million new jobs by 2022. Cumulative FDI in the engineering sector increased to US$3.39 billion in FY 2017-18 (upto December 2017) from US$0.89 billion in FY 2010.

India’s engineering sector is a crucial backbone of the economy, and is the largest segment of India’s industrial sector. In 2017-18, Indian engineering exports was $76.2 billion, the highest-ever since independence, surpassing the previous all-time-high of $70 billion in 2014-15 and registering a record 16.81 percent year-on-year growth.

I am sure this updated compendium of facts would prove to be insightful to overseas investors.

Suranjnan Gupta
Executive Director, EEPC India
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On a cumulative basis – 1.5 -2% Current Account Deficit for FY 18 – the overall external position remains solid. The current account deficit is well below the 3 percent of GDP threshold beyond which vulnerability emerges. Meanwhile, foreign exchange reserves have reached a record level of about US$432 billion (spot and forward) at end-December 2017, well above prudent norms. The current year is better than estimated.

India jumps 30 spots in World Bank’s Ease of Doing Business Rankings

Bond yields have increased sharply since August 2017, reflecting a variety of factors, including concerns that the fiscal deficit might be greater-than-budgeted, expectations of higher inflation, a rebound in activity that would narrow the output gap, and expectations of rate increases in the US.

Personal income tax collections rose substantially (excluding the securities transactions tax) from about 2 percent of GDP between 2013-14 and 2015-16. They are likely to rise to 2.3 percent of GDP in 2017-18, a historic high.
After 13 months of continuously undershooting the inflation target by an average of 130 basis points, headline inflation for the first time crossed the RBI’s 4 percent target in November, posting a rate of 5.2 percent in December 2017. The recent upswing in inflation stems from rising global oil prices (not all of which has been passed on to consumers), unseasonal increases in the prices of fruits and vegetables, and the 7th Pay Commission housing rent allowances, which mechanically increase inflation.

A pick-up in growth to between 7 and 7.5 percent in 2018-19 can be forecasted, reinstating India as the world’s fastest growing major economy. If the relationship between India’s exports and world growth returns to that in the boom phase, and if world growth in 2018 is as projected by the IMF, then that could add another ½ percentage point to growth.

GVA at basic prices for 2017-18 from the manufacturing sector is estimated to grow by 4.6 percent. Under the Make in India initiative, the Government of India aims to increase the share of the manufacturing sector to the gross domestic product (GDP) to 25 per cent by 2022, from 16 per cent, and to create 100 million new jobs by 2022.
Introduction

India is one of the oldest civilizations in the world with a kaleidoscopic variety and rich cultural heritage. It is the seventh-largest country by area, the second-most populous country with over 1.2 billion people, and the most populous democracy in the world. In the present scenario, India’s economy is the third largest by purchasing power parity (PPP) and third largest by nominal gross domestic product (GDP), globally.

India has seen a systematic transition from being a closed door economy to an open economy since the beginning of economic reforms in the country in 1991. These reforms have had a far-reaching impact and have helped India unleash its enormous growth potential.

Today India is one of the fastest growing economies in the world and has emerged as a key destination for foreign investors in recent years. According to UNCTAD’s World Investment Prospects Survey 2014-16, India is the sixth-most attractive destination for FDI in the world.

India’s GDP has also grown at around 7.9 per cent between 2003 and 2012. This trend, according to the International Monetary Fund (IMF), is likely to continue for the next five years with an average GDP growth rate of 7.7 per cent per annum till 2017. India’s GDP for 2017, valued at US$9.585 trillion is the 3rd largest in the world (estimates for 2017).
### India – A snapshot

<table>
<thead>
<tr>
<th>Capital</th>
<th>New Delhi</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location</td>
<td>India is located in south Asia and is bordered by other countries like Pakistan in the west, China and Nepal in the north to north eastern part, Bhutan in the north east and Burma in the west.</td>
</tr>
<tr>
<td>Languages</td>
<td>English, Hindi (Official)</td>
</tr>
<tr>
<td>GDP (official exchange rate)</td>
<td>US$ 2.251 trillion (2016 est)</td>
</tr>
<tr>
<td>GDP – per capita (PPP)</td>
<td>$8.721 trillion (2016 est.)</td>
</tr>
<tr>
<td>Industries</td>
<td>Textiles, chemicals, food processing, steel, transportation equipment, cement, mining, petroleum, machinery, software, pharmaceuticals</td>
</tr>
<tr>
<td>Exports</td>
<td>$262.3 billion (2016 est.)</td>
</tr>
<tr>
<td>Exports – commodities</td>
<td>Petroleum products, precious stones, machinery, iron and steel, chemicals, vehicles, apparel</td>
</tr>
<tr>
<td>Import partners</td>
<td>China: 15.7%, Saudi Arabia 5.4%, Switzerland: 5.4%, US 5.3%, UAE 5.2%, (2016)</td>
</tr>
<tr>
<td>Exchange rate</td>
<td>Indian rupees (INR) per US dollar: 64.4208 (as on 26 July 2017, RBI)</td>
</tr>
</tbody>
</table>

#### States and Union Territories
India consists of 29 states and 7 union territories.

#### Natural resources
Coal (fourth largest reserve in the world), manganese, bauxite, iron-ore, chromites, diamond, limestone, titanium ore, natural gas, petroleum, and arable land form India’s natural resource.

#### Coastline
7000 km of coastline, which includes that of the Andaman, Nicobar and Lakshadweep islands.

### Source: IMF
THE infrastructure sector has become a focus area of the Government of India. Under Union Budget 2018-19, US$ 92.22 billion was allocated to the sector.

Increased impetus to develop infrastructure in the country is attracting both domestic and international players. Private sector is emerging as a key player across various infrastructure segments, ranging from roads and communications to power and airports. In order to boost the construction of buildings in the country, the Government of India has decided to come up with a single window clearance facility to accord speedy approval of construction projects.

The cumulative growth in the index of eight core industries was 4.2 per cent in 2017-18. Significant allocation to the infrastructure sector in the 12th Five-Year Plan, and investment requirement of US$ 1 trillion is expected to create huge demand for construction equipment in India. The country needs around 55 new airports by 2030 with an investment of US$ 36-45 billion. In the road’s sector, the government’s policy to increase private sector participation has proved to be a boon for the infrastructure industry with a large number of private players entering the business through the public-private partner-
ship (PPP) model. During the next five years, investment through PPP is expected to be US$ 31 billion. India has a requirement of investment worth Rs 50 trillion (US$ 777.73 billion) in infrastructure by 2022 to have sustainable development in the country.

Indian infrastructure sector witnessed 91 M&A deals worth US$ 5.4 billion in 2017. All villages in India will be connected through a road network by 2019 under Pradhan Mantri Gram Sadak Yojana (PMGSY). In August 2017, a new Metro Rail Policy was announced to boost private investment in the sector. In January 2018, the National Investment and Infrastructure Fund (NIIF) partnered with UAE-based DP World to create a platform that mobilise investments worth US$ 3 billion into ports, terminals, transportation, and logistics businesses in India. The Government is also working on improving energy infrastructure in the country and investment opportunities worth US$ 300 billion will be available in the sector in the coming 10 years.

**Market size**

Foreign Direct Investment (FDI) received in Construction Development sector (townships, housing, built up infrastructure and construction development projects) from April 2000 to December 2017 stood at US$ 24.67 billion, according to the Department of Industrial Policy and Promotion (DIPP). The logistics sector in India is expected to increase at a Compound Annual Growth Rate (CAGR) of 10.5 per cent, from US$ 160 billion in 2017 to US$ 215 billion by 2020.

**Investments**

India has a requirement of investment worth Rs 50 trillion (US$ 777.73 billion) in infrastructure by 2022 to have sustainable development in the country. India is witnessing significant interest from international investors in the infrastructure space. Some key investments in the sector are listed below.

- In February 2018, the Government of India signed a loan agreement worth US$ 345 million with the New Development Bank (NDB) for the Rajasthan Water Sector Restructuring Project for desert areas.
- In January 2018, the National Investment and Infrastructure Fund (NIIF) partnered with UAE-based DP World to create a platform that will mobilise investments worth US$ 3 billion into ports, terminals, transportation, and logistics businesses in India.

**Government initiatives**

The Government of India is expected to invest highly in the infrastructure sector, mainly highways, renewable energy and urban transport, prior to the general elections in 2019.

The Government of India is taking every possible initiative to boost the infrastructure sector. Some of the steps taken in the recent past are being discussed hereafter.

- Announcements in Union Budget 2018-19:
  - Massive push to the infrastructure sector by allocating Rs 5.97 lakh crore (US$ 92.22 billion) for the sector.
  - Railways received the highest ever budgetary allocation of Rs 1.48 trillion (US$ 22.86 billion).
  - Rs 16,000 crore (US$2.47 billion) towards Sahaj Bijli Har Ghar Yojana (Saubhagya) scheme. The scheme aims to achieve universal household electrification in the country.
  - Rs 4,200 crore (US$ 648.75 billion) to increase capacity of Green Energy Corridor Project along with
other wind and solar power projects.

- Allocation of Rs 10,000 crore (US$ 1.55 billion) to boost telecom infrastructure.

- The 90 smart cities shortlisted by the Government of India have proposed projects with investments of Rs 191,155 crore (US$ 30.02 billion) which include Projects Focusing on Revamping an Identified Area (Area Based Projects) with investment of Rs 152,500 crore (US$ 23.95 billion).

- Contracts awarded under the Smart Cities Mission would show results by June 2018 as the work is already in full swing, according to Mr Hardeep Singh Puri, Minister of State (Independent Charge) for Housing and Urban Affairs, Government of India.

- The Government of India is working to ensure a good living habitat for the poor in the country and has launched new flagship urban missions like the Pradhan Mantri Awas Yojana (Urban), Atal Mission for Rejuvenation and Urban Transformation (AMRUT), and Swachh Bharat Mission (Urban) under the urban habi-

**Road ahead**

India’s national highway network is expected to cover 50,000 kilometres by 2019, with around 20,000 km of works scheduled for completion in the next couple of years, according to the Ministry of Road Transport and Highways.

The Government of India is devising a plan to provide wifi facility to 550,000 villages by March 2019 for an estimated cost of Rs 3,700 crore (US$ 577.88 million), as per the Department of Telecommunications, Government of India.

India and Japan have joined hands for infrastructure development in India’s north-eastern states and are also setting up an India-Japan Coordination Forum for Development of North East to undertake strategic infrastructure projects in the northeast.
Trade

India is currently the world’s fastest-growing major economy. And before long, it may leapfrog the US on a ranking of the largest. In a new report titled “The World in 2050,” consulting firm PwC projects that India’s GDP would exceed US GDP in purchasing power parity terms by 2040 (purchasing power parity accounts for the different prices levels across countries). This would make India the largest economy in the world after China.
India trades more than China and a lot within itself

As of 2011, India’s openness – measured as the ratio of trade in goods and services to GDP – has far overtaken China’s, a country famed for using trade as an engine of growth. India’s internal trade to GDP is also comparable to that of other large countries and very different from the caricature of a barrier-riddled economy.

