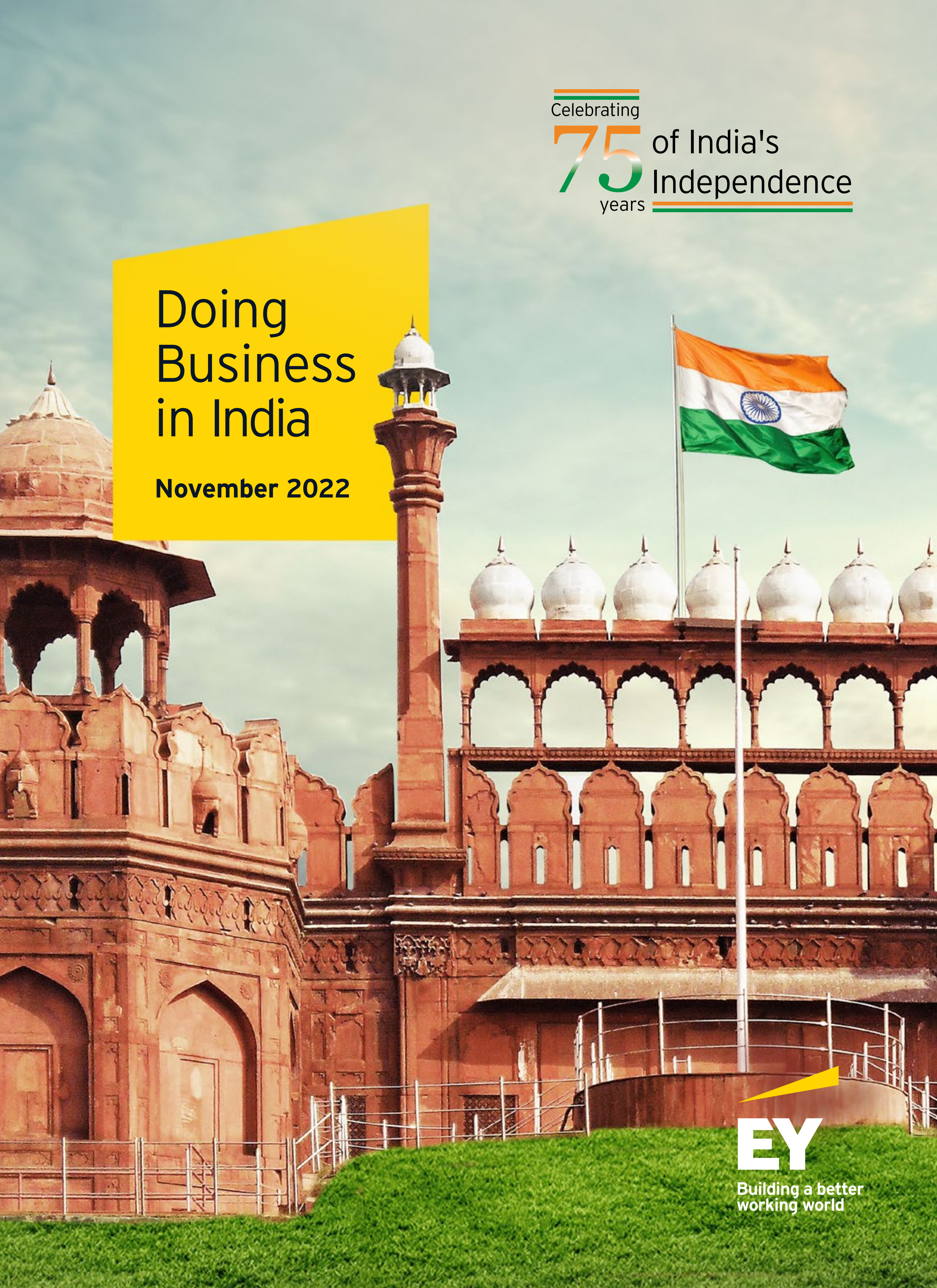
Celebrating 75 years of India's Independence

Doing Business in India

November 2022



EY

Building a better working world

Foreword

"This is the best time to invest in India",

Hon'ble Prime Minister Narendra Modi said in his virtual address at the World Economic Forum, Davos Agenda 2022. This ethos was echoed by the Finance Minister when she presented the Union Budget 2022.

Measures taken by the Government in Foreign Direct Investment (FDI) policy reforms, investment facilitation and ease of doing business have resulted in increased FDI inflows into the country, thereby endorsing India's status of being a preferred investment destination amongst global investors. India has attracted its highest ever total FDI inflow of US$83.57 billion during the financial year (FY) 2021-22 overtaking last year's FDI by US$1.60 billion, despite global upheavals such as the military operations in Ukraine and COVID-19 pandemic.

Make in India, the flagship program of the Government of India (GoI) that aspires to facilitate investment, foster innovation, enhance skill development, and build best-in-class manufacturing infrastructure, completed its 8 years of path-breaking reforms in September 2022. The program is transforming the country into a leading global manufacturing and investment destination. The initiative is an open invitation to potential investors and partners across the globe to participate in the growth story of 'New India'.

To strengthen Make in India initiative, several other measures have been taken by the GoI. The reform measures include amendments to laws, liberalization of guidelines and regulations to reduce compliance burden and enhance the ease of doing business in India. Burdensome compliances to rules and regulations have been reduced through simplification, rationalization, decriminalization, and digitization, making it easier to do business in India. Additionally, labor reforms have brought flexibility in hiring and retrenchment.

Deep reforms like the launch of PM Gati Shakti in October 2021, a National Master Plan for Multi Modal Connectivity, essentially a digital platform to bring 16 Ministries, including Railways and Roadways, together for integrated planning and coordinated implementation of infrastructure connectivity projects will surely attract foreign investors.

Production Linked Incentive (PLI) scheme across 14 key manufacturing sectors, was launched in 2020-21 as a big boost to Make in India initiative. The PLI Scheme incentivizes domestic production in strategic growth sectors where India has comparative advantage. This includes strengthening domestic manufacturing, forming resilient supply chains, making Indian industries more competitive and boosting the export potential.

Budget 2022, with a view to boosting exports, is looking at replacing the Special Economic Zones Act with a new legislation that will enable the states to become partners in Development of Enterprise and Service Hubs (DESH). This will cover all large existing and new industrial enclaves to optimally utilize available infrastructure and enhance competitiveness of exports. With nearly 40% of approved SEZ's yet to become operational, this will surely be a booster dose for the stakeholders to invest, export and generate employment.

In a bid to boost Data Centres and Energy Storage Systems, including dense charging infrastructure and grid-scale battery systems in the country, the Government has granted it infrastructure status. This grant of status is a positive move by the Government and is an acknowledgement of the growing dependency of the success of technology enabled sectors on Data Centres.

In India, policymakers may have to contend with the ongoing inflationary pressures while maintaining a robust growth of 7% plus. A recent Bloomberg survey has highlighted that many advanced economies may suffer a recession in the next 12 months. However, the survey rules out such a possibility for India. In the context of India at 75- and 100- years post-independence, there has been considerable interest in examining the growth performance so far and potential for the next 25 years and beyond.

We have developed this guide with the intent of giving stakeholders an overview of the demographic profile of India, key sectors, an insight into the regulatory framework, form of business enterprises, funding options and relevant tax regimes in India in a concise manner. The information provided in this guide has been validated up to 31 July 2022.

The companies that are doing business in India, or planning to do so, would be well advised to obtain current and detailed information from our experienced professionals.

Rajiv Chugh

Partner and National Leader
Policy Advisory & Speciality Services, EY India

Contents

Celebrating 75 years of India's Independence

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India at a glance

India's fact sheet

Geographical Profile

Capital	New Delhi
Administration	28 states and 8 union territories[1]
Neighboring countries	Afghanistan, Bangladesh, Bhutan, China, Myanmar, Nepal, Pakistan and Sri Lanka
Total area	3.29 million sq km[1] (90% land, 10% water)
Climate	Temperate in the north and tropical monsoon in the south
Natural resources	Coal (fourth-largest reserves in the world), iron ore, manganese ore, mica, bauxite, chromite, natural gas, diamonds and limestone
Railways	68,442 km[2]
Roadways	6.4 million km[2]
Waterways	14,500 km[3]
Airports	464[4]

Demographic profile

Population	▸ 1.41 billion[5] (2022 estimates) ▸ Population growth[5]: 0.95% (YoY) ▸ Urban: 34.9%, rural: 65.1%[6] (2020)
Sex ratio (2020)	1.08[5] males per female
Age structure (2022)	0-14 years (25.4%), 15-24 years (17.8%), 25-64 years (49.9%), 65 years and over (7.0%)[5]
Median age (2020)	Median age: 28.43 years[5]

Education and labor force

Literacy rate	▸ Approx. 74% (male: 82%, female: 65%)[7] ▸ India has one of the world's largest school-age population and a well-developed education system
Labor force	471.3 million[8] in 2021

Political profile

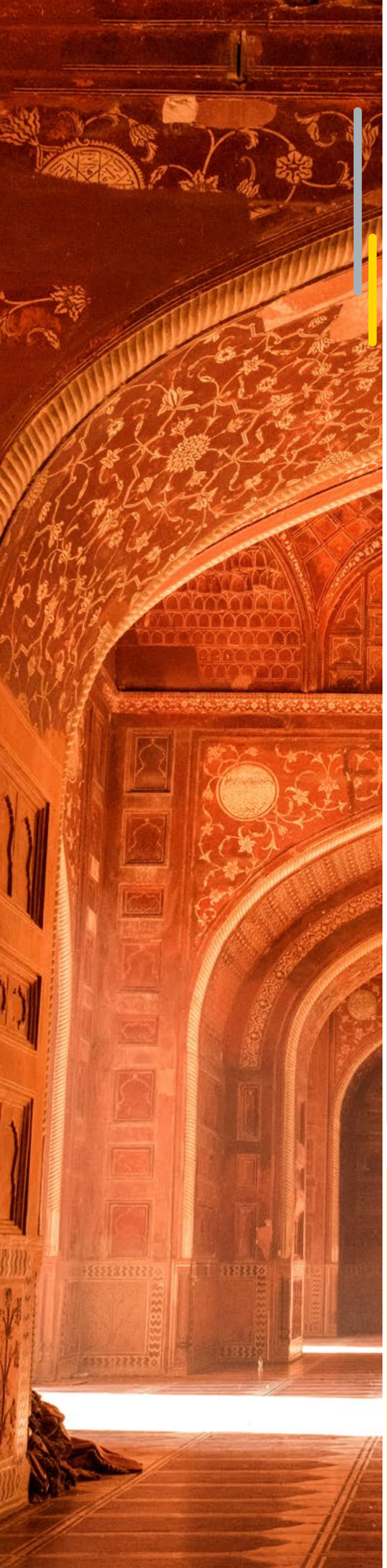
President	Droupadi Murmu (tenure: five years)
Prime Minister	Narendra Modi (tenure: five years)

