Grant Thornton

#GTBharat
SHAPING A VIBRANT INDIA

Guide to establishing presence in India

July 2022

Contents

About the guide

This guide explains the basics of entity establishment, sources of finance, import-export, labour regulations, financial reporting, audit regime, annual compliances, taxation laws and other compliances in the dynamic Indian market. It is intended to serve as a primer and provide a broad overview to a person planning to establish business in India as well as tap into significant opportunities in various sectors. The guide is updated with regulations as on 28 June 2022.

Disclaimer

The guide is not a substitute for professional advice. We recommend that appropriate professional advice is taken for specific requirements.

Foreword

The Indian government has been at the forefront of releasing policies that are investor friendly and strengthen sector ecosystems.

The recent policies are strategically placed to invite foreign investments, with many sectors open for 100% FDI under the automatic route. Active government intervention in the current FDI policy is welcoming and it is further expected to be reviewed periodically to ensure the country remains investor friendly in the long term.

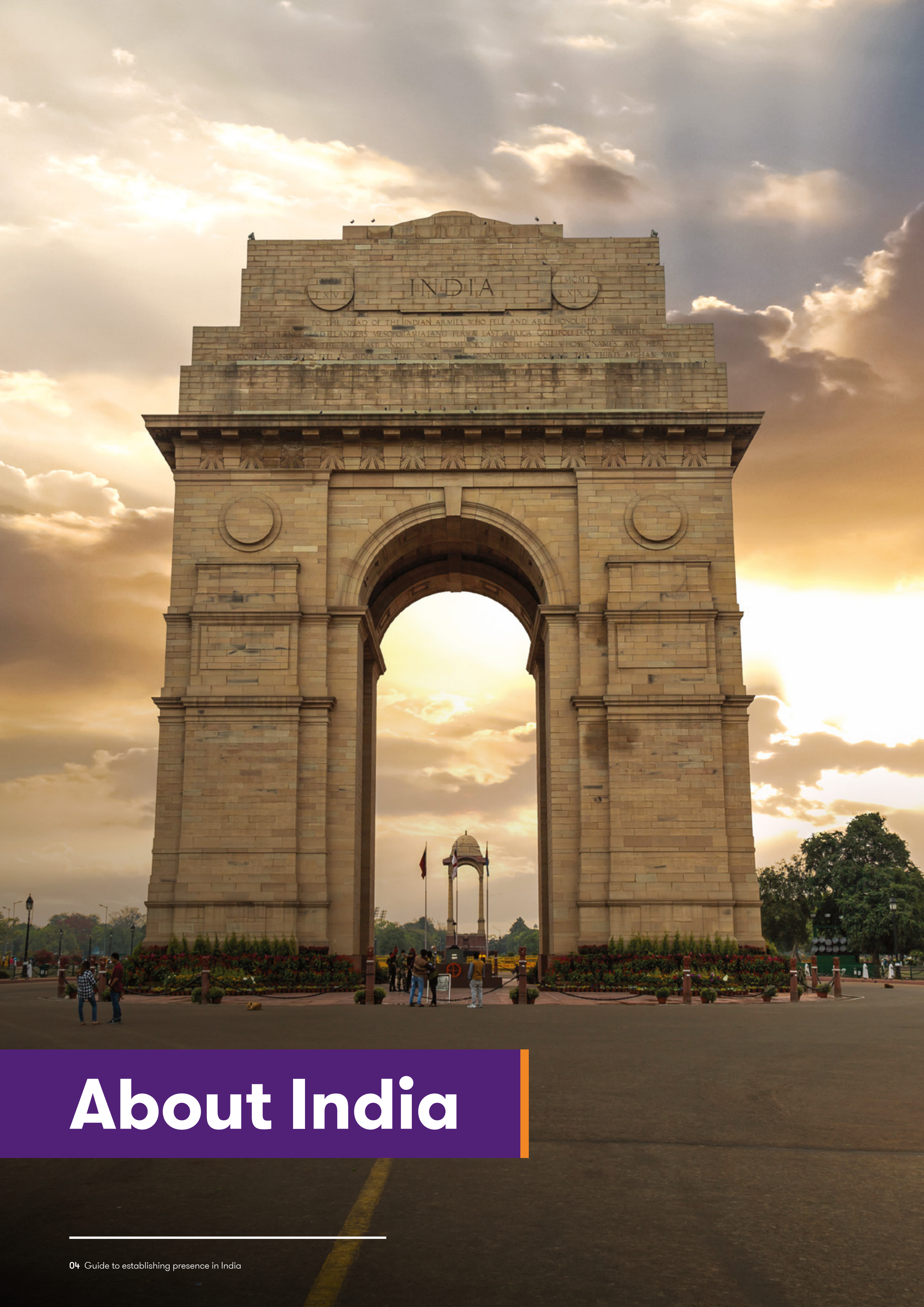
Notably, many initiatives on the lines of corporate tax rate reduction, insolvency resolution, construction permit deals, investment facilitation, reforms for registering property, cross border trading and the PLI scheme have been taken to ensure India ranks better in ease of doing business and attract new capital in the country.

According to Grant Thornton Bharat's Quarterly Dealtracker, the country witnessed 1,149 deals totalling USD 104.3 billion in value during the H1 2022. M&A and PE not only mark record volumes and values, but also saw 34% and 40% growth, respectively, from the previous record. While PE deal activity continued to dominate total deal volumes with three-fourth share, deal values were dominated by M&A with 76% of the total deal values in H1 2022.

Furthermore, the recent International Business Report by Grant Thornton International (indicating trends of mid-market businesses across the globe during H1 2022) has highlighted that India remains high on business optimism with at least 75% of mid-market companies expecting a significant growth in their revenues and profitability. The high business optimism, coupled with a strong focus on infrastructure development and future centric policies can propel growth in India.

Significant deals along with optimistic business outlook can improve the propensity for sustainable and buoyant investments within the country. Ramped up investments will also result in upliftment of the economy. At Grant Thornton Bharat, we are thrilled to partner and work with the government as well as the leading companies to shape a more Vibrant Bharat.

Vishesh C. Chandiok
Chief Executive Officer
Grant Thornton Bharat



About India

Country profile

Geographical location

India forms a natural subcontinent with the Himalayan Mountain range to the north and the Indian Ocean, the Arabian Sea and the Bay of Bengal to the south, west and east, respectively. The country is bordered by Pakistan on the northwest, China, Bhutan and Nepal on the northeast, and Bangladesh and Myanmar on the east. Near the country's southern tip, across the Palk Strait, lies Sri Lanka.

India has a land frontier of over 15,000 kilometres[1.1]. It has a long coastline spanning over 7,000 kilometres. The climate varies from tropical in the south to temperate in the north.

Diversity

India is rich in history, culture, religion and diversity. There are 22 major languages spoken in the country across its 28 states and eight union territories. India is a secular, multi-cultural, multi-ethnic, and multi-religious society according to its Constitution with people from all faiths residing here, including Hindus, Muslims, Christians, Sikhs, Buddhists, Jains, Jews and Zoroastrians, amongst others.

Education

The education system in India is considered one of the best globally. The country offers quality education comparable to global standards in the fields of finance, literature, computer engineering and programming, science and technology, medicine, dentistry, business management and administration. The IITs and IIMs are recognised the world over as premier higher educational institutions.

The New Education Policy 2020, launched on 29 July 2020, is helping usher in education reforms and fast-track India's journey towards becoming a knowledge superpower.

Currency

INR is the official currency of India. The RBI is the national and sole currency-issuing authority in the country. The exchange rate of the rupee is market-determined. The RBI takes a keen interest in the financial markets of the country and other countries globally to determine suitable monetary, regulatory and other measures.

Structure of government

India is a sovereign secular democratic republic with the largest multi-party democracy in the world. The Parliament of the Union consists of two legislative houses:

- The Rajya Sabha (Upper House) represents the states of the Indian Union
- The Lok Sabha (Lower House) represents the people of India as a whole

The central and state governments comprise a council of ministers headed by the Prime Minister and a chief minister, respectively. The head of the Indian Republic is the President of India while the head of the government is the Prime Minister.

The governor, appointed by the President of India, is the head of the Indian state and the chief minister is the head of the elected government in the state. Elections for the states are held every five years.

India is the largest democracy in the world. The country's general elections are held once in five years. The election results determine which political party or alliance will form the next government and the individual who will be elected as the Prime Minister of the country.

New Delhi is the national capital of India and the seat of the central government.

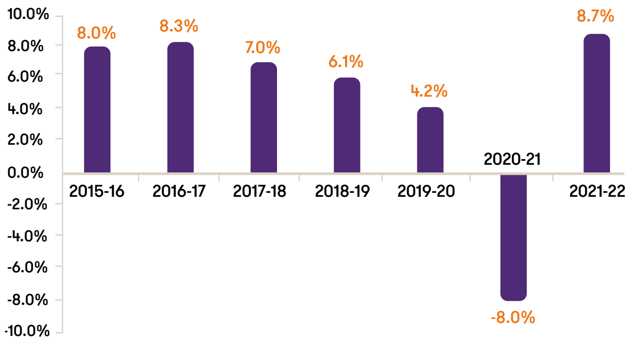
1.1 india.gov.in

Judiciary and law

India has a well-established, independent judicial system, which consists of the Supreme Court of India based in New Delhi, 25 High Courts[1.2] spread across the major states and several district courts and subordinate courts. The Supreme Court is the apex court of the country, and its decisions are binding on all other courts of all the states and UTs.

India also has quasi-judicial authorities, consumer courts, Competition Commission, etc. The country has a framework of tribunals and appellate tribunals to adjudicate on specific economic matters, e.g., ITAT, NCLT, etc.

GDP growth rate



Source: pib.gov.in

India's economic growth in the FY 2021-22 was recorded at 8.7%[1.3].

Money and credit

- Indian foreign exchange reserve touched USD 607.3 billion on 31 March 2022[1.4]. Foreign currency assets, which form a majority of the country's foreign exchange reserves, stood at USD 540.72 billion, while gold reserves stood at USD 42.55 billion[1.5].
- India has recorded the highest ever annual FDI inflow of USD 83.57 billion in FY 2021-22. The country is rapidly emerging as a preferred country for foreign investments in the manufacturing sector. FDI equity inflow in manufacturing sector has increased by 76% in FY 2021-22 (USD 21.34 billion) compared to the previous FY 2020-21 (USD 12.09 billion)[1.6].

1.2. jagranjosh.com
1.3. pib.gov.in
1.4. rbi.org.in
1.5. rbi.org.in
1.6. pib.gov.in

Summary

Some of the key facts and statistics that make India a favourable business destination worldwide are:

- Growing middle class
- Abundant supply of raw material
- Extensive rail and road network
- World's largest working population in the age group of 25-45 years
- Large pool of skilled English-speaking manpower
- Lower labour cost and hence reduced cost of manufacturing, especially in comparison with non-Asian countries
- Favourable geographical location, which makes India closer to markets, including the Middle East, South Asia, Southeast Asia and Europe

Key statistics for FY 2021-22

India's economic policies are designed to attract significant capital inflows on a sustained basis and encourage technological collaboration with foreign entities. Policy initiatives taken over the past few years have resulted in significant inflow of foreign investment in all areas of the economy.

Population[1.7]
1.4 billion

Area[1.8]
3.29 million
square kilometres

GDP (nominal)[1.9]
USD 3.2 trillion

GDP per capita (nominal)[1.10]
USD 2,286

Exports[1.11]
USD 669.65 billion

Imports[1.12]
USD 756.68 billion

Literacy rate (Urban)[1.13]
87.7%

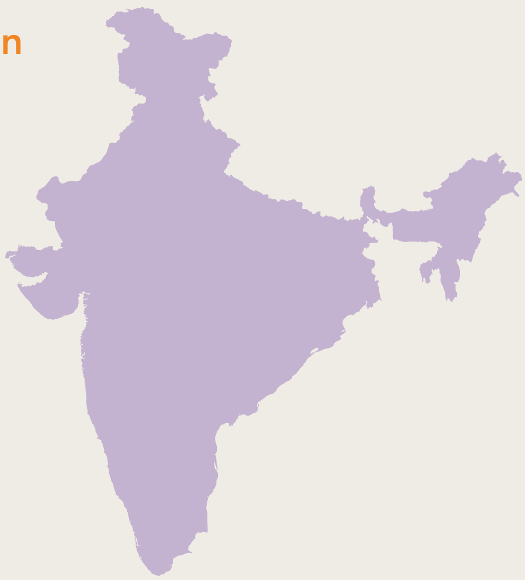
Literacy rate (Rural)[1.14]
73.5%

Life expectancy[1.15]
70.19 years

Urban population[1.16]
31.16%

Median age[1.17]
28.4

Local currency
INR



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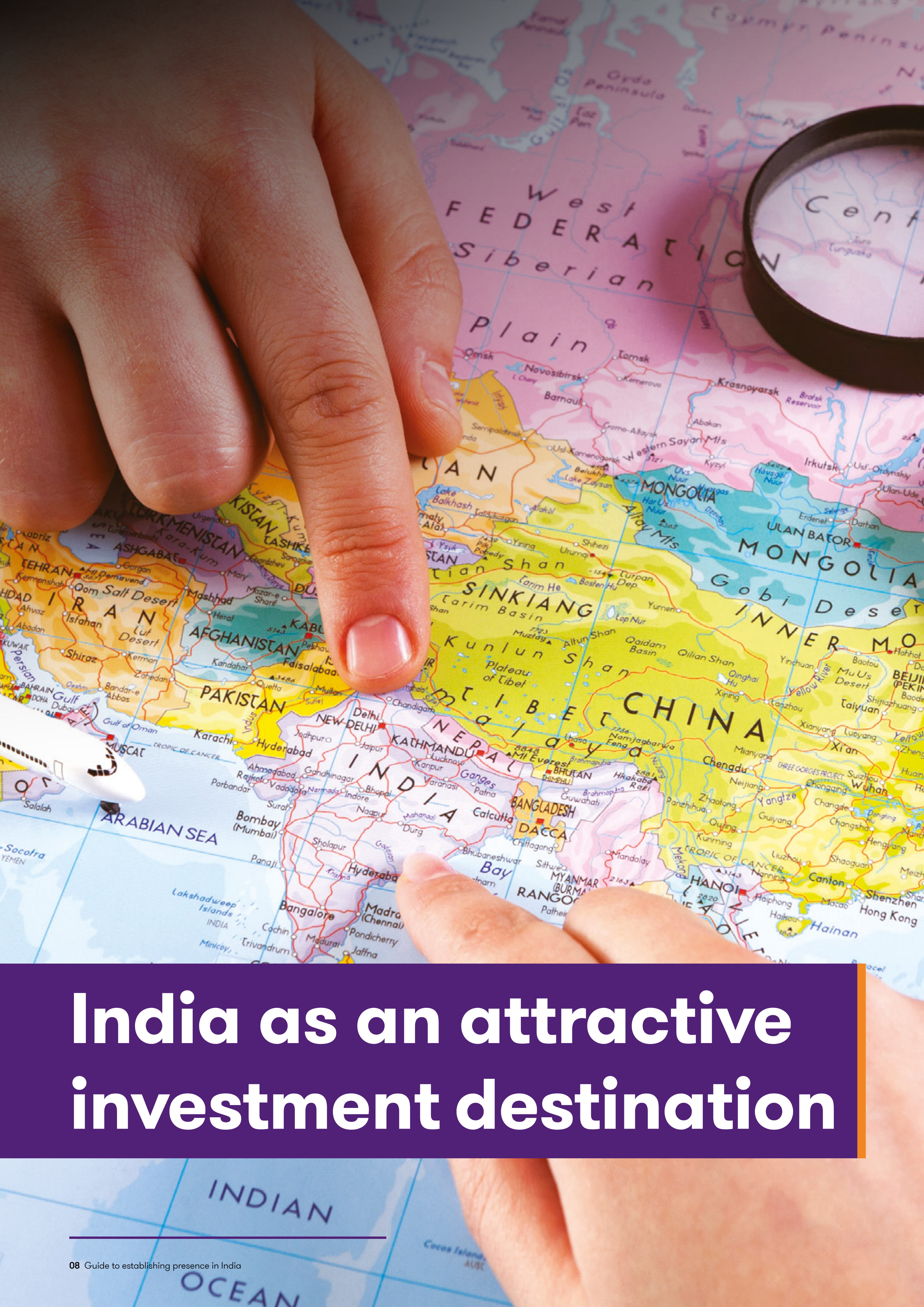