During the last 27 years, India’s exports have increased more than 16 times, from US$ 18.1 billion in 1990-91 to US$ 302.84 billion in 2017-18, and India’s imports have increased over 19 times, from US$ 23.5 billion in 1990-91 to US$ 459.67 billion in 2017-18. India’s share in global exports has moved up from mere 0.6 percent in early nineties to 1.7 percent currently. Likewise, India’s share in global imports has increased from around 0.6 percent during early nineties to 2.8 percent currently.

**Table 1 A - India’s trade performance: Percentage share in world trade**

<table>
<thead>
<tr>
<th>Years</th>
<th>India’s share in world merchandise exports</th>
<th>India’s share in world commercial services exports</th>
<th>India’s share in world merchandise plus services exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>1.7</td>
<td>3.2</td>
<td>1.9</td>
</tr>
<tr>
<td>2012</td>
<td>1.6</td>
<td>3.2</td>
<td>1.9</td>
</tr>
<tr>
<td>2013</td>
<td>1.7</td>
<td>3.1</td>
<td>2.0</td>
</tr>
<tr>
<td>2014</td>
<td>1.7</td>
<td>3.1</td>
<td>2.0</td>
</tr>
<tr>
<td>2015</td>
<td>1.6</td>
<td>3.3</td>
<td>2.0</td>
</tr>
</tbody>
</table>

*Source: World Trade Organization and PIB*
Globalization and the world (1870 to present)

Recent events suggest that the world cannot bear too much globalization either. What does this mean for India’s exports?

The figure plots the trade-GDP ratio for the world since 1870 and highlights four phases. There were two phases of globalization (1870-1914, 1945-1985), one phase of hyper-globalization (Subramanian and Kessler, 2014) between 1985-2008, and one phase of deglobalization in the inter-war period. The question today is what is likely to happen going forward represented by the three arrows: further globalization, deglobalization, or stagnation? These will have potentially important consequences for Indian exports and growth.
### India

| GDP (million current US$, 2016) | 2 256 397 |
| GDP per capita (US$, 2014-2016) | 1 645 |
| Current account balance (% GDP, 2016) | -0.9 |
| Trade per capita (US$, 2014-2016) | 369 |
| Trade (% GDP, 2014-2016) | 22.4 |

### India's rank in world trade

<table>
<thead>
<tr>
<th></th>
<th>Exports</th>
<th>Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Merchandise</td>
<td>20</td>
<td>14</td>
</tr>
<tr>
<td>excluding intra-EU trade</td>
<td>14</td>
<td>9</td>
</tr>
<tr>
<td>Commercial services</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>excluding intra-EU trade</td>
<td>5</td>
<td>6</td>
</tr>
</tbody>
</table>

### Breakdown of India's total exports

#### By main commodity group, % (2015)
- Agricultural Products: 10.2
- Fuels and mining products: 15.7
- Manufactures: 68.4
- Other: 2.7

#### By main destination, % (2016)
- European Union (28): 17.6
- United States of America: 16.1
- United Arab Emirates: 11.5
- China: 3.4

### Breakdown of India's total imports

#### By main commodity group, % (2015)
- Agricultural Products: 7.1
- Fuels and mining products: 33.1
- Manufactures: 47.8
- Other: 12

#### By main origin, % (2016)
- China: 17
- European Union (28): 11.3
- United States of America: 5.7
- United Arab Emirates: 5.4
- Saudi Arabia, Kingdom of: 5.2
- Other: 55.5

### Value and Annual percentage change

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>Annual percentage change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Merchandise exports, f.o.b.</td>
<td>264 020</td>
<td>3</td>
</tr>
<tr>
<td>Merchandise imports, c.i.f.</td>
<td>359 065</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>2016</td>
<td>Share in world total imports (%)</td>
</tr>
<tr>
<td>Share in world total exports (%)</td>
<td>1.65</td>
<td>2016</td>
</tr>
</tbody>
</table>
India’s trade deficit widened slightly to USD 13.72 billion in April of 2018 from USD 13.25 billion a year earlier, below market expectations of a USD 15 billion gap. Exports increased 5.17% year-on-year to USD 25.91 billion, rebounding from a 0.7% drop in March. Sales went up for organic and inorganic chemicals (38.5%); plastic and linoleum (30%); engineering goods (17.6%); cotton yarn, handloom products (15.7%); drugs and pharmaceuticals (13.6%) but fell for petroleum products (-4.5%) and gems and jewelry (-17%). Imports rose 4.6% to USD 39.63 billion, lower than a 7.2% gain in March. Purchases went up for petroleum, crude and products (41.5%); transport equipment (33.2%); coal, coke and briquettes (20.4%); organic and inorganic chemicals (18.4%) and machinery, electrical and non-electrical (9.1%) but fell for gold (-33%). Balance of Trade in India averaged -2378.69 USD Million from 1957 until 2018, reaching an all time high of 258.90 USD Million in March of 1977 and a record low of -20210.90 USD Million in October of 2012.

**India’s Balance of Trade**

Source: Tradingeconomics.com | Ministry of Commerce and Industry, India
LIST OF TOP 15 TRADING PARTNERS OF INDIA

Below is a list highlighting 15 of India’s top trading partners – countries that imported the most Indian shipments by dollar value during 2017. Also shown is each import country’s percentage of total Indian exports.
1. United States: US$46.1 billion (15.6% of total Indian exports)
2. United Arab Emirates: $30 billion (10.1%)
3. Hong Kong: $15 billion (5.1%)
4. China: $12.5 billion (4.2%)
5. Singapore: $11.6 billion (3.9%)
6. United Kingdom: $9 billion (3%)
7. Germany: $8.2 billion (2.8%)
8. Vietnam: $8.1 billion (2.7%)
9. Bangladesh: $7.2 billion (2.4%)
10. Belgium: $6.2 billion (2.1%)
11. Italy: $5.7 billion (1.9%)
12. Malaysia: $5.5 billion (1.9%)
13. Nepal: $5.5 billion (1.9%)
14. Netherlands: $5.4 billion (1.8%)
15. Saudi Arabia: $5.2 billion (1.8%)

Over three-fifths (61.3%) of Indian exports in 2017 were delivered to the above 15 trade partners.

Singapore increased its import purchases from India from 2016 to 2017 by 57.4%. In second place was China with a 40.1% gain in value. Vietnam boosted its imports from India by 36.3%, trailed by a 32.2% improvement for Malaysia and a 27.2% boost from Bangladesh-based importers.

United Arab Emirates was the only top trade partner to cut back on its imports from India, posting a modest 0.1% year-over-year decline.

Source: http://www.worldstopexports.com/indias-top-import-partners/

Merchandise trade

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>India’s total exports</td>
<td>313.5</td>
<td>310.34</td>
<td>262.29</td>
<td>276.280</td>
<td>302.84</td>
</tr>
<tr>
<td>India’s total imports</td>
<td>450.6</td>
<td>447.964</td>
<td>381.006</td>
<td>384.319</td>
<td>459.67</td>
</tr>
<tr>
<td>Balance of trade</td>
<td>-137.1</td>
<td>-137.625</td>
<td>-118.716</td>
<td>-108.039</td>
<td>-156.83</td>
</tr>
<tr>
<td>Total</td>
<td>764.1</td>
<td>758.301</td>
<td>490.206</td>
<td>660.599</td>
<td>762.51</td>
</tr>
</tbody>
</table>

Source: DGFT

Trade agreements

Over the years, India has entered numerous bilateral and regional trade agreements with key trading partners as an instrument of Department of Commerce to make India a significant player in World trade by 2020. Apart from offering preferential tariff rates on the trading of goods among member countries, these agreements also enable increased economic intellectual property, resulting in enhanced trade liberalization.

Agreements already concluded
- MoU with Argentina
- MoU with Colombia
- Agreement of Cooperation with Nepal to Control Unauthorised Trade
- Agreement on Economic Cooperation between India and Finland
- Agreement on SAARC Preferential Trading Arrange-
ment (SAPTA)
• Agreement on South Asia Free Trade Area SAFTA
• Asia Pacific Trade Agreement APTA
• India Singapore CECA
• India Malaysia CECA
• Agreement on implementation of India – Malaysia CECA
• India ASEAN Agreements
• India Africa Trade Agreement
• India Chile PTA
• Expansion India-Chile PTA
• India Japan CEPA
• India-Ecuador Joint Economic and Trade Committee (JETCO)
• India Afghanistan PTA
• India Bhutan Trade Agreement
• India Korea CEPA
• India MERCOSUR PTA
• India Nepal Trade Treaty
• India Sri Lanka FTA
• SAARC Agreement on Trade in Services SATIS
• Treaty of Transit between India and Nepal
• Agreement of Trade, Commerce and Transit between the Government of the Republic of India and the Royal Government of Bhutan

Other Agreements/ Negotiations
• Framework Agreement with MERCOSUR
• Framework agreement with Chile
• Framework Agreement with GCC States
• Framework Agreement with Thailand
• India US Trade Policy Forum Joint Statement
• India and Australia Joint Free Trade Agreement Fea-
sibility Study
• India Bangladesh Trade Agreement
• India Ceylon Trade Agreement
• India DPR Korea Trade Agreement
• India EU Strategic Partnership Joint Action Plan
• India Indonesia Joint Study Group Report
• India Maldives Trade Agreement
• India Mongolia Trade Agreement
• India New Zealand Joint Study Report
• India United States Commercial Dialogue
• Joint Communique for setting up the India Russia Joint Task Force
• MoU and Mode of operation between India and Banglades for establishing Border Haats across the border_2010
• MoU and Mode of operation between India and Banglades for establishing Border Haats across the border_2017
• MOU between India and Indonesia on the establishment of Biennial Trade Ministers’ Forum
• MOU between India and Viet Nam on the recognition of Vietnam as a Full Market Economy
• MoU on Establishment of Border Haats across the border between India and Myanmar
• MoU on Establishment of Joint Trade and Investment Forum between India and Myanmar
• MoU on Establishment of Joint Trade Committee between India and Myanmar
• MoU on Establishment of Joint Trade Committee with Brunei
• MoU on Economic Cooperation between India and Costa Rica
• MoU on Economic Cooperation between India
and Ecuador
- Five-Year Development Program for Economic and Trade Cooperation between the People’s Republic of China and the Republic of India September 18, 2014

India’s Current Engagements in RTAs

Indian Papers/submissions in WTO
- Association of South East Asian Nations (ASEAN) and India Free Trade Agreement (FTA) negotiations
- India-Thailand Comprehensive Economic Cooperation Agreement (CECA) negotiations
- Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) Free Trade Agreement (FTA) negotiations
- India-Gulf Cooperation Council (GCC) Free Trade Agreement (FTA) negotiations
- India-SACU Preferential Trade Agreement (PTA) negotiations
- Second Review of India-Singapore Comprehensive Economic Cooperation Agreement
- Expension of India-Chile Preferential Trade Agreement (PTA)
- India-MERCOSUR Preferential Trade Agreement (PTA) Negotiations
- India-EU Broad Based Trade and Investment Agreement (BTIA) negotiations
- Brief on India-EFTA Broad based Trade and Investment Agreement (BTIA) negotiations
- Global System of Trade Preferences (GSTP)
- Asia Pacific Trade Agreement (APTA)
- India - New Zealand Free Trade Agreement Comprehensive Economic Cooperation Agreement
- India-Canada Comprehensive Economic Partnership Agreement (CEPA)
- India-Australia Comprehensive Economic Cooperation Agreement (CECA)
- India-Indonesia Comprehensive Economic Cooperation Agreement (CECA)
- India - Israel Free Trade Agreement FTA Negotiations
- Brief on Regional Comprehensive Economic Partnership (RCEP)

Regional Comprehensive Economic Partnership (RCEP)
The Regional Comprehensive Economic Partnership (RCEP) is a proposed Free Trade Agreement (FTA) between sixteen countries namely the 10 countries of ASEAN (Brunei, Cambodia, Indonesia, Lao, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam) and their 6 FTA partners namely Australia, China, India, Japan, South Korea and New Zealand which together control a quarter of the US$75 trillion global economy.

