



Tax alert: Amendment in Foreign Direct Investment Policy for space sector

23 February 2024

The Union Cabinet approved amendment in the Foreign Direct Investment ('FDI') policy for the space sector, on 21 February 2024. The amendment is in line with the vision and strategy mentioned under the Indian Space Policy 2023, which was notified as an overarching, composite, and dynamic framework to implement the vision for unlocking India's potential in this industry through enhanced private sector participation.

In a nutshell



The space sub-sector has been divided into three different activities with defined limits for foreign investment in each such sector.



Different foreign investment entry routes prescribed for each activity within the space sector.



Scroll down to read the detailed alert

Amendment in the Foreign Direct Investment Policy on Space Sector

Background

In 2020, the Government of India ('GoI') launched reforms in the space sector opening doors for enhanced participation by non-governmental entities functioning in the space domain, with the aim to provide them a level playing field. Subsequently, the GoI then approved the Indian Space Policy- 2023 on 06 April 2023, as an overarching, composite, and dynamic framework to implement the reforms vision.

As per the existing FDI policy, 100% FDI is permitted in establishment and operation of satellites through the Government-approval route only. In line with the vision and strategy under the Indian Space Policy 2023, the Union Cabinet has eased the FDI policy for the space sector by prescribing liberalised FDI thresholds for various sub-sectors/activities.

The amended FDI Policy is as under:

Under the amended FDI policy, 100% FDI is allowed in space sector. The entry routes for various activities under the amended policy are as follows:

- **FDI up to 74% is permitted under Automatic route; Government Approval required beyond 74%**
Satellites Manufacturing & Operation, Satellite Data Products and Ground Segment & User Segment
- **FDI up to 49% is permitted under Automatic route; Government Approval required beyond 49%**
Launch vehicles and associated systems or subsystems, creation of spaceports for launching and receiving spacecraft
- **FDI up to 100% is permitted under Automatic route**
Manufacturing of components and systems/ sub-systems for satellites, ground segment and user segment

Comments

The amendment is a positive step by the government which will attract foreign investment. This will further augment the 'Make In India' and the 'Atmanirbhar Bharat' initiatives of the government. Increased private sector participation would help generate employment and enable modern technology.



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see <http://www.deloitte.com/about> to learn more.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which is a separate and independent legal entity, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Bengaluru, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Mumbai, New Delhi, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

This communication contains general information only, and none of DTTL, its global network of member firms or their related entities is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication.