Doing Business in India

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It is wiser to be in India now…

Fastest growing economy in the world

(Current: 7% , by 2018: 7.8%)

World's third largest economy

(Would double in size to US$ 4–5 trillion in a decade)

Taxes on companies has been reduced to 25%

(For companies with annual turnover less than 50 Crores)

World's second-largest telecommunication market

(1058.86 million subscribers)

By 2020, retail market is expected to grow to US$ 1.1 trillion

(growing at a high rate of 20%-25% p.a.)

World's sixth largest pharmaceutical market by 2020

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It is wiser to be in India now…

By 2050, India will have added 300 million people

Working age group will be more than 64% by 2021

(15-59 years)

Growing urban markets

(23.1 Million people shifting from rural to urban areas in two decades)

Low labour costs

(Total labour force of nearly 530 million)

Purchasing power parity, India's economy is third largest in the world

(Current- $ 8.7 trillion,

by 2025- $ 20 trillion)

Foreign Direct Investment

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Foreign Direct Investment into India

Automatic Route

- All sectors other than sectors which are specifically prohibited or under approval route
- Should comply with sector based investment and other conditions (i.e. sectoral caps)

Approval Route

100% FDI through Government approval route

- Extraction of titanium
- Publishing of scientific & technical magazines/specialty journals/ facsimile
- Edition of foreign newspapers
- Satellites (establishment & operation)
- Pharmaceuticals (Brownfield)

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Foreign Direct Investment into India

Approval Route

100% FDI: Government approval required beyond 49%

- Telecom Services
- Broadcasting Carriage Services
- Single Brand product retail trading

100% FDI: Government approval required beyond 74%

- Existing projects of Airport

49% FDI : No Government approval required

- Infrastructure Company in the Securities Market
- Insurance
- Pension Sector
- Power Exchanges
- Defense
- Air Transport Services (Scheduled): 100% for NRI

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Foreign Direct Investment into India

Approval Route

49% FDI through Government approval route

- Broadcasting Content Services (except Up-linking & Down-linking of Non-'News & Current Affairs' TV Channels)
- Private Security Agencies

FDI limits less than 100%

- Banking (Private Sector): 74% FDI is allowed. However, Government approval is required beyond 49%
- Banking (Public Sector): 20% FDI is allowed with Government approval
- Multi Brand product retail trading: 51% FDI is allowed with Government approval
- Print Media: 26% FDI is allowed with Government approval

Foreign Direct Investment into India

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Prohibited Sectors

- Real Estate Business or Construction of Farm Houses
- Activities/ sectors not open to private sector investment e.g. Atomic Energy and Railway Transport (other than Mass Rapid Transport Systems)
- Lottery, Gambling and Betting Businesses
- Business of Chit funds
- Nidhi Company
- Trading in Transferable Development Rights
- Manufacturing of Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes

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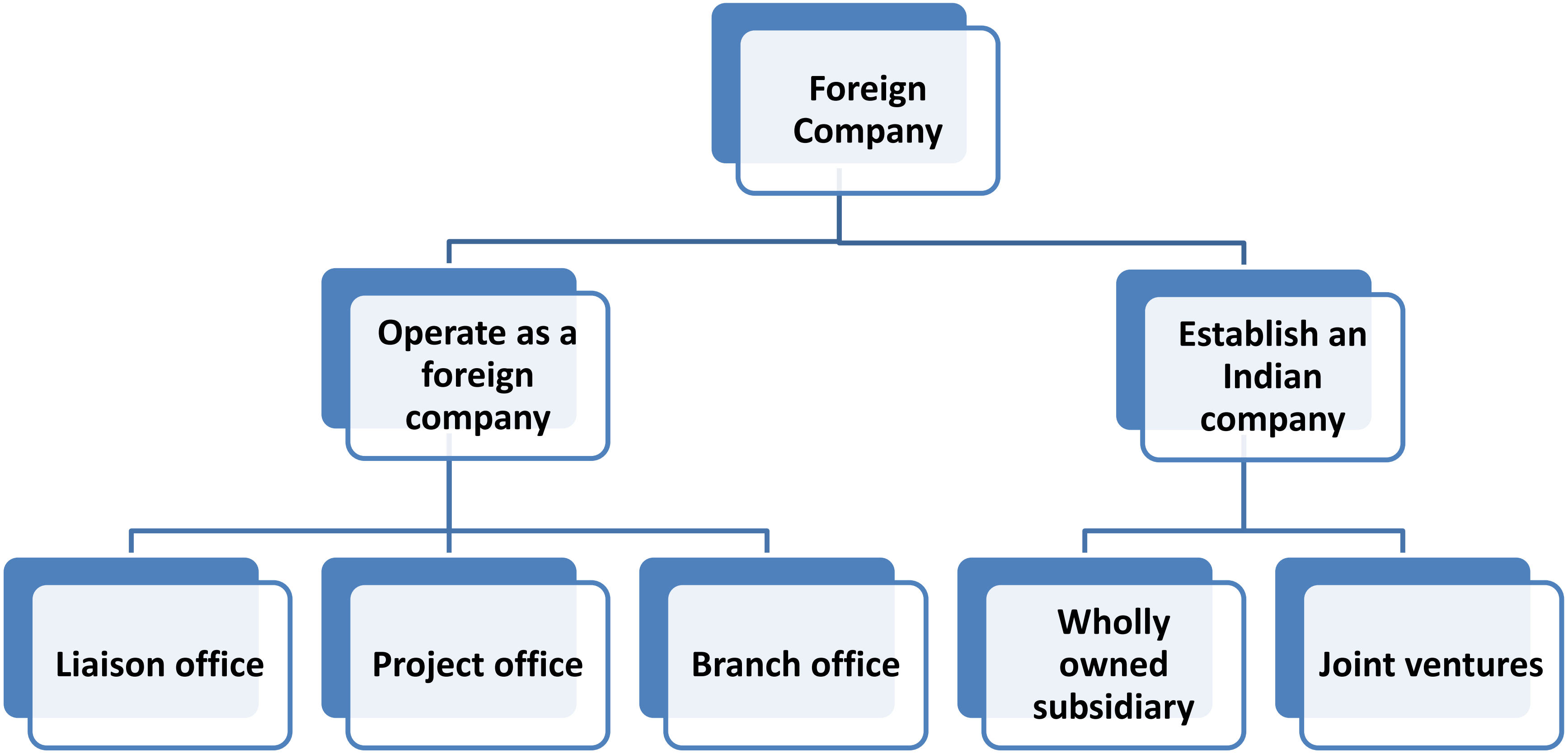
Foreign Direct Investment into India