India as an attractive investment destination

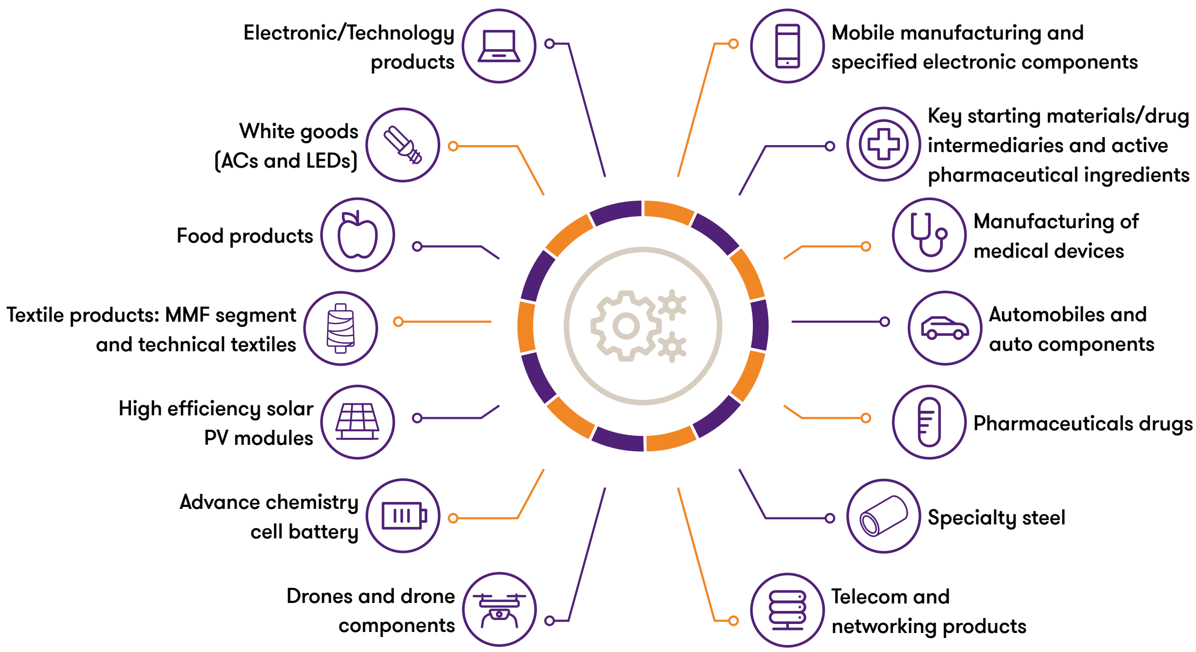
FDI inflow of USD 74.01 billion has been reported from January 2021 to December 2021, compared to USD 87.55 billion during January 2020 to December 2020[2.1].

FDI is largely a matter of commercial business decisions and FDI inflow depends on a host of factors such as availability of natural resources, market size, infrastructure, political and general investment climate as well as macro-economic stability and investment decision of foreign investors.

To promote FDI, the government has put in place an investor-friendly policy, wherein most sectors except certain strategically important sectors are open for 100% FDI under the automatic route. Further, the policy on FDI is reviewed on an ongoing basis, to ensure that India remains an attractive and investor-friendly destination.

Government initiatives on the fronts of reduction in corporate tax rates, resolving insolvency, dealing with construction permits, investment facilitation, reforms for registering property, trading across borders and the PLI scheme are acting as enablers for ease of doing business. PLI scheme for domestic production of speciality steel alone is projected to result in an additional capacity of 25 million tonnes, investments of about INR 40,000 crore and 5.25 lakh new jobs[2.2].

14 key sectors under PLI scheme[2.3]



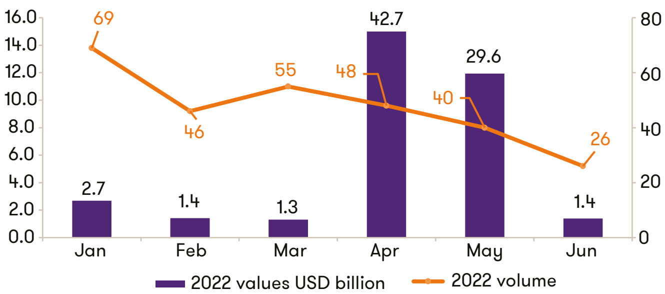
India's highly skilled workforce, largest ever adolescent and youth population[2.4] and prospects for economic growth make it an attractive destination for investments. India ranks 46th in the Global Innovation Index 2021 rankings and holds the first position in the Central and Southern Asia region[2.5].

The PLI scheme for domestic production of speciality steel is projected to result in an additional capacity of 25 million tonnes.

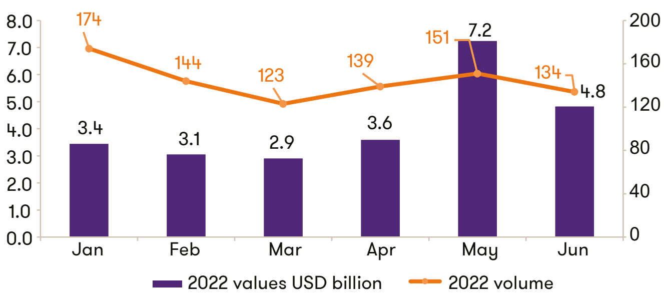
2.1. pib.gov.in
2.2. ibef.org
2.3. pib.gov.in
2.4. investindia.gov.in
2.5. investindia.gov.in

Snapshot of deal activities

M&A trend



PE trend



Statistics for M&A and PE deals for 2022 (Grant Thornton Bharat Dealtracker)

Setting up a manufacturing base in India

As India gears up to increase its industrial output, various drivers are fuelling growth in the manufacturing sector.

Make in India

Various steps taken as part of the Make in India initiative have helped India fast-track its journey to become a global manufacturing hub. The positive trend witnessed by FDI in India since the launch of the Make in India campaign in 2014 is a testament to the removal of bottlenecks for improved investment inflows.

Key highlights of Make in India are as follows:

Invest India cell

An investor facilitation cell set up by the government acts as the first reference point for guiding foreign investors on all aspects of regulatory and policy issues and assists them in obtaining regulatory clearances.

Dedicated portal for business queries

A dedicated cell has been created to answer queries from business entities through a web portal[2.6].

Easing policies and laws

The outdated frameworks of the past are being dismantled and replaced with transparent and investor-friendly policies to drive investment, foster innovation, develop skills, protect IP and build best-in-class manufacturing infrastructure.

2.6. makeinindia.com

Sectors covered under Make in India

- Automobile
- Automobile components
- Aviation
- Biotechnology
- Chemicals
- Construction
- Defence manufacturing
- Electrical machinery
- Electronic systems
- Food processing
- IT and BPM
- Leather
- Media and entertainment
- Mining
- Oil and gas
- Pharmaceuticals
- Ports and shipping
- Railways
- Renewable energy
- Roads and highways
- Space
- Textiles and garments
- Thermal power
- Tourism and hospitality
- Wellness

Favourable corporate tax

In 2019, the government announced a corporate tax rate of 15% (effective tax rate of 17.16%) for new manufacturing units. This rate, available to new manufacturing companies incorporated on or after 1 October 2019, is amongst the lowest in the world. The company should commence production by 31 March 2024 and fulfil prescribed conditions.

Key sectors: An overview

Consumer, retail and e-commerce

Swift technological advancements, changes in economic policies, the opening of markets and growing demand have created the need for devising dynamic solutions in the consumer and retail sector. The outlook toward customer-centric business models has changed over the years, with the adoption of superior technology.

The consumer products market is witnessing a boom, caused by increased market confidence in the wake of mass inoculation and the lifting of lockdowns imposed due to the spread of COVID-19. Even during the pandemic, it was evident that consumer preferences had shifted towards e-commerce because of convenience. Today, e-commerce platforms are sitting on a goldmine. The pandemic has accelerated the use of such platforms/apps, across various products and portfolios, hinting at higher acceptance and increased consumer trust.

In the past few decades, India has transformed into a global retail and e-commerce player. Digital transformation, artificial intelligence, forensics, understanding consumer behaviour, supply-chain management, etc. have become crucial for consumer product brands. This sector is burgeoning with opportunities for all its stakeholders, however, there are several challenges that need to be addressed at every stage of the business lifecycle.

Current scenario

Consumer durables

Electronics hardware production in India was USD 63.39 billion in FY 2020-21[3.1] The demand for electronics hardware is estimated to grow exponentially, to reach USD 300 billion in FY 2025-26[3.2]. The market is steadily growing due to the increased affordability of products and shared economy. The rental business of home appliances and furnishing is witnessing an uptick due to the launch of multiple disruptive start-ups.

E-commerce

The COVID-19 pandemic had a positive impact on the sector. India's e-commerce market is expected to reach USD 111 billion by 2024 and USD 200 billion by 2026[3.3].

Much of the growth for the industry has been triggered by an increase in internet and smartphone penetration. As of July 2021, the number of internet connections in India significantly increased to 784.59 million[3.4], driven by the Digital India programme. COVID-19 has made the sector more agile and resilient to future disruptions. Supply chains have been made more robust and there is increasing use of technologies, such as AI, to ensure products are available at the right place and at the right time. E-commerce players have also taken steps to cut down on delivery time by collaborating with local departmental stores and vendors.

FMCG

It is the fourth-largest sector of the Indian economy. F&B (19% share), healthcare (31% share) and household and personal care (50% share) are the three main segments of the FMCG sector[3.5]. The COVID-19 waves over the last two years impacted retail businesses temporarily, however, they did not hamper demand. For businesses, investments shifted to online spending as Indian consumers were more inclined toward brand assurance rather than the need to touch and feel products before purchasing.

Way forward

The overall retail market is set to reach USD 1.5 trillion by 2030[3.6]. This is expected to be driven by a rising number of households carrying out online transactions, the number of online shoppers is estimated to grow from 150 million in 2020 to 500 million in 2030[3.7]. The rising disposal income, along with a strong push from the rural economy, is likely to have a positive impact on the sector. Moreover, the government has been taking up several proactive steps to boost exports. An export monitoring desk has been set up to help remove impediments, constraints and bottlenecks faced by the export sector, especially during the pandemic.

3.1. ibef.org
3.2. ibef.org
3.3. ibef.org
3.4. ibef.org
3.5. ibef.org
3.6 ibef.org
3.7. investindia.gov.in

Key trends

Retail in India is poised for a transformation due to changing business dynamics on account of the pandemic. To keep pace with the changing dynamics, traditional business models are adopting digitisation.

A rise in demand from Tier 2/3 cities

Higher awareness, improved logistics, growing internet penetration and increased government policy support has led to a rise in consumerism (brand consciousness and awareness) in smaller cities in India. Several tier 2/3 cities have favourable conditions for growth, such as lower rentals, lower manpower cost, increasing population density and an increase in disposable income. In addition, increasing electrification of rural areas is also expected to aid growth in demand for electronics and appliances.

Growth in omnichannel retailing

Retailers are exploring multiple channels to maximise sales with omnichannel retailing. Consumers are increasingly looking forward to timely delivery of products without compromising on quality. Consumer companies are considering developing an AI-based robust supply chain mechanism to match consumer expectations.

Policy interventions

From direct payment of MSP to farmers, a comprehensive scheme for oilseeds to the extension of the ECLGS scheme and BharatNet programme, the government is continuing to be governed by its principle of 'Minimum Government - Maximum Governance'. Reduction in compliance (25,000 provisions) and the repealing of redundant laws (1,486 union laws scrapped) go a long way in establishing the intent of ease of doing business[3.8]. On an overall basis, the implementation of these initiatives will help the consumer and retail sector in achieving its growth initiatives.

Q-commerce

The Q-commerce market in India is expected to grow 15 times and reach USD 5.5 billion by 2025[3.9]. Dubbed as the next game-changer in the consumer sector, it is the faster form of e-commerce, reducing the delivery time from a few days to a few minutes. Changing consumer behaviour during the pandemic with an inclination toward convenience and impulse buying has brought a long-lasting shift in purchasing patterns which has contributed to the success and adoption of Q-commerce. Better inventory and supply chain management, personalised experiences, sustainability and scalability also act as promoters of this new-age business model.

Open Network for Digital Commerce

ONDC is a network based on an open protocol which is expected to digitise the entire value chain. The approach behind ONDC is moving from a platform-centric e-commerce model to an open network model that will moderate the digital dominance of large players. It will allow merchants to save their data, build credit history and reach consumers. This government initiative will create equal opportunities in the e-commerce sector by making the transactions visible through an open network irrespective of the platform being used.

3.8. moneycontrol.com

3.9. thehindubusinessline.com

Technology

The FY 2021-22 was a digital year as the pandemic continued to act as a catalyst for the adoption of technology. Notably, the IT industry in India is one of the leading contributors to India's GDP, employment and economic growth. The sector can be broadly classified into three major segments - IT services, software products and engineering services and hardware. Going forward, it is crucial to understand how the technology sector can develop through upskilling and incentives with the government's support.

The Indian technology industry crossed the USD 200 billion revenue mark, reaching USD 227 billion revenue in FY 2021-22, witnessing a USD 30 billion incremental revenue in the year with an overall growth rate of 15.5%[3.10].