RCEP is considered to be the biggest FTA opportunity for India with a market size of US$ 3.4 billion or 49% of the world population and economic size (GDP) of US$ 17 trillion or 40% of the world s.

RCEP is expected to contribute 29% of the world trade. From India’s point of view, the RCEP presents a decisive platform which could influence its strategic and economic status in the Asia-Pacific region and bring to fruition its act east policy.

The RCEP framework also intends to facilitate engagement in global and regional supply chains. The RCEP can provide benefits like larger market access for
Indian goods and services and linkage effects of regional and global value chains. Additionally, the framework of RCEP supports equitable economic development, which can be a basis for mutually beneficial agreements on various trade issues given the diverse levels of development and needs of the member countries. Rounds of talks have been completed so far on this.

### SEZs in India

India was the first country in Asia to realize and introduce the concept of EPZ (Export Processing Zone) model since 1965. Currently 223 SEZs are exporting while 419 had received formal approvals. SEZs have garnered US$70.36 billion worth of investments with INR 4749.17 billion during 2017-18.

### Export Performances

Exports from the operational SEZs during the last twelve years and current year are as under:

<table>
<thead>
<tr>
<th>Years</th>
<th>(Value in Rs. Crores)</th>
<th>(Billion USD)</th>
<th>Growth over previous year (INR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-2006</td>
<td>22,840</td>
<td>5.08</td>
<td>-</td>
</tr>
<tr>
<td>2006-2007</td>
<td>34,615</td>
<td>7.69</td>
<td>52%</td>
</tr>
<tr>
<td>2007-2008</td>
<td>66,638</td>
<td>14.81</td>
<td>93%</td>
</tr>
<tr>
<td>2008-2009</td>
<td>99,689</td>
<td>21.71</td>
<td>50%</td>
</tr>
<tr>
<td>2009-2010</td>
<td>2,20,711</td>
<td>46.54</td>
<td>121.40%</td>
</tr>
<tr>
<td>2010-2011</td>
<td>3,15,868</td>
<td>69.30</td>
<td>43.11%</td>
</tr>
<tr>
<td>2011-2012</td>
<td>3,64,478</td>
<td>76.01</td>
<td>15.39%</td>
</tr>
<tr>
<td>2012-2013</td>
<td>4,76,159</td>
<td>87.45</td>
<td>31%</td>
</tr>
<tr>
<td>2013-2014</td>
<td>4,94,077</td>
<td>81.67</td>
<td>4%</td>
</tr>
<tr>
<td>2014-2015</td>
<td>4,63,770</td>
<td>75.84</td>
<td>-6.13%</td>
</tr>
<tr>
<td>2015-2016</td>
<td>4,67,337</td>
<td>71.38</td>
<td>0.77%</td>
</tr>
<tr>
<td>2016-2017</td>
<td>5,23,637</td>
<td>78.07</td>
<td>12.05%</td>
</tr>
<tr>
<td>2017-2018</td>
<td>5,81,033</td>
<td>86.08</td>
<td>10.96%</td>
</tr>
</tbody>
</table>
Fig 6: Sectorwise distribution of operational SEZs in India

Source: DGFT
Economic activity in both advanced economies and emerging market and developing economies (EMDEs) is forecast to accelerate in 2017-18, with global growth projected to be 3.4% and 3.6%, respectively. India’s growth in 2017, is projected as 7.2% and 7.7% in 2018, according to the WEO update. The World Bank has stated that private investments in India is expected to grow by 8.8 per cent in FY 2018-19 to overtake private consumption growth of 7.4 per cent, and thereby drive the growth in India’s gross domestic product (GDP) in FY 2018-19.

According to the United Nations Conference on Trade and Development (UNCTAD) World Investment Report 2016, India acquired 10th slot in the top 10 countries attracting highest FDI inflows globally in 2015. The report also mentioned that among the investment promotion agencies, India has moved up by one rank to become the sixth most preferred investment destination.
Apart from being a critical driver of economic growth, foreign direct investment (FDI) is a major source of non-debt financial resource for the economic development of India. Foreign companies invest in India to take advantage of relatively lower wages, special investment privileges such as tax exemptions, etc. For a country where foreign investments are being made, it also means achieving technical know-how and generating employment.

The Indian government’s favourable policy regime and robust business environment have ensured that foreign capital keeps flowing into the country. The government has taken many initiatives in recent years such as relaxing FDI norms across sectors such as defence, PSU oil refineries, telecom, power exchanges, and stock exchanges, among others.

**Market size**

According to Department of Industrial Policy and Pro-

### Top FDI receiving sectors

<table>
<thead>
<tr>
<th>Sector</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services</td>
<td>18</td>
</tr>
<tr>
<td>Construction - Townships, Housing, Built-up, Infrastructure</td>
<td>8</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>7</td>
</tr>
<tr>
<td>Computer Software &amp; Hardware</td>
<td>7</td>
</tr>
<tr>
<td>Automobile Industry</td>
<td>5</td>
</tr>
<tr>
<td>Drugs &amp; Pharmaceuticals</td>
<td>4</td>
</tr>
<tr>
<td>Trading</td>
<td>4</td>
</tr>
<tr>
<td>Chemicals (Other than Fertilizers)</td>
<td>4</td>
</tr>
<tr>
<td>Power</td>
<td>4</td>
</tr>
<tr>
<td>Metalurgical Industries</td>
<td>3</td>
</tr>
</tbody>
</table>
motion (DIPP), the total FDI investments in India during April-December 2017 stood at US$ 35.94 billion, indicating that government’s effort to improve ease of doing business and relaxation in FDI norms is yielding results. Data for April-December 2017 indicates that the telecommunications sector attracted the highest FDI equity inflow of US$ 6.14 billion, followed by computer software and hardware – US$ 5.16 billion and services – US$ 4.62 billion. Most recently, the total FDI equity inflows for the month of December 2017 touched US$ 4.82 billion. During April-December 2017, India received the maximum FDI equity inflows from Mauritius (US$ 13.35 billion), followed by Singapore (US$ 9.21 billion), Netherlands (US$ 2.38 billion), USA (US$ 1.74 billion), and Japan (US$ 1.26 billion).

Indian impact investments may grow 25 per cent annually to US$ 40 billion from US$ 4 billion by 2025, as per Mr Anil Sinha, Global Impact Investing Network’s (GIIN’s) advisor for South Asia.

**Investments/ developments**

India has become the fastest growing investment region for foreign investors in 2016, led by an increase in investments in real estate and infrastructure sectors from Canada, according to a report by KPMG. Some of the recent significant FDI announcements are as follows:

- In February 2018, Ikea announced its plans to invest up to Rs 4,000 crore (US$ 612 million) in the state of Maharashtra to set up multi-format stores and experience centres.
- In November 2017, 39 MoUs were signed for investment of Rs 4,000-5,000 crore (US$ 612-765 million) in the state of North-East region of India.
- In December 2017, the Department of Industrial Policy and Promotion (DIPP) approved FDI proposals of Damro Furniture and Supr Infotech Solutions in retail sector, while Department of Economic Affairs, Ministry of Finance approved two FDI proposals worth Rs 532 crore (US$ 81.4 million).
- The Department of Economic Affairs, Government of India, closed three foreign direct investment (FDI) proposals leading to a total foreign investment worth Rs 24.56 crore (US$ 3.80 million) in October 2017.
- Singapore’s Temasek will acquire a 16 per cent stake worth Rs 1,000 crore (US$ 156.16 million) in Bengaluru based private healthcare network Manipal Hospitals which runs a hospital chain of around 5,000 beds.
- France-based energy firm, Engie SA and Dubai-based private equity (PE) firm Abraaj Group have entered into a partnership for setting up a wind power platform in India.
- US-based footwear company, Skechers, is planning to add 400-500 more exclusive outlets in India over the next five years and also to launch its apparel and accessories collection in India.
- The government has approved five Foreign Direct Investment (FDI) proposals from Oppo Mobiles India, Louis Vuitton Malletier, Chumbak Design, Daniel Wellington AB and Actoserba Active Wholesale Pvt Ltd, according to Department of Industrial Policy and Promotion (DIPP).
- Cumulative equity foreign direct investment (FDI) inflows in India increased 40 per cent to reach US$ 114.4 billion between FY 2015-16 and FY 2016-17, as against US$ 81.8 billion between FY 2011-12 and FY 2013-14.
- Walmart India Pvt Ltd, the Indian arm of the largest global retailer, is planning to set up 30 new stores in...
India over the coming three years.

- US-based ecommerce giant, Amazon, has invested about US$ 1 billion in its Indian arm so far in 2017, taking its total investment in its business in India to US$ 2.7 billion.
- Kathmandu based conglomerate, CG Group is looking to invest Rs 1,000 crore (US$ 155.97 million) in India by 2020 in its food and beverage business, stated Mr Varun Choudhary, Executive Director, CG Corp Global.
- International Finance Corporation (IFC), the investment arm of the World Bank Group, is planning to invest about US$ 6 billion through 2022 in several sustainable and renewable energy programmes in India.
- SAIC Motor Corporation is planning to enter India’s automobile market and begin operations in 2019 by setting up a fully-owned car manufacturing facility in India.
- SoftBank is planning to invest its new US$ 100 billion technology fund in market leaders in each market segment in India as it seeks to begin its third round of investments.

**Government Initiatives**

In September 2017, the Government of India asked the states to focus on strengthening single window clearance system for fast-tracking approval processes, in order to increase Japanese investments in India.

The Ministry of Commerce and Industry, Government of India has eased the approval mechanism for foreign direct investment (FDI) proposals by doing away with the approval of Department of Revenue and mandating clearance of all proposals requiring approval within 10 weeks after the receipt of application.