- FDI in India has went up by 22% on a year-on-year basis
- FDI equity inflows touched US$ 6.19 billion (in October 2016)
- Total FDI equity inflows for this year (3 quarters) amounts to US$ 35.84 billion
- India received the maximum FDI equity inflows from:
  - Mauritius: US$ 12.82 billion
  - Singapore: US$ 7.11 billion
  - Japan: US$ 4.25 billion
  - Netherlands: US$ 2.50 billion
  - USA: US$ 1.94 billion
- Expected to grow at 20-24% annually to touch US$ 6-8 billion by 2025
- Single window clearance – Application to be made to Foreign Investment Promotion Board ("FIPB")
- FIPB meets on routine basis (once a month) to approve/ reject applications
- Application usually takes 8-12 weeks

Possible Entry Types

Ways to enter India



Business Presence as Foreign Entity

Liaison Office

- Representative office only. No business activities. Cannot earn income in any form
- Prior Reserve Bank of India ("RBI") approval required

Project Office

- For specific project awarded by Indian company
- No prior RBI approval required in case of German companies
- Separate project office (bank account) to maintained for each project

Branch Office

- Can be formed by companies engaged in manufacturing & trading activities
- Prior RBI approval required. Branch Office ("BO") can do *only* permitted activities like trading, consulting, sales agent etc. Not permitted to undertake manufacturing activities

