EEPC INDIA
ENGINEERING THE FUTURE
1955 2015

THE EEPC INDIA
'DOING BUSINESS' SERIES

DOING BUSINESS IN INDIA

The Bagmane Tech Park in Bengaluru, India's IT capital

THE EEPC INDIA
'DOING BUSINESS' SERIES

EEPC INDIA
ENGINEERING THE FUTURE

DOING BUSINESS IN INDIA

Indian engineering

MAKE IN INDIA

Doing Business in India

April 2016

India is a US$2.3 trillion economy and has the potential to be a US$10 trillion economy in the next two decades provided we are able to give a fillip to manufacturing and innovation. The windfall gains of the Indian economy followed by a plunge in global oil prices along with recent government announcements of an increase in public infrastructure investments, the adoption of a flexible inflation targeting framework, rise in capital buffers in public sector banks, a new bankruptcy law, high forex reserves, a simplified tax regime that complies with international best practices and job-creating initiatives of such as Make in India, Startup India, Mudra and Skill India, all are the framework behind creating a pro-investment scenario which is evident from the 39% rise in foreign investment and the jump by 12 places in the World Bank Ease of Doing Business Index.

Inflation is within control and industrial performance is also showing signs of revival. Fiscal consolidation measures are in place and India should be able to meet the fiscal deficit target of 3 percent by 2017-18

The report has highlighted details regarding India's existing tax structure, its SEZ and FDI policies, trade, etc. It also includes details of India's engineering industry.

I am certain that this report will be a valuable reference for global businesses and investors keen on doing business with India.

T S Bhasin
Chairman, EEPC India

Foreword

THE MERCURY IS RISING for the Indian economic barometer. Boosted by the impact of lower energy prices, India, a big oil importer, has overtaken China as the world's fastest growing large economy with an RBI projection of 7.6 GDP growth rate by the end of March 2017 and an inflation rate of 5% which itself has offered a booty of accommodating monetary policy of 6.5% benchmark repo rate – the lowest in five years.

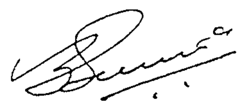
The 'Make in India' initiative which aimed at making India a global manufacturing hub and create millions of jobs has transformed the image of 'Brand India' justifying Modi's statement, 'It is wiser to be in India now'. While this positive mood continues, the appearance of several roadblocks on the domestic front and a demand slowdown globally and in emerging markets have forced sectoral players to rethink their short- and long-term strategy.

India has been declared a bright spot in the landscape of global economic development by both the World Bank and International Monetary Fund (IMF) who recognize the progress the country has made in infrastructure and the government's endeavours to boost investments, particularly in roads, railways and urban infrastructure. The manufacturing sector in India will play a pivotal role in realizing the projected growth. The Indian Prime Minister has stressed the fact that manufacturing, which has stagnated at around 16% of the GDP for several decades, requires a big push to reach 25% of the GDP by 2020

The engineering sector in India attracts immense interest from foreign players as it enjoys a comparative advantage in terms of manufacturing costs, technology and innovation. The capital goods and engineering turnover in India is expected to reach US$125.4 billion by FY17. There has been a 195.5% rise in cumulative FDI flows into the Indian engineering industry during 2010-2016. Despite the incumbent dip of 17.33% in engineering exports during April-February 2015-16 on a year-on-year basis, there has been a 20% growth of engineering exports during 2011-2014, which has made engineering exports the highest contributor to India's overall exports.

We have made this brief compendium of economic snapshots of Tax, SEZ, FDI and Labour laws in the Indian context with a brief overview of engineering exports.

I am sure this updated handbook would act as a ready reckoner for all prospective investors to India.



Bhaskar Sarkar
Executive Director & Secretary, EEPC India

Contents

Indian economy on a tightrope walk in a volatile global market	8
Introduction	10
Expanding infrastructure in India	12
Trade	14
Investment	18
India’s engineering sector	29
Tax and other regulatory measures	37
Capital Gains tax in India	47
Labour laws in India	55
Important information	56
Useful contacts	61
EEPC India offices	62

It is wiser to be in India now........

01 India has been successful in containing the Current Account Deficit (CAD) to 1.3% of GDP at USD 7.1 Billion during the first three quarters of fiscal following contraction in trade deficit from USD 38.6 Billion to USD 34 Billion. This is attributed by low commodity prices lowering the volume of global trade and also a fall in Indian exports.

02 Indian rupee climbed 0.2% % to 67.39 per USD, echoing the euphoria in the debt and equity market post budget

03 Fiscal Maths indicate 2015-16 target of 3.9 % GDP or Rs 5.55 Lac Crore will not be breached which enabled Government with a more relaxed Fiscal target of 3.5 % GDP for 2016-17. Nation has excelled both on the grounds of ' earning more' with 30% of full year target of receipts being met by August 2015 -9% hike over previous yearand'spending more' by meeting 41.2% of target by August 2015 -3.7% rise on y-o-y basis

04 Moody's predict that the budget matrix could be favourable to India with expectations of higher indirect and direct tax receipts, while low crude and commodity prices will also crowd out the subsidy burden on the exchequer for fuel and fertlilizer

05 Buoyant Stock Market expected to register 20% growth over the next fiscal parading towards 30,000 by end FY17 at the backdrop of improving consumer sentiment towards a growing Economy with an increase in global liquidity,lower commodity prices, government's effort to boost consumption and strong operating margins.

06 Make in India and Start Up Policy initiatives of the current Government will provide the much required big push to manufacturing sector to touch I Trillion USD by 2025 creating 90 Million Domestic jobs and enjoying 25% of GDP.

07 Consumer Price inflation (CPI) or retail inflation greasing the wheels of growthand reached 5.69 % in January and 5.6 % in February with a slow rise in Food price just below RBI target of 6% and is planning to set a new inflation target of 5 percent by March 2017. The tightening of Fiscal Policy and cooling off of inflation provided more headroom for RBI to cut rates in April

08 Interest rates to soften boosting the flagging growth – RBI had cut its rate 125 basis points and is likely to cut it by 25 basis points to bring down the repo rate to 6.5% , in light of boosting economic growth, disinflation and government initiative to boost consumer demand and tight fiscal policy as unveiled in the budget

Introduction

INDIA is one of the oldest civilizations in the world with a kaleidoscopic variety and rich cultural heritage. It is the seventh-largest country by area, the second-most populous country with over 1.2 billion people, and the most populous democracy in the world. In the present scenario, India's economy is the fourth largest by purchasing power parity (PPP) and 10th largest by nominal gross domestic product (GDP), globally.

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

Today India is one of the fastest growing economies in the world and has emerged as a key destination for foreign investors in recent years. According to UNCTAD's World Investment Prospects Survey 2012–2014, India is the third-most attractive destination for FDI (after China and the US) in the world.

India's GDP has also grown at around 7.9 per cent between 2003 and 2012. This trend, according to the International Monetary Fund (IMF), is likely to continue for the next five years with an average GDP growth rate of 7.7 per cent per annum till 2017. India's GDP for 2015, valued at US$ 2.183 trillion at current prices is the 10th largest in the world[1].

1 http://www.tradingeconomics.com

India – A snapshot

Capital
New Delhi

Location
India is located in south Asia and is bordered by other countries like Pakistan in the west, China and Nepal in the north to north eastern part, Bhutan in the north east and Burma in the west.

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

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

Coastline
The coastline comprises of 7000 km encircling mainland, the Andaman, Nicobar and Lakshadweep islands.

Languages
English, Hindi (Official

GDP (official exchange rate)
$2.183 trillion (2015 est.)

GDP – per capita (PPP)
$6,300 (2015 est.)

Industries
Textiles, chemicals, food processing, steel, transportation equipment, cement, mining, petroleum, machinery, software, pharmaceuticals

Exports
$287.6billion (2015 est.)

Exports – commodities
Petroleum products, precious stones, machinery, iron and steel, chemicals, vehicles, apparel

Imports
$432.3 billion (2015 est.)

Export partners
US 13.4%, UAE 10.4%, Hong Kong 4.3%, China 4.2%, Saudi Arabia 4% (2015)

Imports – commodities
Crude oil, Precious stones, Machinery, Chemicals, Fertilizer, Plastics, Iron and Steel

Import partners (%)
China: 12.7%, Saudi Arabia: 7.1%, UAE 5.9%,US 4.6%,Switzerland: 4.6%, (2014)

Exchange rate
Indian rupees (INR) per US dollar: 66.8640 (As on 26th March, 2016, RBI)

Source: CIA Factbook and RBI

Expanding infrastructure in India

India's infrastructure has been continually improving as reflected in the following instances.

- The domestic telecom sector is the second largest in the world, after China. The country's wireless and wire line subscriber base stood at 867.8 million and 30.2 million respectively. The Indian mobile economy is growing rapidly and will contribute approximately US$ 400 Billion to the GDP. The country witnessed fastest growth in new mobile phone connections with 18 million net additions in the third quarter of 2014 ahead of China with 12 million new additions,
- The installed capacity increased by 12 per cent y-o-y to 223,343.6 MW
- The capacity of refineries stood at 215 MT;
- Many other infrastructure facilities in other sectors such as railways, airways and ports are also either being constructed or revamped to support higher capacity.

Infrastructure is a priority for Government's econonomic policy funding from private and public quarters are set to increase sharply in near term. Infrastructure's total share in bank funding rose from 3.74 percent in 2002 to about 10.40 percent in 2015. It is estimated that total spending on infrastructure would reach US$ 19 Billion during 2012-2017. Infrastructure sector includes power, bridges, dams, roads and urban infrastructure development. The Indian power sector has an investment potential of US$ 250 billion in the next 4-5 years, providing immense opportunities in power generation, distribution, transmission and equipment the private sector is expected to play a major role in projects from sectors such as power, airports, metro-rail and road.

India is witnessing significant interest from international investors in the infrastructure space. Many Spanish companies are keen on collaborating with India on infrastructure, high speed trains, renewable energy and developing smart cities

- The Government of India has earmarked Rs 50,000 crores (US$ 7.53 billion) to develop 100 smart cities across the country. The Government released its list of 98 cities for the smart cities project in August 2015.
- The Government of India has unveiled plans to invest US$ 137 billion in its rail network over the next five years, heralding Prime Minister Narendra Modi's aggressive approach to building infrastructure needed to unlock faster economic growth.
- The Government of India has announced highway projects worth US$ 93 billion, which include government flagship National Highways Building Project (NHDP) with total investment of US$ 45 billion over next three years.
- International Finance Corporation (IFC), part of The World Bank group, plans to invest at least US$ 700 million in existing transport and logistics infrastructure projects in India.
- The World Bank has approved a US$ 650 million debt funding for a part of the eastern arm of the Dedicated Freight Corridor (DFC) project in India.

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

- The Reserve Bank of India (RBI) has notified 100 per cent foreign direct investment (FDI) under automatic route in the construction development sector. The new limit came into effect in December 2014.
- The Government of India has relaxed rules for FDI in the construction sector by reducing minimum built-up area as well as capital requirement. It has also liberalised the exit norms. In fact, the Cabinet has also approved the proposal to amend the FDI policy.
- In the Budget 2015-16, the capital outlays for roads, and railways have been increased by Rs 140.3 billion (US$ 2.11 billion) and Rs 100.5 billion (US$ 1.51 billion) respectively.
- India and the US have signed a memorandum of understanding (MoU) in order to establish Infrastructure Collaboration Platform. The document showcases the relationship between both the Governments which intend to facilitate US industry participation in Indian infrastructure projects to improve the bilateral relationship and benefit both economies. The MoU's scope envisages efforts in the areas of Urban Development, Commerce and Industry, Railways, Road Transport and Highways, Micro Small and Medium Enterprises, Power, New & Renewable Energy, among others.

Trade

FIFTEEN years ago India occupied a very small space on the global trade canvas. As various sectors of the Indian economy became more competitive globally, exports began to grow remarkably. India's merchandise exports recorded a Compound Annual Growth Rate (CAGR) of 11.6 percent from USD 179 Billion during FY 2010 to USD 310 Billion in FY 2015 . Similarly, as the economic growth rate of the country picked up, so did imports, which grew from USD 111.5 Billion during 2004-05 to USD 447.5 Billion during 2014-15.

The WTO forecasts a world trade growth of 3.1 percent in 2014 and 4.0 percent in 2015. The WTO reports that Asia recorded the fastest export growth of any region in the first half of 2014, with a 4.2 percent rise over the same period last year. In the area of trade , India has liberalized its tariffs for agricultural goods from 41% to 33.33% and for industrial goods from 32.5% to less than 9% and there has been a remarkable improvement of India's trade-GDP ratio crossing 50% from 20% in 1998. SMEs are a very important sector contributing 40% of the exports and 8% of GDP. The WTO 2014 Report ranks India as the 19th largest exporter (with a share of 1.7%) and the 12th largest importer (with a share of 2.5%).