India and Japan have joined hands for infrastructure development in India’s north-eastern states and are also setting up an India-Japan Coordination Forum for Development of North East to undertake strategic infrastructure projects in the northeast.

The Government of India is in talks with stakeholders to further ease foreign direct investment (FDI) in defence under the automatic route to 51 per cent from the current 49 per cent, in order to give a boost to the Make in India initiative and to generate employment. In January 2018, 100 per cent FDI was allowed in single brand retail through automatic route along with relaxations in rules in other areas.

The Central Board of Direct Taxes (CBDT) has exempted employee stock options (ESOPs), foreign direct investment (FDI) and court-approved transactions from the long term capital gains (LTCG) tax, under the Finance Act 2017.

The Government of India is likely to allow 100 per cent foreign direct investment (FDI) in cash and ATM management companies, since they are not required to comply with the Private Securities Agencies Regulations Act (PSARA).

**Road ahead**

India has become the most attractive emerging market for global partners (GP) investment for the coming 12 months, as per a recent market attractiveness survey conducted by Emerging Market Private Equity Association (EMPEA).

India has the most liberal and transparent policies on foreign direct investment (FDI) among major economies of the world.

With more than 90 per cent of the foreign direct investment proposals coming through the automatic route,
Make in India: a doorway to business opportunities

Make in India is the Indian Government’s flagship program, intended to help turn India into a global manufacturing hub. It aims to:

- Promote the manufacturing of low-cost, eco-friendly and zero-defect products
- Foster innovation
- Enhance skill development
- Protect intellectual property
- Build best-in-class manufacturing infrastructure

In support of the Make in India initiative, the Government has embarked on a series of actions, including those outlined below.

1. A new trade policy: export and import taxes on small volumes of goods have been abolished, and incentives have been introduced for export-oriented units (EOUs) and export processing zones (EPZs).

2. New labor laws: these include a “single-window” labor compliance process for companies, simpler Provident Fund (compulsory employee insurance and pension) procedures and a new inspection scheme.

3. Simplification of regulatory compliance: to make doing businesses easier, companies can now obtain environmental approvals and licenses online.

4. Improvement of its resource management program:

India has ample reserves of natural resources, including bauxite, coal and iron ore, that can fuel its manufacturing ambitions. The Government is taking steps to ensure they are used more efficiently. It concluded several coal block auctions in early 2015, enabling companies to access these resources. The Government is also encouraging solar and wind renewable power generation projects.

5. Focus on skill development: to ensure workers have the right skills, the Government launched its Skill India initiative to help the development of manufacturing. The initiative will train over 500 million young people by 2020 to make them more employable.

Within six months of its announcement, 55% of our survey’s respondents were aware of the Make in India program. However, there is a need to create visibility for the campaign among non-established players, as only 10% of those without a presence in India were aware of it.

Prime Minister Modi has sought to promote the Make in India program overseas and has visited more than 25 countries, including the US, Japan, Germany, China, Korea and Australia (by July 2015), securing significant commitments.

Overall, 70% of respondents from companies with revenue above US$2b said they plan to expand or relocate manufacturing facilities to India in the next five years.
### Gross share of top investing countries FDI equity inflows

<table>
<thead>
<tr>
<th>Ranks</th>
<th>Country</th>
<th>2015-16 April – March (Amount Rupees in crores)</th>
<th>2016-17 April – March (Amount Rupees in crores)</th>
<th>2017-18 (April 17 - Dec 17) (Amount Rupees in crores)</th>
<th>Cumulative Inflows (April '00 – Dec '17) (Amount Rupees in crores)</th>
<th>%age to total inflows (in terms of US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>MAURITIUS</td>
<td>54,706 (8,355)</td>
<td>105,587 (15,728)</td>
<td>85,783 (13,348)</td>
<td>671,734 (124,986)</td>
<td>34%</td>
</tr>
<tr>
<td>2</td>
<td>SINGAPORE</td>
<td>89,510 (13,692)</td>
<td>58,376 (8,711)</td>
<td>59,392 (9,213)</td>
<td>374,434 (63,803)</td>
<td>17%</td>
</tr>
<tr>
<td>3</td>
<td>JAPAN</td>
<td>17,275 (2,614)</td>
<td>31,588 (4,709)</td>
<td>8,140 (1263)</td>
<td>150,399 (26,938)</td>
<td>7%</td>
</tr>
<tr>
<td>4</td>
<td>U.K.</td>
<td>5,938 (898)</td>
<td>9,953 (1,483)</td>
<td>4,654 (720)</td>
<td>130,199 (25,311)</td>
<td>7%</td>
</tr>
<tr>
<td>5</td>
<td>NETHERLANDS</td>
<td>17,257 (2,643)</td>
<td>22,633 (3,367)</td>
<td>4,654 (720)</td>
<td>132,529 (23,065)</td>
<td>6%</td>
</tr>
<tr>
<td>6</td>
<td>U.S.A</td>
<td>27,695 (4,192)</td>
<td>15,957 (2,379)</td>
<td>15,363 (2,383)</td>
<td>121,774 (22,067)</td>
<td>6%</td>
</tr>
<tr>
<td>7</td>
<td>GERMANY</td>
<td>6,361 (986)</td>
<td>7,175 (1,069)</td>
<td>11,242 (1,744)</td>
<td>58,567 (10,710)</td>
<td>3%</td>
</tr>
<tr>
<td>8</td>
<td>CYPRUS</td>
<td>3,317 (508)</td>
<td>4,050 (604)</td>
<td>6,522 (1,012)</td>
<td>48,872 (9,488)</td>
<td>3%</td>
</tr>
<tr>
<td>9</td>
<td>FRANCE</td>
<td>3,937 (598)</td>
<td>4,112 (614)</td>
<td>2,142 (332)</td>
<td>33,585 (6,182)</td>
<td>2%</td>
</tr>
<tr>
<td>10</td>
<td>UAE</td>
<td>6,528 (985)</td>
<td>4,539 (675)</td>
<td>2,948 (457)</td>
<td>30,243 (5,332)</td>
<td>1%</td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL FDI INFLOWS FROM ALL COUNTRIES</strong></td>
<td><strong>262,322</strong></td>
<td><strong>291,696 (43,478)</strong></td>
<td><strong>231,457 (35,941)</strong></td>
<td><strong>2,019,012 (368,053)</strong></td>
<td><strong>-</strong></td>
</tr>
</tbody>
</table>

*Source: DIPP, Govt. of India*
<table>
<thead>
<tr>
<th>S NO.</th>
<th>Sector/Activity</th>
<th>Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Agriculture</td>
<td>100% - Automatic</td>
</tr>
<tr>
<td>2.</td>
<td>Plantation Sector</td>
<td>100% - Automatic</td>
</tr>
<tr>
<td>3.</td>
<td>Mining of metal and non-metal ores</td>
<td>100% - Automatic</td>
</tr>
<tr>
<td>4.</td>
<td>Mining – Coal &amp; Lignite</td>
<td>100% - Automatic</td>
</tr>
<tr>
<td>5.</td>
<td>Manufacturing</td>
<td>100% - Automatic</td>
</tr>
<tr>
<td>6.</td>
<td>Broadcasting Carriage Services (Teleports, DTH, Cable Networks, Mobile TV, HITS)</td>
<td>100% - Automatic</td>
</tr>
<tr>
<td>7.</td>
<td>Broadcasting Content Service - Up-linking of Non-'News &amp; Current Affairs' TV Channels/ Down-linking of TV Channels</td>
<td>100% - Automatic</td>
</tr>
<tr>
<td>8.</td>
<td>Airports – Greenfield</td>
<td>100% - Automatic</td>
</tr>
<tr>
<td>9.</td>
<td>Airports – Brownfield</td>
<td>100% - Automatic</td>
</tr>
<tr>
<td>10.</td>
<td>Air Transport Service - Non-Scheduled</td>
<td>100% - Automatic</td>
</tr>
<tr>
<td>11.</td>
<td>Air Transport Service - Helicopter Services/ Seaplane Services</td>
<td>100% - Automatic</td>
</tr>
<tr>
<td>12.</td>
<td>Ground Handling Services</td>
<td>100% - Automatic</td>
</tr>
<tr>
<td>13.</td>
<td>Maintenance and Repair organizations; flying training institutes; and technical training institutions</td>
<td>100% - Automatic</td>
</tr>
<tr>
<td>14.</td>
<td>Construction Development</td>
<td>100% - Automatic</td>
</tr>
<tr>
<td>15.</td>
<td>Industrial Parks - new and existing</td>
<td>100% - Automatic</td>
</tr>
<tr>
<td>16.</td>
<td>Trading – Wholesale</td>
<td>100% - Automatic</td>
</tr>
<tr>
<td>17.</td>
<td>Trading – B2B E-commerce</td>
<td>100% - Automatic</td>
</tr>
<tr>
<td>18.</td>
<td>Duty Free Shops</td>
<td>100% - Automatic</td>
</tr>
<tr>
<td>19.</td>
<td>Railway Infrastructure*</td>
<td>100% - Automatic</td>
</tr>
<tr>
<td>20.</td>
<td>Asset Reconstruction Companies</td>
<td>100% - Automatic</td>
</tr>
<tr>
<td>21.</td>
<td>Credit Information Companies</td>
<td>100% - Automatic</td>
</tr>
<tr>
<td>22.</td>
<td>White Label ATM Operations</td>
<td>100% Automatic</td>
</tr>
<tr>
<td>23.</td>
<td>Non-Banking Finance Companies</td>
<td>100% - Automatic</td>
</tr>
<tr>
<td>24.</td>
<td>Pharma – Greenfield</td>
<td>100% - Automatic</td>
</tr>
<tr>
<td>25.</td>
<td>Petroleum &amp; Natural Gas - Exploration activities of oil and natural gas fields</td>
<td>100% - Automatic</td>
</tr>
<tr>
<td>26.</td>
<td>Petroleum refining by PSUs</td>
<td>49% - FDI cap – Automatic</td>
</tr>
<tr>
<td>S NO.</td>
<td>Sector/Activity</td>
<td>Cap</td>
</tr>
<tr>
<td>-------</td>
<td>------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------</td>
</tr>
<tr>
<td>27.</td>
<td>Infrastructure Company in the Securities Market</td>
<td>49% - FDI cap – Automatic</td>
</tr>
<tr>
<td>28.</td>
<td>Commodity Exchanges</td>
<td>49% - FDI cap – Automatic</td>
</tr>
<tr>
<td>29.</td>
<td>Insurance</td>
<td>49% - FDI cap – Automatic</td>
</tr>
<tr>
<td>30.</td>
<td>Pension</td>
<td>49% - FDI cap – Automatic</td>
</tr>
<tr>
<td>31.</td>
<td>Power Exchanges</td>
<td>49% - FDI cap – Automatic</td>
</tr>
<tr>
<td>32.</td>
<td>Defence Industry subject to Industrial License under the Industries (Development &amp; Regulation) Act, 1951</td>
<td>49%- Automatic Beyond 49% – under Government route on a case to case basis</td>
</tr>
<tr>
<td>33.</td>
<td>a. Banking (private) sector- FDI cap 74%</td>
<td>Automatic upto 49% and Government route beyond 49% and upto 74%</td>
</tr>
<tr>
<td>34.</td>
<td>b. Banking- Public Sector. –FDI cap 20%</td>
<td>20% cap Of FDI Government</td>
</tr>
<tr>
<td>35.</td>
<td>Satellites – establishment and operation , subject to the sectoral guidelines of Department of Space/ISRO</td>
<td>100%- Government</td>
</tr>
<tr>
<td>36.</td>
<td>a. Publishing of newspaper and periodicals dealing with news and current affairs and Indian editions of Foreign Magazines</td>
<td>a. 26% - Cap of FDI</td>
</tr>
<tr>
<td></td>
<td>b. Publishing of scientific magazines / speciality journals/periodicals</td>
<td>b. 100% - Both through Government</td>
</tr>
<tr>
<td>37.</td>
<td>Telecom Services (including Telecom)</td>
<td>Automatic up to 49% and Government route beyond 49%</td>
</tr>
<tr>
<td>38.</td>
<td>a. Single Brand Product Retail Trading</td>
<td>Automatic upto 49% and Government route beyond 49%</td>
</tr>
<tr>
<td></td>
<td>b. Multi Brand Retail Trading</td>
<td>51% Cap in FDI -Government route entirely</td>
</tr>
<tr>
<td>39.</td>
<td>Private Security Services</td>
<td>49% cap of FDI Government</td>
</tr>
</tbody>
</table>