Economic profile

GDP	US$3.2 trillion[9] (current prices, FY22), GDP growth: 8.7% in FY22[10]
Private consumption	US$1.9 trillion[9] in FY22
Trade (FY22 estimates[11])	▸ Merchandise imports: US$611.9 billion ▸ Merchandise exports: US$419.7 billion ▸ Merchandise trade deficit: US$192.2 billion

Financial market

Central bank	Reserve Bank of India (RBI) established in 1935
Capital markets regulator	Securities and Exchange Board of India (SEBI) established in 1992
Major stock exchanges	▸ Bombay Stock Exchange (BSE) established in 1875 ▸ National Stock Exchange (NSE) established in 1992



B Key sectors: overview

Aerospace and Defence

The total global military expenditure in 2021 reached US$2113 billion. India is the third largest spender after US and China. The top five largest spenders in 2021 i.e., US, China, India, UK and Russia, accounted for 62% of expenditure. India spent at military was US$76.6 billion in 2021.[1]

The total defence budget (excluding defence pensions) for FY 2022-23 amounts to US$54.20 billion (INR4,05,470.15 crores). Budgetary allocation towards capital and revenue expenditure stands at US$20.36 billion (INR1,52,369.61 crores) and US$31.14 billion (INR2,33,000.54 crores), respectively. 68% (INR1,03,611 crores) of the capital budget has been proposed to be earmarked for domestic industry in 2022-23, up from 58% in 2021-22. Further, 25% of the R&D budget has been earmarked for industry, start-ups, and academia.[2]

The Indian Aerospace and Defence Sector has a mighty industrial base with 16[3] Defence Public Sector Undertakings and the Defence Research & Development Organization (DRDO), collectively forming the public sector component. The DRDO, India's premier defence research organization, has 52 laboratories under it. Products manufactured by these units include arms and ammunition, tanks, armored vehicles, heavy vehicles, fighter aircraft and helicopters, warships, submarines, missiles, ammunition, electronic equipment, earth moving equipment, special alloys and special purpose steels.

The Indian defence sector was opened for 100% participation of the Indian private sector in 2001. In 2014, the government's call of 'Make in India' built a clear vision for the defence sector to develop self-reliance and for the local industry to support the country's domestic needs. The key objectives of 'Make in India' are being realized through several policy measures such as ease of defence industrial licensing, relaxation in export controls and grant of 'No Objection Certificates' (NOCs). In 2020, GoI gave a clarion call of Atmanirbhar Bharat Abhiyan or self-reliant India, under which it announced several reforms in defence production amongst eight other strategic sectors. These reforms include the increase of FDI cap from 49% to 74% under automatic route, Corporatization of Ordnance Factory Board (OFB), bifurcation of the capital budget for procurement from indigenous sources only, setting up of a Project Management Unit (PMU) under Defence Acquisition Procedure (DAP) 2020 to support contract management for faster decision making and time bound defence acquisition process, import embargo on 310 items.

Under the Atmanirbhar Bharat Yojana, the GoI announced the draft Defence Production and Export Promotion Policy 2020 (DPePP), which aims to achieve a target of INR1,75,000 (US$25 billion) crore defence production with INR35,000 crore (US$5 billion) defence exports by 2025.[3]

Presently, the Indian defence production and exports stand at INR92,708 crore and INR12,814 crore respectively.[4] In January 2022, BrahMos Aerospace Private Limited and Department of National Defence of the Republic of Philippines signed a contract worth US$374.96 million for supply of Shore Based Anti-Ship Missile System. BrahMos is a JV between India's DRDO and Russia's NPO Mashinostroeniya.

The key policies that govern the Aerospace and Defence sector include the DAP 2020 (in vogue) which accords highest priority to acquisition of indigenously designed developed and manufactured systems. Vendors are required to meet an indigenous content (IC) of 50%. The DAP has given Aeroengines and FAB the status of 'projects of national importance'. It emphasizes on need of indigenous military materials, use of indigenous software, incorporation of Artificial Intelligence and developing India into an MRO hub. The Defence Offset Guidelines form a critical part of the DAP. Presently, US$9 billion offset obligations are yet to be discharged over a period of 9-10 years.[4]

The revenue procurements are governed by the Defence Procurement Manual (DPM) 2009. DPM 2021 (in two volumes) is in draft stage and the fine print is awaited.

India's strategical location in the Indo-Pacific / Indian Ocean Region augments its ability to participate in various exercises with countries across the world. Most recently, at the Quad Summit in May 2022 at Tokyo, it was announced that India shall join the 34-nation Combined Military Forces at Bahrain. The Quad members (India, the US, Japan and Australia) have resolved to invest US$50[5] billion on infrastructure development in the Indo-Pacific region over the next five years as part of a series of measures announced under the Quad initiative.

Key 'Request for Information' issued in the last 12-18 months include 350 Light Tanks for Indian Army, lease of 24 Helicopters for Indian Navy, 50,000 Bullet Proof Jackets for Indian Army, 1770 Future Ready Combat Vehicles for Indian Army, 1750 Future Infantry Combat vehicles for Indian Army, 10 Counter Unmanned Aerial Systems for Indian Air Force, 4 Landing Platform Docks for Indian Navy, lease of 3-4 Mine Counter Measure Vessels for Indian Navy.[6]

There are various programs in the pipeline such as the acquisition of 6 submarines under Project P75I (strategic partnership model), 18 Make-I projects, 6 Make-II projects and 4 projects under the Special Purpose Vehicle model.

The major ongoing programs include 118 Arjun Main Battle Tanks being manufactured by OF Avadi, 83 LCA Tejas MK1 being manufactured by Hindustan Aeronautics Limited, 56 C295 aircraft being procured from Airbus Spain of which 16 shall be in acquired in fly away condition and remaining 40 shall be manufactured by Tata Advanced Systems Ltd.

Automobile

India regained its fourth spot in the largest automotive markets in the world, overtaking Germany in March 2022[7], and is on track to become the third largest automotive market behind USA and China, expecting to reach US$300 billion by 2026[8]. The Auto industry has also attracted significant FDI, foreign investments amounting to US$32.84 billion between April 2000 and March 2022, accounting for around 6% of the total equity FDI during the period[9]. The recently approved PLI scheme will attract a further investment of US$5.74 billion by 2026[10]. Government's focus on promoting clean mobility ecosystem through local manufacturing is expected to drive further investment in the auto sector in the near future.

Banking

The Indian banking system consists of 12 public sector banks, 22 private sector banks, 46 foreign banks, 56 regional rural banks, 1,485 urban cooperative banks and 96,000 rural cooperative banks. In FY18-FY21, bank assets across sectors increased. Total assets across the banking sector (including public and private sector banks) increased to US$2.48 trillion in FY21. During FY16-FY21, bank credit increased at a Compound Annual Growth Rate (CAGR) of 0.29%. As of FY21, total credit extended surged to US$1,487.60 billion. During FY16-FY21, deposits grew at a CAGR of 12.38% and reached US$2.06 trillion by FY21. Bank deposits stood at INR162.41 trillion (US$2.17 trillion) as of 31 December 2021. According to India Ratings and Research, credit growth is expected to hit 10% in 2022-23 which will be a double-digit growth in eight years.[11]

The RBI regulates the sector. Key enactments governing this sector include the Banking Regulation Act, 1949; the RBI Act, 1934; and the Companies Act, 2013. RBI regularly reviews and refines the regulatory and supervisory policies to enable a strong capital base, effective risk management and best corporate governance standards in the banking sector.

Foreign investment in private banks is capped to 49% of the total equity under the automatic route and maximum of 74% after getting an approval from the government. Further, at all times, at least 26% of the paid-up capital will have to be held by residents, except in case of a wholly owned subsidiary of a foreign bank.[12]

Capital market

The Indian capital markets have made steady progress in view of the continued regulatory developments aimed at enhancing disclosures, investor protection and market practices. SEBI, the capital market regulator, is established to protect the interests of the investors in securities as well as to promote development of the capital market. It regulates all intermediaries of the capital market (such as stockbrokers, merchant bankers, underwriters, etc.), as well as prohibits unfair trade practices in the securities market.

Indian stock exchanges (BSE and NSE including SMEs) ranked 12th in the world in terms of the number of Initial Public Offerings (IPO) in year-to-date (YTD) 2021. The IPO momentum of a blockbuster 2021 has not carried over to 2022 so far. Issuance and proceeds are well off last year's pace, as geopolitical uncertainty along with other macro factors continues to affect investor sentiment.[13]

That said, recently, the market witnessed the largest IPO (of LIC) in Indian capital markets and the successful closure of other IPOs.

Healthcare

The Indian healthcare industry is one of the largest and rapidly growing markets in the Asia-Pacific region[14]. Healthcare comprises primarily of pharmaceutical, biotech, hospitals and medical equipment. While the government was always focused on healthcare, the sector has received a greater focus post COVID-19.

Pharmaceuticals

India is the largest provider of generic medicines globally, occupying a 20% share in global supply by volume. It also meets 50% of global demand for vaccines[14]. India ranks third in the world for production of pharmaceuticals by volume and 14th by value[14], thereby accounting for around 10% of world's production by volume and 1.5% by value[15].

The Department of Pharmaceuticals aims to make the country a hub for end-to-end drug discovery under its Pharma Vision 2020[14].

As part of the budget speech of 2022-23, there is a proposal by the Government to promote thematic funds for blended finance for certain sunrise sectors including Pharma with its share being restricted to 20% and the funds being managed by private fund managers.

FDI is permitted up to 100% in greenfield projects and up to 74% in brownfield projects under automatic route and beyond 74% in such projects requires government approval.

In order to retain India's position as a world leader in pharmaceuticals, the GoI has undertaken the following initiatives[11]:

1. In March 2022, under the Strengthening of Pharmaceutical Industry Scheme, a total outlay of INR5 billion for the period FY21-22 to FY 25-26 has been announced.
2. In June 2021, the government announced an additional outlay of INR1,970 billion to be utilized over five years for pharmaceutical PLI scheme in 13 key sectors.
3. Scheme for promotion of bulk drugs: aimed at granting aid for 3 bulk drug parks for creation of Common Infrastructure Facilities up to INR1,000 crore per park[4]. The tenure of the Scheme is from FY 2020-21 to 2024-25 and proposals from 13 States have been received under the scheme which are under evaluation.