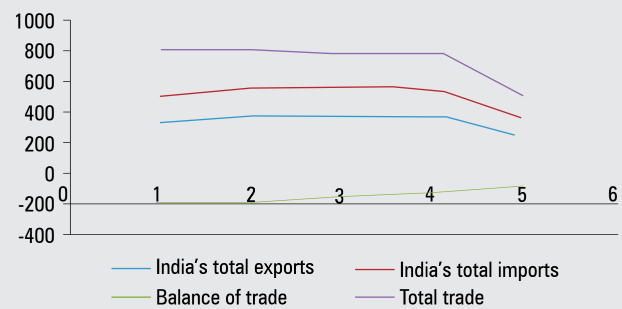
The composition of India's exports in 2014-15 shows petroleum and gems and jewellery in the first and second top commodities exported with respective shares of 18.6% and 13.4%. Owing to an inelastic demand of petroleum arising due to domestic energy consumption and exports of refined petroleum, it has been the largest imported and exported commodity. Petroleum comprises 33.26% of India's total imports. India is leading exporter of petroleum products, agriculture and allied products, engineering goods, gems and jewellery, textiles and services. India's main trading partners are the EU countries, US, China and UAE. The following table shows India's overall trade pattern in last few years:

Table2: India's trade performance in last five years US$ billion

Trade Flow	2011-12	2012-13	2013-14	2014-15	2015-16 (Apr-Dec)
India's total exports	306.0	300.4	313.5	310.34	196.098
India's total imports	489.3	490.7	450.6	447.964	294.940
Balance of trade	-183.3	-190.3	-137.1	-137.625	-98.842
Total Trade	795.3	791.1	764.1	758.301	490.206

Source: DGCI&S, Govt. of India

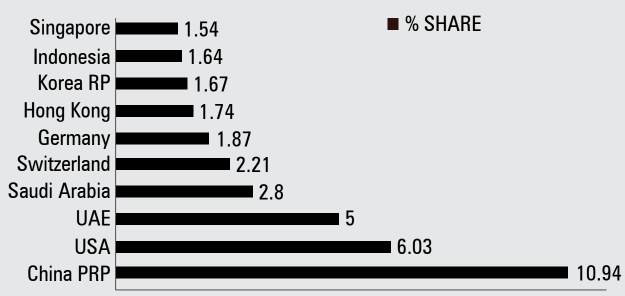
Figure1: Trend of India's Trade during 2011 -2015-16 (apr-dec)



Source: DGFT

The share of the top ten countries in India's trade basket was a little over 35.445 percent in 2015-16 (April-Dec) Countries with a high share in India's export basket include the China PRP, USA, UAE, Saudi Arabia,Switzerland, Germany.

Figure2: India's Top 10 Trading Partners in Descending Order of their share in the total Trade Pie 2015-16(april-dec)



Source: DGFT

Trade agreements

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

The first FTA entered into by India was in 1975 when the Government of India (GoI) signed the Bangkok Agreement. It started as a regional initiative between developing countries of the Asia-Pacific region but was very limited in its scope; in fact, it was only in 2005 that it got reincarnated as the Asia-Pacific Trade Agreement (APTA) and trade liberalisation started in a meaningful way between its members (Bangladesh, China, India, Republic of Korea, Lao People's Democratic Republic and Sri Lanka). Members of the South Asian Association for Regional Cooperation (SAARC)[2] formed a PTA (SAPTA) in 1995, which was another regional initiative between the nations of South Asia under the ambit of SAARC. It was upgraded to an FTA (SAFTA) in 2006, though SAPTA will be in place till 2016 when tariff liberalisation under SAFTA is complete. India's first bilateral FTA was with Sri Lanka – the India-Sri Lanka Free Trade Agreement (ISFTA). It came into effect in March 2000. Subsequently, many other FTAs were signed.

Some of the Key trade agreements entered into by India include:

- Comprehensive Economic Partnership Agreement (CEPA) with Japan and Republic of Korea
- Comprehensive Economic Co-operation Agreement (CECA) with Malaysia
- Comprehensive Economic Partnership Agreement (CEPA) with Korea
- India-ASEAN Trade in Goods Agreement
- Free Trade Agreement with Sri Lanka (Trade in Goods) Agreement on South Asia Free Trade Area executed by India,?
- Bangladesh, Bhutan, Maldives, Nepal, Pakistan and Sri Lanka?
- Framework Agreement with Thailand

2 Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka established the South Asian Association for Regional Cooperation (SAARC) on 8 December 1985 to facilitate regional cooperation. In April 2007, at SAARC's 14th summit, Afghanistan became its eighth member

- Asia Pacific Trade Agreement with Bangladesh, Republic of Korea, China and Sri Lanka
- Preferential Trade Agreement with Afghanistan
- Global System of Trade Preference with 46 countries
- India Bhutan Friendship Treaty
- India Nepal Trade Treaty?
- Economic co-operation agreement with Finland

Trade Agreements under negotiation

Some of India's key prospective trade agreements that are currently under negotiation include:

- India-European Union BTIA (Broad based Trade and Investment Agreement)
- India-Thailand Comprehensive Economic Cooperation Agreement
- India-New Zealand FTA/CECA
- India Singapore CECA
- India-European Free Trade Association BTIA (Iceland, Norway, Liechtenstein and Switzerland)
- India Canada FTA
- India-Mauritius Comprehensive Economic Co-operation and Partnership Agreement
- India-South African Customs Union PTA (South Africa, Botswana, Lesotho, Swaziland and Namibia)
- India-Sri Lanka CEPA (to be expanded to include services and investment)
- Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (India, Bangladeh, Bhutan, Sri Lanka, Myanmar,Thailand and Nepal)
- India-Gulf Cooperation Council Framework Agreement (Saudi Arabia,Oman,Kuwait,Bahrain,Qatar and Yemen)
- India-Australia Comprehensive Economic Cooperation Agreement/FTA
- India-Israel FTA

SEZs in India

India was the first country in Asia to realize and introduce the concept of EPZ (Export Processing Zone) model since 1965. Currently 199 SEZs export from 20 States and 3 Union Territories while 491 have received formal approvals. SEZs have garnered INR 3224.81 billion worth of investments with INR 3485.84 billion worth of exports during the first three quarters of 2014-15.

- India-MERCOSUR PTA
- India-Chile PTA
- India –Indonesia Biennial Trade Ministers' Forum (BTMF) Comprehensive Cooperation Agreement (CECA) Consultations
- Regional Comprehensive Economic Partnership (RCEP) Agreement among ASEAN + 6 FTA Partners

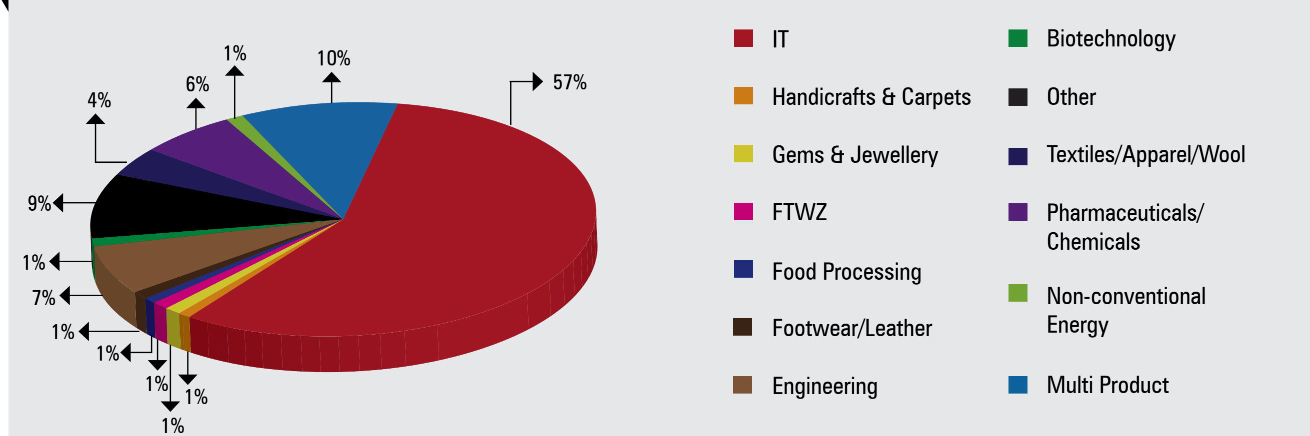
Regional Comprehensive Economic Partnership (RCEP)

Regional Comprehensive Economic Partnership (RCEP) is a proposed Free Trade Agreement (FTA) between sixteen countries namely the 10 countries of ASEAN (Brunei, Cambodia, Indonesia, Lao, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam) and their 6 FTA partners namely Australia, China, India, Japan, Korea and New Zealand.

RCEP is considered to be the biggest FTA opportunity for India with a market size of US$ 3.4 billion or 49% of the world population and economic size (GDP) of US$ 22.5 trillion or 29% of the world share.

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

Fig 3: Sectorwise distribution of operational SEZs in India

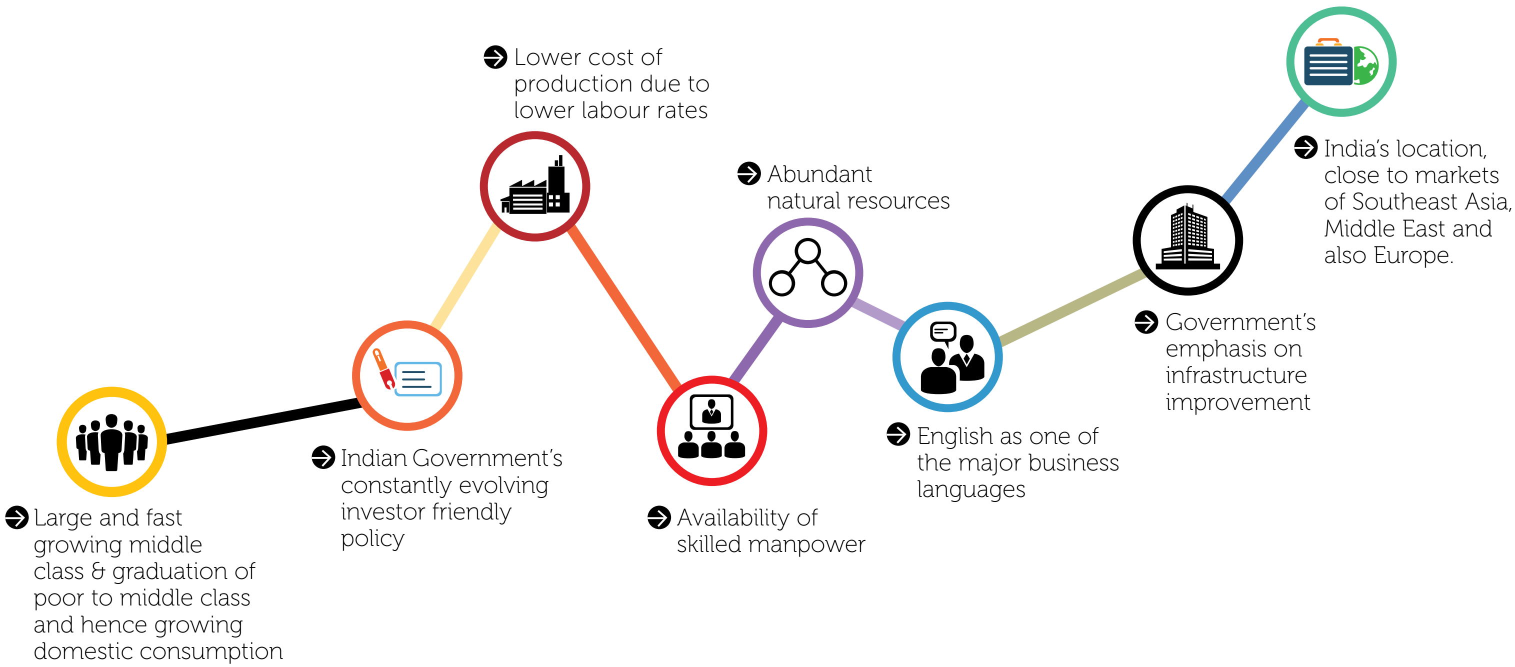


Source: Ministry of Commerce (Annual Report 2014-15)

Investment

According to The World Bank, India's economic growth is expected to rise to 7.5 per cent in 2015-16, followed by further acceleration to 7.9 per cent in 2016-17 and 8 per cent in 2017. This is on account of India's attempt to implement reforms to unlock the country's investment potential to improve the business environment, liberalized FDI policies, quick solution to the corporate disputes, simplified tax structure, and a boost in both public and private expenditure.

According to Department of Industrial Policy and Promotion (DIPP), the total FDI inflows soared by 24.5 per cent to US$ 44.9 billion during FY2015, as compared to US$ 36.0 billion in FY2014. FDI into India through the Foreign Investment Promotion Board (FIPB) route shot



up by 26 per cent to US$ 31.9 billion in the year FY2015 as against US$ 25.3 billion in the previous year, indicating that government's effort to improve ease of doing business and relaxation in FDI norms is yielding results.

Data for FY2015 indicates that the increase in the FDI inflows was primarily driven by investments in infrastructure and services sector. Within Infrastructure, Oil & Gas, Mining and Telecom witnessed higher FDI inflows, whereas IT services and trading (wholesale, cash & carry) drove the services inflows

During FY2015, India received the maximum FDI equity inflows from Mauritius at US$ 9.03 billion, followed by Singapore (US$ 6.74 billion), Netherlands (US$ 3.43 billion), Japan (US$ 2.08 billion) and the US (US$ 1.82 billion). Healthy inflow of foreign investments into the country helped India's balance of payments (BoP) situation and stabilised the value of rupee.

According to the data released by Grant Thornton India, the total merger and acquisitions (M&A) and private equity (PE) deals in the month of August 2015 were valued at US$ 2.6 billion (151 deals), which is 62 per cent higher in volume as compared to August 2014.

Make in India initiative

Make in India is a major new national programme of the Government of India designed to facilitate investment, foster innovation, enhance skill development, protect intellectual property and build best in class manufacturing infrastructure in the country. The primary objective of this initiative is to attract investments from across the globe and strengthen India's manufacturing sector. It is being led by the Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and Industry, Government of India. The Make in India programme is very important for the economic growth of India as it aims at utilising the existing Indian talent base, creating additional employment opportunities and empowering secondary and tertiary sector. The programme also aims at improving India's rank on the Ease of Doing Business index by eliminating the unnecessary laws and regulations, making bureaucratic processes easier, making the government more transparent, responsive and accountable.

"I want to tell the people of the whole world: Come, make in India. Come and manufacture in India. Go and sell in any country of the world, but manufacture here. We have skill, talent, discipline and the desire to do something. We want to give the world an opportunity that come make in India," Prime Minister of India, Mr Narendra Modi said while introducing the programme in his maiden Independence Day speech from the ramparts of the Red Fort on August 15, 2014. The initiative was formally introduced on September 25, 2014 by Mr Modi at Vigyan Bhawan, New Delhi, in the presence of business giants from India.

The focus of Make in India programme is on 25 sectors. These include: automobiles, aviation, chemicals, IT & BPM, pharmaceuticals, construction, defence manufacturing, electrical machinery, food processing, textiles and garments, ports, leather, media and entertainment, wellness, mining, tourism and hospitality, railways, automobile components, renewable energy, biotechnology, space, thermal power, roads and highways and electronics systems. The dedicated website for this initiative (www.makeinindia.com) not only showcases the 25 sectors but also puts focus on the live projects like industrial corridors and policies in the area of foreign direct investment, national manufacturing, intellectual property and new initiatives.

Table 3: Gross share of top investing countries FDI equity inflows

Amount Rupees in crores (US$ in millions)

Ranks	Country	2013-14	2014-15 April – March	2015-16 April -June,15	Cumulative Inflows (April '00 –June '15)	%age to total Inflows (in terms of US $)
1	**MAURITIUS**	29,360 **(4,859)**	55,174 **(9,030)**	39,506 **(6,105)**	465,163 **(93,660)**	34%
2	**SINGAPORE**	35,625 **(5,985)**	41,350 **(6,742)**	71,195 **(10.985)**	238,352 **(35,861)**	16%
3	**U.K.**	20,426 **(3,215)**	8,769 **(1,447)**	3280 **(503)**	112,934 **(22,714)**	8%
4	**JAPAN**	10,550 **(1,718)**	12,752 **(2,084)**	6,988 **(1,082)**	100,384 **(19,434)**	7%
5	**U.S.A**	4,807 **(806)**	11,150 **(1,824)**	23,103 **(3,511)**	89,983 **(17,263)**	6%
6	**NETHERLANDS**	13,920 **(2,270)**	20,960 **(3,436)**	13,925 **(2,147)**	91,183 **(16,818)**	6%
7	**CYPRUS**	3,401 **(557)**	3,634 **(598)**	2,589 **(400)**	41,952 **(8,444)**	3%
8	**GERMANY**	6,093 **(1,038)**	6,904 **(1,125)**	5,040 **(790)**	43,549 **(8,434)**	3%
9	**FRANCE**	1,842 **(305)**	3,881 **(635)**	2373 **(368)**	24,960 **(4,881)**	2%
10	**UAE**	1,562 **(255)**	2,251 **(367)**	2,600 **(402)**	17,720 **(3,447)**	1%
TOTAL FDI INFLOWS FROM ALL COUNTRIES *		147,518 **(24,299)**	189,107 **(30,931)**	191,063 **(29,443)**	1,424,600 **(278,076)**	

Source: DIPP, Govt. of India

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

- 100% FDI is allowed under the automatic route in all sectors/activities except in few areas, which require prior approval of the Government.
- The Cabinet Committee on Economic Affairs (CCEA) has raised the threshold for foreign direct investment requiring its approval to Rs 5,000 crore (around US$ 750 million) from the present Rs 3,000 crore (around US$ 450 million). This decision is expected to expedite the approval process and result in increased foreign investment inflow.
- Under automatic route, investors are required to only notify the Reserve Bank of India within 30 days of receipt of inward remittances.

Table 4: Sector Specific Limits of Foreign Investment in India			
Sector	**FDI Cap/Equity**	**Entry Route**	**Other Conditions**
A. Agriculture and Animal Husbandry 1. Floriculture, Horticulture, Apiculture, , Animal Husbandry (including breeding of dogs), Pisciculture, Aquaculture, Cultivation of vegetables & mushrooms under controlled conditions services related to agro and allied sectors	100%	Automatic	
2. Tea sector, including Tea plantations	100%	FIPB	
3.Coffee/Rubber/Cardamom/Palm Oil &Olive Oil Plantations	100%	Automatic	
(Besides the above, FDI is not allowed in any other agricultural sector /activity)			
B. Industry 1. Mining covering exploration and mining of diamonds & precious stones; gold, silver and minerals subject to the Mines and Minerals (Development & Regulation Act , 1957)	100%	Automatic	
2. Coal and lignite mining for captive consumption by power projects, and iron & steel, cement units subject to provisions of Coal Mines (Nationalisation) Act 1973	100%	Automatic	
3. Mining and mineral separation of titanium bearing minerals	100%	FIPB	
4. Exploration activities of oil and natural gas fields	100%	Automatic	
4.a. Petroleum Refining by the PSUs, without any disinvestment or dilution of domestic equity in the existing PSUs	49%	Automatic	
C. Manufacturing 1. Alcohol: Distillation & Brewing	100%	Automatic	
2. Coffee & Rubber processing & Warehousing.	100%	Automatic	
3. Defence production subject to Industrial License under the Industries (Development & Regulation) Act, 1951	49%	Automatic. Beyond 49% – will be considered by FIPB	
4. Hazardous chemicals and isocyanates	100%	Automatic	
5. Industrial explosives: Manufacture	100%	Automatic	
6. Drugs and Pharmaceuticals both Greenfield and Brownfield	100%	Automatic for Greenfield and FIPB for Brownfield	
7. Power including generation (except Atomic energy); transmission, distribution and power trading.	100%	Automatic	
(FDI is not permitted for generation, transmission & distribution of electricity produced in atomic power plant/atomic energy since private investment in this activity is prohibited and reserved for public sector.)			
D. Services 1. Civil aviation (Greenfield projects and Existing projects)	100%	100% Automatic for Greenfields and 74% automatic for existing projects beyond which it's FIPB	

Table4: Sector-specific limits of foreign investment in India (contd)			
Sector	**FDI Cap/Equity**	**Entry Route**	**Other Conditions**
2. Asset Reconstruction companies	100% of paid up capital of ARC	Automatic upto 49% and FIPB beyond that	
3.a. Banking (private) sector	74% (FDI+FII). FII not to exceed 49%	Automatic upto 49% and FIPB beyond 49% and upto 74%	
3.b Banking (Public) sector	20% (FDI and portfolio investment)	FIPB	
4. NBFCs: underwriting, portfolio management services, investment advisory services, financial consultancy, stock broking, asset management, venture capital, custodian, factoring, leasing and finance, housing finance, forex broking, credit rating agencies,micro and rural credit ,credit card business,money changing business etc. Limited Liability Partnership (LLPs) Firms	100%	Automatic	
5. Broadcasting a. FM Radio b. Cable network; c. Direct to home; Teleports,Mobile TV, Headend in the sky broadcasting (HITS) d. Up-linking a news and Non News and current affairs TV Channel	 49% 49% and up to 100% 100% 49% for News and 100% for Non News	 FIPB 49% Automatic and beyond that FIPB Automatic upto 49% and FIPB after that FIPB for News and Automatic route for non-news	
6. Commodity Exchanges	49% (FDI+FII) (FDI 26 % FII 23%)	Automatic	
7. Insurance	49%	Automatic upto 26% and FIPB beyond that upto 49%	
8. Satellites	74%	FIPB	
9. Print Media a. Publishing of newspaper and periodicals dealing with news and current affairs and Indian editions of Foreign Magazines b. Publishing of scientific magazines / speciality journals/periodicals	 26% 100%	 FIPB FIPB	S.t.guidelines by Ministry of Information & Broadcasting
10. Telecommunications All telecom services including Telecom Infrastructure Providers Category-I, viz. Basic, Cellular, United Access Services, Unified License (Access Services), Unified License, National/International Long Distance, Commercial V-Sat, Public Mobile Radio Trunked Services (PMRTS), Global Mobile Personal	100%	Automatic up to 49% and FIPB beyond 49%.	

Table4: Sector-specific limits of foreign investment in India (contd)			
Sector	**FDI Cap/Equity**	**Entry Route**	**Other Conditions**
Communications Services (GMPCS), All types of ISP licenses, Voice Mail/ Audiotex/UMS, Resale of IPLC, Mobile Number Portability Services, Infrastructure Provider Category-I (providing dark fibre, right of way, duct space, tower) except Other Service Providers.			
11.a Single Brand Product Retail Trading	100%	Automatic up to 49% and FIPB beyond that	
11.b Multi Brand Retail Trading	51%	FIPB	
12 E Commerce activities 100% Automatic	100%	Automatic	
13. Private Security Services	49%	FIPB	
14. Construction Development Projects	100%	Automatic	Each phase will be considered as separate projects
15. Railway Infrastructure: Construction, operation and maintenance of: (i) Suburban corridor projects through PPP, (ii) High speed train projects, (iii) Dedicated freight lines, (iv) Rolling stock including train sets, and locomotives/ coaches manufacturing and maintenance facilities, (v) Railway Electrification, (vi) Signalling systems, (vii) Freight terminals, (viii) Passenger terminals, (ix) Infrastructure in industrial park pertaining to railway line/sidings including electrified railway lines and connectivity to main railway line and (x) Mass Rapid Transport Systems	100%	Automatic Automatic	

Sector-wise prohibition of FDI *(Source:DIPP)*

FDI is prohibited under the Government Route as well as the Automatic Route in the following sectors:

a. Atomic Energy
b. Lottery Business including Government /Private lottery ,online lotteries etc
c. Gambling and Betting including casinos
d. Business of Chit Fund
e. Nidhi Company
f. Real Estate Business or Construction of Farm Houses
g. Trading in Transferable Development Rights (TDRs).
h. Manufacture of cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes.
i. Railway Operations other than the areas mentioned earlier

Modes of payment allowed for receiving Foreign Direct Investment in an Indian company *(Source: Reserve Bank of India)*

An Indian company issuing shares /convertible debentures under FDI Scheme to a person resident outside India shall receive the amount of consideration required to be paid for such shares /convertible debentures by:

I. Inward remittance through normal banking channels.
II. Debit to NRE / FCNR account of a person concerned maintained with an AD category I bank.
III. Conversion of royalty / lump sum / technical know-how fee due for payment or conversion of ECB shall be treated as consideration for issue of shares.
IV.Conversion of import payables / pre incorporation expenses / share swap can be treated as consideration for

issue of shares with the approval of FIPB.

V. debit to non-interest bearing Escrow account in Indian Rupees in India which is opened with the approval from AD Category – I bank and is maintained with the AD Category I bank on behalf of residents and non-residents towards payment of share purchase consideration.

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

Attractiveness of India over the past few years and future perceptions: A few observations

India was the fourth –largest recipient of FDI in terms of projects started in 2012, and in terms of value, it accounted for 5.5% of global FDI. Although the number of jobs declined slightly in 2012, India still accounts for 9.4% of jobs created by FDI around the world

Over the years, India has been considered a strong service destination. Recently, the Indian Government has supported investment in service industries as it seeks to reap the benefits of the underlying pool of educated workers. But it is important to note that heavy machinery sectors (industrial, automotive, infrastructure, chemicals, metals and mining, aerospace, energy and cleantech) have also accounted for 43.7% of the total FDI projects between 2007 and 2012.

Table 5: Sector-wise contribution of FDI (2007-12)

Sector	Number of Projects (% Share)		Capital Investment Share (% Share)		Jobs Created (% Share)	
	2007-12	2012	2007-12	2012	2007-12	2012
TMT	21.60%	20.30%	12.70%	8.80%	19.20%	17.50%
Industrials	16.60%	14.20%	8.70%	8.10%	14.70%	13.00%
Business services	11.40%	13.00%	2.10%	3.60%	7.60%	9.20%
Automotive	8.40%	6.60%	12.30%	11.40%	15.70%	12.90%
Consumer Goods	7.70%	9.00%	4.00%	7.80%	8.40%	11.40%
Financial Services	6.60%	10.60%	4.70%	9.80%	5.40%	8.70%
Infrastructure	5.90%	4.70%	10.30%	7.70%	13.70%	10.20%
Chemicals	5.50%	5.60%	3.10%	6.40%	2.30%	3.50%
Logistics	4.90%	8.10%	7.90%	17.10%	2.60%	4.70%
Life Sciences	4.10%	3.00%	3.10%	4.90%	1.90%	2.80%
Metals and mining	4.00%	2.80%	20.40%	10.20%	6.30%	5.00%
Aerospace	1.20%	0.80%	1.00%	1.00%	0.90%	0.40%
Energy	1.20%	0.50%	7.90%	1.40%	0.90%	0.50%
Cleantech	1.00%	0.70%	1.80%	1.80%	0.40%	0.20%

Source: E&Y Attractiveness Survey 2014

India's top FDI destinations

India's FDI landscape is dominated by metropolitan cities. More modern infrastructure and access to large markets are the main reasons for the high FDI inflows in these regions. When deciding where in India to invest, business leaders also consider factors such as the agglomeration effect — the tendency of firms to settle near other economic units because of benefits such as knowledge spillover, the presence of a specialized labor market and a developed supplier network — and the large manufacturing and services base. Currently Mumbai with 29% of the FDI in India is the highest recipient followed by New Delhi (20%), Chennai and Bengaluru (7%), Ahmedabad (5%) and Hyderabad (4%).