India's IT and business services market is projected to reach USD 19.93 billion by 2025.

The data annotation market in India stood at USD 250 million in FY 2019-20, of which the US market contributed 60% to the overall value. The market is expected to reach USD 7 billion by 2030 due to accelerated domestic demand for AI.

Exports from the Indian IT industry stood at USD 149 billion in FY 2020-21. Export of IT services has been the major contributor, accounting for more than 51% of total IT export (including hardware). BPM and Engineering and R&D and software products exports accounted for 20.78% each of total IT exports during FY 2020-21. The ER&D market is expected to grow to USD 42 billion by 2022.

The IT industry added 4.5 lakh new employees in FY 2021-22 (as of February), the highest addition in a single year. Women accounted for 44% of the total new employees. India is the leading sourcing destination across the world. The country accounted for nearly 15% of the USD 700 billion global IT services business in FY 2020-21, while holding a majority share of the USD 200 billion global IT outsourcing business[3.11]. Indian companies have set up over 1,000 global delivery centres in about 80 countries across the world. India has become the digital hub of the world with over 1 million digitally skilled professionals working in the private sector[3.12]. The pandemic has only accelerated the pace of digitisation across businesses and made companies adopt remote/hybrid working models and contactless engagement with their stakeholders. This trend is expected to continue, fuelling sectoral growth in the coming years.

Way forward

India's ambition is to create a USD 1 trillion digital economy by 2025[3.13], led by innovation, which is supported by governmental policies and strengthening of capabilities in areas such as AI/ML, cybersecurity and IoT. The top IT services players from India witnessed 10-20% revenue growth in constant currency terms during FY 2021-22 and hired in FY 2021-22 alone nearly as much as they did in the preceding 3 years, cumulatively[3.14]. The revenue guidance for FY 2022-23 from the top IT players also demonstrates that the demand for services is likely to stay robust.

3.10. crn.in
3.11. ibef.org
3.12. ibef.org
3.13. indbiz.gov.in
3.14. economictimes.com

Key trends

Digital integral to the growth strategy

As per NASSCOM, 60% of the firms in India are digital-focused and about 30% of the industry revenue is digital revenue, growing at 5x the rate of overall services growth. Cloud collaboration, automation and cybersecurity would continue to be the key growth drivers for the industry. Over 90% of the acquisitions in the sector were digital-focused and more than 280,000 new digitally skilled employees got added in FY 2020-21[3.15].

Optimising business models

Over the years, the tech industry has considerably improved on various operating parameters around productivity, overhead cost management, offshoring, etc., which resulted in improved margins. This further led to improved free cash flows for most of the key IT players in FY 2021-22.

Increased pace in deal activities

A positive growth outlook for the sector and strong cash positions have led to a significant rise in M&A and PE transactions. India Inc. recorded 608 deals worth USD 13.3 billion in Q1 of 2022, a 49% y-o-y increase in volume. Start-ups, e-commerce and IT sectors led the deal activity recording 479 deals valued at USD 8.5 billion together[3.16].

Enabling environment for fuelling growth in the sector

The government is providing stimuli for economic growth through various programmes such as Startup India, PLI schemes, data centre parks, quantum computing and AI infrastructure, etc. These measures are expected to provide the fillip to attract investments from global investors and companies in the country and to realise the government's ambition to make India a USD 5 trillion economy by 2025.

Cost of talent and attrition

The buoyant economic and sectoral outlook has also led to a war for talent within the industry and companies are witnessing an unprecedented level of attrition. High cost of backfill and high employee cost to retain talent is expected to leak into the margins of the industry in the near future.

3.15. investindia.gov.in

3.16. grantthornton.in

Automotive

The Indian automotive sector, one of the prime enablers of the country's manufacturing sector, witnessed multiple disruptions over the last two years. As they emerge from the pandemic, automakers are aiming to orient themselves on a new path towards electrification and connectivity. Union Budget 2022 announced by the central government has a keen focus on infrastructure building. The country aims to establish an effective ecosystem for electric vehicles and the Budget 2022 announcement for building R&D sector will further give an impetus to the auto sector's development.

With the announcement of directed policies and induced support, the automotive sector is poised for growth. With an increased focus on the PLI scheme, vehicle scrappage policy and EV incentives, the automotive sector is expected to create a significant impact in boosting investor confidence as well as the manufacturing sector in the country in line with the Aatmanirbhar Bharat initiative.

Moreover, the allocation of around INR 24,000[3.17] crore under the PLI scheme for the manufacturing of high-efficiency modules for solar power would give an impetus to the renewable energy sector, a move toward the energy transition and climate action part of India's commitment towards becoming Net-Zero by 2070[3.18]. This would also motivate OEMs to invest in new technologies.

Current scenario

For the auto sector, the FY 2021-22 began with the double whammy of COVID-19 lockdowns and semiconductor shortages disrupting the global supply chain. This resulted in unutilised production capacities causing an opportunity loss for companies as well as unfulfilled demand. Furthermore, high commodity prices aggravated problems for auto manufacturers. The increasing price of commodities in India has resulted in record-high prices for new and used vehicles in the country.

The stretched waiting period for vehicle delivery and increasing vehicle prices (on the back of high commodity prices) has dampened demand for passenger vehicles. Two-wheelers, on the other hand, reported weak performance as the rural economy and fuel prices were affected. The decline in the rural economy also impacted the sales of tractors for FY 2021-22. Commercial vehicles, on the other hand, were also impacted by inflation in fuel prices.

Overall, OEMs are working towards minimising the impact of supply chain disruptions. It is expected that an improvement in economic index will give an impetus to demand, further improving two-wheeler and tractor sales. Domestic sales are expected to reach pre-COVID levels with the stabilisation of the semiconductor supply chain and reduction in oil and commodity prices. Going forward, OEMs are expected to shift their focus to production of green vehicles to avail benefits under the PLI scheme and invest in establishing a green ecosystem.

3.17. businesstoday.in

3.18. thediplomat.com

Balancing act in industry post COVID-19 crisis

COVID-19 has pushed all companies across the globe into a balancing act where they need to manage the immediate effects of the current crisis while also building resilience against future disruptions.

OEMs are prioritising efforts to adapt to new and upcoming legislations on emissions, developing and marketing climate-friendly products, and above all recouping losses.

Post the pandemic, creation of jobs, with a strong cash flow, is the need of the economy. Fostered investments would help OEMs focus on growth areas, marking EVs to be the biggest opportunity for industry players.

Scope of expansion

India has the scope to expand its share in the global auto components trade to 4-5% by 2026[3.19], driven by exports growth and import substitution initiatives being taken by the industry as part of the Aatmanirbhar Bharat initiative. The Indian automotive industry (including component manufacturing) is expected to reach INR 16.16-18.18 trillion (USD 251.4-282.8 billion) by 2026[3.20].

Way forward

In the mid-term, the Indian automotive sector envisions a quick rollout of FFVs, which are capable of operating on gasoline and any blend of gasoline and ethanol up to 83%[3.21]. Over the next year, the Indian auto market also aims to indigenously develop green hydrogen FCEV to create a green hydrogen-based ecosystem in the country.

Key priorities

Ramping up investments

The PLI scheme for automobile and auto component proposed an investment of INR 74,850 crore against the target estimate of investment of INR 42,500 crore over a period of five years. Further, 75 companies have been selected under the Component Champion Incentive Scheme[3.22].

The incentives are available for local production and sales of advanced automotive technology products, including vehicles and components for five years starting April 2022. In the last year, the Indian automotive sector witnessed a high pace of growth, with over 50 companies ensuring around 50% of total investments[3.23] to be made in the e-mobility domain. Both, new entrants and established players have chosen to develop technologies in-house.

Government initiative of establishing e-charging station

To accelerate EV purchase and consumption, 22,000 e-charging stations are to be set up by the government at around 70,000 petrol pumps across the country in prominent cities and national highways[3.24].

Vehicles scrappage policy

The policy aims at taking old vehicles off the roads. The policy is expected to boost sales of automobiles, leading to higher production capacity utilisation. Nearly 80% of commercial vehicle operators would be affected by the policy. The policy proposes several incentives for vehicle scrappage including a 5% rebate on new vehicle purchases, up to 25% discount on road tax and a waiver of the vehicle registration fee. For commercial vehicles, the discount available is 15%[3.25].

3.19. ibef.org
3.20. ibef.org
3.21. afdc.energy.gov
3.22. pib.gov.in
3.23. grantthornton.in
3.24. economictimes.indiatimes.com
3.25. mpnrc.org

Incentives to boost manufacturing and exports

- **RoDTEP scheme:** Under the scheme, automobile manufacturers can boost exports and avail subsidies. Also, the scheme will allow tackling counterfeit and forged products.
- **State incentives:** Apart from R&D incentives for the industry, manufacturers and private sponsored research, each state in India offers additional incentives for industrial projects in the form of rebates in land cost, relaxation in stamp duty, exemption on sale or lease of land, power tariff incentives, a concessional rate of interest on loans, investment subsidies/tax incentives, backward areas subsidies and special packages for mega projects.
- Area-based incentives: Incentives for units in SEZ/NIMZ as specified in respective acts or the setting up of projects in special areas.
- PLI scheme:
  - **Champion OEM incentives:** For the production of electric and hydrogen fuel cell vehicles of all segments.
  - **Component champion incentives:** For advanced automotive technology components of vehicles, completely knocked down or semi-knocked-down kits, vehicle aggregates of two-wheelers, three-wheelers, passenger vehicles and commercial vehicles and tractors.

Indian automotive industry (including component manufacturing) is expected to reach INR 16.16 - 18.18 trillion (USD 251.4 - 282.8 billion) by 2026.

Foreign investment

Foreign investors keen to set up operations in India are required to comply with the foreign exchange control laws of the country. The CA 2013, FEMA and the regulations thereunder govern the setting-up of incorporated entities (JVs or WOS) and unincorporated entities (BO, LO or PO).

FDI policy

FDI is allowed in most sectors, including the services sector, through the automatic route without requiring any prior government approval. In a few sectors, FDI can be brought in after obtaining approval from the government.

Proposals for FDI under the approval route are directly handled by the concerned ministries. An application in this regard is to be submitted online through the FIFP portal.

Applicability of the FDI policy may vary based on the category of a foreign investor. For example, investments by NRIs or OCIs are subject to certain relaxations under the FDI policy and NDI Rules, 2019. Accordingly, specific guidance must be sought by foreign investors.

Indicative summary of sectoral FDI policy

FDI policy parameter	**Sectors**
Automatic route	FDI of up to 100% is permitted under the automatic route in most services, manufacturing, infrastructure sector, B2B trading, single-brand retail trading, pharmaceuticals (greenfield), etc.
Approval route	FDI in these activities is permitted only with prior government approval, e.g., broadcasting content services (FM radio), print media (newspaper and periodicals), multi-brand retail trading (51%) and mining. FDI beyond the prescribed caps requires government approval.
Sectoral caps	FDI in certain sectors is subject to sectoral caps such as airlines (49%).
FDI-linked conditions	FDI in these sectors is subject to specified conditions-floriculture, horticulture, apiculture and cultivation of vegetables and mushrooms under controlled conditions, wholesale trading, single-brand retail trading, e-commerce, construction development – townships, housing and built-up infrastructure, print media and ARCs.

Recent updates

- FDI for insurance intermediaries is allowed 100% under the automatic route. FDI for insurance companies has been increased to 74% (earlier 49%) under the automatic route.
- FDI in the telecom sector has been increased up to 100% (earlier 49%) under the automatic route.

Sectors in which FDI is not permitted

Lottery business including government/private lottery, online lotteries, etc.	Nidhi company
Gambling and betting including casinos, etc.	Trading in transferable development rights
Chit funds	Real estate business, or construction of farmhouses (subject to certain exceptions)
Activities/sectors not open to private sector investment, e.g., atomic energy and railways (except mass rapid transport systems)	Manufacturing of cigars, cheroots, cigarillos and cigarettes, tobacco or tobacco substitutes

Foreign technology collaboration in any form, including licencing for franchise, trademark, brand name and management contract, is also prohibited for lottery business, gambling and betting activities.

To make India an attractive destination for foreign investors, the FDI policy allows repatriation of profits, dividends, royalty and know-how payments freely.

Exchange controls

According to the current foreign exchange control regulations, transactions are divided into current account and capital account transactions.

Capital account transaction refers to transactions which alter the assets or liabilities, including contingent liabilities, outside India, of a person resident in India, or assets or liabilities in India of a person resident outside India. Investment by a body corporate or an entity in India and investment therein by a person resident outside India are capital account transactions.

Current account transactions, on the other hand, are transactions other than capital account transactions. Such transactions comprise, for instance, payments due in connection with foreign trade, other current business services, and short-term banking and credit facilities, in the ordinary course of business. Broadly speaking, current account transactions are permitted unless specifically barred and capital account transactions are prohibited unless specifically permitted.

Capital instruments

FEMA, read with relevant regulations governing FDI inter alia provide, that Indian companies can issue to foreign investors equity shares, fully and mandatorily convertible debentures, fully and mandatorily convertible preference shares and warrants (issued in accordance with SEBI regulations), subject to the pricing guidelines/valuation norms and other prescribed reporting requirements.

In pursuance to NDI Rules, issued by the Ministry of Finance on 17 October 2019, the central government governs the non-debt segment while the RBI governs the debt segment.

The FDI policy allows optionality clauses in equity shares and compulsorily and mandatorily convertible preference shares/ debentures issued to non-resident investors under the FDI scheme, subject to certain conditions. The policy provides that shares with call/put options may be issued to non-resident investors provided the non-resident investor is not guaranteed any assured exit price at the time of making the investment.

Equity instruments

Provisions relating to inbound investments are classified into two separate rules (i.e., non-debt and debt). Accordingly, all equity instruments, such as equity shares, fully compulsorily and mandatorily convertible debentures and fully compulsorily and mandatorily convertible preference shares and share warrants (issued in accordance with SEBI regulations), subject to the pricing guidelines/valuation norms and other prescribed reporting requirements are governed by NDI Rules, 2019. These rules have been amended to curb vulnerable acquisitions by an acquirer from neighbouring countries.

Prior approval of the government is required for investments made by entities incorporated in a country, which shares land border with India or where the beneficial owner of investment into India is situated in or is a citizen of any such country.

Further, in the event of the transfer of ownership of any existing or future FDI in an entity in India, directly or indirectly, resulting in the beneficial ownership falling within the aforesaid restriction/purview, such subsequent change will also require prior government approval.

DPIIT has clarified that investments made by an Indian entity, which is owned and controlled by NRIs on non-repatriation basis, shall also be considered as domestic investment and shall not be considered for the purpose of calculating indirect foreign investment.