Biotechnology

India is among the top 12 destinations for biotechnology in the world, with approximately 3% share in the global biotechnology industry[11]. India is also the leader in the global supply of DPT, BCG and measles vaccines[15]. By 2025, the Indian biotechnology industry is expected to reach US$150 billion[11]. Presently there are around 5,075 Biotech startups which are expected to reach 10,000 by 2025[14].

Medical devices

The Indian medical devices industry consists of large multinationals, with extensive service networks, as well as small and medium enterprises (SMEs). The current market size of the medical devices industry in India is estimated to be US$11 billion and is expected to reach US$50 billion by 2025[14]. Currently, FDI is permitted up to 100% under automatic route in medical devices sector. To propel this segment for further growth, the **GoI has undertaken the following initiatives[3]:**

A

PLI scheme to promote domestic manufacturing of medical devices was introduced with total financial outlay of INR34,200 million where 42 applications have been approved.

B

Medical device park: it is aimed at development of medical device parks in India (with a proposed budget outlay of INR1,000 million per medical park). It would provide for common infrastructure facilities, which is expected to reduce cost of manufacturing of the medical devices in the country. The government has in-principally approved 4 parks in Himachal Pradesh, Tamil Nadu, Madhya Pradesh and Uttar Pradesh.

Hospitals

The hospital industry in India accounts for 80% of the total healthcare market. It is witnessing a huge investor demand from both global as well as domestic investors. The hospital industry is expected to reach US$132 billion by 2023 from US$61.8 billion in 2017; growing at a CAGR of 16%-17%[14].

Currently, FDI is permitted up to 100% under the automatic route.

To propel further growth of this segment, the Government has taken the following initiatives[11]:

1. As of 18 November 2021, 638 e-Hospitals have been established across India as part of 'Digital India' initiative.
2. Launch of Ayushman Bharat Digital Mission wherein every citizen will get a Digital Health ID and their health record will be digitally protected.
3. Launch of 'Medicine from the Sky' project which will pave the way for drone delivery of life saving medicines and jabs in far flung regions of the country.
4. Introducing a credit incentive program worth INR500 billion which will enable the expansion of hospital capacity or medical supplies and strengthen COVID-19 related health infrastructure in smaller towns.

Information technology

India's IT sector is one of the fastest growing industry, while global economy and multiple industries struggle to stay afloat, India's technology industry has seen tremendous growth of 15.5% (YoY) growth, from US$196 billion in FY21 to US$227 billion in FY22.[16]

- IT sector contributes 51% of relative share in services exports[16]
- 4.5 lakh net new hires by IT sector taking total workforce to 5.1 million[16]
- India has now become largest tech start-up hub in the world with more than 2500+ start-ups and 42 new unicorns[16]

IT sector is segmented into[16]:

- IT services (US$116 billion): Consulting services and digital transformation demand is fuelling growth for IT services.
- Business Process Management (BPM) (US$44 billion): Growing demand of platform-based services and automation driving BPM.
- Software products (US$13 billion): SAAS based products focused on cyber-security, communication, collaboration driving this segment.
- Engineering R&D (US$36 billion): Growth merging out of negative growth in FY21.
- Hardware (US$17 billion): Make in India initiative is pushing growth for the Indian hardware segment.

The government of India has taken some major initiatives to promote the IT/ ITeS sector in India. Both central and state governments in India have taken steps toward developing technology solutions to enable citizen services. The government continues to focus on areas such as cybersecurity, hyper-scale computing, artificial intelligence and blockchain.

Up to 100% FDI is allowed in Data processing, Software development and Computer consultancy services; Software supply services; Business and management consultancy services, Market research services, Technical testing and Analysis services, under automatic route.

Insurance

Insurance is an important sector in the Indian economy. The sector is regulated by the Insurance Regulatory and Development Authority of India (IRDAI). In 2021, the government amended regulations to permit upto 74% FDI in Indian Insurance companies under automatic approval route, subject to prescribed terms and conditions. Additionally, 100% FDI is permitted into insurance intermediaries, under the automatic approval route. IRDAI has also permitted foreign reinsurers to set-up a branch in India.

There are presently 57 registered insurance companies in India of which 24 are engaged in life insurance business and 34 are engaged in non-life insurance business[11]. Additionally, there are 12 reinsurers (including foreign reinsurance branches and Lloyd's India) in India.

Insurance penetration is measured as a percentage of insurance premium to GDP and insurance density is calculated as ratio of insurance premium to the total population. Overall insurance penetration (premiums as % of GDP) was 4.2%[11] in FY21, providing a huge underserved market.

Premiums from India's life insurance industry is expected to reach US$317.98 billion by FY 2031[11]. The sum insured for the life insurance industry grew at 25.50%[11] in 2021-22 (until January 2022). The overall gross underwritten premium increased by 12.99%[11] for non-life insurance market.

Media and entertainment

In 2021, the Indian Media & Entertainment (M&E) sector has redefined itself fuelled by the growth of digital infrastructure, digital media adoption, and digital assets. "Go Digital" has been the mantra for M&E players who have broadened their businesses and are increasingly adopting newer technologies and infrastructure such as opening up platforms to facilitate the monetization of physical and digital assets. Gamification in e-commerce apps is of the many strategic shifts which was witnessed in 2021. A new class of competitive games is emerging which is being viewed as vocation and/or asset class.

The Indian M&E sector is expected to grow by

17%

in 2022 to reach INR1.89 trillion (US$25.2 billion) and recover its 2019 levels, then grow at a CAGR of 11% to reach INR2.32 trillion (US$30.9 billion) by 2024[17]. This impressive growth factors various opportunities for Indian media businesses with an aim to make a healthy contribution towards India's US$10 trillion aspiration by 2030.

The Indian M&E sector has rebounded by 16.4% to INR1.61 trillion (US$21.5 billion) in 2021[17], still 11% short of pre-pandemic 2019 levels, due to the second wave of COVID-19, which impacted the April-June quarter. Digital media solidified its position as a firm number two segment and it grew by INR68 billion in 2021[17], followed by a resurgent print.

In 2021, when India's nominal GDP grew 19%, advertising growth outperformed and grew 25%[17]. The highest growth was in television advertising of INR62 billion, followed by digital advertising of INR55 billion and then of INR29 billion from a resilient print[17]. Overall, subscriptions grew INR15 billion, with film, print, and digital showing a combined growth of INR42 billion, while television saw a drop of INR27 billion[17].

India is amongst the largest content producers in the world with 150k hours of TV content, 2,500 hours of premium OTT content and 2,000 hours of filmed content produced in 2021[17]. 2021 remained a subdued year for the filmed entertainment segment, with lockdowns and several restrictions on production and exhibitions across states. Despite the restrictions, over 750 films were released during the year, as compared to just 441 releases in 2020[17]. Over 100 films released directly on streaming platform, a trend which seems here to stay for certain genres.

All M&E segments grew in 2021 except for in-cinema advertising and TV subscription. Video remained the largest earning segment in 2021 as work-from-home and school-from-home remained significant for most Indians. Compared to 2019, 52% of consumers spent more-time streaming entertainment content in 2021, making this growth the third highest in the world.

Animation, visual effects, and post-production was the fastest-growing category as content production resumed for television, OTT and film. While the implementation of the government's Animation, Visual effects, Gaming and Comics policy is critical for the segment to achieve its potential, the key risk factor is the availability of quality talent, for which much needs to be done around training and upskilling.

As the world talks about new technologies and of Metaverse, Immersive experience, Virtual productions and multisensory experiences, one can expect nothing short of a revolution in the way content is created and is consumed. Acknowledging the growth of such new technologies, the Finance Act 2022 introduced a tax regime on "virtual digital assets" to clear the fog around Cryptocurrency, Non-fungible tokens and other digital assets.

The FDI inflows in the information and broadcasting sector (including print media) in the period April 2000 to December 2021 stood at US$9.60 billion, as per data released by the Department for Promotion of Industry and Internal Trade[18].

There were over

100

M&E deals in 2021

and most investment were made in digital media and gaming, with one marquee deal in TV. With the emergence of category leaders in digital and gaming, we will continue to see heightened deal activity specially M&A and expect to see very strong inbound interest for established players.

Oil and gas

The oil and gas industry is among India's eight core industries. India is the third largest consumer of crude oil and petroleum products in the world and second largest refiner in Asia[11].

The industry is under the administrative ambit of the Ministry of Petroleum and Natural Gas. The government has enacted various policies under oil and gas sector which inter-alia include Hydrocarbon Exploration and Licensing Policy, Discovered Small Field Policy, Coal Bed Methane policy, National Policy on Biofuels etc. to encourage investments. FDI under the automatic route is permitted up to 100% in upstream and private sector refining projects. The FDI limit of 49% for petroleum refining by public sector undertakings (PSUs) without any disinvestment or dilution of domestic equity in the existing PSUs.

Ports

India is the

16th
largest maritime country in the world

with coastline of about 7,517 km, which encompasses 12 major and ~205 notified non-major ports[11]. The total traffic handled at major ports from April 2021 to March 2022 was 720.29 million tonnes as against 671.82 million tonnes handled during the corresponding period of the previous year, showing an overall increase of 7.2%[19].

In India, ports are under the administration of the concurrent list of the Indian constitution. The major ports are governed by the GoI, while non - major ports are administered by state governments. The Major Port Authorities Bill 2020, which seeks to decentralise decision-making and reinforce excellence in major port governance, was passed in February 2021 by the Parliament of India[20]. Some of the key legislations formulated to govern Indian ports include the Indian Ports Act, 1908, which is common to all ports and the Major Port Authorities Act, 2021.

In the Union Budget 2022-23, allocation for the Ministry of Shipping stands at US$223.31 million. The government has allowed FDI up to 100% under the automatic route for projects related to the construction and maintenance of ports and harbours. Indian ports received cumulative FDI inflow worth US$1.63 billion between April 2000 and June 2021[11].

The Ministry of Ports, Shipping and Waterways has identified 31 projects for private sector participation to improve the capacity utilisation of existing assets[11]. These projects are divided across the country's nine major ports. Between FY22 and FY25, the total estimated outlay for these projects is US$1.96 billion[11]. 13 projects with an estimated capex of US$938.07 million will be tendered in the current fiscal year, followed by 10 more projects with an estimated capex of US$634.05 million in FY23[11]. In addition to the above, the Ministry of Ports, Shipping and Waterways identified a total of 400 projects worth US$31 billion investment potential[11]. In addition, the Indian Ports Association, under the aegis of the Ministry of Shipping, has taken steps towards improving operations through implementation of Port Community System, Direct Port Delivery, and Direct Port Entry[11].