But a retrospective analysis of the cities across the country over a period of time shortlists the following metros as the top of the league in terms of FDI

National Capital Region (NCR)

The NCR is one of the largest agglomerations in the world. During the period 2007–12, NCR accounted for 16% of FDI projects and 10.5% of total inflows. Delhi, India's political hub, hosts a number of events of national and international significance that enhance its appeal as an investment destination. The availability of a skilled workforce and a well-developed transportation and telecommunications infrastructure makes NCR a sought-after destination for services projects.

Bengaluru

Bengaluru, the capital city of the state of Karnataka, accounted for 15% of India's FDI projects and 12.9% of the capital investment between 2007 and 2012. Widely known as the IT capital of India, Bengaluru houses more TMT companies than any other Indian destination. An expat-friendly culture,a rich supply of talented and tech-savvy workers and decent English language skills all encourage foreign players to invest here.Such an investor is Huawei Technologies.It recently set up a US$150m (INR8.1b).research and development center in the city.36 Bengaluru is also known as the biotech hub of India. Out of the 340 biotech companies present in the country, 137 are located in Bengaluru. Bengaluru Helix, one of India's biotech clusters, is being developed to create an innovation-driven research environment and promote investment in the biotechnology sector. However, power outages and traffic congestion deter investors. These issues must be addressed quickly for the region to retain the interest of international investors.

Mumbai

Mumbai is India's financial capital. The city attracted 14.8% of FDI projects and 8.1% of total capital inflows between 2007 and 2012. Key financial institutions such as the Reserve Bank of India (RBI), the Bombay Stock Exchange, the National Stock Exchange of India and the corporate headquarters of major Indian companies are located in the city. When investing in Mumbai, business leaders are targeting business services, TMT and finance in particular. Together, these three sectors accounted for 54.3% of the total projects in Mumbai between 2007 and 2012.

A skilled workforce and favorable business environment make it a top destination for services projects. This is evidenced by the long-term presence in the city of a number of major financial institutions such as Citigroup, Deutsche Bank, HSBC, J. P.Morgan and Morgan Stanley.

Chennai

Chennai accounted for 10.1% of projects and 13.3% of the total capital investment in India during the period 2007–12.TMT, and the industrial and automotive sectors dominate FDI in the city. Having positioned itself as the automotive hub,Chennai is commonly referred to as the "Detroit of India." The city's appeal as an automotive destination derives from its supportive industrial policy, and the supply of low-wage engineers and factory floor labor. The presence of two major ports, coupled with excellent road and rail connectivity, has also made Chennai the hub for export-oriented manufacturing industries. The majority of the projects from the US are in the technological sector,whereas most investment from Europe and Japan is directed toward the industrial and automotive sectors. Renault-Nissan,which is aiming to capture a greater share of the Indian automotive market, has recently announced plans to expand its manufacturing facility in Chennai. It is also developing CMF-A (Common Module Family-Affordable) in the city.

Pune

Between 2007 and 2012, the city received 7.8% of the total FDI projects in India and 5.9% of the inflows. TMT, heavy industry and automotive are the key sectors for FDI in Pune. While the US is the major source of technological investment, industrial and automotive projects also come from Germany. The technological appeal of Pune relies on the availability of a large talent pool, and the Rajiv Gandhi InfoTech Park, in its Hinjewadi district. Its manufacturing appeal stems from its long manufacturing tradition and the presence of excellent engineering universities.These factors have attracted investment from multinationals such as General Electric, Leoni and Renault.

Hyderabad

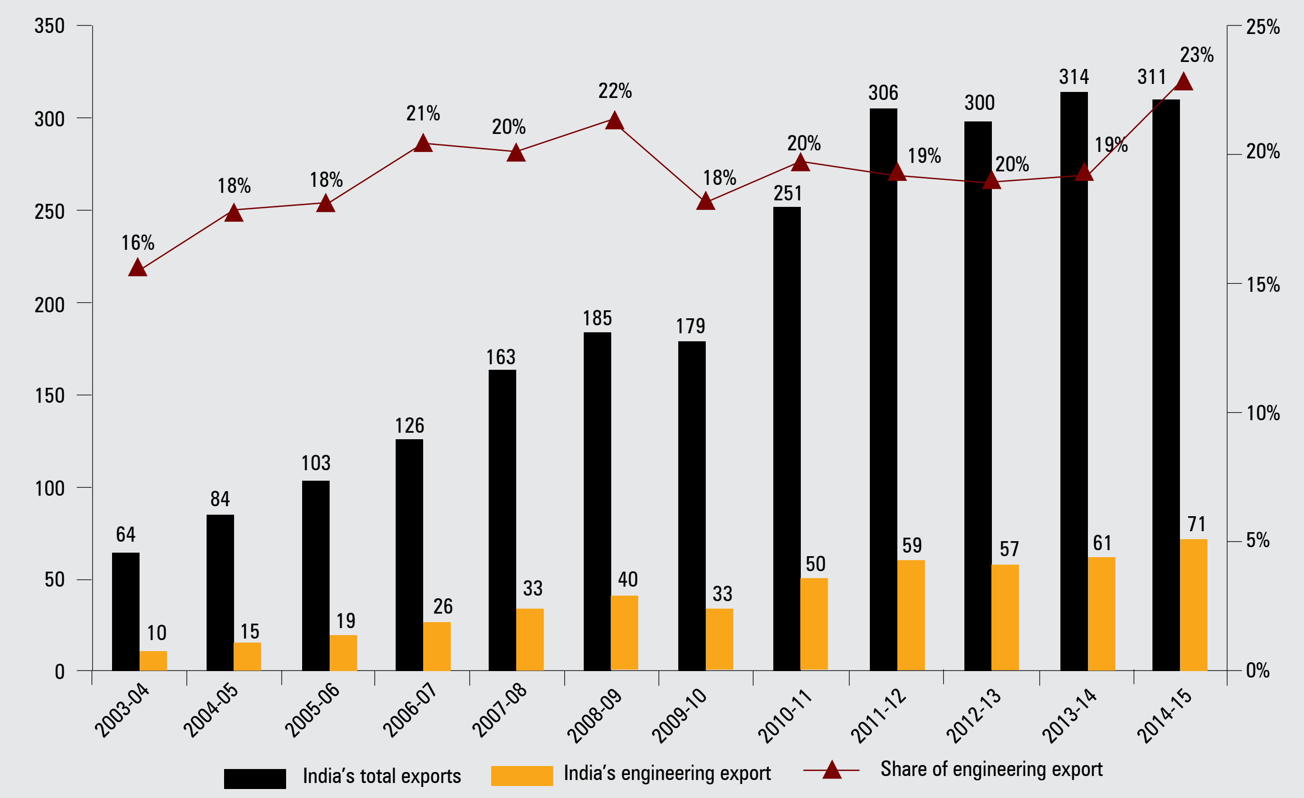
Attracting 6.3% of the projects in India during the period 2007–12, FDI in Hyderabad has been directed mostly toward TMT and business services. This is because of its strong TMT infrastructure and the supply of a skilled English-speaking workforce.Amazon, Cognizant, IBM, Schneider Electric and Shell are some of the foreign companies present in Hyderabad. Last year saw an increase in investment from Asian countries,in particular Japan and China. Recently,Japan's Hitachi Ltd. announced plans to make an incremental investment of US$25m (INR1.3b) and increase headcount to 4,000 in its global delivery center in Hyderabad over the next five years.

Table 6: The Top FDI Destinations and the sectors who are highest recipients of the Investments vis a vis the Sectors

Cities	Projects	FDI Inflows in US$	Job Created	Sectors			
				Service	Manufacturing	Retail Construction Recycling and Extraction	Strategic Functions
NCR	602	19.9 Billion	103,210	66.80%	15.50%	10.60%	7.10%
Bengaluru	561	24.5 Billion	124,210	68.30%	15.90%	4.40%	11.40%
Mumbai	556	15.3 Billion	63,977	76.50%	8.60%	7.00%	7.90%
Chennai	380	25.1 Billion	117,952	53.70%	36.00%	5.00%	5.30%
Pune	291	11.1 Billion	76,367	50.50%	36.10%	5.20%	5.00%
Hyderabad	235	10.8 Billion	70,464	64.70%	14.10%	7.20%	14%

India's engineering sector

ENGINEERING exports from India has been steadily growing and the performance has exceeded all expectations ever since the birth of EEPC India. Apart from being one of the largest stakeholders in the total exports out of India accounting for 20-21% of total merchandise exports, the engineering



Source: DGCI&S, Govt. of India


AIRROC
D40

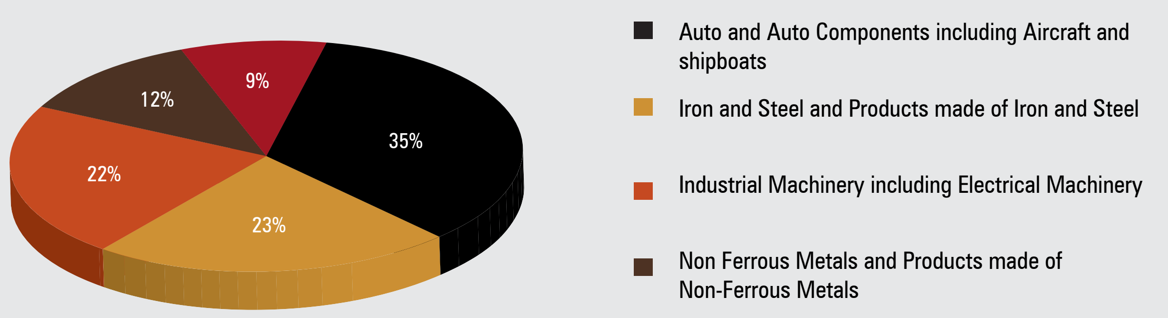
exporters are the foremost net foreign exchange earner in the country. Indian Engineering Exports stood at US$ 70.75 Billion in FY 2015 registering a growth around 15% over the previous year. Following figure shows upward trend in India's engineering exports in last few years:

Important facts about the sector

- India exports engineering goods to around 200 countries.
- Top 25 export destinations constitute 74% of its total exports.
- Major export destinations continue to be developed economies like the USA and the European countries.
- Attractive markets for Indian engineering products are: USA, China, Germany, U.K., Canada, France, Russia, Japan, Australia, South Korea, Saudi Arabia and Southern Africa
- Engineering Exports include transport equipment, capital goods, other machinery/equipment and light engineering products such as castings, forgings and fasteners.
- Transport equipment (which includes Auto & Auto component including Aircraft and ship boats) is the leading contributor to engineering exports enjoying lion's share of 34.5%

The itemwise share is graphically given below.

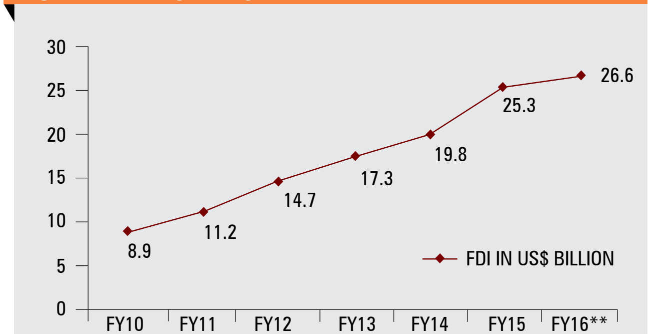
Fig 5: Itemised contribution to Engineering Exports platter



Investments in India's engineering sector

Cumulative FDI stood at US$ 4 Billion over April 2000-June 2015 due, as per data released by Department of Industrial Policy and Promotion (DIPP) and for the entire year the cumulative figure is projected to be US$ 26.6 Billion for FY 2016 .The graph below is indicative of the meteoric rise of FDI in this sector.

Figure6: FDI in Engineering Sector US$ Billion



Source: Department of Industrial Policy and Promotion (DIPP), Govt. of India
Note: All are cumulative data from April 2000 till the noted year

Advantage India

Growing Demand: Capacity creation in sectors such as infrastructure, power, mining, oil & gas, refinery, steel, automotives, and consumer durables driving demand in the engineering sector.

• Rising demand for electrical and construction equipment.