*Proposals involving FDI beyond 49% in sensitive areas from security point of view, to be brought by the Ministry of Railways before the Cabinet Committee on Security (CCS) for consideration on a case to case basis.*

FIPB has been abolished, the body which clears FDI plans up to Rs 5,000 crore. The government will announce more measures to attract FDI, reform labour laws and push digital payments.

- **100% FDI is allowed under the automatic route in all sectors/activities except in few areas, which require prior approval of the Government.** Under automatic route, investors are required to only notify the Reserve Bank of India within 30 days of receipt of in-ward remittances.

**Sector-wise prohibition of FDI**
Foreign investment is prohibited in the following sectors:

i. Lottery Business including Government/ private lottery, online lotteries, etc
ii. Gambling and Betting including casinos etc.
iii. Chit funds
iv. Nidhi company
v. Trading in Transferable Development Rights (TDRs)
vi. Real Estate Business or Construction of Farm Houses
vii. Manufacturing of Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes
viii. Activities / sectors not open to private sector investment e.g. (I) Atomic energy and (II) Railway operations (other than permitted activities mentioned in entry 18 of Annex B).

(Source: RBI)

Note: Foreign technology collaboration in any form including licensing for franchise, trademark, brand name, management contract is also prohibited for Lottery Business and Gambling and Betting activities.

**Modes of payment allowed for receiving Foreign Direct Investment in an Indian company**

(Source: Reserve Bank of India)

An Indian company issuing shares/ convertible debentures to a person resident outside India shall receive the amount of consideration by:

- inward remittance through normal banking channels;
- debit to NRE/ FCNR (B) account of a person concerned maintained with an AD Category I bank;
- debit to non-interest bearing Escrow account in Indian Rupees in India which is opened with the approval from AD Category – I bank and is maintained with the AD Category I bank on behalf of residents and non-residents towards payment of share purchase consideration;
- conversion of royalty/ lump sum/ technical know-how fee due for payment or conversion of ECB;
- conversion of pre-incorporation/pre-operative expenses incurred by the a non-resident entity up to a limit of five percent of its capital or US$500,000 whichever is less;
- conversion of import payables/ pre incorporation expenses/ can be treated as consideration for issue of shares with the approval of FIPB;
- against any other funds payable to a person resident outside India, the remittance of which does not require the prior approval of the Reserve Bank or the Government of India:
- Swap of capital instruments, provided where the Indian investee company is engaged in a Government route sector, prior Government approval shall be required.

If the shares or convertible debentures are not issued within 180 days from the date of receipt of the inward remittance or date of debit to NRE/ FCNR (B)/ Escrow account, the amount shall be refunded. Further, Reserve Bank may on an application made to it and for sufficient reasons permit an Indian Company to refund/ allot shares for the amount of consideration received towards issue of security if such amount is outstanding beyond the period of 180 days from the date of receipt.

**Attractiveness of India over the past few years and future perception: Some observations**

While the speed of India’s economic reforms may vary, the direction is firmly set toward higher growth. There is a new vibrancy in India, a new energy. We have opened up all the major sectors to FDI and are the world’s most open economy. Every sector, except for multibrand retailing, is now open. This has contributed to a 48% up-surge in FDI this year in dollar terms.
India’s top FDI destinations

Bengaluru

The technology hub of India attracted more than 45% of the investments in the TMT sector (electronic components and software and FT services), as the Government offers 50% capital subsidy on R&D units. Industrials (diversified) is picking up pace: foreign investors initiated six industrials projects worth US$236 million in 2014, up from just one in the previous year.

• The new Industrial Policy (2014-19) is in place to attract INR5 trillion (US$83b) of investments and create 1.5 million jobs in manufacturing, particularly industrial.

Mumbai

The financial capital of India received most interest in the financial services sector, with 14 projects, worth US$734 million, in 2014. The UAE was the top investor in the financial services sector, while the US is investing in the TMT sector.

• Rapid Urbanization is happening in the suburbs nearby Mumbai (Navi Mumbai, Thane, etc.) as cost and resources constrain the city. This will open opportunities for financial services, technology and infrastructure sectors.

Delhi-NCR

In 2014, FDI in the Delhi-NCR region slipped to US$15 billion, from US$23 billion in 2013. The FDI landscape in the region is dominated by infrastructure investments, as the NCR region (nearby area to the capital city) continues to witness a high urbanization rate. Also, as the region hosts a vast talent pool, it is the hub of various MNCs, particularly in the business services domain.

• The Delhi-NCR region has developed into a strong business centre, attributable to high talent availability in the region and also being the country’s capital. As the urbanization rate and geographical spread of the Delhi-NCR region expands further, it is expected to continue attracting investment.
Hyderabad

The city received the highest number of projects in the past five years, worth US$1.4b. Most of the investment was directed toward the financial services and consumer products sectors, with life sciences picking up. After the split of Telangana from Andhra Pradesh, Hyderabad became the joint capital of the two states and is, therefore, receiving special focus.

- A new industrial policy was launched in 2015, with a focus to promote manufacturing and enhance ease of doing business. The State Government has created a land bank of more than 150,000 acres for industrial purposes.

Pune

Pune attracted smaller projects- most of them toward the TMT sector. In terms of FDI capital, automotive was the most attractive sector.

- Large IT parks, such as Hinjawadi and Magarpatta and three SEZs in Pune, offer IT and Software services companies a robust infrastructure to set up operations at a reasonable cost.

Chennai

TWIT and automotive were the most preferred sectors in Chennai. Chennai Port has a dedicated berth for automobile exports. Also, the modern Chennai Port acts as a gateway for exports and imports.

- The ‘Government’s Super-Mega Policy - investment of INR15b-INR40b (US$250m-US$670m) and Ultra Mega Policy- investment over INR15b-INR40b (US$250m-US$670m) for integrated automobile projects will attract investors.
India’s engineering sector

The Indian engineering sector achieved astounding growth over the last few years driven by increased investments in infrastructure and manufacturing following some much-needed reform measures by the incumbent government. The engineering sector, being closely associated with both the aforesaid sectors, is of strategic importance to Indian economy. India on its quest to become a global superpower has made significant strides towards the development of its engineering sector. Development in sectors such as infrastructure, power, mining, oil and gas, refinery, steel, automotives, and consumer durables are driving demand in the engineering sector.

India’s engineering exports

Fiscal 2017-18 was a remarkable year for Indian engineering. After 2014-15, engineering exports from India once again saw its lifetime high at US$ 76.2 billion during 2017-18 securing 16.8% growth over the previous fiscal. Indian engineering has been steadily growing and the performance has exceeded all expectations ever since the birth of EEPC India. Apart from being one of the largest stake-
holders contributing around one-fourth of total merchandise exports, the engineering exporters are the foremost net foreign exchange earner in the country. The following figure shows the trend in India’s engineering exports for the last five fiscal years:

**Important facts about the sector**

- Share of Indian engineering exports increased to 25% in 2017-18 from 19% in 2012-13.
- USA like before is the most desired destination for India’s engineering exporters with increased share of 13.47% share in total engineering exports during 2017-18. UAE was the immediate follower of USA with 5.5% share.
- China replaced Singapore to become India’s third highest destination for engineering exports with 4.23% share during the same fiscal.
- Region wise, EU retained its top position as importer of Indian engineering products with around 21% share in 2017-18 followed by North America (17.9% share) and ASEAN+2 (13.4% share).

**Recent trend in India’s engineering exports (2017-18)**

- Growth of India’s engineering exports outperformed that of the overall merchandise export once again by
registering
• 16.8% y-o-y growth during 2017-18;
• Exports during 2017-18 witnessed a higher growth y-o-y as against 11.3 percent rise in the previous fiscal.
• Out of 33 engineering panels, 27 panels recorded positive growth in exports in 2017-18;
• Exports from the highest exported panel ‘Iron and Steel’ jumped by 29.4% during 2017-18 to an overseas shipment of US$ 11,206.93 million from US$ 8,659.26 million in previous year;
• Non-Ferrous Metals and Products made of Non-
• Exports performance of principle engineering commodities (2016-17) Ferrous Metals, Industrial machinery, Electrical machinery, Auto and auto components, Medical & scientific equipments, Railway and Transport equipments, Accumulator and Batteries and Prime mica & mica products also registered positive growth during 2017-18 over the previous year;
• EU was the region with highest shipment of engineering products from India during 2017-18 with a share of around 21% in total engineering exports;
• India’s engineering exports to North America and North-East Asia recorded highest noteworthy positive growth in 2017-18.

Inflow of foreign investments
• The cumulative FDI inflow into the Indian engineering sector was US$35.38 billion between April 2000 and December 2017 against US$8.9 billion between April 2000 and March 2010.
• The government’s increasing focus on attracting foreign investors in manufacturing and infrastructure is likely to boost FDI in engineering;
FDI inflow into the Indian engineering sector during FY17 was 267.4% higher compared to the inflow recorded in FY10.