Power and utilities

The Indian power sector has evolved significantly in the past decade. There has been growth in demand at ~4% CAGR in the last 10 years, the energy deficit has reduced from 9.8% in FY 11 to 0.4% in FY 21[21]. There has been rise in installed capacity at ~9.7% CAGR in the past ten years, with current capacity at 402 GW[22], as on May 2022. The key drivers to the rising electricity demand are increase in economic activity and enhanced electrification in rural areas.

There is seen a clear movement towards green energy. Today, renewables contribute ~28%[22] of the total installed capacity as on FY 22, as compared to ~12% in FY11. In the clean energy space, the country has committed to achieve net zero emissions by 2070, along with commitments on carbon intensity reduction, emission reduction and non-fossil fuel energy capacity growth, in the recent 26th Conference of parties (COP 26) summit. With the country aiming to meet 50% of its energy needs from renewables and achieving 500 GW of non-fossil fuel capacity by 2030, as announced at COP 26, significant expansion and strengthening of the transmission infrastructure is expected.

There is a strong focus on promoting Green Hydrogen as well as Battery Storage. The first phase of the Green Hydrogen Policy, launched in February 2022, addresses matter such as Open Access pricing and accessibility and provides added impetus on Renewable purchase Obligations. Similarly, the National Mission on Transformative Mobility and Battery Storage focuses on PLI scheme for Advanced Chemistry Cell (ACC) Battery Storage as part of promoting domestic manufacturing.

Real estate

The contribution of real estate sector to India's GDP is estimated to be about 13% by 2025[11]. The sector comprising housing including affordable housing, retail, hospitality and commercial including warehousing will play a critical role in building the requisite infrastructure for India to match its growth ambitions. Student Housing, co-living and data centres will play a key role going forward in growth of the sector. The market size of Indian real estate sector is estimated to reach US$1 trillion by 2030[11].

FDI is prohibited in real estate business which has been defined to be dealing in land and immovable property with a view to earing profit there from. However, it does not include development of townships, construction of residential/ commercial premises, educational institutions, city and regional level infrastructure, roads or bridges and Real Estate Investment Trusts (REITs) registered and regulated under the SEBI (REITs) Regulations, 2014 or earning of income from leasing of property.

Retail industry and consumer products

The Indian retail[23] sector grew 10% YoY from US$630 billion to around US$690 billion in 2021 and employs about 8% of India's working population[14]. It is further expected to create 25 million employment opportunities by 2030[12]. It is one of the fastest growing major market in the world and is fourth-largest[14] global destination in the retail space and is expected to reach approximately US$1.5 trillion by 2030[11].

To provide a boost to the sector, the Indian Government has been relaxing FDI norms. Currently, 100% FDI is allowed under automatic route for entities undertaking Cash and Carry wholesale trading, Single Brand retail trading, subject to certain conditions. However, 51% FDI in multi-brand retail is permitted through Government Route and 100% FDI under Government route is permitted for retail trading, including through e-commerce, in respect of food products manufactured and or produced in India.

Additionally, as a result of the outbreak of COVID-19 and even post COVID-19, the number of active internet users has increased manifold. This increased user base in turn has given an impetus to the e-commerce retail trade. For entities undertaking e-commerce activities, the permitted FDI stands at 100% through the automatic route, subject to certain conditions[24].

Further, the Government approved PLI Scheme[25] for promotion of Man-Made Fibre (MMF) Apparel, MMF Fabrics and Products of Technical Textiles for enhancing India's manufacturing capabilities and to enhance exports. The approved total financial outlay by the government is to the tune of INR1,06,830 million over a five-year period and a total of 61 applications have been selected as the beneficiaries under the Scheme.

Previously, wholesalers and retailers were kept outside the ambit of Micro, Small and Medium Enterprises (MSMEs). The GoI has now included the wholesalers and retailers within the ambit of MSMEs[26]. This inclusion would enable the retailers and wholesalers to avail the benefit of 'Priority Sector Lending' which would provide an impetus to the retail industry.

Roads and highways

India has the second-largest road network in the world, spanning a total of 6.22 million km[27]. More than 60% of all goods in the country are transported through roads and 85% of passenger traffic in the country is handled by roads. India has 140,152 kms[28] of national highways. During FY 2021-22, National Highways Authority of India has accomplished the highest-ever highway construction of 4,325 kms[29]. The GoI aims to develop 200,000 kms of National highway network by FY 2025[29], with the aim of constructing 18,000 km of National Highways in 2022-23 at a record speed of 50km per day.

Telecommunications

India is currently the world's second-largest telecommunications market in terms of the number of subscribers[30]. The country has 1,166.93 million telephone connections, including 1,142.09 million wireless telephone connections as on 31 March 2022. The overall tele-density of the country is 84.88%[31].

The Telecom sector is the third largest sector in terms of FDI equity inflows, contributing 7% of total FDI equity inflow. For the period April 2000 to March 2022, the total cumulative inflows stood at US$38.33 billion[9]. The FDI is deregulated and relaxed to 100% in the telecom sector[32] under automatic route. However, an entity which shares land border with India or where beneficial owner of an investment into India is situated in or is a citizen of any such country, can invest only under the Government route[3].

The Government vide Union Budget 2022 has, inter alia, announced following initiatives for the telecom sector[33]:

- Spectrum auctions to be conducted in 2022 to facilitate roll out of 5G mobile services in Financial Year 2022-23 by private telecom operators.
- Scheme for design-led manufacturing to be launched as part of PLI Scheme to build a strong ecosystem for 5G mobile services.
- Affordable broadband and mobile services proliferation to be facilitated in rural and remote areas.
- Optical fiber network expected to be laid in every village by 2025.

The Department of Telecommunications (DoT), vide notification dated 25 October 2021, amended Unified License Agreement for calculation of Adjusted Gross Revenue (AGR) for computation of license fee. As per the aforesaid amendments, non-telecom revenue shall be excluded from the definition of AGR[34].

Digital and e-commerce

Owing to the growth in internet penetration, smartphone users and digital payments options, India has been experiencing high growth in the e-commerce sector. It is expected to surpass the US to become the second largest e-commerce market in the world by 2034. According to India Brand Equity Foundation (IBEF), the Indian e-commerce market is expected to grow to US$200 billion by 2026[11] from US$38.5 billion in 2017. India's consumer digital economy is expected to become a trillion dollar market by 2030[11].

The business-to-business model in e-commerce marketplace in India allows up to 100% FDI, subject to certain operating conditions.

C Investment climate and foreign trade

Foreign Exchange Management Act 1999 (FEMA), as it stands today, encompasses provisions relating to all such transactions which have international financial implications. The act envisages the RBI to have a controlling role in the management of foreign exchange. Currently, the RBI has delegated majority of its powers to authorized dealer bankers who are required to exercise their jurisprudence and discretion to adhere to the given regulatory framework.

Most of the changes taken by the government are towards making India an investor-friendly destination along with securing the interest of the Indian Companies. These changes also reflect a progressive movement towards the government's Make in India initiative that recognizes ease of doing business as a key factor to promote entrepreneurship. The initiative encourages companies to manufacture their products in India.

Components of foreign investment in India

Foreign investment in India can broadly be categorized as follows:

- Foreign Direct Investment
- Foreign investment under Portfolio Investment Scheme
- Investments on a non-repatriation basis by NRIs and OCIs

Total FDI equity inflows in India from various sectors was US$58.77 billion in 2021-22 as compared to financial year's (FY 2020-21) of US$59.63 billion.[1] The highest inflow is from Mauritius, followed by Singapore and USA.[1] The major sectors that attract investments are service sector[2], computer software and hardware, and telecommunications, receiving almost 37% of the total FDI inflows[1].

Foreign trade

Over the years, India has entered into several bilateral and regional trade agreements with its key trading partners. Apart from offering preferential tariff rates on the trading of goods to the member countries, these agreements also enable increased economic cooperation in trade and services, as well as in investment and intellectual property.

India's overall exports during April-March 2021-22[3] are estimated to be US$669.65 billion, exhibiting a positive growth of 34.50% over the same period last year. Non-petroleum and non-gems and jewelry exports during FY2021-22 was US$315.11 billion as compared to US$239.98 billion in FY2020-21, exhibiting an increase of 31.31%[3]. India's Services exports for the first time achieved the targeted US$250 billion during April-March 2021-22, exhibiting a positive growth of 21.31% over the same period last year.

India's overall imports during April-March 2021-22[3] are estimated to be US$756.68 billion, exhibiting a positive growth of 47.80% over the same period last year[3].

D Entry options in India

Every foreign investor planning to enter India should select an appropriate form of business presence, keeping in mind the business objective of doing business in India. The right selection is likely to go a long way to ensure efficiency (from an operational/legal/regulatory/tax perspective) and would also ensure that the business can be financed and run efficiently.

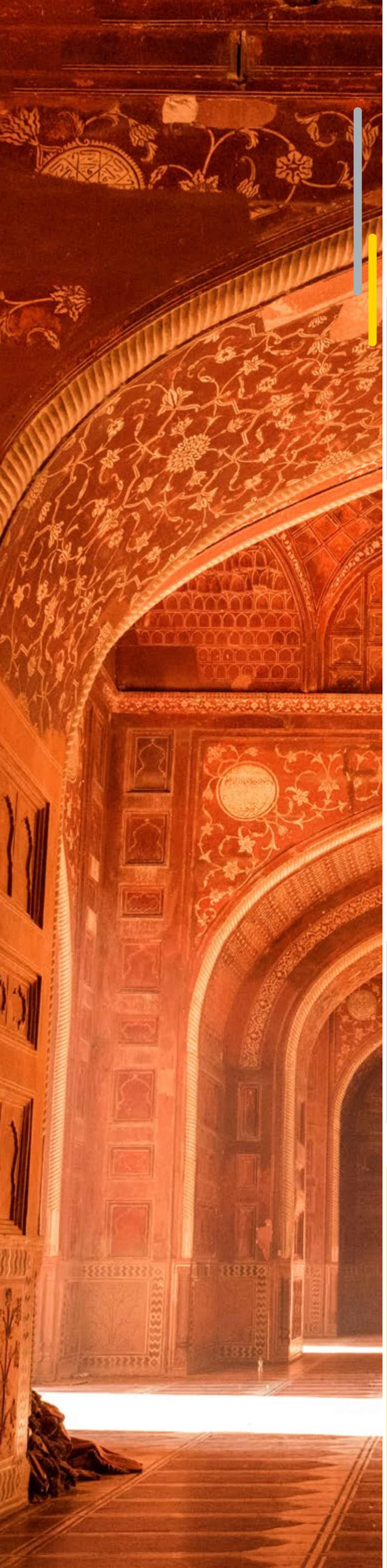
A foreign entity can set up their business operations in India either as incorporated or unincorporated entity.