With effect from 1 April 2020, the investments under the FPI route are permitted up to sectoral limits prescribed under the exchange control regulation.

Foreign currency loans

With effect from 16 January 2019, a new ECB regime has been introduced wherein Indian entities who are eligible to receive FDI can receive ECB from 'recognised lenders' as defined in the new ECB framework. The minimum average maturity period for ECBs will be three years. However, for ECB raised from foreign equity holder and utilised for specific purposes, the minimum average maturity period would be five years[4.1]. The new ECB framework has two options - foreign currency denominated ECB and rupee-denominated ECB.

The ECB framework was further liberalised by RBI on 30 July 2019, with the end-use restrictions relaxed. Eligible borrowers are now allowed to receive ECBs for working capital and general corporate purposes, for repayment of rupee loans availed domestically for capital expenditure as also by NBFCs for on-lending for the same purpose (depending upon their minimum average maturity period).

Import/export controls

Export and import of goods and services from India are allowed under FEMA, read with the Foreign Exchange Management (Current Account) Rules, 2000 as amended from time to time. The said export and import regulations stipulate guidelines pertaining to the settlement and payment of export and import transactions, realisation of proceeds, advance receipts, payments written off and limits permissible for the same. Further, import/export data processing and monitoring system has been introduced in order to monitor relevant filings.

The export regulations also set out the obligations for Indian exporters of goods such as submission of certain prescribed declarations along with supporting documents. Nevertheless, the export proceeds are required to be realised and repatriated within a stipulated time period (generally nine months).

Similarly, the import regulations provide the manner and documents required to be followed for making payments towards imports into India. Further, the said regulations provide the timelines within which remittances against imports should be complete (not later than six months from the date of shipment) an approval be sought from the AD bank/RBI prior to the expiration of the due date (up to three years from the date of shipment).

Overseas direct investment

Indian parties (company incorporated in India or a body created under an act of Parliament, or a partnership firm registered under the Indian Partnership Act, 1932 or an LLP incorporated under the LLP Act, 2008) are eligible to undertake ODIs outside India signifying a long-term interest in the foreign entity (JV or WOS).

An Indian party can make an overseas direct investment under the automatic route in any bonafide activity up to the prescribed limit of its net worth (currently 400% of net worth). It may be noted that real estate and banking business are prohibited sectors for ODI. Overseas investment in the financial services sector is subject to specified conditions including a satisfactory track record of the investing party, and the prior approval of the concerned financial regulator in India.

The regulations also prescribe provisions with respect to aspects, such as issuance of guarantees, ongoing compliance and reporting requirements and conditions for disinvestment.

4.1. rbi.org.in

Finance

As a result of a concerted effort by the government and the private sector, India is undoubtedly one of the most vibrant capital markets in the world with its robust banking insurance and fund industry. Within financial services, banking is the biggest and one of the most important sectors contributing to the growth of the economy. The government has, from time to time, endeavoured to address several tax and regulatory issues faced by the sector to make India a more competitive economy and help attract domestic as well as foreign capital.

The Government of India has set-up India's first International Financial Service Centre, GIFT City, in Gandhinagar. GIFT City has been set up with an objective to enable Indian entities compete on an equal footing with offshore financial centres and to provide facilities and regulations comparable to other leading IFSCs in the world. Currently, banks, AIFs, FPIs, mutual funds, clearing corporations, stock exchange and capital market intermediaries and insurance/reinsurance companies are allowed to operate in IFSC. Indian resident individuals are permitted to make remittances in IFSC under LRS.

The financial transactions that may be undertaken in the GIFT City are now regulated by a unified authority, i.e., IFSCA. IFSCA has issued regulations to govern the operations of all financial services activities in the GIFT City.

Financial services sector

The Indian financial sector has the following broad categories:

Banks

Financial markets in India have acquired increased liquidity and depth over the years with banks dominating the space. RBI, the apex bank of the country, regulates the banking sector. Reforms in the banking sector have encouraged entry of new players, making it more market-driven with increased efficiency and productivity. The banking sector consists of commercial banks, small finance banks and payments banks.

The RBI has also introduced detailed guidelines allowing Indian and foreign banks with a presence in India to carry out operations in the IFSC.

Non-banking financial companies

These are financial institutions, regulated by the RBI, whose financial assets constitute more than 50% of the total assets and income from financial assets constitute more than 50% of the gross income. NBFCs lend and make investments and hence their activities are generally considered akin to those of banks.

Global experience suggests that NBFCs complement the role of banking in providing finance, innovative products and services in such space and thus play an important role in the development of a financial centre. Accordingly, the IFSCA issued IFSCA (Finance Company) Regulations, 2021 to provide a framework for FCs in the IFSC which can carry out various activities such as lending, investment in securities, ship and aircraft leasing, trading in derivatives, merchant banking, investment advisory, portfolio management, trusteeship services, distribution of mutual funds, etc.

Insurance

The insurance sector comprises insurance companies (i.e., life insurance, general insurance and reinsurance companies), insurance brokers, third-party administrators, surveyors and assessors, as well as other such intermediaries.

Finance Act 2021 increased the FDI limit in the insurance sector from 49% to 74% under the automatic route subject to certain conditions. Recently, the government has also approved 100% FDI for insurance intermediaries under the automatic route.

Capital markets

Indian companies are allowed to raise capital and access financial markets through public issue of securities within the regulatory framework of the SEBI, which regulates the activities of capital market participants in India. The Indian capital market comprises equity, debt, foreign exchange, derivative and commodity markets.

To boost foreign investment in Indian capital markets, SEBI has issued revised FPI regulations and corresponding operational guidelines, which provide simplified registration and KYC requirements.

In order to deepen the bond market and achieve the aspirational growth rate through flow of additional capital in the financial system, a new route viz. fully accessible route is introduced, to enable non-residents to invest in specified securities issued by the government without being subject to any investment limit.

Investment banking activities in the capital markets are being carried out by banks and their associates in various jurisdictions globally with the purpose of facilitating ease of doing business, IFSCA has now permitted a banking unit licenced by the IFSCA to undertake investment banking activities in the IFSC.

Capital market intermediaries

Some of the financial intermediaries in Indian capital markets include stock exchanges, stockbrokers, merchant bankers, credit rating agencies, investment advisors, portfolio managers, clearing corporations, etc. These intermediaries support the functioning of capital markets in India.

The capital market intermediaries in IFSC were regulated by the SEBI (IFSC) Guidelines, 2015 and other specific operating norms specified by the IFSCA and/or SEBI for stockbrokers, portfolio managers, investment advisors and custodians. In October 2021, the IFSCA enacted a comprehensive regulatory framework for the capital markets intermediaries operating in IFSC, focusing on ease of doing business and consistent with the fundamental principles laid down by the IOSCO, which is the standard setting body for securities markets. However, portfolio managers and investment advisors are now governed by IFSCA (Fund Management) Regulations, 2022.

Mutual funds

Mutual funds are popular in India because they simplify investment in the increasingly complicated financial markets.

Pension funds

Pension funds are created by an employer to make contributions of funds for employees' future benefit. With the passage of the PFRD Act 2013, the retirement fund corpus in India's pension sector is expected to reach INR 62,353 billion by 2025[5.1].

Foreign investment in the pension sector is permitted up to 74%.

Alternative investment funds

In India, AIFs are regulated by SEBI. AIF refers to any privately pooled investment from Indian or foreign sources. AIFs are classified under three categories based on their investment strategy:

- **Category I:** Venture capital funds, infrastructure funds, etc.
- **Category II:** Private equity and debt funds
- **Category III:** Complex derivative, listed equity

SEBI has also issued operational guidelines to enable setting up of AIFs in IFSC. Unlike, domestic AIFs, AIFs in IFSC shall have no restriction on leverage and shall not be subject to diversification norms. Government of India has also granted various tax incentives to AIFs set-up in IFSC and relocation of offshore funds to AIF located in IFSC.

Recently, with an intent to develop a comprehensive and consistent regulatory framework for investment funds based on global best practices, the IFSCA notified the IFSCA (Fund Management) Regulations, 2022. Under the new Fund Management Regulations, IFSCA shall regulate the fund managers as against exercising regulatory oversight over the Funds. Further, a fund manager intending to undertake host of activities related to fund management shall be required to obtain single registration for multiple activities. Any entity, intending to undertake the business of fund management will have to get registered as an FME before commencing any business in IFSC.

Asset reconstruction companies

These have been created to bring about a system for recovering NPAs from the books of secured lenders and unlocking the value of NPAs. To help tackle the issue of declining asset quality of banks, 100% FDI is allowed in ARCs under the automatic route.

5.1. marketresearch.com

Real estate investment trust/ infrastructure investment trusts

These are alternate fund-raising mechanisms offered to companies that own income producing real estate or infrastructure. The unit holders of a REIT/ InvIT earn a share of the income earned through real estate investment or infrastructure without actually having to go out and buy or finance property.

SEBI has relaxed the rules for REITs and InvITs by allowing them to invest more in under construction projects, facilitating rationalised unit holder consent on related party transactions and removal of restrictions on SPVs to invest in other SPVs holding the assets. Further, SEBI has also done away with requirement of mandatory listing of InvIT and REIT units. REITs and InvITs incorporated in FATF compliant jurisdiction are permitted to list on stock exchanges in GIFT City.

Fintech

India is transitioning into a dynamic ecosystem offering fintech start-ups a platform to grow into billion-dollar unicorns. From tapping new segments to exploring foreign markets, fintech start-ups in India are pursuing multiple aspirations.

The fintech sector in India mainly includes:

- Next-generation payments
- Financial inclusion
- Blockchain
- Robo-advisory
- Security and biometrics

Recently, the RBI and SEBI have issued a framework for regulatory sandbox. The regulatory sandbox framework enables fintech start-ups to test their financial products, services or technology in a controlled regulatory environment before launch.

Other activities in GIFT City

In November 2020, the IFSCA notified the IFSCA (GIC) Regulations, 2020, to provide for a framework to recognise and operationalise GICs in the IFSC. GIC can be set-up in GIFT City to provide support services directly or indirectly, to entities within its financial services group, including, but not limited to banks, non-banking financial companies, financial intermediaries, investment banks, insurance companies, reinsurance companies, actuaries, brokerage firms, funds, stock exchanges, clearing houses, depositories, and custodians for carrying out a financial service in respect of a financial product.

In December 2020, the regulators have notified IFSCA (Bullion Exchange) Regulation for setting up the International Bullion Exchange in GIFT City. Recently, the regulators have permitted trading of rupee-dollar (i.e., INR-USD) currency derivatives on the IFSC exchanges.

The Singapore Stock Exchange, which opened its office in GIFT City in October 2021, started operations, thereby providing international access to India's capital markets and created a larger pool of liquidity.

Business entities

A foreign company has the following business entity options through which it can establish its presence in India:

Unincorporated entities

- Liaison office
- Branch office
- Project office
- Partnership firm

Incorporated entities

- Limited liability partnership
- Limited company (public/private)

These forms of business entities are discussed below.

Liaison, branch and project offices

An LO is suitable for a foreign company that wishes to set up a representative office as a first step to explore and understand the business and investment climate in the country. This office serves as a communication channel between the parent company overseas and its present/prospective customers in India. The LO cannot undertake any business activity or earn any income in India. A foreign company may apply for establishing its LO in India to an AD bank if the principal business of the entity residing outside India falls under sectors where 100% FDI is permitted in terms of the FDI policy.

It may be noted that an LO shall not maintain more than one bank account at any given time without the prior permission of RBI. The validity period of an LO is generally for three years. The non-resident entity applying for a LO should have a profit-making track record during the immediately preceding three financial years in the home country and net worth of not less than USD 50,000 or its equivalent.

Foreign company may also open a BO. The BO should engage in the activity in which the parent entity is engaged or a related activity. Permissible activities for a BO include export/import of goods, rendering professional or consultancy services, undertaking research work, promoting technical or financial collaborations, representing the parent company in India and acting as buying/selling agent in India, rendering information technology services and rendering technical support. The non-resident entity applying for a BO should have a profit-making track record during the immediately preceding five financial years in the home country and net worth of not less than USD 100,000 or its equivalent.

A foreign company may open a PO in India without prior approval from the RBI, provided it has secured a contract from an Indian company to execute a project in India and meet the prescribed conditions. Once the project is executed as per the terms of the contracts, the PO is required to be closed down.

Applications for establishing LO/BO/PO in India by the non-resident entity is to be made to an AD bank.

Annual Companies Act and foreign exchange laws compliances by LO/ BO / PO

1. Annual return is to be submitted to Registrar of Companies within 60 days from the close of financial year.
2. Annual accounts of the Indian office and consolidated accounts are to be submitted to Registrar of Companies within six months of the close of the financial year.
3. The AAC, at the end of 31 March each year, along with audited financial statements, including receipt and payment account, needs to be submitted on or before 30 September of every year.

Partnership firms

Under the current FDI policy and the FEMA, foreign investment into Indian partnership firms (other than by NRIs) requires prior permission from the RBI.

Limited liability partnership

It is a hybrid between a partnership firm and a company. It is a separate legal entity, with the liability of the partners being limited to their agreed contribution in the LLP. Foreign investment into LLP is permitted under the automatic route (without requiring prior approval) in sectors where 100% FDI is allowed.

An LLP is governed as per the LLP agreement between the partners. In the absence of such an agreement, the framework provided in the LLP Act would govern the LLP. Importantly, the LLP Act makes it mandatory to have two individual designated partners, at least one of whom should be residing in India.

For registering an LLP in India, name availability is to be checked with MCA. After the name is confirmed, relevant documents are to be executed and an application is to be submitted to the Registrar. The Registrar approves the application and issues an LLP identification number to the LLP.

Annual Companies Act and foreign exchange laws compliances by LLP

1. Annual Return is to be submitted to Registrar of Companies within 60 days from the close of financial year.
2. Details as contained in Annual Accounts of the LLP are to be submitted to Registrar within 30 days from the end of six months of the financial year.
3. LLP which has received investment by way of capital contribution in the previous year including the current year, are required to submit RBI annual return to the RBI on or before the 15 July of each year.

Limited company

It is an incorporated entity, which is a separate legal entity distinct from its members/shareholders. As mentioned above, foreign investment in India is governed by the FDI policy of the government and the FEMA. All companies in India are incorporated under the provisions of the CA 2013.

Features of Limited Companies are as under:

1. Indian companies are required to appoint one resident director.
2. Private companies are required to appoint minimum two directors and Public companies are required to appoint minimum three directors.
3. Private companies should have minimum two shareholders and Public companies should have minimum seven shareholders.
4. Every company is required to have a registered office within 30 days of Incorporation.
5. Statutory auditors are to be appointed within 30 days by the Board. In case, the auditors are not appointed by the Board, shareholders may appoint the auditors within 90 days.

Shares are to be issued by the Indian company within 60 days from the date of receipt of the consideration.