Higher investments

• Comparative advantage vis-à-vis peers in terms of manufacturing costs, market knowledge, technology and creativity •Highly organized sector, dominated by large players employing over four million skilled and semi-skilled labour

Policy support

• De-licensed engineering sector; 100 per cent FDI permitted
• Cumulative FDI at US$26.6 billion over April 2000–May 2015 due to policy support

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

- India's engineering and construction major, Punj Lloyd, won an order worth Rs 477 crores (US$ 71.87 million) for Ennore LNG tankage project from Mitsubishi Heavy Industries of Japan.
- JV, signed an agreement with Airbus for engineering support services which include components supply and airframe maintenance.
- Leading online retailer Snapdeal is increasing focus on mobile commerce, where it will be doubling its engineering staff count to 700 soon as it sees over 90 per cent of business coming in through this platform over the next three years. Accordingly, the company has shifted half of its 350 engineers from PC to mobile commerce following the massive jump in traffic on this platform till last year.
- Honeywell Turbo Technologies partnered with Tata to develop their first ever petrol turbocharged engine. The new Tata Revotron 1.2T engine launched in the 2014 Tata Zest delivers improved power and torque and a multi-drive mode, according to a Honeywell statement. Honeywell's engineering teams in Pune and Bangalore leveraged local capabilities and global expertise in petrol turbo technologies to address the specific needs of a local customer.
- The engineering and R&D division of HCL Technologies will likely cross the US$ 1 billion mark in the next

financial year as the company sees larger deals in a market that's widely expected to be the next big source of growth for the Indian IT sector. HCL Tech's engineering services unit contributed about 17 per cent to the company's revenue in the September quarter, coming in at US$ 245 million.

- Rolta was awarded an additional scope of work by Sadara Chemical Company, Saudi Arabia to implement a comprehensive engineering information system within Sadara's Jubail integrated chemical complex.
- Engineers India Ltd (EIL) inked a US$ 139 million consultancy deal for a 20 million tonnes (MT) refinery and polypropylene plant being built in Nigeria by Dangote Group.
- Reliance Infrastructure acquired India's largest ship building and heavy industries company Pipavav Defence and offshore Engineering Company Limited, whose infrastructure will facilitate Reliance Infrastructure to build submarines and aircraft carriers on the back of a technological alliance with Swedish defence company SAAB.
- Royal Enfield, a two wheeler division of Eicher Motors, acquired UK based design and engineering company Harris Performance Products Ltd, whose expertise, knowledge and understanding of motorcycling will help Eicher Motors achieve leadership in the global mid-sized motorcycling segment.
- Tractebel Engineering (India) acquired Cethar Consulting Engineers Ltd. (CCE), the renowned and respected engineering consultancy company. This acquisition makes Tractebel Engineering a key player in thermal tower sector in India and strongly enhances the portfolio of offerings, which include gas pipelines, Liquefied Natural Gas, hydro power sector.
- Bharat Forge acquired Mecanique Generate Langroise (MGL), French oil and gas machining company, via its German arm CDP Bharat Forge GmbH. Bharat Forge will benefit from MGL's expertise in precision machining and other high value processes like cladding which have critical application in the oil and gas industry.
- Leading aircraft maker Airbus announced it has began sourcing components for almost all its jets from India and it aims to take its cumulative sourcing from India to US$ 2 billion by 2020.
-

Measures in Budget 2015-16 to boost investment in this sector

- *Tax Holiday For MSMEs*

The Government would give 3 years Tax Holiday with a stipulation that this money should be used (the tax amount that works out for the unit) for investment in the plant & machinery or new land for the purpose of the expansion of the current line of business

Cut in excise duty to aid the auto industry

A cut in excise duty on chassis for ambulance is being reduced from 24 percent to 12.5 percent. Short-term crop loans to farmers at 7 percent per annum and additional subvention of 3 percent for prompt paying farmers so that they can take tractors.

Investment on building Internal and External Infrastructure in Smart Cities

Indian government has planned to build 100 smart cities. The government has allocated US$8.29 billion for this project. This plan would need more PPP's for better and fast execution. In addition,smart city will be build in three different phases

SEZs to promote Engineering Exports

Table 7: SEZs that promote engineering exports in India		
Developer	**Location**	**Product**
Quest Machining and Manufacturing Pvt Ltd	Belgaum, Karnataka	Auto, aerospace and industrial engineering
Viraj Profiles Ltd	Thane, Maharashtra	Stainless steel engineering products
Navi Mumbai SEZ Pvt Ltd	Navi Mumbai, Maharashtra	Light engineering
Maharashtra Industrial Development Corporation (MIDC)	Satara, Maharashtra	Engineering
Township Developers India Pvt Ltd	Pune, Maharashtra	Engineering
Maharashtra Industrial Development Corporation (MIDC)	Aurangabad, Maharashtra	Engineering & Electronics
Orissa Industrial Infrastructure Development Corporation (IDCO)	Jajpur, Orissa	Metallurgical engineering
Vividha Infrastructure Pvt Ltd	Patiala, Punjab	Engineering
Mahindra Worldcity (Jaipur) Ltd	Jaipur, Rajasthan	Light engineering
New Chennai Township Pvt Ltd	Kanchipuram, Tamil Nadu	Engineering
Perundurai Engineering SEZ by SIPCOT	Erode, Tamil Nadu	Engineering
Uttar Pradesh State Industrial Development Corporation (UPSIDC)	Kanpur, Uttar Pradesh	Engineering

Government of India Measures in Budget 2015-16 to bolster Investment in this sector

Tax Holiday For MSMEs
The Government would give 3 years Tax Holiday with a stipulation that this money should be used (the tax amount that works out for the unit) for investment in the plant & machinery or new land for the purpose of the expansion of the current line of business

Cut in excise duty to aid the auto industry
A cut in excise duty on chassis for ambulance is being reduced from 24 percent to 12.5percent.Short-term crop loans to farmers at 7percent per annum and additional subvention of 3 percent for prompt paying farmers so that they can take tractors.

Investment on building Internal and External Infrastructure in Smart Cities
Indian government has planned to build 100 smart cities.The government has allocated USD8.29billion for this project. This plan would need more PPP's for better and fast execution. In addition,smart city will be build in three different phases

Higher allocation to the defence sector
Allocation to the defence sector was raised to US$40 billion. In addition, Make in India policy is being carefully pursued to achieve greater self sufficiency in the area of defence equipment including air-craft.

Budgetary support
In the Union Budget 2015-16,investment on infrastructure sector increased by US$11.62 billion.

Tax and other regulatory measures

Tax is imposing financial charges on individual or company by central government or state government. 'Taxes are paid and Nations are made'

The tax system in India

The taxation system in India is quite well structured. The Department of Revenue of the Finance Ministry is responsible for the computation, levy as well as collection of most the taxes in the country. However, some of the taxes are levied solely by local state bodies or the respective governments of the states.

Changes in the Indian taxation system

Over the last 10 years to 15 years, the tax system has undergone some significant changes. The slabs for the imposition of taxes have been modified. The rates at which any particular tax is being levied have been restructured as well as the various laws that govern the levying of taxes are being simplified. All of this have resulted in:

- Better compliance
- Better enforcement
- Easy payment of the levied taxes

Taxes levied by the Central Government

The Central Indian Government that is officially named as the "Union Government" is responsible for the imposition of both direct taxes as well indirect taxes. Listed below are some of the taxes that are levied by the India Government:

- Banking Cash Transaction Tax
- Capital Gains Tax
- Corporate Income Tax
- Fringe Benefit Tax
- Personal Income Tax
- Securities Transaction Tax
- Indirect Taxes
- Customs Duty
- Excise Duty
- Service Tax

Taxes levied by State Governments

Though the majority of the taxes are levied by the Central Government of the country, there are some taxes, which can not be levied by them. These kinds of taxes are the one of the sole responsibilities of the governments of the individual states. To name a few of such taxes in India are:

- Dividend Tax
- Endowment Tax
- Estate Tax
- Gift Tax
- Flat Rate Tax or Flat Tax
- Fuel Tax
- Inheritance Tax
- Transfer Tax
- Payroll Tax
- Poll Tax
- S. E. T. or Self Employment Tax
- Social Security Tax
- Usage Tax
- Value Added Tax or Sales Tax
- Wealth Tax

Taxes levied by local bodies

Octroi Tax or Entry Tax is the most well-known tax that is imposed by local bodies or the municipal jurisdiction on the entry of goods.

Tax incentives in India

The India Government offers tax incentives that are subject to some specified conditions. Such incentives are provided for the following:

- Allowance for accelerated depreciation
- Corporate profit
- Certain expense deduction on the basis of some particular conditions
- A tax incentive is available for any fresh investment in any of the below mentioned sectors
- Companies involved in Research and Development
- Development of housing projects
- Development by undertakings
- Food processing industry
- Infrastructure
- Mineral oil production and refining
- Operating industrial places
- Organisations handling food grains
- Power distribution
- Hospitals located in the rural areas

Income Tax

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

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

New Income Tax rates

Rates of income-tax in respect of income liable to tax for the Financial year 2016-2017 / Assessment Year 2017-2018

There is no change in the basic tax rate and exemption limit for Individual, Hindu Undivided Family, Association of Person, Body Of Individuals and Artificial Juridical Person in Assessment Year 2017-18 in Comparison to A.Y. 2016-17.

Further There is no change in basic tax rate of Cooperative Society, Firms, Local Authorities and Companies. However, it is proposed to reduce the basic tax rate in the case of Companies from 30% to 25% over the next four years, starting from next financial year i.e. FY 2016-17.

The change in Surcharge

Person	Present Surcharge Rate	Proposed Surcharge Rate
Other than Company		
– Total Income exceeding Rs. 1 crore	12%	15%
Domestic Company		
–Total Income exceeding Rs.1 crore but less than Rs.10 crore	5%	7%
–Total Income exceeding Rs. 10 crore	10%	12%
Foreign Company		
– Total Income exceeding Rs.1 crore but less than Rs. 10 crore	2%	2%
– Total Income exceeding Rs. 10 crore	5%	5%

There is no change in the rate of Education Cess and Secondary & Higher Education Cess on Income Tax and accordingly rate of 2% and 1% respectively on the amount of tax computed inclusive of surcharge, wherever applicable would be applied in all cases.

Income Tax Slab Rate for Individual Below 60 Or HUF

This income tax slab is most commonly used. Most of the taxpayers in India are salaried individuals below the age of 60 years. This income tax slab rate is applicable for those born on or after 1ST April 1956.
as follows:

This income tax slab is also applicable to Non-Resident Indian, Hindu undivided family (HUF), Association of Persons, Body of Individuals and Artificial Judicial Person.

Now you know that following income tax slab is most important.

Income Tax Slab for 2016–17	Tax Rate
Taxable income is less than Rs. 2,50,000	Nil
Taxable income is more than Rs. 2,50,000 but less than Rs. 5,00,000	10% of the amount above and over 2,50,000.
Taxable income is more than Rs. 5,00,000 but less than Rs. 10,00,000	Rs. 25,000 + 20% of the amount by which the taxable income exceeds Rs. 5,00,000
Taxable income is more than Rs. 10,00,000	Rs. 1,25,000 + 30% of the amount by which the taxable income exceeds Rs. 10,00,000

Education Cess

Besides the tax rate, cess is also charged. The cess is a tax on the tax. For a normal individual, the cess is 3%. Because of this cess the effective tax rates translates into 10.3%, 20.6% and 30.9% according to the slabs.

Income Slab	Tax Rate	Education Cess	Aggregate Tax Rate
0–2.5 Lakh	Nil	Nil	Nil
2.5–5.0 Lakh	10.00%	3.00%	10.30%
5.0 – 10.0 Lakh	20.00%	3.00%	20.60%
Above 10 Lakh	30.00%	3.00%	30.90%

Tax on incomes of individuals (below 60 years)

Annual Taxable Income	Total tax	Tax After full 80C Tax deduction
upto 2.5 lacs	Nil	Nil
3.0 lacs	Nil	Nil
3.5 Lacs	5,150	Nil
4.0 Lacs	10,300	Nil
4.5 lacs	15,450	Nil
5.0 lacs	20,600	5,150
6.0 lacs	46,350	15,450
7.0 lacs	66,950	36,050
8.0 lacs	87,550	56,650
9.0 lacs	1,08,150	77,250
10.0 lacs	1,28,750	97,850
15.0 lacs	2,83,250	2,36,900

Note that after all the available exemptions and deductions, if the net taxable income is below 5 lacs, then the tax liability can be reduced by Rs 5000

Income Tax Slab For Female

The income tax slab for female is same as the male. Since last some years, the government has ended the different taxation on the basis of gender. Earlier females used to get a relaxed tax slab. The females taxpayer were liable to less tax. However, now there is no such distinction. Thus, the women should refer to the tax slab of individuals, given above.

Income Tax Rate For Senior Citizen

The senior citizen get preferable treatment from the government. They have a different tax slab. The tax slab of senior citizens is relaxed. The tax free income of senior citizen is more than the individual below 60.
Because of the higher basic exemption, the senior citizens are liable to less tax on similar income. Among senior citizens, there is a separate class of super senior citizen as well (above 80 years). They get far better tax treatment. To avail the benefit of senior citizen's income tax slab of 2016-17, one should be born on or after 1st April 1936 but before 1st April 1956. These dates are applicable for the income tax slab rate of the financial year 2016-17.

Income Tax Slab for 2016–17	Tax Rate
Taxable income is less than Rs. 2,50,000	Nil
Taxable income is more than Rs. 2,50,000 but less than Rs. 5,00,000	10% of the amount above and over 2,50,000.
Taxable income is more than Rs. 5,00,000 but less than Rs. 10,00,000	Rs. 25,000 + 20% of the amount by which the taxable income exceeds Rs. 5,00,000
Taxable income is more than Rs. 10,00,000	Rs. 1,25,000 + 30% of the amount by which the taxable income exceeds Rs. 10,00,000

Education Cess

Senior citizens are also required to pay education cess similar to other individuals. The 3% cess is charged on the income tax of senior citizens. Due to this the effective income tax slab rate increases.