Incorporated entities:
Private Limited Company, Limited Liability Partnership (LLP), etc.

Unincorporated entities:
liaison office (LO), branch office (BO), project office (PO), etc.

The following table gives a snapshot of some of the commonly preferred business forms in India:

Particulars	Liaison office (LO)	Project office (PO)/Branch office (BO)	Private Limited Company	Limited Liability Partnership (LLP)
Legal	Represents the parent company and acts only as a communication channel of the foreign parent company	Both BO and PO are extended arms of the parent company. A PO is generally set-up for specific projects, whereas a BO is set-up for carrying activities in the course of the business[1].	Independent status	Independent status
Approval for commencement	▶ Required from an authorized dealer bank (AD Bank), which is subject to fulfilment of prescribed conditions[2]. ▶ Required from RBI in exceptional scenarios.	▶ Required from an AD Bank, which is subject to fulfilment of prescribed conditions[2]. ▶ Required from RBI in exceptional scenarios.	A company can be set up subject to FDI guidelines.	An LLP can be set up subject to FDI guidelines.
Permitted activities	▶ Liaison activities ▶ No commercial/ business activities are permitted.	▶ Restricted scope ▶ Activities listed by the RBI are only allowed to be undertaken.	Activities specified in Memorandum of Association of the company, subject to FDI guidelines.	Activities specified in LLP agreement, subject to FDI guidelines.
Income tax rate	An LO is not subject to tax in India, since it is not permitted to undertake any business activity.	Liable to tax on income earned in India @ 40% .	▶ Liable to tax on global income @ different corporate tax rates (15%/22%/25%/30%)[3] depending upon the nature of activities, annual turnover and fulfilment of certain conditions (please refer section 'M' for details on applicable tax rates) ▶ Company is liable to Minimum Alternate Tax (MAT) @ 15%[3] on its book profit.	▶ Liable to tax on global income @ 30%[3] ▶ An LLP is liable to Alternate Minimum Tax (AMT) @ 18.5%[3] on its book profits.
Repatriation of accumulated profits	Not applicable as LO is not permitted to undertake any business activity.	A BO/PO is permitted to remit post-tax profits outside India upon fulfilling procedural compliances.	No statutory approval required; procedural compliances to be undertaken.	No statutory approval required; procedural compliances to be undertaken.
Ease of exit	Prior approval of AD Bank and Registrar of Companies (ROC) is required.	Prior approval of AD Bank and ROC is required.	▶ It may be complex depending on the strategy adopted. ▶ Exit can be through sale of shares or liquidation.	▶ It may be complex depending on the strategy adopted. ▶ Exit can be through sale of interest or dissolution.



E Funding of Indian businesses

Equity share capital

Features

1. Voting rights are given to shareholders in proportion to the shareholding.
2. Pay-out via dividend, buyback, capital reduction, etc.
3. Freely transferable, subject to sector-specific lock-in conditions.

Additional capital can be raised by any of the following modes subject to regulatory conditions:

Rights issue
Issue of shares to existing shareholders in proportion of their shareholdings

Employee stock options
Issue of shares to employees under a stock option scheme

Private placement of shares
Issue of shares to an identified group of persons/entities

Partly paid equity shares/share warrants
Issue and transfer of equity shares may be subject to pricing guidelines

Preference share capital

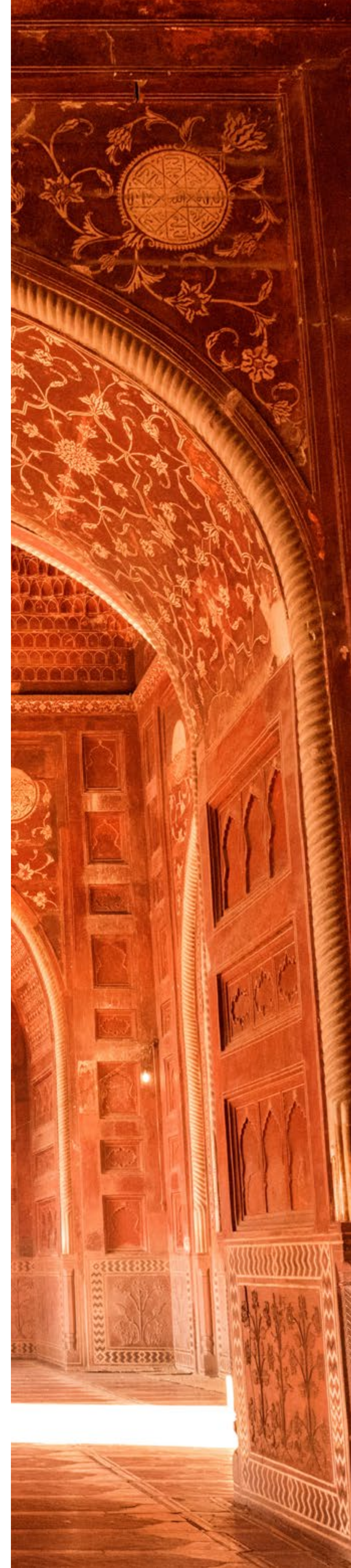
Preference share capital

Compulsorily fully convertible into equity (CCPS)	Not convertible or optionally convertible in equity (NCPS/OCPS)
Treated as equity under the FDI policy	Treated as external commercial borrowings

Preference shareholders are entitled to preferential right over equity shareholders with respect to dividend and repayment of capital.

External Commercial Borrowings (ECBs)

- ECBs are commercial loans raised by eligible resident entities from recognized non-resident entities and should conform to the parameters such as minimum maturity, permitted and non-permitted end-uses, maximum all-in-cost ceiling, etc.
- The framework for raising loans through ECB comprises of the following two options:
  - Foreign currency dominated ECBs in any freely convertible foreign exchange
  - Indian Rupee dominated ECBs
- The minimum average maturity period for an ECB is three years except for certain specified categories (such as ECBs raised for working capital purpose or general corporate purpose, ECB raised by manufacturing companies, etc.), where average maturity period can range between 1 year to 10 years.
- ECBs can be availed under two routes, namely, automatic route and approval route. All ECBs can be raised under the automatic route if they conform to the parameters prescribed under the ECB framework. Under the approval route, the prospective borrowers are required to send their requests to the Reserve Bank of India through their AD bank for examination.



Debentures and borrowings

- Companies can also raise funds by issuing debentures, bonds and other debt securities or by accepting deposits from the public. Debentures can be redeemable, bearer or registered, and convertible or non-convertible.
- Compulsorily fully convertible debentures are treated as equity under the FDI policy. Non-convertible/optionally convertible debentures are construed as ECBs and should conform to the ECB guidelines.

Listed debentures/bonds

- SEBI registered Foreign Institutional Investors (FIIs)/ Qualified Foreign Investors (QFIs)/ Foreign Portfolio Investments (FPIs) are allowed to invest in listed debt securities, subject to regulatory conditions.

American Depositary Receipts (ADRs), Global Depository Receipts (GDRs) and Foreign Currency Convertible Bonds (FCCBs)

- Qualifying Indian companies can raise equity capital overseas by issuing ADRs, GDRs or FCCBs (rupee denominated equity shares/bonds) which are subject to sectoral caps and end-use restrictions under the FDI regulations.
- The FCCBs need to conform to ECB guidelines as specified above.

Funding of an LLP

- Investment in an LLP is through capital contribution of partners and is subject to conditions under the FDI policy.
- FDI in LLPs is permitted in sectors where 100% FDI is allowed under automatic route and there are no FDI-linked performance conditions.

F Repatriation of funds

Repatriation from an Indian company

Foreign capital invested in India is generally allowed to be repatriated along with capital appreciation, if any, after payment of taxes due. The repatriation is allowed, provided the investment was made on a repatriation basis in terms of FDI/FEMA regulations, and is subject to any lock-in conditions that may be applicable under FDI/FEMA regulations.

Typical modes of repatriation in an Indian company

Dividend

- Profits earned by an Indian company can be repatriated as dividend, subject to availability of sufficient free reserves without the RBI's permission. The repatriation is also subject to compliance with other specified conditions.
- Dividend taxable at 20% (plus applicable surcharge and cess), subject to beneficial tax rates provided in the applicable treaty in the hands of shareholders.
- Repatriation can be completed within a week.

Buy back

- Buy back restricted up to 25% of the share capital and free reserves in a financial year subject to satisfaction of the prescribed conditions.
- Companies who are buying back shares are liable to pay tax @ 20% (plus applicable surcharge and cess) on consideration paid less amount received on issue of shares[1].
- No tax on shareholders in case of buy back of shares.
- Buy back price will be subject to pricing conditions prescribed under the FDI regulations in case of non-resident shareholders.
- Buy back of unlisted shares can be completed within six weeks.

Capital reduction

- National Company Law Tribunal (NCLT) driven process, subject to conditions prescribed under FDI regulations.
- Consideration to the extent of accumulated profits is taxable at the rate of 20% (plus applicable surcharge and cess) in the hands of shareholders subject to the beneficial tax rates provided in the applicable treaty.
- Consideration in excess of accumulated profits subject to capital gains tax in the hands of shareholders.
- Capital reduction can be completed within four to six months (subject to NCLT's vacations and protracted litigation).
- Capital reduction should be in compliance with the FEMA guidelines.

Royalties and fee for technical services

Indian companies are permitted to make payments to foreign entities under foreign collaboration agreements, subject to certain prescribed conditions. The payment can be for:

- Royalties and technical know-how
- Fees for technical services

The companies need to substantiate genuineness of such payments.

Remittances to foreign companies in the nature of royalties and fees for technical services are subject to tax withholding at 10% (plus applicable surcharge and cess) as per section 115A of the IT Act subject to beneficial tax rates provided in the applicable treaty. Furthermore, the said payments will be subject to arm's length test in case the transaction is between associated enterprises.

Other remittances

Profits earned by Indian branches of foreign companies (other than banks) can be repatriated to their head offices subject to payment of the applicable taxes. Proceeds from the winding-up of a branch of a foreign company in India can also be repatriated.

Profit earned by LLPs can be repatriated by way of distribution of profits to partners/withdrawal of capital. Repatriation of the profit by the LLP to its partners is exempted from tax in the hands of the partners.

G Forms of business enterprises

Sole proprietorship

Sole proprietorships are businesses owned and managed by individuals. Its features are:

- Profits or losses are borne by the owner solely
- No separate legal existence
- Unlimited liability of the proprietor
- In case a sole proprietor is an NRI or a PIO residing outside India, it is eligible to carry business in India
- NRIs/PIOs cannot invest in proprietary concerns engaged in specified sectors
- Investments can be made through inward remittance or out of specified accounts held by an NRI or a PIO

Partnership firms

Persons who have agreed to share the profits/losses of a business conducted by them or any of them on their behalf is called partnership. Some of the features of this form of a business enterprise are:

- Partners' liability is unlimited
- Minimum two partners and maximum 50
- The firm and its partners are legally a single entity
- Partnership interest is non-transferable (except for existing partners)
- NRIs/PIOs residing outside India are allowed to invest in an Indian partnership firm on non-repatriable basis. Repatriation benefits are available with prior approval from the RBI
- NRIs or PIOs cannot invest in a partnership firm engaged in specified sectors
- A person resident outside India (other than an NRI or a PIO) can make investments in a partnership firm after obtaining an approval of the RBI or Foreign Investment Promotion Board (FIPB)

Limited Liability Partnership

An LLP is a hybrid entity with combined features of a company and a partnership firm. The following are the features of an LLP:

- It has a perpetual succession
- It has a legal identity separate from its partners
- Partners' liability is limited to their contribution
- FDI into an LLP is permitted under the automatic route subject to investment conditions[1]
- LLPs with an FDI eligible to make downstream investments into a company or an LLP. Such downstream company/LLP to satisfy investment condition[1]
- Conversion of a company with an FDI into an LLP is permitted under automatic route. Such LLP to comply with investment conditions[1]
- Minimum two designated partners who are individuals and at least one being a resident of India
- Designated partners responsible for an LLP should comply with the provisions of LLP laws in India
- Where the LLP has a body corporate (BC) as a partner, then the BC will have to nominate an individual to act as a designated partner
- An LLP incorporated in India is permitted to make outbound investments, subject to applicable Indian exchange control conditions

Companies

The Companies Act, 2013 (Companies Act) and sub-ordinate rules therein, regulate incorporation of a company, manner of conducting its affairs, responsibilities of its directors and dissolution of a company. The Ministry of Corporate Affairs has the responsibility of ensuring compliance with the provisions of the Companies Act through the offices of Registrar of Companies and the Regional Directors. SEBI, on the other hand, ensures compliance by the listed companies.

Types of companies

Companies in India can be broadly classified as public and private companies. A company can be registered with its liability as limited or unlimited. It can also be registered as a company limited by guarantee.

One person company

- Only one member (should be an Indian citizen and resident)
- At least one director

Small company

- Not a public company
- Paid up capital not more than INR5 million and turnover according to latest Profit and Loss account does not exceed INR20 million

Private limited

- Company members (2 to 200), minimum two directors
- Restriction on transfer of shares

Public company

- Minimum seven members, minimum three directors
- Limits placed on remuneration paid to the directors

Section 8 Company

- Company established for charitable purpose
- Profits to be used for charitable purpose and not to be distributed

Share capital

The Companies Act permits companies to issue two kinds of shares to its members:

Equity shares (common stock)	Preference shares (preferred stock)

Equity share capital with differential rights as to dividend, voting or otherwise can be issued, subject to prescribed conditions and rules

Board of directors

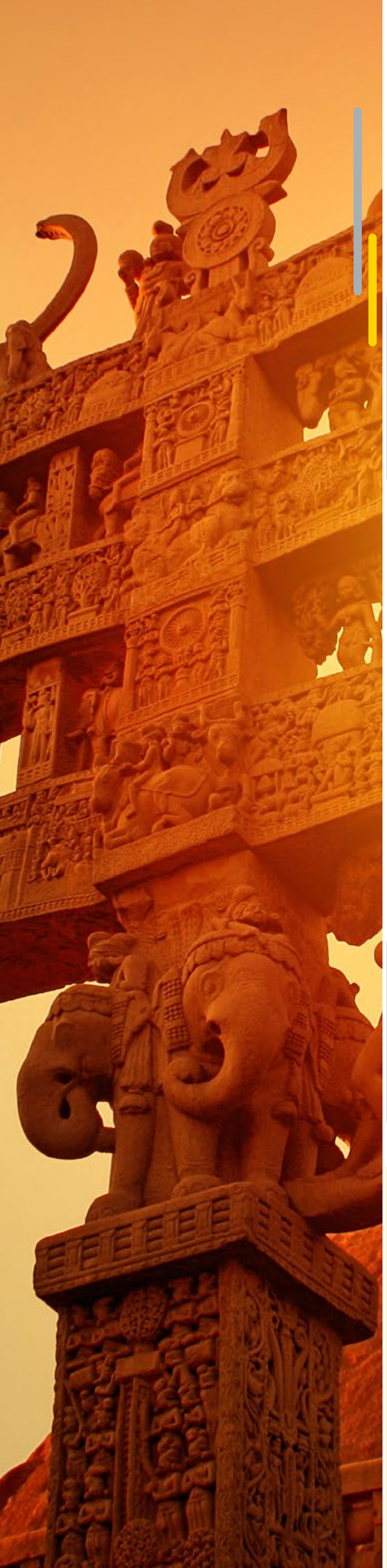
- The management of a company is entrusted to its board of directors. The board acts on behalf of the company's members and is entrusted with the overall responsibility for conducting its business activities and day-to-day operations.
- It seeks the confirmation and approval of the company's members on major decisions, by way of passing resolutions at general meetings or through postal ballot.
- The board may also delegate its powers to a committee of directors or managing director by passing a resolution to this effect.

e-filing

All statutory filings, intimations to Registrar of Companies and central government and other service requests are required to be made online by submitting the e-Forms available on the Ministry of Corporate Affairs website using a digital signature.

Corporate Social Responsibility (CSR)

Eligible Indian and foreign companies working in India are required to ensure that they spend, in every FY, at least 2% of the average net profits of the company, as calculated in accordance with the Companies Act towards the CSR activities specified in Schedule VII of the act.



H Financial reporting and audit requirements

All listed companies and non- listed companies having a net worth of INR2.5 billion and their holding, subsidiary, joint venture or associate companies have to prepare their financial statements as per the Indian Accounting Standards ('Ind AS').

Banking and insurance regulators in India have deferred implementation of Ind AS. The implementation timeline for these entities will be notified separately by the respective regulators.

Ind AS applies to both standalone and consolidated financial statements of the companies covered above. Companies that do not meet the net worth threshold of INR2.5 billion can either adopt Ind AS voluntarily or continue to prepare their financial statements in accordance with Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006. Any such company opting to follow Ind AS will be required to follow the Ind AS for all the subsequent financial statements. Once Ind AS is adopted voluntarily, this option will be irrevocable and such companies will not be required to prepare another set of statutory financial statements in accordance with the existing standards.

India has adopted the convergence approach instead of fully adopting International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). As a result, financial statements prepared in accordance with Ind AS may not be fully compliant with IASB IFRS.

Uniform financial year

Companies or other body corporates need to uniformly adopt a financial year ending 31 March. However, a company which is a holding or a subsidiary of a company incorporated outside India and is required to follow a different financial year for consolidation of its accounts outside India, may approach NCLT to allow different period as its financial year. The NCLT may, if it is satisfied, allow any period as its financial year.

Audit

All companies need to get their accounts audited by an auditor who is a practicing member of the Institute of Chartered Accountants of India and the auditors' report should be attached to every financial statement. Under the Companies Act, an auditor is appointed for a term of five years. Furthermore, all listed companies and those belonging to a prescribed class cannot appoint or reappoint the auditor for more than two terms of five consecutive years, if the auditor is an audit firm or for more than one term of five consecutive years, if the auditor is an individual.

Financial statement

Every company needs to prepare financial statements for every financial year, which gives a true and fair view of the state of affairs of the company. Financial statement in relation to a company includes:

- Balance sheet at the end of the financial year
- Profit and loss account, or in the case of a company carrying on any activity not for profit, an income and expenditure account for the financial year
- Cash flow statement for the financial year
- A statement of changes in equity, if applicable; and
- Any explanatory note annexed to, or forming a part of, any document referred to above

In case a company has one or more subsidiaries, associate or joint venture companies, it is also required to prepare a consolidated financial statement in addition to the standalone financial statements (subject to a few exceptions).

Business Responsibility and Sustainability Reporting (BRSR)

BRSR is applicable to top 1,000 listed companies by market capitalization voluntarily for FY 2021-22 and will be mandatory from FY 2022-23. The BRSR seeks disclosures from listed entities on their performance against nine prescribed principles and covers both environmental and social aspects such as climate action, responsible consumption and production, gender equality, working conditions, etc.

Being relevant to multiple aspects of a business, sustainability is a part of the mandate of multiple Board committees. The ownership of a corporate's sustainability agenda is still evolving and varies across companies. While having a specialized Environment, Social and Governance (ESG) committee is not mandated in India, it was felt that having such committees comprising members with relevant skills and commitment to ESG should be the eventual goal.

Tax reporting

Income Computation and Disclosure Standards (ICDS) notified by the Central Board of Direct Taxation (CBDT) needs to be followed by all taxpayers following the mercantile system of accounting for the purpose of computation of business income or income from other sources chargeable to income tax in India.

ICDS are applicable to all taxpayers, including non-resident taxpayers (corporate or non-corporate), irrespective of the turnover or quantum of income. Presently, 10 ICDSs have been notified by the central government.

Separate maintenance of books is not required for the purpose of ICDS. However, it may necessitate maintenance of memorandum records. Disclosures required under ICDS is to be included in the annual Tax Audit Report (TAR) and return of income (RoI).

ICDS does not impact MAT for corporate taxpayers, which can continue to be based on book profit determined on the basis of the applicable accounting standards.

Economic laws and regulations

The Indian Contract Act, 1872 (ICA)

The ICA governs the formation, implementation and conclusion of a contract. It also provides remedies in case there is breach of a contract. ICA defines a contract as an agreement enforceable by law. To be enforceable by law, a contract must contain the following essential elements:

Free consent of the parties	Parties must be competent to a contract	A contract should be for a lawful consideration	A contract must be with a lawful object	A contract should not be expressly declared by the ICA to be void

Along with dealing in the general principles of law of contract, ICA also deals with special kind of contracts such as contract of indemnity and guarantee; contract of bailment and pledge; and contract of agency. However, it does not cover contracts covered in separate independent legislations such as contract of partnership, contract for sale of goods, etc.