If, shares are not issued by the Indian company within 60 days from the date of receipt of the consideration, the amount so received has to be refunded to the Investor, within 15 days from the date of completion of 60 days.

An Indian company issuing shares to foreign individuals/ entities is required to report such issue to RBI within 30 days from the date of issue of shares.

Indicative Annual Companies Act and foreign exchange laws compliances by companies:

(i) Companies are required to hold minimum four board meetings in a year.
(ii) One AGM of shareholders is to be convened.
(iii) Annual accounts are to be filed with Registrar within 30 days from the date of AGM.
(iv) Annual return is to be filed with Registrar within 60 days from the date of AGM.
(v) Certain statutory registers are to be maintained.
(vi) An Indian company which has received FDI in the previous year including the current year, shall submit annual return to the RBI on or before 15 July of each year.

For establishing a company in India, the following procedure is to be followed:

(i) Check name availability with the MCA.
(ii) After reservation of name, application for incorporation is to be submitted with the MCA.
(iii) MCA scrutinises the application and issues a Certificate of Incorporation.
(iv) Thereafter, the company is required to open a bank account for infusion of capital.

In case of receipt of funds from outside India for share subscription, Form FC-GPR is to be submitted to RBI within 30 days from the date of allotment of shares

Foreign investors, while deciding to set up an entity in India as a private vis-à-vis a public company, need to consider several factors such as:

- A private company can provide for restrictions on transfer of its shares by inserting suitable clauses in the Articles of Association, but no such restrictions can be put on transfer of shares in a public company that are freely transferable
- A private company cannot invite public to subscribe its securities
- The compliances applicable to a private company under the CA 2013 are fewer as compared to those applicable to a public company, such as formation of various governance committees, secretarial audits, appointment of independent directors and ceiling limit for managerial remuneration

Labour laws

Employment agreements

India has adopted various methods of entering into employment contracts, i.e., written, applied and interpreted. The Indian Contracts Act, 1872, defines the term 'contract' as an agreement legally enforceable by law. There must be a lawful offer and a lawful acceptance to result in an agreement. In India, both the state and central governments regulate labour-related laws.

Applicable labour laws on wages/salary

The Minimum Wages Act, 1948, Payment of Wages Act, 1936, Payment of Bonus Act, 1965 and the Equal Remuneration Act, 1976, are the key legislations that regulate wage and bonus payments in all employments where any industry, trade, business, or manufacturing is carried out.

Social security

The Ministry of Labour and Employment and the Government of India are the nodal authorities responsible for framing policies for social security for the organised and unorganised sectors. The EPFO is a statutory body established under the Ministry of Labour and Employment, which administers the social security regulations for employees in the organised sector. It is mandatory to register with EPFO for all establishments employing 20 or more people at any point of time. It also covers provision of pension and other survivor benefits in the event of employee's death.

Employees are required to contribute 12% of their salary to the EPFO with a matching contribution by the employer. Foreign or international workers employed with establishments in India are also required to contribute to EPFO.

Employees are also entitled to gratuity on completion of five years of continuous service.

Social security agreements

India has also executed SSAs, which are bilateral agreements between two governments. Such agreements serve to protect the interests of Indian citizens working outside India in any of these countries or foreign nationals coming to India from these countries. Presently, India has signed SSAs with 20 countries as under:

Australia	**Austria**	**Belgium**
The Czech Republic	**Canada**	**Denmark**
France	**Finland**	**Germany**
Hungary	**Japan**	**Republic of Korea**
Luxembourg	**The Netherlands**	**Norway**
Portugal	**Swiss Confederation**	**Sweden**
Brazil	**Quebec**	

New labour codes

The government enacted the following four labour codes in September 2020 that subsume 29 existing labour legislations:

- **Code on Wages, 2019**: Consolidates laws relating to wages and bonus.
- **Social Security Code, 2020**: Amalgamates the nine labour laws including the provident fund, gratuity, employee state insurance and maternity benefit.
- **Industrial Relations Code, 2020**: Consolidates matters related to trade unions, conditions of employment in industrial establishments, investigation and settlement of industrial disputes.
- **Occupational Safety, Health and Working Conditions Code, 2020**: Consolidates laws regulating the occupational safety, health and working conditions of the persons employed in an establishment and related matters.

Under the Indian Constitution, labour falls under the concurrent list, which means that the union government and state governments have joint jurisdiction. Accordingly, respective state governments would also be notifying the rules under the labour codes. These rules would be applicable to establishments in their jurisdictions. Once notified, the new labour codes would be applicable to all establishments across industry segments operating in India.

The date on which the labour codes would come into force is a pending notification as on 28 June 2022.

Work permits for foreign workers

A foreign national coming to India to work is required to get a visa, based on the purpose of the visit. All foreigners (including foreigners of Indian origin) visiting India on long-term visas (student, medical, research and employment visa of more than 180 days) are required to get themselves registered with the FRRO. The FRRO registration process is digitalised and the e-FRRO portal provides a faceless, cashless and paperless service to foreign nationals.

Generally, employment visa, business visa or project visa is issued for business/employment purposes. The validity of a visa depends upon the type of visa granted and extension of visas may be granted as per the requirements on a case-to-case basis.

Overseas Citizenship of India

Persons of Indian origin who hold foreign citizenship (other than of Pakistan and Bangladesh or any other country as notified by the central government) and meet the specified eligibility criteria may avail OCI status as long as their home countries allow dual citizenship, in some form or the other, under their local laws.

Registered OCIs shall be entitled to certain benefits like multiple entries, multi-purpose life-long visa to visit India, parity with NRIs in financial, economic and educational fields, except in the acquisition of agricultural or plantation properties, etc. Also, OCIs are not required to register themselves with the FRRO and Foreign Registration Officer, irrespective of the period of stay in India.

Accounting, reporting and audit requirements

In India, accounting, reporting and auditing requirements of businesses are primarily governed by the regulations issued by the ICAI, SEBI, MCA and CBDT.

The CA 2013 governs the incorporation of a company, manner of conducting the affairs of a company, responsibilities of its board of directors and other provisions including winding up. It also prescribes the financial reporting and auditing requirements to be followed by all companies, including foreign companies, as defined in the CA 2013.

Companies listed on a recognised stock exchange in India are also governed by the rules and regulations issued by the SEBI. Further, industry-specific guidance relating to financial reporting is also issued by relevant regulatory authorities, such as the RBI, NHB and IRDAI.

Preparation of financial statements

Every company is required to prepare both separate and consolidated financial statements on an annual basis, in accordance with the accounting framework applicable to the company. Listed companies and specified unlisted companies (rules in this respect are awaited) are also required to publish periodical interim financial information, as may be applicable, which are subjected to review or audit.

Accounting year

Under the CA 2013, companies are required to adopt a uniform financial year ending on 31 March, unless specifically permitted by the authorities under certain conditions, such as a holding company incorporated outside India, which follows a different financial year. For income-tax purposes, the accounting year must end on 31 March every year.

Contents of financial statements

The CA 2013 lays down the form and certain content in addition to the requirements under the accounting standards for the presentation of financial statements of companies except insurance, banking, electricity companies and other classes of companies for whom the form of financial statements is specified by the governing acts. MCA has in the recent past enhanced these disclosure requirements which are applicable for the financial years starting from 1 April 2021. Financial statements comprise balance sheet, statement of profit and loss, cash flow statement, statement of changes in equity (if applicable) and related notes.

Records to be maintained

Every company should follow the accrual basis of accounting. The CA 2013 requires that the records can also be maintained in electronic mode in the prescribed manner and should be retained for a minimum period of eight years. In certain cases, the central government has the power to direct a company to retain the statutory books for longer periods. With effect from financial years starting 1 April 2023 (would apply from AY 2023-24 and all the subsequent years), there is a mandate to use accounting software with features of maintaining an effective audit trail for maintaining books of account electronically creating an edit log of each change made in books of account and ensuring audit trail cannot be disabled.

Accounting framework

The CA 2013 prescribes two accounting frameworks:

- The accounting standards prescribed under Companies (Accounting Standards) Rules, 2021 as notified under the CA 2013 (Indian GAAP)
- Ind AS prescribed under the Companies (Indian Accounting Standards) Rules, 2015, based on IFRS as issued by the International Accounting Standards Board, with certain carve-ins and carve-outs

The applicable accounting framework for companies other than insurance and banking companies is determined based on the thresholds and other criteria prescribed under CA 2013. Companies may also voluntarily adopt Ind AS irrevocably, earlier than the prescribed roadmap.

Banking and insurance companies were earlier required to implement Ind AS for the preparation and presentation of their financial information from 1 April 2019 in a phased manner. However, RBI has deferred such implementation for banking companies till further notice in view of the preparedness of banks and pending necessary legislative amendments to the Banking Regulation Act, 1949, while IRDAI has deferred Ind AS implementation for insurance companies until Ind AS 117 on insurance contracts is notified by the MCA.

National Financial Reporting Authority

In October 2018, the MCA constituted the NFRA by notifying Section 132 of the CA 2013 and subsequently notified the related rules describing NFRA's role. The primary responsibility of NFRA, inter alia, is to monitor and enforce compliance with the accounting and auditing standards, and to oversee the quality of service of the professionals associated with ensuring such compliance.

Financial Reporting Quality Review Report is issued by NFRA with respect to reviewed companies from time to time with an aim to enhance the quality of the professional services and financial reporting process. These reports highlight issues in auditing and accounting matters with stakeholders and users of financial statements of those companies.

Mandatory firm rotation

To promote auditor independence and in the interest of improving audit quality, the CA 2013 prohibits auditor appointment for more than five consecutive years (if the auditor is an individual) or more than two periods of five consecutive years (if the auditor is an audit firm) by listed companies and certain other class of companies (wherein thresholds have been defined based on nature of entity, paid-up share capital and public borrowings or public deposits).

An individual/audit firm that has completed the above prescribed period as an auditor is eligible for re-appointment only after a period of five years from the completion of such term.

Similarly, RBI guidelines mandate that the statutory auditors of commercial banks, UCBs and NBFCs must be rotated every three years with cooling-off period of six years from FY 2021-22. However, non-deposit taking NBFCs with asset size of less than INR 1,000 crore have the option to continue with the extant procedure. For entities with asset size of more than INR 15,000 crore, joint audit is mandatory.

RBI also mandates that one audit firm can concurrently take up statutory audit of a maximum of four commercial banks, eight UCBs and eight NBFCs during a year.

Audit of financial statements

Every company in India must have its financial statements audited by a chartered accountant in practice (member of the ICAI). The audits are required to be conducted in accordance with the auditing standards issued by the ICAI as prescribed under the CA 2013. This includes reporting on specific matters specified under the CARO, 2020, which has been further enhanced for addressing the needs of the rapidly changing business environment and increased focus on governance by all interested stakeholders. Further, for certain categories of companies, auditors are required to opine on the operating effectiveness of internal financial controls as well. In addition, the IT Act mandates audit of taxpayers meeting certain specified thresholds to be conducted by a chartered accountant in practice (member of the ICAI).

Auditing standards

The Standards of Auditing issued by the ICAI are largely similar to the International Standards on Auditing issued by the IAASB of the International Federation of Accountants.

However, there are additional reporting responsibilities on auditors governed by Section 197 and Section 143 of the CA 2013 which, inter alia, includes the CARO 2016 that requires the auditor to include a statement on matters as specified in such order, reporting whether the company has adequate internal financial controls in place and reporting to the central government on any fraud identified above the prescribed thresholds. A new order, CARO 2020 replaces CARO 2016 for periods beginning on or after 1 April 2021, which has significantly enhanced the reporting requirements.

The ICAI has also issued additional guidance notes on auditing specific areas of the financial statements and specific industries that are required to be complied with by the auditors for discharge of their duties.

Filing of financial statements/ results

A company is required to hold an AGM within six months of the end of a financial year.

Financial statements are laid down before the members of the company in the AGM. Such financial statements are required to be filed with the RoC within 30 days of the AGM. Listed companies also need to file the audited (or reviewed) financial results with the stock exchange within 60 days in case of annual periods and 45 days in case of quarterly periods except for the last quarter.

Reporting on internal financial controls

In the case of a listed company, directors are required to implement internal financial controls to be followed by the company and report annually whether such internal financial controls were adequate and operating effectively. In the case of other companies, directors are only required to report whether such internal financial controls were adequate.

In the case of all companies, except for certain private companies meeting prescribed thresholds for which exemption is given, the auditors are required to report whether internal financial controls over financial reporting in relation to separate and consolidated financial statements were adequate and operating effectively during the financial year.

Income computation and disclosure standards

In view of the significant developments in convergence with IFRS, ICDS were notified under the IT Act which are, in principle, closer to the existing Indian GAAP than the IFRS-based Ind AS. These standards are effective from FY 2016-17 and are required to be followed by all taxpayers following the accrual system of accounting for the purpose of computation of income from business and income from other sources.

Cost audit

Every company (including foreign companies) engaged in the production of goods or providing services specified in Companies (Cost Records and Audit) Rules, 2014 issued under Section 148 of CA 2013, having annual turnover above the prescribed limit during the immediately preceding financial year, is required to include cost records for such products or services in their books of account and is required to get its cost records audited by a cost auditor.

The cost audit report is required to be submitted to Central Government within 30 days of receipt of the report along with full information and explanation on every reservation or qualification contained therein.

Direct tax

Income tax is chargeable on income computed in accordance with the provisions of the IT Act. Income can be brought within the tax net under the following heads:

- Income from salary
- Income from house property
- Profits and gains from business or profession
- Capital gains
- Income from other sources (income not specifically covered under other heads)

All taxpayers are required to follow a uniform tax year from 1 April to 31 March for tax purposes, referred to as the previous year, irrespective of the FY followed for accounting purposes.

India follows a mix of source-based and residence-based taxation. The IT Act provides for such taxation vis-à-vis the residential status of the person in relevant previous year, i.e., ROR, RNOR, NR.

Taxation of individuals

Depending upon the duration of physical presence in India, an individual and his scope of taxation can be considered as following:

Resident and ordinarily resident

ROR are taxable on their global income.

Resident but not ordinarily resident

RNOR are also taxable on their global income. However, the income that accrues or arise to him outside India shall not be included, unless the income is derived from a business controlled from India or from a profession set up in India.

Non-resident

NR are taxable either on receipt or source basis in India.

An individual taxpayer is treated as a 'resident' in India in a year, if the taxpayer is in India:

- For 182 days or more in the previous year; or
- For an aggregate period of 60 days or more and has been in India for an aggregate period of 365 days or more within four years immediately preceding that year. For a citizen of India or a person of Indian origin visiting India, the condition of 60 days is to be read as:
  - 120 days if the total income (other than income from foreign sources) exceeds INR 15 lakh during the year;
  - 182 days in other cases.