*Source: Department of Industrial Policy & Promotion, TechSci Research*

*Notes: Cumulative from April 2000 to March 2016, FDI inflows includes Automobile industry, Electrical equipment, Miscellaneous mechanical and engineering industry, Industrial machinery, Machine tools, Agriculture machinery, Earth-moving machinery and Industrial instrument*

**Investments in Indian engineering sector**

In the recent past there have been many major investments and developments in the Indian engineering and design sector:

- India’s Texmaco Rail & Engineering has signed a memorandum of understanding (MoU) with Russia’s ROSOBORONEXPORT (ROE) for modernization of Armoured Vehicles operated by the Indian Army.
- Toshiba Transmission and Distribution Systems (India) Pvt Ltd has bagged Rs 226 crore (US$ 33.46 million) contract from Kenya Power and Lighting Company for around 8,000 distribution transformers.
- Essar Projects, the engineering, procurement & construction (EPC) arm of Essar Group, in a joint venture with Italy’s Saipem has won a US$ 1.57 billion contract from Kuwait National Petroleum Company (KNPC) for setting up part of the Al-Zour Refinery Project in Kuwait.
- India’s engineering and construction major, Punj Lloyd, won an order worth Rs 477 crore (US$ 71.87 million) for Ennore LNG tankage project from Mitsubishi Heavy Industries of Japan.
- Vistara, the Tata Sons-Singapore Airlines JV, signed an agreement with Airbus for engineering support services which include components supply and airframe maintenance.
- Engineers India Ltd (EIL) inked a US$ 139 million consultancy deal for a 20 million tonnes (MT) refinery and polypropylene plant being built in Nigeria by Dangote Group.
- Reliance Infrastructure acquired India’s largest ship building and heavy industries company Pipavav Defence and offshore Engineering Company Limited, whose infrastructure will facilitate Reliance Infrastructure to build submarines and aircraft carriers on the back of a technological alliance with Swedish defence company SAAB.
- Royal Enfield, a two wheeler division of Eicher Motors, acquired UK based design and engineering company Harris Performance Products Ltd, whose expertise, knowledge and understanding of motorcycling will
help Eicher Motors achieve leadership in the global mid-sized motorcycling segment.

- Bharat Forge acquired Mecanique Generate Langroise (MGL), French oil and gas machining company, via its German arm CDP Bharat Forge GmbH. Bharat Forge will benefit from MGL’s expertise in precision machining and other high value processes like cladding which have critical application in the oil and gas industry.
- Leading aircraft maker Airbus announced it has begun sourcing components for almost all its jets from India and it aims to take its cumulative sourcing from India to US$ 2 billion by 2020.

**Recent Government Initiatives to boost the engineering sector**

- The Indian engineering sector is of strategic importance to the economy owing to its intense integration with other industry segments. The sector has been de-licensed and enjoys 100 per cent FDI.
- In the Union Budget 2018-19, the government allocated US$ 92.22 billion for the infrastructure sector. Allocation to the defence sector was raised to US$ 45.57 billion under Union Budget 2018-19. In addition, Make in India policy is being carefully pursued to achieve greater self-sufficiency in the area of defence equipment including air-craft.
- The Union Cabinet has approved incentives up to Rs 10,000 crore (US$ 1.47 billion) for investors by amending the M-SIPS scheme, in order to further incentivise investments in electronics sector, create employment opportunities and reduce dependence on imports by 2020.
- The Ministry of Electronics and Information Technology plans to revise its policy framework, which would involve the government taking a more active role in developing the sector by providing initial capital, with the aim to attract more private players and make India a global semiconductor hub.
Tax and other regulatory measures

Tax is imposing financial charges on an individual or company by the central or state governments.

**Tax system in India**
The taxation system in the Republic of India is quite well structured. The Department of Revenue of the Finance Ministry of the Government of India is responsible for the computation; levy as well as collection of most the taxes in the country. However, some of the taxes are even levied solely by the Local State Bodies or the respective governments of the different states in the nation.

**Changes in the Indian taxation system**
Over a period of 10 years to 15 years, the tax system in the nation has undergone some significant changes. The entire system has been tremendously reformed. The slabs for the imposition of taxes have been modified. Besides that, the rates at which any particular tax is being levied have been restructured as well as the various laws that govern the levying of taxes were being simplified. All of these reformations have resulted in the following:
- Better compliance
- Better enforcement
- Easy payment of the levied taxes

**Tax incentives in India**
The India Government offers tax incentives that are subject to some specified conditions. Such incentives are provided for the following:
• Allowance for accelerated depreciation
• Corporate profit
• Certain expense deduction on the basis of some particular conditions
• A tax incentive is available for any fresh investment in any of the below mentioned sectors
  • Companies involved in Research and Development
  • Development of housing projects
  • Development by undertakings
  • Food processing industry
  • Infrastructure
  • Mineral oil production and refining
  • Operating industrial places Organisations handling food grains
  • Power distribution
  • Hospitals located in the rural areas

Income Tax Rate is the vital part of the income tax as charged by the Indian government on taxable incomes of the individuals, companies, co-operative societies, firms, trusts and any other artificial person.

Income tax, which is calculated on the basis of India’s income tax rate, is levied on each of the individual person and is governed by the Indian Income Tax Act. 1961. It is the Ministry of Finance along with the Government of India, which determines the India income tax rate.

INTRODUCTION FOR SLABS
In India, income tax is levied on individual taxpayers on the basis of a slab system where different tax rates have been prescribed for different slabs and such tax rates keep increasing with an increase in the income slab. Such tax slabs tend to undergo a change during every budget. Further, since the budget 2018 has not announced any changes in income tax slabs this time, it remains the same as that of last year. There are three categories of individual taxpayers: 1.Individuals (below the age of 60 years) which includes residents as well as non-residents 2.Resident Senior citizens (60 years and above but below 80 years of age) 3.Resident Super senior citizens (above 80 years of age)

<table>
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Surcharge: 10% of income tax, where total income exceeds Rs.50 lakh up to Rs.1 crore.
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<td>Gross turnover up to 250 Cr. in the previous year</td>
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<td>29%</td>
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In addition, cess and surcharge are levied as follows: Cess: 4% of corporate tax Surcharge:
Taxable income between 1Cr and 10Cr: 7%
Taxable income is more than 10Cr: 12%
## Income Tax Slabs Rates for FY 2017-18 (AY 2018-19)

### Income Tax Slabs for Individual Tax Payers & HUF (Less Than 60 Years Old) for FY 2017-18 – Part I

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<td>Gross turnover upto 50 Cr. in the previous year 2015-16</td>
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<tr>
<td>turnover exceeding 50 Cr. in the previous year 2015-16</td>
<td>30%</td>
</tr>
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In addition cess and surcharge is levied as follows:  
Cess: 3% of corporate tax  
Surcharge: Taxable income is more than 1Cr. but less than 10Cr.: 7%  
Taxable income is more than 10Cr. :12%

### 3. Tax Rate For Partnership Firm
A partnership firm (including LLP) is taxable at 30%.  
**Plus:**  
**Surcharge:** 12% of tax where total income exceeds Rs. 1 crore  
**Education cess:** 3% of tax plus surcharge

### 4. Income Tax Slab Rate for Local Authority
A local authority is taxable at 30%.  
**Plus:**  
**Surcharge:** 12% of tax where total income exceeds Rs. 1 crore  
**Education cess:** 3% of tax plus surcharge

### 5. Tax Slab Rate for Domestic Company
A domestic company is taxable at 30%. However, tax rate is 25% if turnover or gross receipt of the company does not exceed Rs. 50 crore.  
**Plus:**  
**Surcharge:** 7% of tax where total income exceeds Rs. 1 crore  
**Education cess:** 3% of tax plus surcharge

### 6. Tax Rates for Foreign Company:
A foreign company is taxable at 40%  
**Plus:**  
**Surcharge:** 2% of tax where total income exceeds Rs.
1 crore
5% of tax where total income exceeds Rs. 10 crore

**Education cess:** 3% of tax plus surcharge

7. Income Tax Slab of a Co-operative Society

<table>
<thead>
<tr>
<th>Taxable income</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to Rs. 10,000</td>
<td>10%</td>
</tr>
<tr>
<td>Rs. 10,000 to Rs. 20,000</td>
<td>20%</td>
</tr>
<tr>
<td>Above Rs. 20,000</td>
<td>30%</td>
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**Plus:**

**Surcharge:** 12% of tax where total income exceeds Rs. 1 crore

**Education cess:** 3% of tax plus surcharge

**Key Corporate Tax-related considerations**

**Computation of income**

A company’s taxable income is divided into the following categories or heads of income

- Income from profits and gains from business and profession
- Income from house property
- Income from capital gains
- Income from other sources

**Books of accounts and tax audit**

- Every company engaged in a business and profession is required to maintain books of accounts and get them audited by an accountant if its total sales, turnover or gross receipts exceed INR 10 million during the year.

**OTHER MATTERS**

‘Black Money’ Act

- The Black Money (Undisclosed Income and Foreign Assets) and Imposition of Tax Act, 2015 (the Black Money Taxation Act), covers all persons who are residents in India, in accordance with the provisions of the Income-tax Act, 1961 (the Act). Those qualifying as RNOR in India are excluded from the ambit of this Act. Any undisclosed foreign income or assets detected are to be taxed at 30% under this new law. In addition, there is a provision for penalty of 300% of tax and imprisonment of up to 10 years. Non-disclosure or inaccurate disclosure will attract a penalty of INR 1 million and may attract imprisonment of up to seven years.

Aadhaar registration in India

- The Aadhaar number is a 12-digit individual identification number issued by the Government of India. It is based on an individual’s biometric and demographic data. It is not a proof of Indian citizenship and only serves as proof of identity. The Finance Act, 2017, has introduced a new section 139AA, which provides mandatory quoting of the Aadhaar number or the Enrolment ID of the Aadhaar application form for filing Income-tax returns, applying for a PAN or keeping an existing PAN active. This will be effective from July 1, 2017, and will be applicable for all individuals.

According to the Aadhaar Act, every individual who has resided in India for an aggregate of 182 days or more in any preceding 12-month period is eligible for an Aadhaar number. However, it has been recently clarified by the Government of India that this requirement will not apply to individuals who do not have Aadhaar numbers or Enrolment IDs and are:
DOING BUSINESS IN INDIA

Tax structure with effect from 1 July: Introduction of the GST regime

• GST is a consumption-based tax, which aims to transform India’s indirect tax landscape. Hailed as the most important tax reform since Independence, GST subsumes applicable additional Customs Duty levied in lieu of Central Excise Duty, Special Additional Duty of Customs, Central Excise Duty, Service Tax, cesses applicable for goods and services, CST, VAT and other state levies. India has opted for a dual GST model under which the Central Government and state governments have the power to levy GST on supply of goods and services. Taxes applicable under GST include the following:

Tax type Levied on Levied by
• Central Goods and Services Tax (CGST) Intra-state (within the state) supply of goods/services Central Government
• State Goods and Services Tax (SGST) Intra-state (within the state) supply of goods/services State governments
• Union Territory Goods and Services Tax (UTGST) Supply of goods/services within a Union Territory Central Government
• Integrated Goods and Services Tax (IGST) Inter-state supply of goods/services Import of goods/services
• Supplies to units/developers of Special Economic Zones (SEZs)

• GST being a consumption-based tax, revenue accrues for a transaction based on the consumption/destination state, unlike under the past indirect tax regime, wherein revenue accrued to the supplying state.