Effective Tax Rate of senior Citizens

Income Slab	Tax Rate	Education Cess	Aggregate Tax Rate
0 – 3.0 Lakh	Nil	Nil	Nil
3.0 – 5.0 Lakh	10.00%	3.00%	10.30%
5.0 – 10.0 Lakh	20.00%	3.00%	20.60%
Above 10 Lakh	30.00%	3.00%	30.90%

You can see the senior citizens enjoy tax-free income of up to Rs 3 lakh. They get an extra concession on the income of Rs 50,000. This relaxation of 50K translates the tax saving of 15450 for the senior citizens who fall in 30% tax slab.

Tax on Different Income of Senior Citizens (60-80 years)
According to income tax slab the senior citizen gets basic

exemption up to the income of Rs 3 lacs. But, because of income tax rebate, the income up to Rs 3.5 lacs gets tax-free.
Income Tax Slab of Super Senior Citizens (Above 80 years)

The senior citizens of above the age of 80 gets maximum tax concession from the government. They get this concession considering increased medical and healthcare expenses.

To get the benefit of this income tax slab rate, one should be born before 1st April 1936.

The super senior citizen can enjoy up to Rs 5 lakh tax-free income. It is a really big relief in comparison to the normal individual. However, income above the Rs 5 lakh is considered for 20% tax. It means there is no slab of 10% tax.

Income Tax Slab	Tax Rate
Taxable income is less than Rs. 5,00,000	Nil
Taxable income is more than Rs. 5,00,000 but less than Rs. 10,00,000	20% of the amount by which the taxable income exceeds Rs. 5,00,000
Taxable income is more than Rs. 10,00,000	Rs. 1,00,000 + 30% of the amount by which the taxable income exceeds Rs. 10,00,000

Education Cess

Super senior citizens are also not spared of education cess. They need to pay 3% cess on the tax.

Effective Tax Rate for Super Senior Citizens

Tax on Different Income of Super Senior Citizens (Above 80 years)

Income Tax Slab	Tax Rate	Education Cess	Aggregate Tax Rate
0 – 5.0 Lakh	Nil	Nil	Nil
5.0 – 10.0 Lakh	20.00%	3.00%	20.60%
Above 10 Lakh	30.00%	3.00%	30.90%

Income Tax Slab And Rates For Businesses

For Cooperative Society

Unlike an individual the Cooperative societies do not get any exemption. It has to pay income tax on the first rupee it earns.

Like an individual, it has to pay the education cess as well.

Like an individual, the cooperative societies has different income tax slabs according to the taxable income.

Annual Taxable Income	Total tax	Tax After full 80C Tax deduction
upto 2.5 lacs	Nil	Nil
3.0 lacs	5,150	Nil
3.5 Lacs	10,300	Nil
4.0 Lacs	15,450	Nil
4.5 lacs	20,600	Nil
5.0 lacs	25,750	Nil
6.0 lacs	20,600	Nil
7.0 lacs	41,200	10,300
8.0 lacs	61,800	30,900
9.0 lacs	82,400	51,500
10.0 lacs	1,03,00	72,100
15.0 lacs	2,57,500	2,11,150

Income Tax Slab	Tax Rate
Taxable income is not more than Rs. 10,000	10% of total income
Taxable income is more than Rs. 10,000 but less than Rs. 20,001	Rs. 1,000 + 20% of income in excess of Rs. 10,000
Taxable income is more than Rs. 20,000	Rs. 3,000 + 20% of the amount by which the income exceeds Rs. 20,000

Among the business classes, only cooperative society has different tax slabs. All other businesses class pays uniform tax rate.

Income Tax Slab Rate For the Business Firm

Any income of the firm is taxable from the beginning. Also the tax rate is highest.

There is no tax slabs. The firm has to pay 30% tax on its total income. This rate is uniform irrespective of the earning. Any income a firm earns is taxable, whether it is rupee one or crores.

Besides this, Education cess and surcharge is also applicable. The total effective tax rate of a firm is 30.9%.

Local Authority

Similar to the firm local authority also pays income tax at the rate of 30%.

After an addition of education cess, the effective tax rates becomes 30.9%

Domestic Company

- In the case of a domestic company, income tax is payable at the rate of 30%.
- The domestic company gets relaxation on the surcharge. If the income exceeds Rs 1 croresurcharge rate is 7%. Earlier it was 5%.
- If the income exceeds Rs 10 crore, the surcharge rate is 12%. Earlier it was 10%
- 3% education cess is also charged on the income tax of the domestic company.

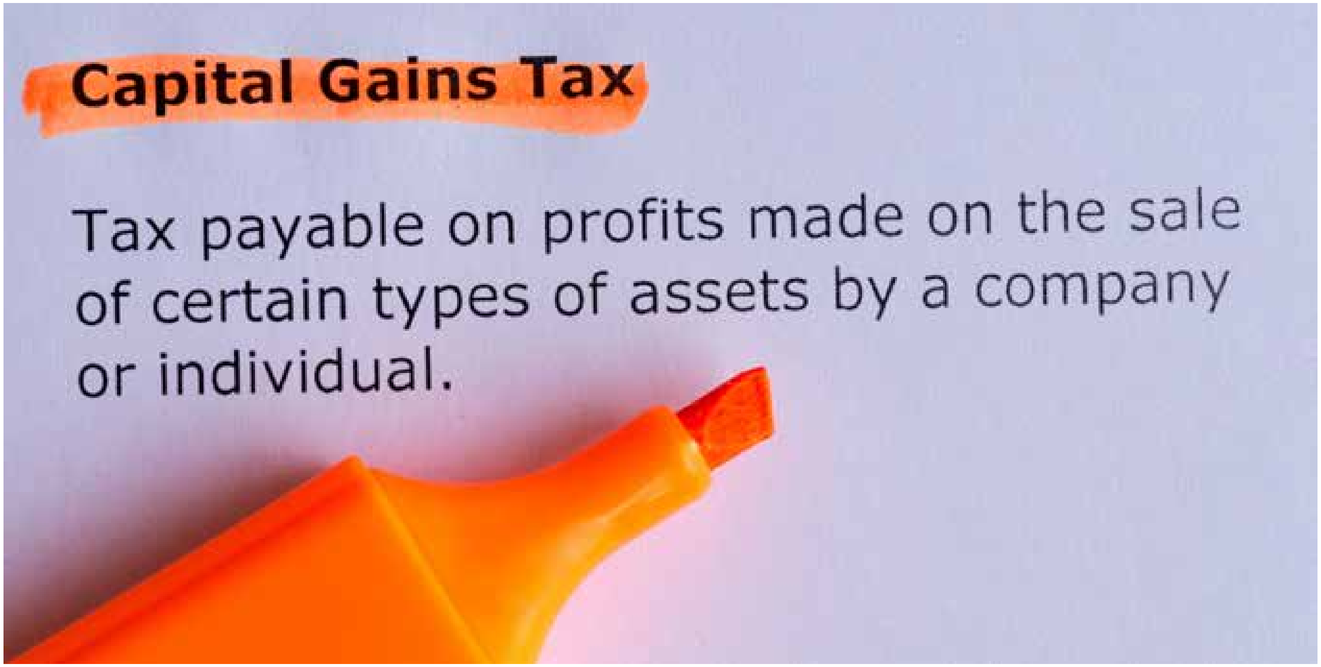
For Foreign Company

Foreign company means a company whose control and management are situated wholly outside India. Also, the company has not made the prescribed arrangements for declaration and payment of dividends within India.

- A foreign company has to pay 40% income tax. 3% educations cess is also charged.
- The surcharge is 2% if taxable income exceeds Rs 1 crore but not more than Rs 10 crores.

The surcharge is 5% if taxable income exceeds 10 crores.

Capital Gains tax in India



IN India, capital gains taxes are a type of direct tax. These are paid by both individual and institutional investors. These taxes are normally collected by the national government and the primary area of taxation is the capital gained from the sale of these assets.

The term capital gain primarily means the difference between the price at which a property was bought and one at which it was sold. The Indian government has now widened the definition of capital asset to include properties such as archeological property, paintings, drawings, and sculpture and similar art work.

The term capital gain also takes into consideration the profits made from transferring a capital asset and is categorized into long term and short term capital gain.

Long- and short-term Capital Gains taxes in India

The long term capital gain taxes come into play when an asset is owned in excess of 3 years. In case of stocks and securities that are traded at well known stock exchanges and mutual funds, a time limit of 12 months is considered as long term.

If these assets are held for a lesser period they are subjected to the short term capital gain taxes. The long term capital gain are taxed at concession rates. However, in case of the short term capital gain the conventional rates for corporate income taxes are applied.

Corporate Capital Gains taxes in India

These taxes are applicable for all domestic companies. The short term capital gain are normally subjected to basic rates applicable for income taxes. The rate for the long term capital gain varies between 10 and 20 percent.

Companies need to pay a tax of 15 percent on the short term gain made from selling units of equity based funds. Conversely, long term profits accrued from similar sources are not subjected to taxes.

Capital Gain taxes for Foreign Institutional Investors

For the foreign institutional investors (FIIs) operating in India, the rate is 15.84 percent for short term capital gain that arise from transactions, which can be charged as per the Securities Transaction Tax.

In case of other short term capital gain, a rate of 31.67 percent is applied. For long term capital gain of the FIIs that are not subject to the Securities Transaction Tax the rate is 10.56%.

Collection of Capital Gains taxes in India

The capital gain taxes are normally collected in the immediately next assessment year. These taxes are only collected if there are no exemptions as per the sections 54, 54ED, 54B, 54F, 54D, 54G, and 54EC. However, such a tax can only be implemented if the capital asset has been transferred by an assessee, and there has been a profit from the transaction.

The Section 2 (47) of the Income Tax Act states that for a transfer to be treated as a capital gain the previous owner must relinquish all the rights on the said property. If the property is used as a share it will be regarded as a capital gain as well.

Exemptions from Capital gain Taxes - Section 54EC and Section 54

This section of the Income Tax Act states the exemptions that are provided in case of transfer of long term assets. Every assessee is eligible to receive exemptions as per this section, which differs from the exemptions provided under Section 54.

As per Section 54 the gain resulting after transferring a residential property are exempted from taxes if they are invested again in purchasing another one. However, these benefits are only provided to Hindu Undivided Families and individual tax payers.

If a tax payer wishes to avail the exemptions granted under the Section 54EC they need to invest the whole amount or certain part of their long term capital gain in a specified instrument. However, this needs to be done within a period of 6 months after the asset was transferred so that the assessee can claim an exemption.

The exemptions are provided on the basis of the amount of profit invested or the expense incurred in acquiring that asset - the lower amount of the two is taken into consideration in these cases.

How to save Capital Gains taxes

Tax payers can save their capital gain taxes by investing in bonds issued by any of the following entities:

• National Bank for Agriculture and Rural Development (NABARD)

- Rural Electrification Corporation (REC)
- National Highway Authority of India (NHAI)

These bonds are provided on a tap basis, which means they are always available for sale. In case of the NABARD and NHAI bonds, tax payers can invest their long term capital gain. They also need to ensure that the minimum lock in period of these bonds is 3 years. The interest earned on these investments is taxable though.

Indirect Taxes

Relief from double taxation

- India has entered into DTAA with more than 84 countries.Generally, the provisions of DTAAs prevail over domestic tax provisions. However, the domestic tax provisions may apply to the extent they are more beneficial to the taxpayer. The benefit of the DTAA will not be available unless a taxpayer obtains a TRC from the government of the home country.
- India has also entered into tax information exchange agreements with various territories such as Bermuda,the Isle of Man, the Bahamas, British Virgin Islands,Cayman Islands, and so on.

Venture capital companies/venture capital funds

Any income of a VCC or VCF from investments in a VCU is exempt from tax subject to fulfilment of certain conditions. The provisions of withholding tax and DDT are not applicable to the income paid by VCF/VCC to the investors.

Special Economic Zones

A unit which sets up its operations in an SEZ is entitled to claim tax holiday for a period of 15 years commencing from the year in which the unit begins to manufacture or produce articles or things or provide services. The tax holiday of 15 years is as follows:

- 100 percent for the first five years.
- 50 percent for the next five years.
- 50 percent for the next five years (with restriction to create reserves).

The benefits are available against export profits. However, MAT and DDT provisions are applicable to SEZ units.

Special Economic Zone developer

A 100 percent tax holiday (on profits and gains derived from any business of developing an SEZ) for any ten consecutive years out of 15 years has been provided to undertakings involved in developing SEZs. However, MAT and DDT provisions are applicable to the SEZ developers.

Tax holiday for infrastructure projects

Undertakings engaged in prescribed infrastructure projects are eligible for a tax holiday for a consecutive period of any ten years out of a block period of 20 years.

Tax holiday for power projects

A tax holiday of ten years in a block of 15 years is available to undertakings set up before 31 March 2014, with respect to generation/generation and distribution of power, laying of a network of new lines for transmission or distribution,undertaking a substantial renovation (more than 50 percent) and modernisation of the existing network of transmission or distribution lines.

Investment allowance

An investment allowance is available at 15 percent on investments made by a manufacturing company in new plant and machinery acquired and installed between 1 April 2013 and 31 March 2015 if the same exceeds $18.4 million.

Transfer pricing in India

Domestic transfer pricing

The transfer pricing regulations apply to certain domestic transactions defined as SDT covering the following:

- Payments (i.e. only expenditure) to specific related parties.
- Transactions between tax holiday eligible units and other business of the same taxpayer.
- Computation of ordinary profits of a tax holiday unit of the taxpayer where there are transactions with entities with close connection.
- Such other transactions as may be prescribed.