Such a person, who meets the aforesaid conditions of stay of 120 days and having specified income exceeding INR 15 lakhs, shall be treated as an RNOR in India. Further, an Indian citizen shall be deemed to be 'resident' (RNOR) in India if their total income (excluding income from foreign sources) exceeds INR 15 lakh and they are not liable to tax in any other country or territory. This would not apply to individuals who qualify as ROR under the normal provisions of the IT Act.

The personal tax rates for the FY 2022-23 are as follows:

Option 1: Old tax regime

Income slabs	Rate of tax (%)#
Up to INR 250,000#	Nil
INR 250,000 to INR 500,000	5%
INR 500,000 to INR 1,000,000	20%
Above INR 1,000,000	30%

#Minimum exemption limit for:

- **Resident senior citizens** (age 60 years and above but less than 80 years): INR 300,000
- **Resident super senior citizens** (age 80 years and above): INR 500,000

Option 2: Optional concessional tax regime

(can be availed on foregoing certain deductions/exemptions)[6.1]

Income slabs	Rate of tax (%)#
Up to INR 250,000	Nil
INR 250,001 to INR 500,000	5%
INR 500,001 to INR 750,000	10%
INR 750,001 to 1,000,000	15%
INR 1,000,001 to 1,250,000	20%
INR 1,250,001 to 1,500,000	25%
Above INR 1,500,000	30%

Taxation of partnership firm (including LLP)

The scope of taxable income of a firm is as follows:

Resident
Taxed on worldwide income

Non-resident
Taxed on income (a) received/deemed to be received in India or (b) which accrues or arises or is deemed to accrue or arise in India

A firm is said to be resident in India in every case, except where during that year the control and management of its affairs is situated wholly outside India.

The tax rate for FY 2022-23 is 30%#.

Taxation of companies

The scope of taxable income of a company is as follows:

Resident
Taxed on worldwide income

FY 2016-17 onwards, a company shall be a resident in India if it is an Indian company or its PoEM is in India. PoEM has been defined as a place where key management and commercial decisions, which are necessary for the conduct of business of an entity, in substance, are made. The Indian revenue authorities have also released guidelines for the determination of PoEM of a foreign company in India.

Non-resident
Taxed on income (a) received/deemed to be received in India or (b) accrues or arises or is deemed to accrue or arise in India.

These rates would be increased by applicable surcharge and cess.

6.1. Individual / HUF with business income will have an option to opt out of the concessional regime without any option to re-exercise such benefit and an individual/HUF without business can exercise the option on a year-to-year basis.

Tax rate for domestic company

The corporate tax rates for the FY 2022-23 are as follows:

	Prescribed conditions	Tax rate#
(a)	Total turnover or the gross receipts in the FY 2020-21 does not exceed INR 4,000 million	25%
(b)	Other than corporates falling under (a) above	30%

Domestic companies may opt for lower corporate tax rate subject to specified conditions as under:

	Prescribed conditions	Tax rate#
(a)	Existing domestic company which does not claim any of the specified exemption/incentives	22%
(b)	New domestic company set up on or after 1 March 2016, engaged in the business of manufacture or production of any article or thing and does not claim specified exemptions/incentives	25%
(c)	New domestic company set up on or after 1 October 2019 which commences manufacturing activity by 31 March 2024 and does not claim specified exemptions/incentives	15%

Tax rate for foreign company

The corporate tax rate for a foreign company is 40%#.

Rate of surcharge

Tax rates mentioned shall be increased by applicable rate of surcharge which is as follows:

	Net income		
Types of company	**Up to INR 10 million**	**INR 10-100 million**	**Above INR 100 million**
Domestic company not opting for lower tax rate	NIL	7%	12%
Domestic company opting for lower corporate tax rate of 22%/15%	10%	10%	10%
Foreign company	NIL	2%	5%

	Net income			
Taxpayer	**INR 5-10 million**	**INR 10-20 million**	**INR 20-50 million**	**Above INR 50 million**
Individual/AOP*/ BOI/AJP	10%	15%	25%	37%
Firm/LLP/local authority	NIL	12%	12%	12%

*Rate of surcharge is restricted to 15% for AOPs where all the members are companies

Rate of surcharge shall be restricted to 15% in case of capital gains arising:

- On sale of equity share in a company or a unit of an equity-oriented fund or a unit of business trust liable for STT in the hands of an individual, HUF, AOP, BOI and AJP
- On sale of any security, including derivatives in the hands of FIIs
- On long term capital gains arising from transfer of any capital asset

Rate of Health and Education Cess

A Health and Education Cess of 4% is applicable to all taxpayers on all levels of income and is computed on the amount of tax, inclusive of surcharge (wherever applicable).

Minimum Alternate Tax/ Alternate Minimum Tax

India has a minimum tax regime, whereby MAT/AMT is payable by corporates/other persons on profits as per books/adjusted total income (subject to specified adjustments), where tax payable on total income under the normal provisions of the IT Act is less than MAT/AMT.

MAT is not applicable in case of domestic companies opting for lower tax rates of 22%/15%. For domestic companies liable to corporate tax at the rate of 25%/30% or foreign companies[6.2], MAT is leviable[6.3] at the rate of 15%# on book profits. Excess of MAT over normal tax is treated as credit (subject to prescribed limitation), which can be set off in any 15 subsequent years against normal tax liability.

Persons (other than company) claiming certain specified deductions[6.4] are subject to AMT at the rate of 18.5%[6.5] on adjusted total income[6.6]. Excess of AMT over normal tax is treated as credit (subject to prescribed limitation), which can be set off in any 15 subsequent years against normal tax liability.

These rates would be increased by applicable surcharge and cess.

6.2. MAT provisions apply to a foreign company only if it has a permanent establishment in India (in accordance with the provisions of relevant tax treaty) or in case where there is no tax treaty available, if it is required to seek registration under any law for the time being in force relating to companies.

6.3. Where tax payable on the total income is less than 15% of book profits.

6.4. The provision of AMT shall apply to an individual/HUF/AOP/BOI/AJP/ LLP/firm subject to the prescribed provisions. However, where the adjusted total income does not exceed INR 2 million in the case of said person except LLP/firm, the AMT provision shall not apply. Further the provisions of AMT are not applicable to individual/HUF/cooperative society who has opted for the concessional tax regime.

6.5. AMT, for unit located in IFSC and deriving income solely in convertible foreign exchange, is 9% and would be increased by applicable surcharge and cess.

6.6. AMT is leviable where tax payable on the total income is less than 18.5% (9% for IFSC) of adjusted total income.

Dividend taxation

Dividend income is taxable as per the tax rate applicable in the case of respective shareholders and investors. Cascading effect in case of intercorporate dividends has been eliminated by providing a deduction in respect of dividends received by a domestic company to the extent such dividend is distributed.

Buy-back tax

The IT Act levies a buy-back tax at the rate of 20% (plus applicable surcharge and cess) on the company's (both listed and unlisted) shares bought back on or after 5 July 2019, where the public announcement for buy-back has been made after this date. Such tax is to be paid by the company while buying back its own shares.

Income from buy-back of shares is exempt in the hands of the shareholders.

Capital gain tax

It is levied on the transfer of a capital asset. Capital gains are computed by deducting the cost of acquisition/improvement from the sale consideration. Capital gains are categorised into short-term capital gain and long-term capital gain depending on the period of holding of the transferred asset.

Generally, capital asset if held for 36 months or more qualifies as a long-term capital asset. However, a shorter period of holding of 12 months has been inter alia prescribed for listed shares and securities. Further, in case of unlisted shares and immovable property (being land or building or both), the period of holding is 24 months.

Short-term capital gains

Status of taxpayer	Type of asset	Rate of tax#
Both residents and non-residents	Equity shares or units of an equity-oriented fund or unit of a business trust on which STT is paid[6.7]	15%
Both residents and non-residents	Capital assets other than those mentioned above	• Slab rates for individual and HUFs • Applicable tax rate for those not covered above such as 40% for foreign companies

Long-term capital gains

Status of taxpayer	Type of asset	Rate of tax#
Both residents and non-residents	Equity shares, unit of equity-oriented funds or unit of business trust on which STT is paid[6.8]	10%[6.9]
Residents	Listed securities (other than a unit) on which STT is not paid	20% with 'indexation' or 10% without 'indexation' whichever is lower
Residents	Capital assets other than those covered above	20%
Non-residents	Listed securities (other than a unit) on which STT is not paid	10% after accounting for foreign exchange fluctuation
Non-residents	Shares and debentures other than covered above for non-residents	10% without accounting for foreign exchange fluctuation
Non-residents	Capital assets other than those covered above for non-residents	20%

A separate computation mechanism is used for capital gains for depreciable business assets, which form a part of the block of assets held by a taxpayer.

These rates would be increased by applicable surcharge and cess.

6.7 The benefit shall also be available if STT is not paid but transaction is undertaken on a recognised stock exchange located in an IFSC and consideration is in foreign currency

6.8. The benefit shall also be available if STT is not paid but transaction is undertaken on a recognised stock exchange located in an IFSC and consideration is in foreign currency.

6.9. As per the Finance Act 2018, the existing tax exemption on long-term capital gains arising on transfer of a listed equity share or a unit of an equity-oriented fund, etc., (subject to STT) has been withdrawn. Any long-term capital gain arising from such transfers made on or after 1 April 2018 and in excess of INR 1 lakh shall be taxed at 10%. Further, long-term capital gains earned up to 31 January 2018 has been grandfathered.

Taxation of non-residents

NRs are taxable on the income received or accruing in India and income deemed to have been received or accrued in India. Deemed accrual provides for taxation on the following terms:

Business income

The business income of an NR is taxable in India if it has a 'business connection' in India. The term 'business connection' is akin to permanent establishment as defined in tax treaties but is much wider. Profits from a business of a NR, attributable to operations carried out in India, are taxable in India.

The term 'business connection' includes in its ambit: (a) 'significant economic presence' and (b) any business activity carried out through a person who habitually plays the principal role leading to conclusion of contracts by a non-resident.

The concept of 'significant economic presence' has been introduced to tax non-residents who generate revenue from India without having a physical presence in India, i.e., e-commerce companies and other digitised form of businesses. These provisions are effective from 1 April 2022. These provisions would not impact non-residents that are eligible to claim tax treaty benefits.

The significant economic presence in case of a non-resident shall be triggered if: (a) aggregate amount of payment for a specified transaction with a person in India exceeds INR 20 million (during a year), or (b) non-resident undertakes systematic and continuous soliciting of business activities or engages in interaction with 300,000 or more users in India.

Taxation of other income streams of non-residents

Nature of income	Rate of tax[6.10]
Dividend	General rate - 20% (plus applicable surcharge and cess) Certain specified categories are taxed at a different rate.
Fees for technical services: Fee for managerial, technical or consultancy services[6.11]	10% (plus applicable surcharge and cess) of gross receipt
Royalty[6.12]	10% (plus applicable surcharge and cess) of gross receipt
Interest	• Interest payable by an Indian company to a NR for money borrowed in foreign currency – 20% (plus applicable surcharge and cess) • Interest payable on ECBs, long-term bonds and RDBs issued before 1 July 2023 – 5% (plus applicable surcharge and cess) • Interest payable to a FII or a QFI on a RDB of an Indian company or a government security issued before 1 July 2023 (subject to certain other conditions) – 5% (plus applicable surcharge and cess)
Capital gains • On account of transfer of a capital asset situated in India; or • Indirect transfer of capital asset[6.13]	Refer table on page 42 above for tax rates

If a permanent establishment of a non-resident is formed in India, the aforesaid incomes would be taxable on a net basis at the rate applicable to foreign companies.

6.10. Benefit of reduced rates, if any, under tax treaty can be availed.

6.11. Fees for managerial, technical or consultancy services rendered by an NR are taxable in India (where an NR does not have a permanent establishment in India).

6.12. It includes payments for use or right to use any industrial, commercial or scientific equipment, transfer of rights (including granting of a licence) in respect of a patent, trademark, copyright, literary, artistic or scientific work or similar property, etc.

6.13. Shares or an interest in a foreign company shall be deemed to be situated in India if such shares or interest derives, directly or indirectly, its value substantially from assets located in India.

Tax treaty benefit

A non-resident covered by a tax treaty can be taxed under the tax treaty or the IT Act, whichever is more beneficial. India has entered into comprehensive tax treaties with 96 countries so far.

In order to avail tax treaty benefits, a non-resident is required to furnish a Tax Residency Certificate, which is issued by the revenue authorities of his/her state of residence. In addition, the non-resident is required to furnish certain additional information, as prescribed.

India is also a signatory to the MLI and has deposited the instrument of ratification on 25 June 2019. The MLI provisions would be applicable to Indian treaties depending on the date of entry into force of the MLI for the corresponding countries.

Equalisation levy

An equalisation levy of 6% of the amount of consideration for specified services, i.e., online advertisement, provision for digital advertising space, etc., payable to a NR (not having a permanent establishment in India), is to be deducted by the remitter in India. This levy is not applicable where the aggregate consideration for the specified services does not exceed INR 1 lakh in a FY. The levy was introduced to tax digital services rendered by foreign service providers without having a presence in India.

Effective 1 April 2020, the scope of equalisation levy was expanded to cover non-resident ECO at 2% of the amount of consideration received or receivable by a non-resident ECO from e-commerce supply or services made or provided or facilitated by it to:

- Person resident in India
- NR in specified circumstances (specified circumstances shall include sale of advertisement targeting Indian customer or any person accessing such advertisement through internet protocol address located in India and sale of data collected from an Indian resident person or from a person using internet protocol address located in India)
- Person who buys such goods or services or both using Indian internet protocol address

This levy is not applicable if sales/turnover/gross receipts of the ECO from the e- commerce supply or services is less than INR 2 crore in a FY.

The following points have been clarified regarding the provisions of equalisation levy:

- If consideration for e-commerce supply of goods or services are taxable as 'royalty' or 'fee for technical services', the same would be excluded from the purview of equalisation levy.
- Any leg of a transaction, such as placing or acceptance of orders/offers, making online payment for supply of goods/ provision of services, shall trigger the levy.
- Consideration received shall be subjected to equalisation levy on the gross amount irrespective of whether the e-commerce operator owns the goods or provides/ facilitates e-commerce services.
- With effect from 1 April 2020, any income which is chargeable to equalisation levy will be exempt from income tax.
- Goods and services owned and provided by a person resident in India or by a permanent establishment of a non-resident in India and transacted over an overseas e-commerce platform will not be subject to equalisation levy.

General anti-avoidance rules

Indian domestic law contains GAAR provisions that target IAA entered into by a person for the purpose of tax avoidance. An arrangement would be considered an IAA where its main purpose is to obtain a tax benefit and it meets one of the other four tainted element tests.

However, GAAR provisions will not apply to an IAA where the tax benefit arising in aggregate does not exceed INR 30 million.

GAAR deals with aggressive tax planning with the use of sophisticated structures. The provisions of GAAR came into effect from 1 April 2017.

As per the GAAR provisions, reference is required to be made to the Approving Panel in certain circumstances. Recently, the government has ordered composition of Approving Panel for GAAR.

Virtual digital assets

Tax liability on transfer

With effect from 1 April 2022, income from transfer of VDA is taxable at 30% without deduction of any expenditure, allowance or set-off of loss, except cost of acquisition of such VDA, if any. Further, loss on the transfer of VDA can neither be carried forward nor be set off against any other income.

VDA has been defined to mean any information or code or number or token generated through cryptographic means or otherwise and which provides a digital representation of value exchanged with or without consideration, with the promise or representation of having inherent value, or functions as a store of value or a unit of account including its use in any financial transaction or investment, but not limited to investment scheme; and can be transferred, stored or traded electronically.

VDAs also include non-fungible token or any other token of similar nature. The government may further notify or exclude any other digital asset from the definition of VDA.

Computation of business income

Business income is generally taxable on a net basis, i.e., gross income less allowable tax deductions. Expenses laid out and expended for business purposes (other than capital expenses) are deductible from the income of the taxpayer for income tax purposes. This deductibility is further subject to exceptions and fulfilment of conditions, such as withholding tax, as stated in the IT Act.

The following principles are generally applied for examining the admissibility of an expense:

- Expense should be incurred for the business during the financial year.
- It should be of a revenue nature, i.e., expenses which are capital in nature are not allowed.
- It should not be for a purpose prohibited by law.

Prohibited deductions

The Finance Act 2022 has amended provisions relating to the computation of business income. It has been clarified that deduction of the following expenses will not be allowed while computing business income:

- Surcharge and/or cess
- Expenditure related to an offence under India's domestic law or any foreign law
- Benefit or perquisite to any person which is in violation of any law or rule or regulation or guidelines (as applicable)
- Expenditure to compound an offence in India's domestic law or any foreign law
- Expenditure related to earning exempt income even if such exempt income is not received during the year

Depreciation

Depreciation of capital assets is allowed on the basis of the reducing balance method using varying rates, depending on the type of assets. All similar types of assets eligible for the same rate of depreciation are clubbed together in a 'block' and depreciation is charged on the value of that block. Depreciation is available for a full year, irrespective of the actual period of use of the asset. However, in the year of acquisition of the asset, depreciation is allowed at half the normal rate if the asset is used for less than 180 days in that year. Depreciation is not available on goodwill.

Set-off of business loss and unabsorbed depreciation

Business losses, other than from speculation business, are permitted to be set off against income from any other source (except income from employment, i.e., salary income) in the same year. Business losses that could not be set off are permitted to be carried forward for setting off against business profits arising in the eight subsequent years.

Unabsorbed depreciation is permitted to be carried forward for an unlimited period.

Key direct tax incentives/tax holidays

India provides various tax incentives in the form of higher deduction/tax exemptions. However, most of the tax incentives are being gradually phased out.

Patent box regime

To encourage indigenous R&D activities, the royalty income of eligible taxpayers in respect of a patent developed and registered in India is taxable at 10% on the gross amount of royalty.

An Indian resident who is the true and first inventor of the invention and whose name appears on the patent register as the patentee in accordance with the Patents Act, 1970 is eligible for the patent box regime.

Start-ups

An eligible start-up can avail 100% deduction of the profits earned in any of the three consecutive years of the initial 10 years of operations. The start-up should be incorporated on or after 1 April 2016 but before 1 April 2023. The deduction is, however, available only to a new entity, which is not set up by way of splitting up or reconstruction of an existing undertaking.

Withholding tax

The IT Act casts an obligation on each taxpayer to withhold tax on specified payments. All payments to non-residents, which are taxable in India, attract tax withholding. In certain situations, an NR making payment to another NR/ resident is required to undertake tax withholding as per the Indian regulations.

Key compliances

Advance tax

Every taxpayer is required to pay his/her tax liability for the year during the previous year itself in installments prescribed.

The tax liability is to be worked out on the basis of an estimate of current year income and the income tax thereon shall be calculated at the rates in force during the relevant previous year. Interest is levied for non-compliance with advance tax provisions.

Permanent account number

Every person (as per the criteria prescribed in the IT Act) is required to obtain a tax registration number, termed as PAN. This number is to be quoted on all tax returns, correspondence with the tax authorities and documents relating to the prescribed categories of transactions. Failure to quote PAN by the income recipient may result in a higher rate of tax withholding.

Tax audit

Every person carrying on business is required to get his books of accounts audited if the total sales or turnover or gross receipts exceeds INR 10 million.

However, the threshold shall be INR 100 million in case cash receipts and payments do not exceed 5% of the total receipts and payments respectively. It has been clarified that receipt or payment by a cheque drawn on a bank or by a bank draft, which is not account payee, shall be treated as cash transaction.

Tax deduction and collection account number

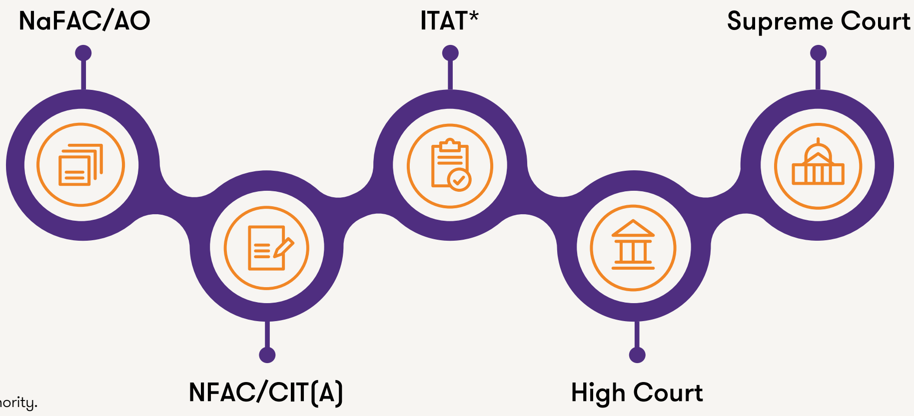
Every person responsible for withholding tax, in accordance with the provisions of the IT Act, is required to make an application for the allotment of withholding tax registration number called TAN. Corporate taxpayers can now submit a common application form for incorporation, PAN and TAN.

Tax return filing

All taxpayers (companies and firms) are required to file a return of income for the previous year within the prescribed due dates. Persons, other than companies/firms, are required to file tax returns:

- Where the total income during the year is above the basic exemption limits, or
- Where the person fulfills specified conditions.

Direct tax dispute resolution process



*ITAT is the final fact finding authority.

Faceless dispute resolution

Tax assessments (barring a few cases) are conducted in a faceless manner, where the physical interface between taxpayer and tax department has been eliminated. The identity of the officers carrying on the assessment remains unknown to the taxpayer. The taxpayer will not be required to visit the income-tax office.

Key features of the new assessment scheme are a selection of cases using data analytics /AI, automated random allocation of cases, dynamic jurisdiction, central issuance of notices and team-based assessment/review.

The government, in the past few years, has taken several steps (i.e., appeal/penalty proceedings will be conducted in faceless manner) to interact with the taxpayer and make internal processes of the tax department in electronic mode, minimising human interface.

Alternate dispute resolution mechanism

Advance rulings can be obtained for transactions (including proposed ones) involving non-residents and certain residents. Board for advance rulings (which replaces the Authority for Advance Rulings) is empowered to issue such rulings. These advance rulings will not be binding on the applicant or the tax authority and would be appealable before High Courts.

Transfer pricing

TP regulations were introduced in India in 2001, in order to prevent erosion of the Indian tax base.

Indian TP Regulations require the international transactions between AEs and SDTs to comply with the Arm's Length Principle. The Arm's Length Principle requires the pricing, terms and conditions in transactions between AEs to be in accordance with pricing, terms and conditions in comparable uncontrolled transactions between unrelated persons.

International transaction

Under Indian TP Regulations, the definition of the term 'international transaction' is very wide and encompasses transactions in the nature of purchase, sale, or lease of tangible or intangible property, provision of services, financing or any other transaction having a bearing on the profits, income, losses or assets of such enterprises or any cost contribution agreement. Indian Regulations also cover capital financing, business restructuring and intangible transactions within the scope of international transactions.

Deemed international transactions are also included within the scope of TP. Deemed international transaction in the context of a taxpayer means a transaction entered into by an enterprise with an unrelated enterprise, where: (i) there exists a prior agreement between the unrelated enterprise and the AE of the taxpayer; or (ii) the terms of such a transaction are, in substance, determined between such unrelated enterprise and the AE of the taxpayer whether or not such unrelated enterprise is resident or non-resident in India.

Associated enterprises

For Indian TP Regulations to be applicable, there has to be international transaction(s) between AE(s) and at least one of the AEs has to be a non-resident.

The definition of AEs under Indian Regulations is broadly in line with the OECD TP guidelines. Under the TP Regulations, direct or indirect participation in management, control or capital is the triggering factor for determining the AE relationship. There are 13 situations prescribed under the Indian TP Regulations where participation in management, control or capital is deemed to exist. Some of the prescribed situations which trigger AE relationship include, ownership of 26% or more shares carrying voting rights, loan advanced amounting to 51% or more of the book value of assets of borrowing enterprise, guaranteeing of 10% or more borrowings of another enterprise, majority control in appointment and/or representation in board or directors/governing board, dependency on patents, know-how, copyrights, etc., owned by other the enterprise, etc.

Specified domestic transactions

Following categories of SDTs are covered within the ambit of Indian TP Regulations:

- Transfer of goods or services between units of an entity claiming/eligible to claim tax holiday under specified sections of the IT Act.
- Any business transacted between an entity claiming tax holiday/concession under specified sections of the IT Act and a closely connected person.

Arm's length price

ALP means the price charged or which would have been charged for a transaction between independent parties under similar situations. The TP Regulations prescribe the use of either the range concept (35^{th} to 65^{th} percentile) or arithmetic mean, depending on the method applied and number of comparable selected. Where the arithmetic mean is used as a measure of ALP, a tolerance band of 3% (1% for wholesale traders) from the actual transfer price is available to the taxpayer.

Transfer pricing methods

Prescribed methods for determination of ALP under Indian TP regulations are:

- Comparable uncontrolled price method
- Resale price method
- Cost plus method
- Profit split method
- Transactional net margin method
- Any other method as prescribed

There is no priority prescribed in terms of selection/application of methods. This exercise of selection of method depends on the facts of the case and the nature of operations.

Certification - Accountant's report in Form 3CEB

Accountant's report in Form 3CEB is mandatorily required to be electronically filed by every person who has entered into international transactions (including deemed international transactions) or SDTs with its AEs regardless of the value of such transactions. Form 3CEB is a brief summary of international transaction(s) and/or SDT along with the method used to justify the arm's length nature of such transactions.

Three-tier transfer pricing documentation

In accordance with its commitment to OECD's BEPS Action Plan, the Indian government introduced the concept of three-tier TP documentation in 2016.

These regulations require an Indian entity which is part of an MNE group to maintain the following group information by way of three files (in addition to the information already required in relation to international transactions):

- **Local file**
- **Master file**
- **CBCR**

Local file compliance is currently considered to be the same as preparation of annual TP documentation (TP study) by the taxpayer. The TP study is a detailed documentation maintained by the taxpayer to justify the arm's length pricing of its international transactions, deemed international transactions and/or SDTs. Contents of TP documentation are in line with the OECD TP guidelines. The documentation is required to be maintained on an annual basis, if the aggregate value of the international transaction(s) entered into by the enterprise with its AEs during the respective financial year exceeds INR 10 million.

Nevertheless, even if the value of international transactions is less than INR 10 million, the taxpayer will have to maintain basic documentation to demonstrate the arm's length nature of such transactions.

TP study is required to be contemporaneous, and it is to be submitted to the Income Tax Department upon request.

Master file is required to be electronically filed where the value of international transactions of the enterprise with its AEs exceeds INR 500 million during the relevant accounting year (INR 100 million in case of intangible related transactions) and consolidated global turnover of the MNE group exceeds INR 5,000 million. In case there are more than one constituent entity which may or may not be resident in India, one of these entities may be designated to complete such filing.

CBCR is required to be electronically filed by the UPE of an MNE group which is resident in India, having an annual consolidated group revenue in the immediately preceding accounting year of more than INR 64,000 million. Statutory due date for e-filing is 12 months from the end of reporting accounting year of the UPE. The UPE can designate another group entity as an alternate reporting entity for the purposes of filing CBCR.

Where the UPE is outside India, in a country with which India has an agreement for the exchange of information, the Indian CE must only file a notification specifying the details of the group entity filling such CBCR. Such notification must be complied with at least two months prior to CBCR filling due date.

However, CBCR filing requirement by an entity other than the UPE is also triggered in India if: (i) the UPE is a resident of a country with whom India does not have an agreement for the exchange of CBCR; (ii) the UPE is not obligated to file CBCR in its jurisdiction; and (iii) there has been a systematic failure on part of UPEs jurisdiction to share information and such failure has been intimated to Indian entity.

Secondary adjustment

The concept of secondary adjustment is applicable in India from FY 2016-17 onwards if the amount of primary TP adjustment exceeds INR 10 million. The primary TP adjustment can be made voluntarily by the taxpayer in its return of income, or it can be made by tax officer during TP audits (if accepted by the taxpayer). Primary TP adjustments also arise on account of APA or application of Safe Harbour rules or from a MAP resolution.

Secondary adjustment is an accounting adjustment in the books of accounts of both the taxpayer and the AE aimed at reflecting the actual allocation of profits between the taxpayer and its AE in accordance with the primary TP adjustments based on arm's length price. The provisions also require time-bound repatriation of excess money lying with the AE as a result of primary TP adjustments into India. Such repatriation may be done by any of the AEs not resident in India. Failure to repatriate triggers a levy of interest on the amount not repatriated. There is an option available to the taxpayer to pay 18% (plus applicable surcharge and cess) additional tax on secondary adjustments in case the taxpayer is not able to repatriate the excess money to India.

Limitation of interest deduction

In line with the recommendations under Action Plan 4 of OECD's BEPS Action plan, India introduced interest limitation rules in the IT Act. Accordingly, the interest expense of the borrower being an Indian company or a permanent establishment of foreign company in India is deductible to the extent of 30% of EBITDA. Balance interest is allowed to be carried forward for a period of eight subsequent financial years. The interest limitation rule is not applicable where the amount of interest is INR 10 million or less. Borrowers who are in the business of banking or insurance companies and borrowings from a permanent establishment of a foreign bank in India are exempted from the applicability of interest limitation rules.

Transfer pricing audit

In India, the AO has to refer the TP part of the revenue audit to a designated TPO. The reference is based on risk criteria notified by the CBDT.

