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Regulatory Alert
Tracking change

Consolidated FDI Policy- 2015

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Background

The Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce & Industry, Government of India (GOI) recently issued its Consolidated FDI Policy Circular of 2015 (Circular) updating the Foreign Direct Investment Policy (FDI Policy) of GOI.

The Circular is effective from 12 May 2015. There are no material changes in the FDI Policy. The changes in FDI Policy are essentially clarification or simplification of procedures aimed at ease of doing business in India.

Highlights of the Circular

Transfer of shares and convertible debentures between non-resident investors

- It has been clarified that:
  - Government approval is not required for transfer of shares in the investee company from one non-resident (other than NRI) to another non-resident (including NRI) in sectors which are under automatic route.
  - Approval of Government will be required for transfer of stake from one non-resident to another non-resident in sectors which are under Government approval route like defence, insurance, banking, pharma (brownfield), telecommunications, multi-brand product retailing etc.

Transfer of shares and convertible debentures on stock exchange under the FDI Scheme

- In case a non-resident investor (including NRI) acquires shares of an Indian Company on the stock exchange, then the investee company would have to file form FC-TRS with the AD bank.

Mergers and acquisitions in sectors under automatic route

- It has been clarified that FIPB approval would not be required for acquisition of shares in case of mergers and acquisitions taking place in sectors under automatic route.

Simplification of FIPB approval process

- The Minister of Finance, GOI who is in-charge of FIPB would consider recommendations of FIPB on proposals with total foreign equity inflow of upto ₹ 20 billion.
- Cabinet Committee on Economic Affairs (CCEA) will approve proposals with total foreign equity inflow exceeding ₹ 20 billion (earlier ₹ 12 billion).

Additional foreign investment in same entity

- It has been clarified that any additional foreign investment into the same entity within an approved foreign equity percentage / or into a wholly owned subsidiary does not require prior approval of the Government.

Conclusion

The amendments/ clarifications issued under FDI Policy are aimed at making the existing FDI framework more efficient, transparent and investor friendly and would promote the objective of the Government to attract and promote foreign direct investment for accelerated economic growth.

Source: Consolidated FDI Policy dated 12 May 2015 issued by the Government of India

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Contacts

Ahmedabad
Heritage, 3rd Floor,
Near Gujarat Vidyapith,
Off Ashram Road,
Ahmedabad – 380 014.
Tel: + 91 (079) 2758 2542
Fax: + 91 (079) 2758 2551

Bangalore
Deloitte Centre, Anchorage II,
100/2, Richmond Road,
Bangalore 560 025.
Tel: +91 (080) 6627 6000
Fax: +91 (080) 6627 6010

Chennai
No.52, Venkatanarayana Road,
7th Floor, ASV N Ramana Tower,
T-Nagar,
Chennai 600 017.
Tel: +91 (044) 6688 5000
Fax: +91 (044) 6688 5050

Coimbatore
Shanmugha Manram
41, Race Course,
Coimbatore
Tamil Nadu - 641018
Tel: + 91 (0422) 439 2801
Fax: +91 (0422) 222 3615

Delhi/Gurgaon
Building 10,
Tower B, 7th Floor,
DLF Cyber City,
Gurgaon 122 002
Tel : +91 (0124) 679 2000
Fax : + 91 (0124) 679 2012

Hyderabad
1-8-384 and 385, 3rd Floor,
Gowra Grand S.P.Road,
Begumpet,
Secunderabad – 500 003.
Tel: +91 (040) 6603 2600
Fax:+91 (040) 6603 2714

Kolkata
Bengal Intelligent Park Building Alpha,
1st floor, Block EP and GP Sector V,
Salt Lake Electronics Complex,
Kolkata - 700 091.
Tel : + 91 (033) 6612 1000
Fax : + 91 (033) 6612 1001

Mumbai
Indiabulls Finance Centre,
Tower 3, 28th Floor,
Elphinstone Mill Compound,
Senapati Bapat Marg, Elphinstone (W),
Mumbai – 400013
Tel: + 91 (022) 6185 4000
Fax: + 91 (022) 6185 4101

Pune
106, B-Wing, 7th Floor,
ICC Trade Tower,
Senapati Bapat Road,
Pune – 411 016.
Tel: + 91 (020) 6624 4600
Fax: +91 (020) 6624 4605

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