These provisions shall be applicable in cases where the aggregate amount of all such domestic transactions exceeds $919,286 in a financial year.

Safe harbour rules

To reduce increasing number of transfer pricing audits and prolonged disputes, the CBDT notified the Safe Harbour Rules in September 2013, applicable for a period of five years starting with assessment year 2013-14 for various sectors. The Rules provide for a time-bound procedure for determination of the eligibility of the taxpayer and of the international transactions for Safe Harbour Rules.

Advance pricing agreements

Recently, APA provisions have been introduced in the Act and the salient legislative provisions of this are as follows:

- APA provisions have been introduced with effect from 1 July 2012. Option of unilateral/bilateral/multilateral APA possible.
- The ALP will be determined on the basis of prescribed methods or any other method.
- Valid for a maximum of five consecutive years unless there is a change in provisions of the Act having a bearing on international transactions.
- Pre-filing consultation mandatory (option of anonymous filing available).
- In case an APA covering a particular year is obtained after filing the return of income, a modified return should be filed based on the APA and assessment or reassessment to be completed based on such modified return.
- APA to be declared void ab initio if obtained by fraud or misrepresentation of facts.
- No regular TP audits – only an annual compliance audit.
- Taxpayer can withdraw the APA application at any stage.
- Option of renewal of APA available.

Indirect taxes

Customs duty

Customs duty is levied by the central government on the import and export of goods from India. The rate of customs duty applied to imported and exported products depends on its classification under the Customs Tarif Act. (CTA) In the case of exports from India, duty is levied only on a very limited list of goods. The Customs Tarif is aligned with the internationally recognized Harmonized Commodity Description and Coding System of TarifNomen cloture promulgated by the World Customs Organization. The Indian central government has the power to exempt any speciied goods from the whole or part of the customs duties.

Inaddition, preferential/concessional rates of customs duty are available under the various bilateral and multilateral trade agreements entered into by India. Customs duty is levied on the transaction value of the imported or exported goods. Under the CustomsAct1962, transaction value is the sole basis of valuation for the purposes of import and export. Although India has adopted general principles of valuation for goods that are in accordance with the World Trade Organization's agreement on customs valuation, the central government has established independent Customs Valuation Rules applicable to the import and export of goods.India has nouniformrateofcustomsdu ty,thusdutyapplicabletoanyproductisbasedonanumberofc omponents.Thetypesofcustomsdutiesareasfollows:

Basic Customs Duty (BCD): BCD is the basic component of customs duty levied at the effective rate stipulated in the First Schedule to the Customs Tariff Act, 1985 (CTA) and applied to the landed value of the goods.

Countervailing Duty (CVD): CVD is equivalent to, and is charged to counter the effect of, the excise duty applicable on goods manufactured in India. CVD is calculated on the landed value of the goods and the applicable BCD.

Service tax

A new Service tax regime was introduced in India's 2012 Budget, under which all services are taxed, with services specified under the negative list entry otherwise exempted. The CBEC also issued a notification in June, 2012 commonly referred to as the 'Mega Exemption Notification' enumerating the services which shall be exempt from the payment of service tax with effect from July 2012. Earlier there were numerous notifications and litigations challenging the service tax. The present rate of service tax is 14.5%. A KrishiKalyanCess ('KKC') shall be levied and collected at 0.5 per cent on value of any or all taxable services (effective from June 1, 2016).: Total effective service tax rate (along with cesses) will thus be 15 per cent up from current rate of 14.5 per cent

The negative list of services signifies that all services, excluding those specified by the negative list, will be subject to service tax. Additionally, there will be exemptions, abatements, and composition schemes as issued by the CBEC from time to time.

Central sales tax

India has both Central and State-level indirect tax levies on sale or purchase of goods. The rate of CST is equivalent to the VAT rate prevailing in the state from where the movement of goods has commenced. There is a concessional rate of 2 percent (1 percent in a few states), if the buyer can issue a declaration in Form C subject to fulfillment of specified conditions.

CST paid by the buyer while procuring the goods is not available as set-off for payment against any liability and hence is a cost to the business.

Research and development cess

R&D Cess is leviable at the rate of 5 percent on import of technology directly or through deputation of foreign technical personnel under a foreign collaboration.

Value added tax

VAT is applicable on sale of goods where the movement of goods takes place within the same state. It is tax on the final consumption of goods or services, and is ultimately borne by the consumer. It is a multi-stage tax with the provision to allow the Input Tax Credit on the tax at an earlier stage, which can be appropriated against the VAT liability on subsequent sale. This credit means setting of the amount of input tax by a registered dealer against the amount of output tax.

VAT is managed exclusively by respective states. The state government, through taxation departments, carry out the responsibility of levying and collecting the VAT. The central government plays the role of facilitator for successful implementation of VAT.

The VAT rate ranges from nil to 30 percent across different states and is also dependent upon the nature of the goods.

Entry tax

Entry tax is levied on the entry of specified goods into a state for use, consumption or sale therein. The entry tax rates vary from state to state and are applicable only on specified goods.

Local body tax

LBT (in lieu of Octroi) rates vary from 0 to 10 percent across municipal areas and are also dependent upon the nature of the goods. The LBT is now partially abolished as of August 2015.

Goods and service tax

To reduce the complexities and streamline various indirect taxes at the central and the state levels, an empowered committee was set up to look into various aspects of integrating multiple indirect taxes into a common GST.

The salient features of GST are as follows:

- GST is a broad-based and single unified consumption tax on supply of goods and services.
- GST would be levied on the value addition at each stage of the supply chain.
- The taxable event for GST would be supply of goods and services and therefore, will no longer be manufacture or sale of goods.
- Full input credit of the taxes paid in the supply chain would be available. However, there would be no cross credit available between central GST (CGST) and state GST (SGST);
- GST proposes to subsume the following taxes:
  - Central taxes: CENVAT, CST, CVD, SAD, service tax,surcharges, cesses, etc.
  - State taxes: VAT, entertainment tax, luxury tax, state cesses and surcharges, entry tax, etc.
  - Exports would be zero-rated under GST.
  - Basic customs duty on imports would not be subsumed with GST and hence, the levy would continue.
- Five specified petroleum products – crude petroleum,diesel, petrol, aviation turbine fuel, and natural gas may be kept out of the ambit of GST.

It is understood that the Government might peg the revenue neutral rate of GST at a rate between 18% and 22%. This represents the aggregate of CGST and SGST payable on the transaction. The GST implementation is actively under consideration and proposed to be introduced from April 2016.

Other laws

Companies Act 2013 – salient features

- The Companies Act 2013
- Mandatory for certain company to spend at least 2 percent of the average net profits for social purposes.
- Increase in the limit of members in a private limited

company to 200.
- Financial year defined as April to March.
- One director of a company has to be resident in India (i.e. stay over 182 days or more).
- A body, National Financial Reporting Authority (NFRA) to constitute for monitoring the compliance and overseeing the quality of service of professionals.
- Transfer to reserves is not mandatory before declaring the dividend.
- Consolidated financial statements of companies are required to also include financial statements of associate companies and joint ventures.
- Merger of Indian companies with a foreign company
- (incorporated in notified countries) permitted.

Types of companies

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

Private company

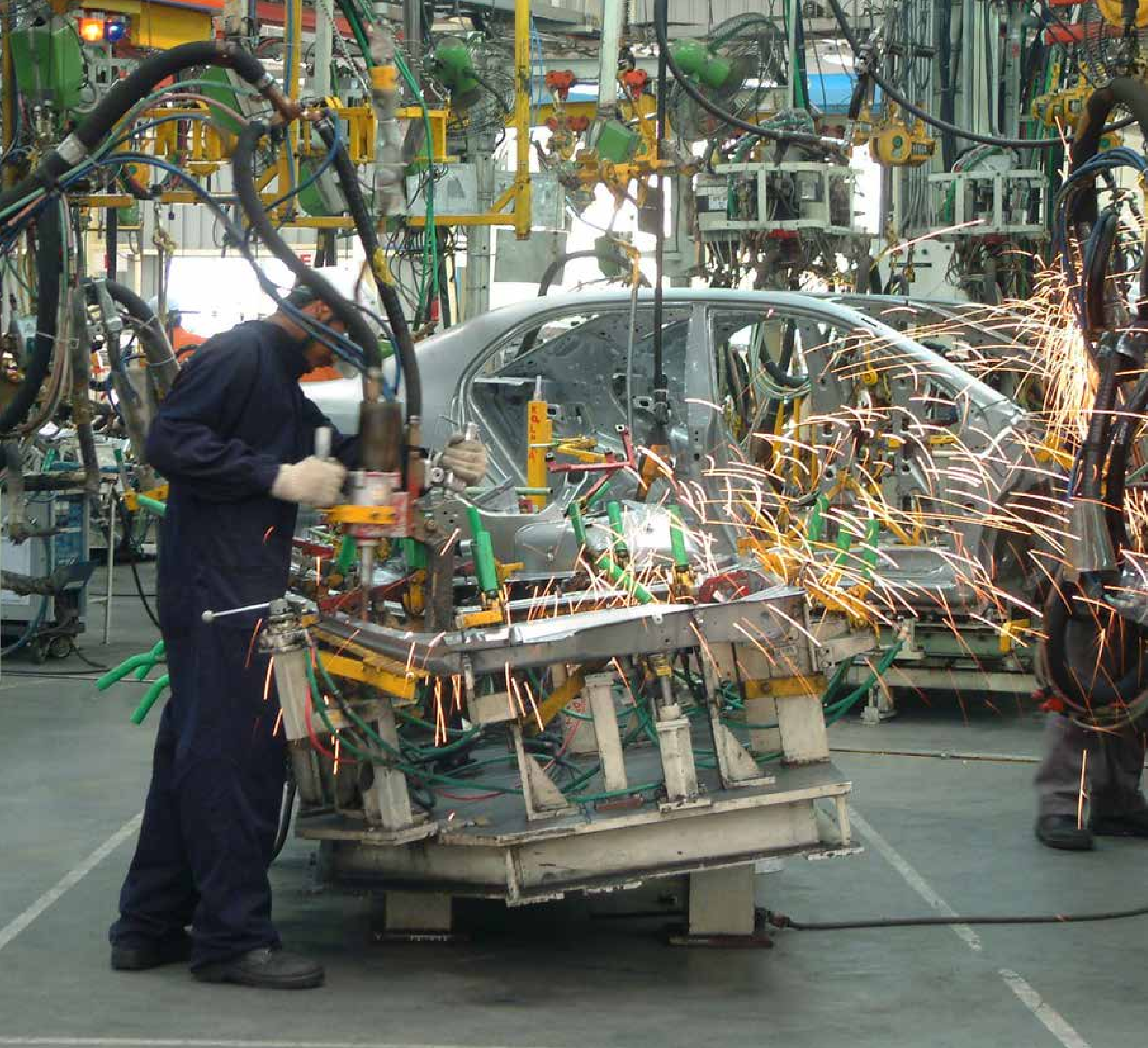
A private company is required to be incorporated with a minimum paid-up capital of $1838 and two subscribers. Broadly, the Companies Act 2013 removes the condition relating to non-acceptance of deposits from the public and increases the limits of the company's members (shareholders) to 200.

Public company

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

One-man company

The Companies Act 2013 proposes insertion of a new concept of 'One-man company,' having one shareholder and requiring a minimum of one director.



Labour laws in India

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

a) Do not employ anyone with a salary of less than Rs. 10,000 a month. If one can keep all its employees above Rs. 15,000 per month, that is even better.

b) Keep the number of employees to a bare minimum. Outsource only those who are either not critical or not specific to the business.

c) If possible, keep the number of employees to less than 20.

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

The Employees' State Insurance Act, 1948

Applicable when the number of employees is ten or more and only to employees earning less than Rs. 15,000 a month in some areas of the country

Payment of Gratuity Act, 1972

Applicable when number of employees is 10 or more

The Employees' Provident Funds and Miscellaneous Provisions Act, 1952

Applicable when number of employees is 20 or more

A quick glance at the three laws

The Employees' State Insurance Act, 1948

The employer is required to deduct 1.75% of employee's salary and add 4.75% of the salary from his side. Total contribution to be deposited is 6.5% of salary of all employees earning less than Rs. 15,000- per month. Employees covered by the insurance receive medical benefits as well as all insurance benefits.