In case of a TP adjustment made by revenue authorities, the taxpayer has an option to further appeal before appellate authorities/dispute resolution panel. Post exhausting all appellate levels, the taxpayer can approach the High Court and the Supreme Court on matters involving questions of law.

Dispute avoidance mechanisms

Safe Harbour and APA route provide dispute avoidance mechanisms under Indian TP Regulations with APA being both a dispute resolution and dispute avoidance measure.

Safe harbour rules

Safe harbour regulations provide circumstances in which the income tax authorities shall accept the transfer price declared by the taxpayer, in respect of its eligible international transactions, without conducting an in-depth scrutiny of the declared transfer price.

Safe harbour is effective in India from the FY 2012-13 and are available for a prescribed block of assessment years. At present, safe harbour rules have been prescribed for: (i) Provision of software development and/or IT-enabled services; (ii) Providing corporate guarantee; (iii) Contract R&D services relating to software development; (iv) Manufacture and export of core auto components; (v) Manufacture and export of non-core auto components; (vi) Low value adding intra-group services.

The safe harbour rules for FY 2021-22 have been notified in June 2022, however, safe harbour rules for subsequent years are yet to be notified as on 28 June 2022.

Advance pricing agreement

The APA programme was introduced in India in FY 2011-12 and ever since, its utility as a TP dispute prevention and dispute resolution mechanism has increased among taxpayers.

An APA is an agreement between the taxpayer and the CBDT seeking to provide TP certainty for five prospective years and has roll back option for the four previous years. Thus, APA gives certainty for total nine years with roll back and five years without roll back. A taxpayer can opt for a unilateral, bilateral or a multilateral APA.

There are no restrictions in terms of quantum or nature of international transactions for which a taxpayer can opt for an APA. Attribution of profits to a permanent establishment is also brought under the ambit of APA.

Mutual agreement procedure

India has an extensive treaty network with other countries and access to MAP route for resolution of TP disputes is available to taxpayers under the treaty. India has published a detailed guidance on MAP in August 2020 in order to implement the recommendations of BEPS Action Plan 14 on ‘Making Dispute Resolution More Effective’. The guidance provides that the Indian competent authorities would endeavour to resolve disputes under MAP route within 24 months.

Indian TP Regulations are largely aligned to the OECD TP guidelines. Indian authorities have kept their commitment to the BEPS Inclusive Framework and adopted several measures from BEPS Action Points including the three-tier TP reporting structure, interest limitation rules, ratification of multilateral instrument, etc.

Indirect tax

Key indirect taxes applicable in India

GST
Tax on supplies of goods and services

Customs duty
Duty imposed on import or export of goods

Legacy tax
State Excise, VAT/ CST and Central Excise

Professional tax
Tax on professions, trades and employments

Goods and services tax

With effect from 1 July 2017, GST is levied on the supply of all goods and services except the supply of liquor for human consumption which is still liable to state excise duties and the VAT.

Currently, GST is not being levied on petroleum crude, high-speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel, however, central excise duty and VAT would be levied on these products.

Dual structure levy

GST has a dual structure wherein both the centre and states/ union territories have the power to simultaneously levy tax on supplies of goods and services. The dual levy structure is as under:

- CGST to be levied by the centre and SGST/UTGST to be levied by respective states/union territories on all taxable supplies within a state/union territory.
- IGST to be levied by the centre on all taxable supplies between the two different states/union territories. Further, IGST is also to be levied on the export/import of goods or services from/to India.
- Compensation cess to be levied on specified supplies to compensate the states for the loss of revenue on account of the implementation of GST.

Zero-rated supply

- GST is not applicable on 'zero-rated supply', i.e., on export of goods or services and supply of goods or services to an SEZ developer or an SEZ unit.
- The registered person making such supply shall be eligible to claim refund of unutilised input tax credit without payment of integrated taxes under letter of undertaking or on payment of integrated tax subject to prescribed conditions and safeguards.

Supply against deemed exports

There are certain notified categories of supplies of goods, which have been regarded as 'deemed export' even if such goods are not taken outside India. Such supplies, inter alia, would include supply of goods by a registered person to export oriented unit, against advance authorisation or supply of capital goods by registered person against export promotion capital goods authorisation, etc.

Nature of supply

Levy of CGST and SGST/UTGST or IGST will depend upon the nature of supply. Separate provisions for goods and services have been incorporated under GST law to identify the nature of supply. Location of supplier and the place of supply of goods or services are the two factors to determine the nature of supply.

- Intra-state supply: Location of supplier and place of supply of goods or services are within the same state/ union territory
- Inter-state supply: Location of supplier and place of supply of goods or services are in different states/union territories

Point of levy under GST

The trigger point for levy of GST is the 'supply' of goods or services or both. Provisions for determining the time of supply have been laid down for both goods and services.

Tax rates under GST

All goods and services are fitted into a four-tier rate structure of 5%, 12%, 18% and 28%. While essential items, such as food grains attract a zero rate, demerit and luxury goods attract the highest rate and may also attract cess.

Anti-profiteering

To safeguard consumers, anti-profiteering provisions have been incorporated under GST, casting responsibility on the suppliers to reduce the prices of goods and services on account of benefit of reduced tax rate or availability of additional input tax credits. The tenure of the NAA has been currently extended up to 30 November 2022.

Advance rulings under GST regime

According to the provisions of the GST law, an advance ruling can be obtained by an applicant on various issues/aspects inter alia including registration, classification, tax rate, input tax credit and taxability.

In addition, the government has announced the constitution of the National Appellate Authority for Advance Ruling. It will take up appeals against conflicting advance rulings on similar issues pronounced by two or more existing appellate authorities.

Customs duty

Customs duty, a federal government levy, is leviable on import/ export of goods to/from India. The taxable event for levy is import/export, and import/export duty is payable at the time of import/export of goods to/from India. Further, as a general principle, exports of goods and services are free from duties. Duties paid on exported goods/inputs are refunded in some or the other manner.

India follows the HSN classification rules, and the goods are classified under different chapter/tariff headings, primarily according to their description, components and use. The duties or taxes applicable on imports are Basic Custom Duty, Social Welfare Surcharge and IGST at applicable rates.

VAT/CST/state and central excise

The taxes from erstwhile regime such as VAT/CST and state/ central excise continue to be levied on alcoholic beverages and certain petroleum products. The government intends to bring the petroleum products under radar of GST in near future.

Professional tax

Professional tax is levied by the state on professions, trades, or employment in a state. Thus, every person who is engaged in any of the activities mentioned above is liable to pay professional tax. Not all the state governments currently levy professional tax. In states where such a levy exists, every enterprise and employee earning a salary is required to register and pay professional tax.

Glossary

AAC	Annual Activity Certificate
AC	Air Conditioner
AD bank	Authorised Dealer Bank
AE	Associated Enterprise
AGM	Annual General Meeting
AI	Artificial Intelligence
AIFs	Alternative Investment Funds
AJP	Artificial Juridical Person
ALP	Arm's Length Price
AMT	Alternate Minimum Tax
AO	Assessing Officer
AOP	Association of Persons
APA	Advance Pricing Agreement
ARC	Asset Reconstruction Company
AY	Assessment Year
B2B	Business-to-business
BEPS	Base Erosion and Profit Shifting
BO	Branch Office
BOI	Body of Individuals
BPM	Business Process Management
CA 2013	Companies Act 2013
CARO	Companies (Auditor's Report) Order
CBCR	Country-by-country report
CBDT	Central Board of Direct Taxes
CE	Constituent Entity
CGST	Central Goods and Services Tax
CIT(A)	Commissioner of Income Tax (Appeals)
COVID-19	Coronavirus disease-19
CST	Central Sales Tax
DPIIT	Department for Promotion of Industry and Internal Trade
E-commerce	Electronic commerce
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortisation
ECB	External Commercial Borrowings
ECLGS	Emergency Credit Line Guarantee Scheme
ECO	E-commerce Operator
EPFO	Employees' Provident Fund Organisation
ER&D	Engineering and R&D
EVs	Electric Vehicles
F&B	Food and Beverage
FATF	Financial Action Task Force
FC	Foreign Company
FCEV	Fuel cell electric vehicles
FC-GPR	Foreign Currency Gross Provisional Return
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999
FFVs	Flex-fuel vehicles
FIFP	Foreign Investment Facilitation Portal
FII	Foreign Institutional Investor
FM Radio	Frequency Modulation Radio
FMCG	Fast-Moving Consumer Goods
FME	Fund Management Entity
FPI Regulations	SEBI (FPI) Regulations, 2019
FPIs	Foreign Portfolio Investors
FRRO	Foreigners Regional Registration Office
FY	Financial Year
GAAP	Generally Accepted Accounting Principles
GAAR	General Anti-Avoidance Rules
GDP	Gross Domestic Product
GICs	Global In-house Centres
GIFT City	Gujarat International Finance Tec-City
GST	Goods and Services Tax
HSN	Harmonised system of nomenclature
HUF	Hindu Undivided Family
IAA	Impermissible Avoidance Arrangement
IAASB	International Auditing and Assurance Standards Board
ICAI	Institute of Chartered Accountants of India
ICDS	Income Computation and Disclosure Standards
IFRS	International Financial Reporting Standards
IFSC	International Financial Services Centre
IFSCA	International Financial Service Centre Authority
IGST	Integrated Goods and Services Tax
IIM	Indian Institute of Management
IIT	Indian Institute of Technology
Ind AS	Indian Accounting Standards
INR	Indian National Rupee
IOSCO	International Organisation of Securities Commissions
IoT	Internet of Things
IP	Intellectual Property
IRDAI	Insurance Regulatory and Development Authority of India

IT	Information Technology
IT Act	Income-tax Act, 1961
ITAT	Income Tax Appellate Tribunal
JVs	Joint Ventures
KYC	Know Your Client/Customer
LED	Light Emitting Diode
LLP	Limited Liability Partnership
Ind AS	Indian Accounting Standards
InvIT	Infrastructure Investment Trust
LO	Liaison Office
LRS	Liberalised Remittance Scheme
M&A	Mergers and Acquisitions
MAP	Mutual Agreement Procedure
MAT	Minimum Alternate Tax
MCA	Ministry of Corporate Affairs
ML	Machine learning
MLI	Multilateral Instrument
MMF	Manmade fibre
MNE	Multinational Enterprise
MSP	Minimum Support Price
NAA	National Anti-profiteering Authority
NaFAC	National Faceless Assessment Centre
NASSCOM	National Association of Software and Service Companies
NBFCs	Non-banking Financial Companies
NCLT	National Company Law Tribunal
NDI Rules, 2019	Non-debt Instrument Rules, 2019
NFAC	National Faceless Appeal Centre
NFRA	National Financial Reporting Authority
NHB	National Housing Bank
NIMZ	National Investment & Manufacturing Zones
NPAs	Non-Performing Assets
NR	Non-resident
NRIs	Non-resident Indians
OCIs	Overseas Citizens of India
ODIs	Overseas Direct Investments
OECD	Organisation For Economic Co-operation and Development
OEMs	Original Equipment Manufacturers
ONDC	Open Network for Digital Commerce
PAN	Permanent Account Number

PE	Private Equity
PFRD Act 2013	Pension Fund Regulatory and Development Authority Act 2013
PLI scheme	Production Linked Incentive Scheme
PO	Project Office
PoEM	Place of Effective Management
PV	Photovoltaic
Q-commerce	Quick commerce
QFI	Qualified Foreign Investor
R&D	Research and Development
RBI	Reserve Bank of India
RDB	Rupee Denominated Bond
REIT	Real Estate Investment Trusts
RNOR	Resident but Not Ordinarily Resident
RoC	Registrar of Companies
RoDTEP	Remission of Duties and Taxes on Exported Products
ROR	Resident and Ordinarily Resident
SDTs	Specified Domestic Transactions
SEBI	Securities and Exchange Board of India
SEZ	Special Economic Zone
SGST	State Goods and Services Tax
SPV	Special Purpose Vehicle
SSAs	Social Security Agreements
STT	Securities Transaction Tax
TAN	Tax Deduction and Collection Account Number
TP	Transfer Pricing
TPO	Transfer Pricing Officer
UCBs	Urban Co-operative Banks
UPE	Ultimate Parent Entity
US	United States
USD	US Dollar
UT	Union Territory
UTGST	Union Territory Goods and Services Tax
VAT	Value Added Tax
VDA	Virtual Digital Assets
WOS	Wholly Owned Subsidiary
y-o-y	year on year
IFSCA (GIS Regulation)	International Financial Services Centres Authority GIS Regulation

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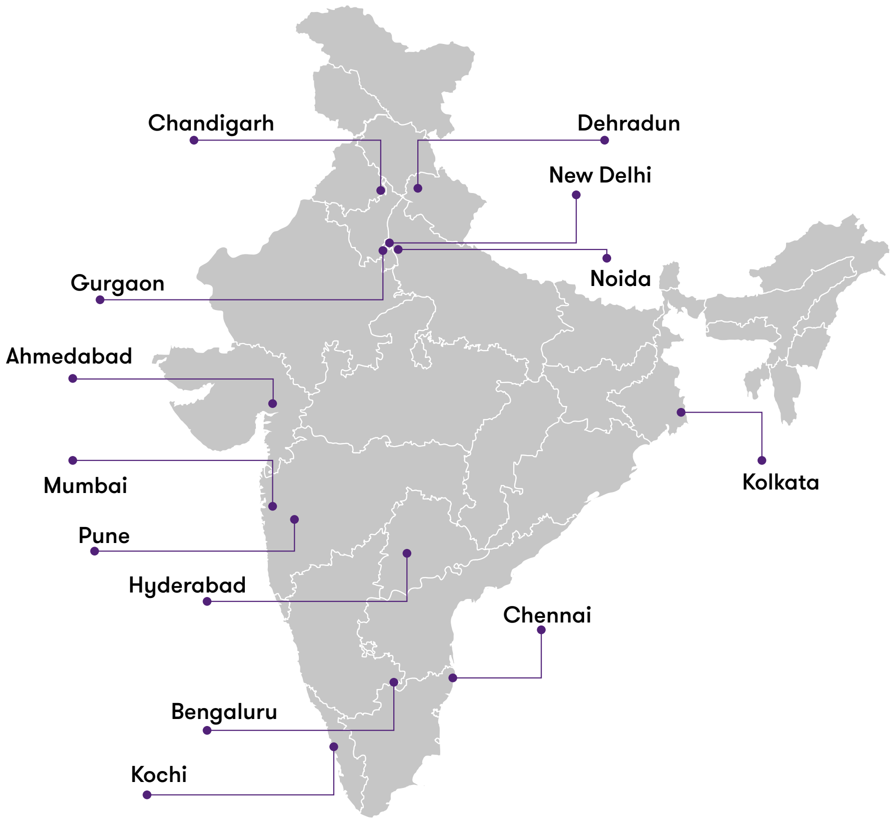

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