GST rates

• The Government has set the following slabs for GST rates:
  • 0%
  • 5%
  • 12%
  • 18%
  • 28%

• The tax rates mentioned above denote the cumulative rates for CGST and SGST/UTGST or IGST (depending on whether a transaction is local/intrastate or interstate). For local transactions, the rates given above are to be bifurcated equally into CGST and SGST/UTGST. Essential items have been included in the 0% tax slab, most goods and services in the 18% bracket and specified luxury goods/services in the 28% slab. Identified luxury goods and services are also liable to Compensation Cess. The rate of Compensation Cess varies from 1% to 15%. It is higher for tobacco and tobacco products.

Exemption of threshold

• A supplier with an annual turnover of up to INR 20 lakh in a financial year is exempt from GST and is not required to obtain GST registration. In the case of some northeastern states (that have been identified), this threshold has been fixed at INR 10 lakhs.

Registration

• A supplier of goods and/or services is required to ob-
tain GST registration in every state from which it supplies goods and/or services. GST registration is not required if the turnover of a supplier is less than the threshold limit mentioned above or the person is exclusively engaged in supplying GST-exempt goods and/or services. However, specified categories of persons (such as those making inter-state supplies or those liable to pay tax as recipients) are mandatorily required to obtain GST registration even if their annual turnover is less than the prescribed threshold.

**Composition Scheme**

- To ease the compliance burden, small taxpayers with an aggregate turnover of up to INR 75 lakhs have been given the option to opt for a Composition Scheme. Under this scheme, suppliers can pay tax at a specified percentage of their turnover during the year without claiming benefit of ITC on their procurement. Such suppliers cannot separately recover taxes from buyers on their invoice. Consequently, buyers are not eligible for claiming ITC on the tax paid by suppliers wanting to pay under the Composition Scheme. A supplier making interstate supplies is not eligible for the Composition Scheme and cannot opt for it. The tax rate prescribed under the Composition Scheme: The highest tax rate prescribed under the Composition Scheme:
  - 5% of their turnover for persons engaged in supply of food or beverages for human consumption
  - 2% of their turnover for manufacturers
  - 1% of their turnover for other suppliers in states or Union Territories

The Government may prescribe a lower tax rate for the categories mentioned above.

**ITC**

- One of the key features of GST is that it has brought in a liberal ITC regime. Taxpayers are permitted to avail ITC of GST they have paid on procurement during the course of or in furtherance to business to make taxable supplies. ITC can also be utilised to make payment for output GST liability. ITC is not allowed for procurement, including rent-a-cab, outdoor catering and expenses for personal consumption. Under the earlier indirect tax regime, cross utilisation of VAT paid on goods against output Service Tax liability, and vice-versa, was not permitted. Under GST, cross utilisation of taxes paid on goods and services is allowed. Under GST, a supplier’s eligibility to claim ITC is subject to a vendor’s compliance.

**Transaction between related persons**

- Generally, only supplies made for a consideration are liable to GST. However, in the case of transactions between related parties and the locations of the same entity in different states, even supplies made without consideration will attract GST.

**Exports and supplies to SEZs**

- Export of goods or services and supplies to SEZs have been categorised as zero-rated supplies. A supplier making zero-rated supplies is eligible to either:
  - Supply goods or services under a bond or Letter of Undertaking without payment of tax
  - Supply of goods or services by paying tax, and thereafter claiming rebate for the tax paid.

**Import of goods**

- Import of goods into India continues to be governed by the Customs law. Such imports will attract Basic Customs Duty (BCD), Customs Cess, IGST and Compensa-
tion Cess (if applicable). BCD and Customs Cess paid at the time of import is non-creditable and is therefore a cost. However, ITC of IGST will be available for adjustment against output GST liability. ITC of Compensation Cess is only available for utilisation against an output Compensation Cess liability.

**Liability to pay GST**
- Generally, the supplier of goods or services bears the liability to pay GST. However, the recipient is liable to pay tax for certain types of transactions (such as procurement from unregistered suppliers or import of services). This is usually referred to as reverse charge mechanism. In addition to the payment of tax under reverse charge mechanism, the recipient may be required to raise a ‘self-invoice’ and ‘payment voucher’ for tax reporting and compliance purposes.

**Compliance requirements**
- The GST law prescribes stringent compliance-related requirements. A supplier of goods and services is required to file multiple returns within a month on a state-wise basis for each registration. All mandatory compliances under GST are to be undertaken on a common portal managed by the Goods and Service Tax Network (GSTN). It is clear that businesses will need to be supported by robust IT/ERP systems in order to comply with the complex compliance-related requirements under GST.

**Stamp Duty**
- Stamp Duty is levied by the Government on documents such as bills of exchange, promissory notes, insurance policies, contracts effecting transfer of shares, debentures and conveyances for transfer of immovable property.

**Relief from double taxation**
- India has entered into DTAA (Double Taxation Avoidance Agreements) with 88 countries

**Indirect taxes**

**OTHER LAWS**

*Companies Act 2013 – salient features*
- The Companies Act 2013
- Mandatory for certain company to spend at least 2 percent of the average net profits for social purposes.
- Increase in the limit of members in a private limited company to 200.
- Financial year defined as April to March.
- One director of a company has to be resident in India (i.e. stay over 182 days or more).
- A body, National Financial Reporting Authority (NFRA) to constitute for monitoring the compliance and overseeing the quality of service of professionals.
- Transfer to reserves is not mandatory before declaring the dividend.
- Consolidated financial statements of companies are required to also include financial statements of associate companies and joint ventures.
## The list

| 1.  | Armenia          |
| 2.  | Australia        |
| 3.  | Austria          |
| 4.  | Bangladesh       |
| 5.  | Belarus          |
| 6.  | Belgium          |
| 7.  | Botswana         |
| 8.  | Brazil           |
| 9.  | Bulgaria         |
| 10. | Canada           |
| 11. | China            |
| 12. | Cyprus           |
| 13. | Czech Republic   |
| 14. | Denmark          |
| 15. | Egypt            |
| 16. | Estonia          |
| 17. | Ethiopia         |
| 18. | Finland          |
| 19. | France           |
| 20. | Georgia          |
| 21. | Germany          |
| 22. | Greece           |
| 23. | Hashemite Kingdom of Jordan |
| 24. | Hungary          |
| 25. | Iceland          |
| 26. | Indonesia        |
| 27. | Ireland          |
| 28. | Israel           |
| 29. | Italy            |
| 30. | Japan            |
| 31. | Kazakhstan       |
| 32. | Kenya            |
| 33. | Korea            |
| 34. | Kuwait           |
| 35. | Kyrgyz Republic |
| 36. | Libra            |
| 37. | Lithuania        |
| 38. | Luxembourg       |
| 39. | Malaysia         |
| 40. | Malta            |
| 41. | Mauritius        |
| 42. | Mongolia         |
| 43. | Montenegro       |
| 44. | Morocco          |
| 45. | Mozambique       |
| 46. | Myanmar          |
| 47. | Namibia          |
| 48. | Nepal            |
| 49. | Netherlands      |
| 50. | New Zealand      |
| 51. | Norway           |
| 52. | Oman             |
| 53. | Philippines      |
| 54. | Poland           |
| 55. | Portuguese Republic |
| 56. | Qatar            |
| 57. | Romania          |
| 58. | Russia           |
| 59. | Saudi Arabia     |
| 60. | Serbia           |
| 61. | Singapore        |
| 62. | Slovenia         |
| 63. | South Africa     |
| 64. | Spain            |
| 65. | Sri Lanka        |
| 66. | Sudan            |
| 67. | Sweden           |
| 68. | Swiss Confederation |
| 69. | Syrian Arab Republic |
| 70. | Tajikistan       |
| 71. | Tanzania         |
| 72. | Thailand         |
| 73. | Trinidad and Tobago |
| 74. | Turkey           |
| 75. | Turkmenistan     |
| 76. | UAE              |
| 77. | UAR (Egypt)      |
| 78. | Uganda           |
| 79. | United Kingdom   |
| 80. | Ukraine          |
| 81. | United Mexican States |
| 82. | United States of America |
| 83. | Uzbekistan       |
| 84. | Vietnam          |
| 85. | Zambia           |
• Merger of Indian companies with a foreign company (incorporated in notified countries) permitted.

**Types of companies**
The Companies Act provides for incorporation of different types of companies, the most popular ones engaged in commercial activities being private limited and public limited companies (liability of members being limited to the extent of their shareholding).

**Private company**
A private company is required to be incorporated with a minimum paid-up capital of $1838 and two subscribers. Broadly, the Companies Act 2013 removes the condition relating to non-acceptance of deposits from the public and increases the limits of the company’s members (shareholders) to 200.

**Public company**
A public company is a company which is not a private company. A public company is required to be incorporated with a minimum paid-up capital of $9191 and seven subscribers. The profit-and-loss account and balance sheet, along with the reports of the directors and auditors, of a public company are required to be filed with the RoC and are available for inspection by the public at large. Usually, foreign corporations set up their subsidiary companies as private companies. A private company is a more popular form as it is less cumbersome to incorporate and also has less stringent reporting requirements.

**One-man company**
The Companies Act 2013 proposes insertion of a new concept of ‘One-man company,’ having one shareholder and requiring a minimum of one director.
Labour laws in India

Labour laws in India can be a challenge for many foreigners who start a business in India for the first time. The tricks to avoid much of labour trouble in India can be summed up as follows:

a) Do not employ anyone with a salary of less than Rs. 10,000 per month. If one can keep all its employees above Rs. 15,000 per month, that is even better.
b) Keep the number of employees on the company rolls to a bare minimum. This can be done by outsourcing all that is either not critical or not specific to the business.
c) If possible, employ less than 20.

If one is able to ensure that one does not have any employee earning less than Rs. 10,000 per month, the only (well, almost, the only) labour laws that will be applicable to the company are:

**The Employees’ State Insurance Act, 1948:**
Applicable when the number of employees is ten or more and only on employees earning less than Rs. 15,000 per month and in some areas of the country

**Payment of Gratuity Act, 1972:** Applicable when number of employees is ten or more

**The Employees’ Provident Funds and Miscellaneous Provisions Act, 1952:** Applicable when number of employees is twenty or more

A quick glance at the three laws:

**The Employees’ State Insurance Act, 1948**
Employer is required to deduct 1.75% of employee’s salary and add 4.75% of the salary from his side. Total contribution is 6.5% of salary of all employees earning less than Rs. 15,000 per month. Employees covered by insurance receive medical benefits as well as all insurance benefits.

**Payment of Gratuity Act, 1972**
Under the Act, the employer is required to pay gratuity to an employee as and when he leaves employment either on termination or resignation or superannuation or death of an employee if the employee has worked for a continuous period of five years or more. For every completed year of service or part thereof in excess of six months, gratuity is payable at the rate of fifteen days’ wages based on the rate of wages last drawn by the employee concerned.