Payment of Gratuity Act, 1972

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

The Employees' Provident Funds and Miscellaneous Provisions Act, 1952

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

Important information

Trade Information Sources	
Department of Commerce and Industry	www.commerce.nic.in
Directorate General of Commercial Intelligence and Statistics	http://www.dgciskol.nic.in
Director General of Foreign Trade, Government of India	http://dgft.gov.in/
Reserve Bank of India- Foreign Trade Statistics	www.rbi.org.in, dbie.rbi.org.in
Ministry of Statistics and Programme Implementation, India	http://mospi.nic.in/Mospi_New/site/home.aspx
Department of Industrial Policy	http://dipp.nic.in/
Department of Heavy Industry	http://dhi.nic.in

Industry associations in India	
EEPC India	www.eepcindia.org
Confederation of Indian Industry (CII)	www.cii.in
Federation of Indian Chambers of Commerce and Industry (FICCI)	www.ficci.com
The Federation of Indian Export Organizations (FIEO)	www.fieo.org
The Associated Chambers of Commerce and Industry of India (ASSOCHAM)	www.assocham.org
The Automotive Component Manufacturers Association of India (ACMA)	www.acma.in
Consulting Engineers Association of India	www.ceaindia.com
Indian Drug Manufacturers Association (IDMA)	www.idma-assn.org
Chemical and Allied Products Export Promotion Council (CAPEXIL)	www.capexil.com
The Gem and Jewellery Export Promotion Council (GJEPC)	www.gjepc.org
Indian Electrical & Electronics Manufacturers' Association	www.ieema.org
Indian Machine Tool Manufacturers' Association	www.imtma.in
Society of Indian Automobile Manufacturers (SIAM)	www.siamindia.com
Sponge Iron Manufacturers Association	www.spongeironindia.in
All Indian Cycle Manufacturers Association	www.aicma.org
Association of Indian Forging Industry	www.indianforging.org

Tax related information

CBDT (Central Board of Direct Taxes) – www.incometaxindia.gov.in
CBEC (Central Board of Excise and Customs) – www.cbec.gov.in

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

Visa						
Business Visa						
Country	**Duration of Visa**	**Consular Fee**	**ICWF Fee**	**Reference Fee**	**Service Fee**	**Total Fee**
US Citizens	10 Years (120 Months) Multiple Entry	$240.00	$3.00	$0.00	$4.70	$247.70
US Citizens	5 Years (60 Months) Multiple Entry	$240.00	$3.00	$0.00	$4.70	$247.70
US Citizens	1 Year (12 Months) Multiple Entry	$160.00	$3.00	$0.00	$4.70	$167.70
Australia Citizens	5 Years (60 Months) Multiple Entry	$295.00	$3.00	$0.00	$4.70	$302.70
Australia Citizens	1 Year (12 Months) Multiple Entry	$215.00	$3.00	$0.00	$4.70	$222.70
Czech Republic Citizens	5 Years (60 Months) Multiple Entry	$270.00	$3.00	$0.00	$4.70	$277.70
Czech Republic Citizens	1 Year (12 Months) Multiple Entry	$190.00	$3.00	$0.00	$4.70	$197.70
Ecuador Citizens	5 Years (60 Months) Multiple Entry	$320.00	$3.00	$0.00	$4.70	$327.70
Ecuador Citizens	1 Year (12 Months) Multiple Entry	$240.00	$3.00	$0.00	$4.70	$247.70
France Citizens	5 Years (60 Months)Multiple Entry	$245.00	$3.00	$0.00	$4.70	$252.70
France Citizens	1 Year (12 Months) Multiple Entry	$165.00	$3.00	$0.00	$4.70	$172.70
Iran Citizens	5 Years (60 Months)Multiple Entry	$355.00	$3.00	$0.00	$4.70	$362.70
Iran Citizens	1 Year (12 Months) Multiple Entry	$275.00	$3.00	$0.00	$4.70	$282.70
Ireland Citizens	5 Years (60 Months)Multiple Entry Multiple Entry	$280.00	$3.00	$0.00	$4.70	$287.70
Ireland Citizens	1 Year (12 Months) Multiple Entry	$200.00	$3.00	$0.00	$4.70	$207.70
New Zealand Citizens	5 Years (60 Months) Multiple Entry	$210.00	$3.00	$0.00	$4.70	$217.70
New Zealand Citizens	1 Year (12 Months) Multiple Entry	$130.00	$3.00	$0.00	$4.70	$137.70
Nigeria Citizens	5 Years (60 Months) Multiple Entry	$370.00	$3.00	$0.00	$4.70	$377.70
Nigeria Citizens	1 Year (12 Months) Multiple Entry	$290.00	$3.00	$0.00	$4.70	$297.70
Philippines Citizens	5 Years (60 Months) Multiple Entry	$300.00	$3.00	$0.00	$4.70	$307.70
Philippines Citizens	1 Year (12 Months) Multiple Entry	$220.00	$3.00	$0.00	$4.70	$227.70
Poland Citizens	5 Years (60 Months) Multiple Entry	$225.00	$3.00	$0.00	$4.70	$232.70
Poland Citizens	1 Year (12 Months) Multiple Entry	$145.00	$3.00	$0.00	$4.70	$152.70
Saudi Arabia Citizens	5 Years (60 Months) Multiple Entry	$295.00	$3.00	$0.00	$4.70	$302.70

Visa (contd)						
Business Visa						
Country	**Duration of Visa**	**Consular Fee**	**ICWF Fee**	**Reference Fee**	**Service Fee**	**Total Fee**
Sri Lanka Citizens	3 Months Single Entry	$27.00	$3.00	$20.00	$4.70	$54.70
Sri Lanka Citizens	5 Years (60 Months) Multiple Entry	$120.00	$3.00	$20.00	$4.70	$147.70
Sri Lanka Citizens	1 Year (12 Months) Multiple Entry	$80.00	$3.00	$20.00	$4.70	$107.70
Sri Lanka Citizens	6 Months Multiple Entry	$80.00	$3.00	$20.00	$4.70	$107.70
Sri Lanka Citizens	3 Months Multiple Entry	$40.00	$3.00	$20.00	$4.70	$67.70
Sri Lanka Citizens	1 Month Multiple Entry	$25.00	$3.00	$20.00	$4.70	$52.70
Thailand Citizens	5 Years (60 Months) Multiple Entry	$280.00	$3.00	$0.00	$4.70	$287.70
Thailand Citizens	1 Year (12 Months) Multiple Entry	$200.00	$3.00	$0.00	$4.70	$207.70
UAE Citizens	5 Years (60 Months) Multiple Entry	$495.00	$3.00	$0.00	$4.70	$502.70
UAE Citizens	1 Year (12 Months)	$415.00	$3.00	$0.00	$4.70	$422.70
Ukraine Citizens	5 Years (60 Months) Multiple Entry	$280.00	$3.00	$0.00	$4.70	$287.70
Ukraine Citizens	1 Year (12 Months) Multiple Entry	$200.00	$3.00	$0.00	$4.70	$207.70
United Kingdom Citizens	5 Years (60 Months) Multiple Entry	$815.00	$3.00	$0.00	$4.70	$822.70
United Kingdom Citizens	1 Year (12 Months) Multiple Entry	$444.00	$3.00	$0.00	$4.70	$451.70
Other Nationals	5 Years (60 Months) Multiple Entry	$200.00	$3.00	$0.00	$4.70	$207.70
Other Nationals	1 Year (12 Months) Multiple Entry	$120.00	$3.00	$0.00	$4.70	$127.70
Sri Lanka Citizens	3 Months Single Entry	$27.00	$3.00	$20.00	$4.70	$54.70
Sri Lanka Citizens	5 Years (60 Months) Multiple Entry	$120.00	$3.00	$20.00	$4.70	$147.70
Sri Lanka Citizens	1 Year (12 Months) Multiple Entry	$80.00	$3.00	$20.00	$4.70	$107.70
Sri Lanka Citizens	6 Months Multiple Entry	$80.00	$3.00	$20.00	$4.70	$107.70
Sri Lanka Citizens	3 Months Multiple Entry	$40.00	$3.00	$20.00	$4.70	$67.70
Sri Lanka Citizens	1 Month Multiple Entry	$25.00	$3.00	$20.00	$4.70	$52.70
Thailand Citizens	5 Years (60 Months) Multiple Entry	$280.00	$3.00	$0.00	$4.70	$287.70
Thailand Citizens	1 Year (12 Months) Multiple Entry	$200.00	$3.00	$0.00	$4.70	$207.70
UAE Citizens	5 Years (60 Months) Multiple Entry	$495.00	$3.00	$0.00	$4.70	$502.70

Visa (contd)						
Business Visa						
Country	**Duration of Visa**	**Consular Fee**	**ICWF Fee**	**Reference Fee**	**Service Fee**	**Total Fee**
UAE Citizens	1 Year (12 Months)	$415.00	$3.00	$0.00	$4.70	$422.70
Ukraine Citizens	5 Years (60 Months) Multiple Entry	$280.00	$3.00	$0.00	$4.70	$287.70
Ukraine Citizens	1 Year (12 Months) Multiple Entry	$200.00	$3.00	$0.00	$4.70	$207.70
United Kingdom Citizens	5 Years (60 Months) Multiple Entry	$815.00	$3.00	$0.00	$4.70	$822.70
United Kingdom Citizens	1 Year (12 Months) Multiple Entry	$444.00	$3.00	$0.00	$4.70	$451.70
Other Nationals	5 Years (60 Months) Multiple Entry	$200.00	$3.00	$0.00	$4.70	$207.70
Other Nationals	1 Year (12 Months) Multiple Entry	$120.00	$3.00	$0.00	$4.70	$127.70

Tourist Visa						
US Citizens	10 Years (120 Months) Multiple Entry	$150.00	$3.00	$0.00	$4.70	$157.70
US Citizens	5 Years (60 Months) Multiple Entry	$150.00	$3.00	$0.00	$4.70	$157.70
US Citizens	6 Months Multiple Entry	$60.00	$3.00	$0.00	$4.70	$67.70
Other Nationals	6 Months Multiple Entry	$40.00	$3.00	$0.00	$4.70	$47.70
Singapore Nationals	6 Months Multiple Entry	$25.00	$3.00	$0.00	$4.70	$32.70
Sri Lanka Citizens	3 Months Single Entry	$15.00	$3.00	$20.00	$4.70	$42.70
Sri Lanka Citizens	6 Months Multiple Entry	$25.00	$3.00	$20.00	$4.70	$52.70
Sri Lanka Citizens	3 Months Double Entry	$25.00	$3.00	$20.00	$4.70	$52.70
Sri Lanka Citizens	1 Month Double Entry	$15.00	$3.00	$20.00	$4.70	$42.70
United Kingdom Citizens	5 Years (60 Months) Multiple Entry	$815.00	$3.00	$0.00	$4.70	$822.70
United Kingdom Citizens	1 Year (12 Months) Multiple Entry	$444.00	$3.00	$0.00	$4.70	$451.70
United Kingdom Citizens	6 Months Multiple Entry	$129.00	$3.00	$0.00	$4.70	$136.70

Useful contacts

Department of Commerce, Ministry of Commerce and Industry

Udyog Bhawan
New Delhi 110 107, INDIA
Phone: 91-11-23062261
Fax: 91-11-23063418
Website: www.commerce.nic.in

Ministry of Finance

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

Ministry of Micro, Small and Medium Enterprises

Udyog Bhawan
New Delhi - 110011
Email: ds.sme@nic.in

The Securities and Exchange Board of India

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

EEPC India

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

EEPC India offices

TERRITORIAL OFFICE
Bhaskar Sarkar
Executive Director & Secretary

TERRITORIAL DIVISION
Vandhna Building (4th Floor)
11 Tolstoy Marg, New Delhi 110 001
Tel: 91-11-23353353, 23711124/25
Fax: 91-11-23310920
e-mail: eepcto@eepcindia.net

REGISTERED & HEAD OFFICE
Suranjan Gupta
Additional Executive Director
Vanijya Bhavan (1st Floor)
International Trade Facilitation Centre
1/1 Wood Street, Kolkata 700 016
Tel: 91-33-22890651/52/53
Fax: 91-33-22890654
e-mail: eepcho@eepcindia.net

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

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

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

New Delhi
Rakesh Suraj, Regional Director
Vandhna Building (7th Floor)
11 Tolstoy Marg, New Delhi 110 001
Tel: 91-11-23314171/74
Fax: 91-11-23317795
e-mail: eepcrodel@eepcindia.net

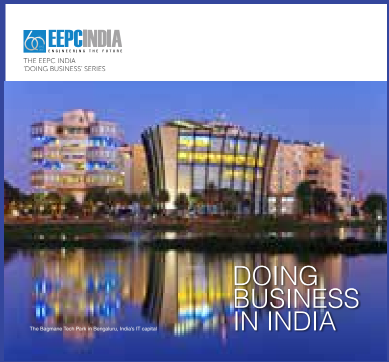
SUB-REGIONAL OFFICES
Ahmedabad
Sudhakaran C K Nair
Sr. Assistant Director
TF-313/A (3rd Floor)
ATMA House, Ashram Road
Ahmedabad 380 009
Tel: 91-79-26588720, 9725663534
e-mail: eepcsroahd@eepcindia.net

Bangalore
J V Raja Gopal Rao
Deputy Director
Vinayaka Complex (2nd Floor)
44/45, Residency Road Cross
Bangalore 560 025
Tel: 91-80-25581396/25588669
Fax: 91-80-25586914
e-mail: eepcsroblr@eepcindia.net

Hyderabad
Srinivas Chakravarthy
Assistant Director
'Soham Mansion' (1st Floor)
No. 5-4-187/3 & 4/4, M G Road
Secunderabad 500 003
Tel: 91-40-27536704
Telefax: 91-40-27536705
e-mail: eepcsrohyd@eepcindia.net

Jalandhar
Opinder Singh
Deputy Director
Plot Comm. 1, Focal Point
Jalandhar 144 004
Tel: 91-181-2602264
Fax: 91-181-2601124
e-mail: eepcsrojld@eepcindia.net

EEPC INDIA 'DOING BUSINESS' SERIES



Doing Business in India

April 2016

CIN: U51900WB1955NPL022644

EEPC India
Vanijya Bhawan
International Trade Facilitation Centre
1/1 Wood Street, Kolkata 700 016, India
Tel: 91 33 2289 0651/52/53 Fax: 91 33 2289 0654
email: eepcho@eepcindia.net website: www.eepcindia.org