Business Presence as Domestic Entity

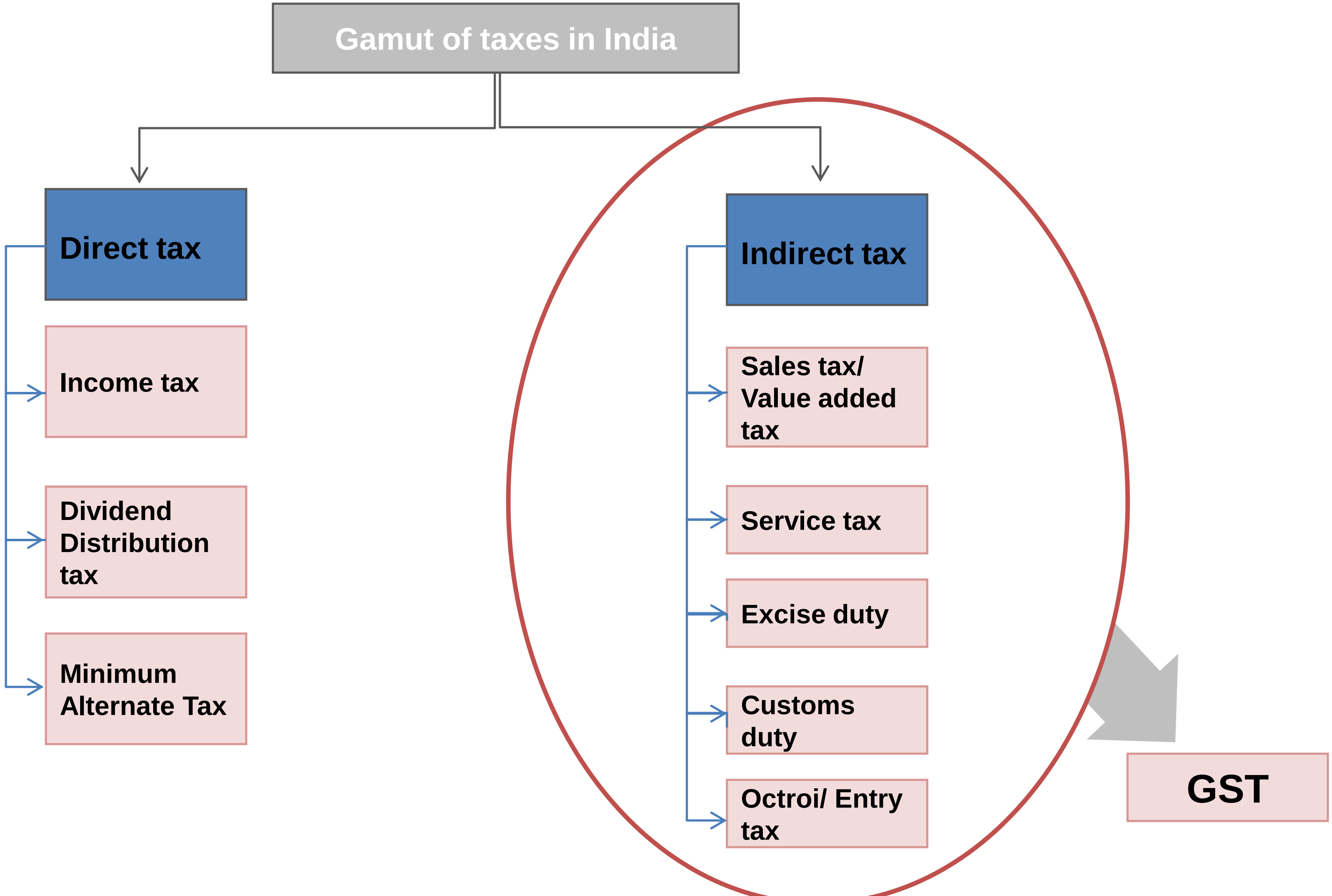
Wholly owned subsidiary

- Can do all commercial business activities
- **No prior RBI approval required**
- Suitable for long-term presence

Joint Venture

- At least two parties required
- Can do all commercial business activities
- **No prior RBI approval required**
- Suitable for long-term presence

Indian Tax Framework – An Overview



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Brief Overview of Direct Taxes

Corporate Tax

(on profit taxable in India)

Dividend Distribution Tax

(on dividend distributed to foreign company by an Indian company & dividend distributed by JV / WOS

Withholding Tax

(by foreign company on payments made & on payments received by company)

Foreign Company

Minimum Alternate Tax

(if accounting profit > taxable profit)

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Brief Overview of Indirect Taxes

- Value Added Tax
  - Applicable on goods sold within a particular state
  - Rates vary for each state and product
- Central Sales Tax
  - Applicable on sale of goods from one state to other state
  - Rate vary for each product
- Service Tax
  - Applicable on provision of defined services
  - Prescribed rate is 15%

Brief Overview of Indirect Taxes

- Excise duty
  - Applicable on manufacturing entities
  - Payable on goods manufactured
  - Rate vary for each product
- Custom duty
  - Applicable on goods imported into India
  - Rates vary depending on classification of goods
  - Payable at the time of importing the goods

- System of indirect taxes likely to be replaced by Goods and Service Tax, which shall consolidate all above taxes

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Goods & Service Tax (GST)

- GST is a tax replacing all state and central level indirect taxes
- Comprehensive tax levy on manufacture, sale and consumption of goods and service
- Changing the tax base from production to consumption
- Mitigation of cascading effect
- GST adoption could raise India's GDP growth to over 8% (IMF)
- All goods or services likely to be covered under GST except:
  - Exempted goods & services
  - Goods & services outside the purview of GST
  - Transactions below threshold limits
- Tax rates
  - Four tax rates namely 5%, 12%, 18% and 28%
  - Some goods and services would be exempt
  - Separate tax rate for precious metals
  - Cess over the peak rate of 28% on specified luxury and sin goods
- Applicable from July 1, 2017

Company Profile

Where business meets Professionals

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Certification: ISO 9001:2008

Registrations: ICAI (India), PCAOB (US)

Size: 120 + (Chartered Accountants, Company Secretaries, Certified Public Accountants (CPA), Lawyers, MBAs)

Alliances: ADAM, TIAG and UTN

Key Clientele's Location: India, USA, Africa, Australia and Europe, Hong Kong, China, Malaysia

Head Office: New Delhi, India

Partners: Ankit Jain, Siddhartha Havelia, Manvi Arora, Chandramani Goel, Gautam More

Siddhartha Havelia
Managing Partner, AJSH

Ankit Jain
Managing Partner, AJSH

What we do

- Accounting & Bookkeeping
- Audit & Assurance
- Tax & Regulatory
- Transaction Advisory
- Initial Business Setup
- Shared Services
- USGAAP/ IFRS Consulting
- Business Consulting

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Thank You!!