**The Employees’ Provident Funds and Miscellaneous Provisions Act, 1952**
Employer is required to deduct 10% of the salary of employee, add equal amount of contribution from its side and deposit the total with provident fund. The employee can withdraw from provident fund either when he / she is out of job or at the time of retirement or under some other emergencies. In addition to the above, irrespective of the number of employees if your unit is not a factory it will need to be registered with labour department under the relevant state’s Shops and Establishment Act. Different states have different provisions under their Shops and Establishment Acts. However, in general the Acts provide for working hours, holidays and leaves of employees. In case the nature of your business requires you to employ large number of workers, many of whom are earning less than Rs. 10,000- per month, you should be prepared to deal with all the labour related matters including unions. If this is the case, you should either partner with an Indian associate who understands Indian workers and related laws or you should get a professional manager who is an expert on such matters.
## Important information

### Trade Information Sources

<table>
<thead>
<tr>
<th>Source</th>
<th>Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Commerce and Industry</td>
<td>www-commerce.nic.in</td>
</tr>
<tr>
<td>Directorate General of Commercial Intelligence and Statistics</td>
<td><a href="http://www.dgci.nic.in">http://www.dgci.nic.in</a></td>
</tr>
<tr>
<td>Director General of Foreign Trade, Government of India</td>
<td><a href="http://dgft.gov.in/">http://dgft.gov.in/</a></td>
</tr>
<tr>
<td>Reserve Bank of India- Foreign Trade Statistics</td>
<td><a href="http://www.rbi.org.in">www.rbi.org.in</a>, dbie.rbi.org.in</td>
</tr>
<tr>
<td>Ministry of Statistics and Programme Implementation, India</td>
<td><a href="http://mospi.nic.in/Mospi_News/site/home.aspx">http://mospi.nic.in/Mospi_News/site/home.aspx</a></td>
</tr>
<tr>
<td>Department of Industrial Policy</td>
<td><a href="http://dipp.nic.in/">http://dipp.nic.in/</a></td>
</tr>
<tr>
<td>Department of Heavy Industry</td>
<td><a href="http://dhi.nic.in">http://dhi.nic.in</a></td>
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</table>

### Industry Associations in India

<table>
<thead>
<tr>
<th>Association</th>
<th>Website</th>
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<tbody>
<tr>
<td>EEPC India</td>
<td><a href="http://www.eepcindia.org">www.eepcindia.org</a></td>
</tr>
<tr>
<td>Confederation of Indian Industry (CII)</td>
<td><a href="http://www.cii.in">www.cii.in</a></td>
</tr>
<tr>
<td>Federation of Indian Chambers of Commerce and Industry (FICCI)</td>
<td><a href="http://www.ficci.com">www.ficci.com</a></td>
</tr>
<tr>
<td>The Federation of Indian Export Organizations (FIEO)</td>
<td><a href="http://www.fieo.org">www.fieo.org</a></td>
</tr>
<tr>
<td>The Associated Chambers of Commerce and Industry of India (ASSOCHAM)</td>
<td><a href="http://www.assocham.org">www.assocham.org</a></td>
</tr>
<tr>
<td>The Automotive Component Manufacturers Association of India (ACMA)</td>
<td><a href="http://www.acma.in">www.acma.in</a></td>
</tr>
<tr>
<td>Consulting Engineers Association of India</td>
<td><a href="http://www.ceaindia.com">www.ceaindia.com</a></td>
</tr>
<tr>
<td>Indian Drug Manufacturers Association (IDMA)</td>
<td><a href="http://www.idma-assn.org">www.idma-assn.org</a></td>
</tr>
<tr>
<td>Chemical and Allied Products Export Promotion Council (CAPEXIL)</td>
<td><a href="http://www.capexil.com">www.capexil.com</a></td>
</tr>
<tr>
<td>The Gem and Jewellery Export Promotion Council (GJEPC)</td>
<td><a href="http://www.gjepc.org">www.gjepc.org</a></td>
</tr>
<tr>
<td>Indian Electrical &amp; Electronics Manufacturers’ Association</td>
<td><a href="http://www.ieema.org">www.ieema.org</a></td>
</tr>
<tr>
<td>Indian Machine Tool Manufacturers’ Association</td>
<td><a href="http://www.imtma.in">www.imtma.in</a></td>
</tr>
<tr>
<td>Society of Indian Automobile Manufacturers (SIAM)</td>
<td><a href="http://www.siamindia.com">www.siamindia.com</a></td>
</tr>
<tr>
<td>Sponge Iron Manufacturers Association</td>
<td><a href="http://www.spongeironindia.in">www.spongeironindia.in</a></td>
</tr>
<tr>
<td>All Indian Cycle Manufacturers Association</td>
<td><a href="http://www.aicma.org">www.aicma.org</a></td>
</tr>
<tr>
<td>Association of Indian Forging Industry</td>
<td><a href="http://www.indianforging.org">www.indianforging.org</a></td>
</tr>
</tbody>
</table>
## Tax related information

CBDT (Central Board of Direct Taxes) – [www.incometaxindia.gov.in](http://www.incometaxindia.gov.in)

CBIC (Central Board of Indirect Taxes and Customs) – [www.cbic.gov.in](http://www.cbic.gov.in) (was known as Central Board of Excise and Customs or CBEC till 1 April 2018)

### SEZ in India

| SEEPZ Special Economic Zone | SEEPZ, Andheri (East)Mumbai-400096  
E-mail: dc@seepz.com  
Website: www.seepz.com |
|---------------------------|------------------------------------------------------------------|
| Kandla Special Economic Zone | KSEZ, Gandhidham, Kachchh  
E-mail: dc@kasez.com  
Website: www.kasez.com |
| Cochin Special Economic Zone | CSEZ, Kakkanad,  
E-mail: dc@csez.gov.in  
Website: www.csez.com |
| Madras Special Economic Zone | MEPZ Special Economic Zone, National Highway 45  
Tamaram, Chennai-600045 MEPZ CHENNAI  
Email: dc@mepz.gov.in  
Website: www.mepz.gov.in |
| Visakhapatnam Special Economic Zone | VSEZ, Duvvada,  
Visakhapatnam, 530046  
E-mail: dc@vsez.com  
Website: http://vsez.gov.in |
| Falta Special Economic Zone | FSEZ, M.S.O Building, 4th Floor, Nizam Palace,  
Kolkata-700020  
Email: fepz@wb.nic.in  
Website: http://www.fsez.gov.in |
| Noida Export Processing Zone | NSEZ, Noida Dadri Road, Phase-II,  
Noida District, GautamBudh Nagar-201305 (U.P.)  
Email: dcnepz@nda.vsnl.net.in  
Website: http://www.nsez.gov.in |
Useful contacts

Department of Commerce, Ministry of Commerce and Industry
Udyog Bhawan,
New Delhi 110 107, INDIA
Phone: 91-11-23062261
Fax: 91-11-23063418
Website: www.commerce.nic.in

Ministry of Finance
North Block
New Delhi - 110001(India)
Telephone: 91-11-23748747
Fax: 91-11-23344605
Website: www.finmin.nic.in

Ministry of Micro, Small and Medium Enterprises
Udyog Bhawan
New Delhi - 110011
Email: ds.sme@nic.in

The Securities and Exchange Board of India
Plot No.C4-A,'G' Block, Bandra Kurla Complex, Bandra (East)
Mumbai 400051
Tel: +91-22-26449000 / 40459000
Fax: +91-22-26449019-22 / 40459019-22
E-mail: sebi@sebi.gov.in

EEPC India
Head Office
‘Vanijya Bhawan’, 1st Floor
International Trade Facilitation Centre
1/1, Wood Street
Kolkata 700016
Phone: (+91 33) 22890651/52
Fax: (+91 33) 22890654
E-mail: eepcho@eepcindia.net
EEPC India offices

**Suranjan Gupta**
*Executive Director*
H.O. (Cell)
Vandhna (4th Floor)
11 Tolstoy Marg, New Delhi 110 001
Tel: 91-11-23353353, 23711124/25
Fax: 91-11-23310920
e-mail: eepcto@eepcindia.net

**Adhip Mitra**
*Addl Executive Director and Secretary*
Vanijya Bhavan (1st Floor)
International Trade Facilitation Centre
1/1 Wood Street, Kolkata 700 016
Tel: 91-33-22890651/52/53
Fax: 91-33-22890654
e-mail: eepcho@eepcindia.net

**Chennai**

*C H Nadiger, Regional Director*
Greens Dugar (3rd Floor)
149 Greens Road, Chennai 600 006
Tel: 91-44-28295501, 28295502
Fax: 91-44-28290495
e-mail: eepcrochen@eepcindia.net

**Kolkata**

*Anima Pandey, Regional Director & Director (Membership)*
Vanijya Bhavan (2nd Floor)
International Trade Facilitation Centre
1/1 Wood Street, Kolkata 700 016
Tel: 91-33-22890673/74
Fax: 91-33-22890687
e-mail: eepcrockol@eepcindia.net

**Mumbai**

*Rajat Srivastava, Regional Director & Director (Marketing and Sales)*
B-202 and 220, Aurus Chambers
Annex B, 2nd Floor
(behind Mahindra Tower)
S S Amrutwar Marg, Worli
Mumbai 400 013
Tel: 91-22-42125555 Fax: 91-22-42125555
e-mail: eepcromum@eepcindia.net

**New Delhi**

*Rakesh Suraj, Regional Director*
Flat No. 10 P, Q, N, 10th Floor
DCM Building, 16 Barakhamba Road
New Delhi 110 001
Tel: 91-11-23314171/74
Fax: 91-11-23317795
e-mail: eepcrodel@eepcindia.net

**Ahmedabad**

*Sudhakaran C K Nair*
*Deputy Director*
TF-313/A (3rd Floor)
ATMA House, Ashram Road
Ahmedabad 380 009
Tel: 91-79-26588720
e-mail: eepcsoahd@eepcindia.net

**Bangalore**

*J V Raja Gopal Rao*
*Sr Deputy Director*
Embassy Square, 103, First Floor
No.148, Infantry Road
Bengaluru 560 001
Tel: 91-80-22261396, 22268669
Fax: 91-80-22266914
e-mail: eepcsroblr@eepcindia.net

**Hyderabad**

*V C Ravish, Sr Executive Officer*
‘Soham Mansion’ (1st Floor)
No. 5-4-187/3 and 4/4, M G Road
Secunderabad 500 003
Tel: 91-40-27536704
Telefax: 91-40-27536705
e-mail: eepcsrohyd@eepcindia.net

**Jalandhar**

*Opinder Singh, Deputy Director*
Plot Comm. 1, Focal Point
Jalandhar 144 012
Tel: 91-181-2602264
Fax: 91-181-2601124
e-mail: eepcsojld@eepcindia.net
Doing Business in India

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