Protection of intellectual property rights

India, being a signatory to the General Agreement on Tariffs and Trade (GATT) and Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement, has complied with the obligations therein by enacting necessary statutes governing the following:

- **Copyrights and other related rights**
- **Trademarks**
- **Geographical indications**
- **Patents**
- **Industrial designs**

The Copyright Act, 1957 and the Copyright Rules, 1958

The Copyright Act, 1957 read with the Copyright Rules, 1958 governs copyright protection in India. As per the said law, copyright subsists with the author of the original literary, dramatic, musical and artistic work, a cinematographic film and sound recording. In India, copyright is an inherent right of the author towards its creation and therefore, the registration of copyright is not sine qua non.

The Copyright Act provides for both civil and criminal remedies for an infringement of a copyright. When an infringement is proved, the copyright owner is entitled to the remedies by way of injunction, damages, rendition of account of profits and order for seizure as well as destruction of infringing articles.

The Trade Marks Act, 1999 (TM Act) and the Trade Marks Rules, 2017 (TM Rules)

The TM Act and TM Rules provides for protection of trademarks for services and goods, including collective marks and for the assignment and transmission of trademarks. The registration of the trademark is sine qua non for a person claiming to be the proprietor of a trademark wherein, the prior use of the trademark is not a pre-requisite for its registration.

The Geographical Indications of Goods (Registration and Protection) Act, 1999 (GI Act) and the Geographical Indication of Goods (Regulation and Protection) Rules, 2002 (GI Rules)

In compliance with the obligations in the TRIPS agreement and the Paris Convention for the Protection of Industrial Property, India enacted the GI Act along with the GI Rules that governs the present geographical indications regime in India.

As per the GI Act, a geographical indication means an indication which identifies particular goods as agricultural, natural or manufactured goods that originated or manufactured in the territory of a country or a region or locality, where a given quality, reputation or other characteristic of such goods is essentially attributable to its geographical origin.

The Indian Patents Act, 1970

The Patents Act, 1970 provides for grant, revocation, registration, license, assignment and infringement of patents in India. Any infringement of a patent is punishable under the Patents Act.

The Designs Act, 2000 (Designs Act) and the Design Rules, 2001 (Design Rules)

The Designs Act and the Design Rules were enacted to fulfill India's obligations under WTO agreements. The Designs Act protects novel designs formulated by an owner with the objective of applying them to specific articles, to be manufactured and marketed commercially for a specific period of time.

Anti-trust regulation

In line with the global norms to prevent monopolies from creating trade barriers and reducing competition in India, the government has evolved an anti-trust regulatory framework that principally relates to the following legislations:

The Competition Act, 2002

This has been enacted to achieve objectives such as promote and sustain competition in markets, protect the interest of consumers, ensure freedom of trade carried on by participants, and prevent practices having an appreciable adverse effect on competition. Competition Commission of India (CCI) was established for adjudication on any anti-competitive practice and for scrutinizing the qualifying acquisitions or mergers or amalgamations which may have an appreciable adverse effect on relevant markets in India.

The Consumer Protection Act, 1986

This act was enacted for the protection of consumer interest against the manufacturers or service providers providing defective goods or deficient services or for undertaking any trade practice that is likely to be classified as unfair or restrictive under the said act.

The Negotiable Instruments Act, 1881 (NI Act)

The NI Act, governs the law relating to the promissory notes, bills of exchange and cheques. The NI Act prescribes the liabilities of a drawer, a drawee and a holder in due course. The NI Act provides for criminal prosecution, which may extend up to a period of two years and/or a fine which may extend to twice the amount of the negotiable instrument for any default in encashment of any negotiable instrument in India.

The Sale of Goods Act, 1930

The act is complimentary to the ICA. The basic provisions of ICA, i.e., offer and acceptance, legally enforceable agreements, mutual consent, parties competent to contract, free consent, lawful object, consideration, etc., apply to every contract of sale of goods.

The Arbitration and Conciliation Act, 1996

In India, the law relating to arbitration and conciliation is embodied in the act that provides, inter alia, for a mechanism for appointment of arbitrators, objections against an arbitral award as well as enforcement of an arbitral award. Unless the parties otherwise agree, the provisions of the said act will govern every agreement containing arbitration clause.

J Labor and employment laws

In India, various aspects of labor and employment such as welfare of labor including conditions of work, workmen compensation, social security, dispute resolution, etc. falls under the concurrent list of the Indian Constitution. Both the central government as well as state governments have the power to make laws regulating labor and employment. The states may regulate labor laws by passing their own laws or making rules under the central laws or amending the central labor laws to be applicable to the specific state. Thus, the labor laws in India can be broadly categorized into 'central labor laws' (read with state specific rules / amendments) and 'state labor laws'.

India is in the process of transforming the central labor laws. There are multiple drivers for these reforms. First is the recognition that economic development of the country is based on well-articulated and well-administered labor laws. Social equity, social security and ease of doing business are some of the other policy objectives driving these reforms.

These reforms will culminate into 4 central labor codes covering wages; social security; occupational safety, health and working conditions; and industrial relations. These new labor codes are authored basis the International Labour Organization (ILO) standards and a consultative process involving various stakeholders.

Once effective, these central labor codes will replace 29 central labor laws currently in force.

Current central labor laws

Some of the key current central labor laws along with the impact of the legislation are listed below:

Legislation	Impact of the legislation
The Minimum Wages Act, 1948	Requires employer to pay wages to every employee engaged in certain employments at not less than minimum rate of wages fixed for that category of employment
The Payment of Wages Act, 1936	Requires employer to pay wages to certain class of employees within prescribed time limit, without any unauthorized deductions and subject to specified conditions
The Payment of Bonus Act, 1965	Requires employer to pay statutory bonus to certain class of employees at specified rate based on profits or production or productivity
The Employees' Provident Fund and Miscellaneous Provisions Act, 1952	Requires employer to make contributions towards social security for employees, i.e., provident fund (defined contribution scheme), pension fund (defined benefit scheme) and deposit-linked insurance fund. Employees are entitled to avail lumpsum withdrawal / pension benefits on satisfaction of specified conditions
The Employees' State Insurance Act, 1948	Requires employer to make contributions towards insurance scheme for certain class of employees. Employees are entitled to claim benefits in the event of sickness, maternity or injury suffered during employment
The Payment of Gratuity Act, 1972	Requires employer to pay gratuity (one-time lump-sum payout) to employees on termination of employment subject to specified conditions
The Maternity Benefit Act, 1961	Requires employer to provide maternity benefit to women employees for a prescribed period before and after childbirth, adoption, abortion or surrogacy
The Employee's Compensation Act, 1923	Requires certain employers to pay compensation to employees in case of injury by accident
The Factories Act, 1948	To govern the health, safety and welfare of the factory workers. Also provides regulations for functioning of factories (including provisions around working hours / annual leave) and procedures related to the inspection, registration and licensing of factories
The Contract Labour (Regulation and Abolition) Act, 1970	To regulate the employment of contractual labor (employment through third party) in certain establishments and to provide for its abolition in certain circumstances and for matters connected therewith (such as - registration as principal employer, obtaining license by contractor, obligations of principal employer, etc.)
The Industrial Disputes Act, 1947	To provide for procedure for investigation and settlement of industrial disputes between employers and workers relating to terms of employment or conditions of labor
The Industrial Employment (Standing Orders) Act, 1946	Requires employer to define the conditions of employment for the workers by issuing standing orders or implementing service rules and to make the conditions known to workers employed under them
The Trade Unions Act, 1926	To provide for the registration of trade unions and to define applicable rules for registered trade unions

New central labor codes

Current status of the central labor codes is as under:

- Passed by both houses of parliament
- Approved by the President of India
- Notified in the Official Gazette
- Final Central / State Rules under Labor codes yet to be notified
- Date of entry into force yet to be notified

The key central labor laws subsumed within the four labor codes are listed below:

Legislation	Details of the current laws subsumed
The Code on Wages, 2019	▸ The Equal Remuneration Act, 1976 ▸ The Minimum Wages Act, 1948 ▸ The Payment of Wages Act, 1936 ▸ The Payment of Bonus Act, 1965
The Code on Social Security, 2020	▸ The Employees' Provident Funds and Miscellaneous Provisions Act, 1952 ▸ The Employees' State Insurance Act, 1948 ▸ The Payment of Gratuity Act, 1972 ▸ The Maternity Benefit Act, 1961 ▸ The Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959 ▸ The Cine-Workers Welfare Fund Act, 1981 ▸ The Building and Other Construction Workers' Welfare Cess Act, 1996 ▸ The Employee's Compensation Act, 1923 ▸ The Unorganised Workers' Social Security Act, 2008
The Occupational Safety, Health and Working Conditions Code, 2020	▸ The Factories Act, 1948 ▸ The Contract Labour (Regulation and Abolition) Act, 1970 ▸ The Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979 ▸ The Plantations Labour Act, 1951 ▸ The Mines Act, 1952 ▸ The Working Journalists and other Newspaper Employees (Conditions of Service) & Misc. Provisions Act, 1955 ▸ The Working Journalists (Fixation of Rates of Wages) Act, 1958 ▸ The Motor Transport Workers Act, 1961 ▸ The Beedi and Cigar Workers (Conditions of Employment) Act, 1966 ▸ The Sales Promotion Employees (Conditions of Service) Act, 1976 ▸ The Cine-Workers and Cinema Theatre Workers (Regulation of Employment) Act, 1981 ▸ The Dock Workers (Safety, Health and Welfare) Act, 1986 ▸ The Building and Other Construction Workers (Regulation of Employment & Conditions of Service) Act, 1996

Legislation	Details of the current laws subsumed
The Industrial Relations Code, 2020	▶ The Industrial Disputes Act, 1947 ▶ The Industrial Employment (Standing Orders) Act, 1946 ▶ The Trade Unions Act, 1926

Some of the key impact areas of the central labor codes for employers and employees are explained below:

Aspect	Details	Impact for employees	Impact for employers
Reference 'wage' for computation of benefits	All employee benefits to be calculated on new reference 'wage' as defined under the labor codes as against the current practice of generally calculating only on basic salary. Under the new definition of 'wages', all salary components except specific exclusions are covered. Also, there is a 50% ceiling on exclusions, meaning at least 50% of gross remuneration will now be covered under 'wages' for all employee benefits calculations.	Higher quantum of benefits such as higher gratuity, overtime pay and leave encashment	Additional cost for employer towards employee benefits
Employee vs Worker classification	Employers will need to classify their employee population as 'employees' or 'workers'. While all individuals employed in an organization will be 'employees', individuals who do not have managerial or supervisory roles may potentially be 'workers'. With this, even individuals in so-called white collared jobs working in an office may qualify as 'workers' if they are not managers or supervisors.	'Workers' will be eligible for additional benefits from employers such as overtime and annual leave encashment	Additional cost for employer towards specific benefits payable only to 'workers'; Additional compliance requirements for 'workers' such as setting up a grievance redressal committee
Recognition to fixed term employment	Central labor codes open doors for a different approach to flexi hiring called - fixed term employees. There are no restrictions on the number of or period for which fixed term employees can be employed. While hiring of contract labor through third parties is not permitted in core functions in an organization (subject to exceptions), there is no such restriction on hiring fixed term employees. However, such employees should be offered the same benefits as permanent employees for similar roles and are eligible for gratuity after one year of service.	Fixed term employees eligible for gratuity after one year of service	Option available for employer to hire individuals on a fixed term basis

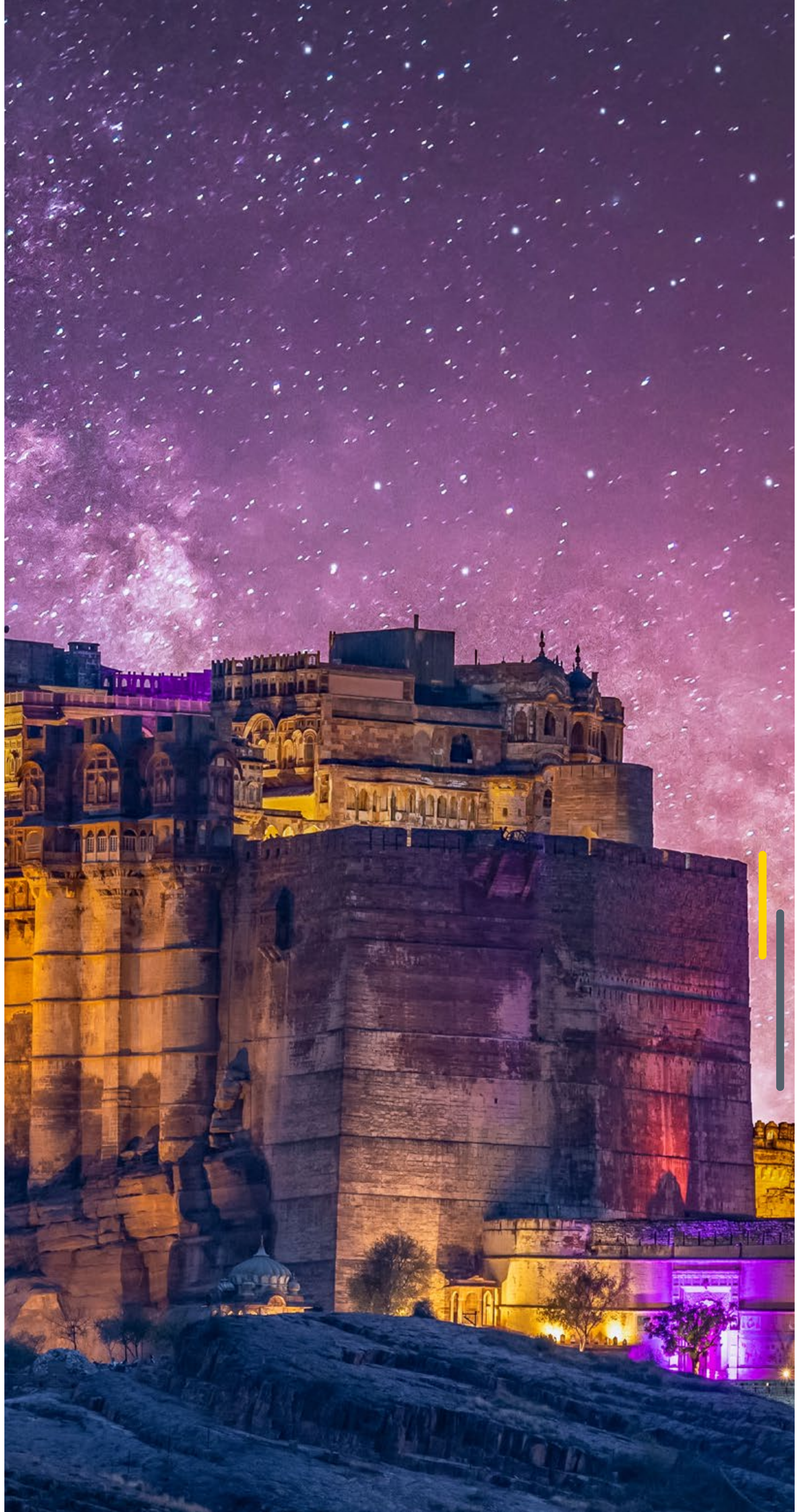
Aspect	Details	Impact for employees	Impact for employers
Social Security for gig workers / platform workers	Work arrangements outside the traditional employer-employee relationship have been given recognition under the central labor codes. The central government has been authorized to notify specific social security schemes for gig workers and platform workers. Such social security schemes may provide life and disability cover, accident insurance, health and maternity benefits, old age protection, creche and other benefits to such individuals. An onus has been put on aggregators who are digital intermediaries and run online marketplaces, who make use of services of these gig and platform workers, to contribute a certain percentage of their annual turnover (between 1% to 2%) towards social security schemes for such workers.	Social security coverage for gig workers / platform workers	Additional cost / administrative burden for organizations engaging gig / platform workers
Digitization of compliance and enforcement	Employers permitted to maintain all registers and records digitally under the labor codes albeit prescriptive formats for these registers and records have been provided in the proposed central and state rules supporting the labor codes. The Government also plans to do random web-based inspections under the online inspection scheme.	-	Enhances ease of doing business but requires compliance with state specific rules
Focus on enforcement	"Inspectors-cum-facilitators" have been made responsible for not just inspecting but also advising employers and employees on matters relating to compliance. Employees can directly approach courts on any matter under the Code on Wages. For enforcement of compliance, monetary penalties have been prescribed for first non-compliance under the labor codes but imprisonment proceedings kick-in for second non-compliance by the employer.	Employees have been given more voice under the Labor codes	May lead to labor law litigation Stringent penalties / prosecution for non-compliances

State labor laws

Apart from the central labor laws listed above, the state governments also have the power to make laws governing labor and employment. While the new central labor codes subsume various current central labor laws, it will not impact the applicability of various state labor laws. Thus, employers will have to continue to ensure compliance under the applicable state laws as well.

Some of the common state labor laws are listed below:

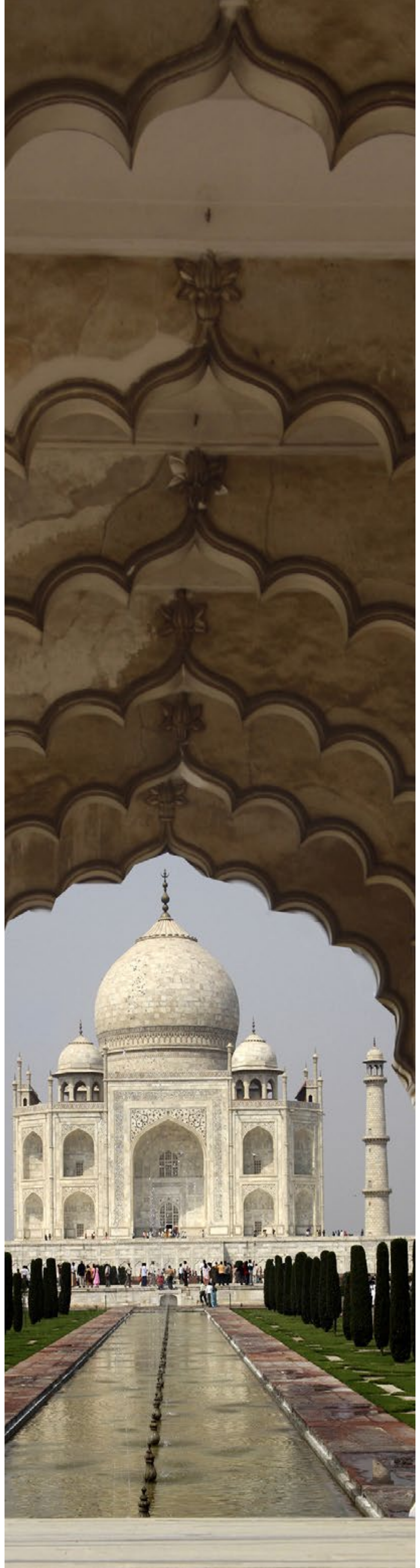
Legislation	Details of the legislation
The Shops and Establishment Act	To provide for regulation of conditions of employment, hours of employment, close day, weekly day off, holidays, Leave entitlement, wages for close days / leave period, wage periods, deductions from wages, etc. for employees in certain categories of shops and commercial establishments in the state
The Profession Tax Act	Requires certain employer to deduct and deposit profession tax at specified rates
The Labour Welfare Fund Act	Requires certain employer to make contributions towards labor welfare fund constituted under the said law in respect of employees



K Mergers and acquisitions

Mode	Merger	Demerger	Slump sale	Share acquisition
Nature	Consolidation of businesses/ entities by pooling of all financial and other resources.	Segregation of one business from another with the objective of value appreciation.	Lock, stock and barrel transfer of a business undertaking for a lump sum consideration.	Gaining direct/ indirect control over a company by acquiring its shares with voting rights.
Ideal for	Generally, for a group's reorganization at the time of acquisition and divestment.		Third-party acquisition	
Implementation	Vide a scheme to be approved by jurisdictional NCLT.		Vide a business transfer agreement (BTA)/scheme approved by jurisdictional NCLT.	Vide a share purchase agreement.
Regulatory considerations	Approvals of shareholders, creditors, NCLT and various regulatory bodies (RBI, SEBI, CCI, stock exchanges, corporate law authorities and income tax authorities) is required.		Approval required from shareholders and competent authorities under the IT Act. Also, sectoral caps under FDI regulations will apply.	Generally, prior approval is not required. It is subject to sectoral caps and pricing conditions prescribed under the FDI regulations.

Mode	Merger	Demerger	Slump sale	Share acquisition
Relaxations under the Companies Act	NCLT's approval is not mandatory for merger/demerger between small companies and between wholly-owned subsidiaries and their parent companies. In such case, approval from corporate law authorities is required. NCLT may allow an unlisted transferee company to remain unlisted post-merger/demerger of a listed company. Cross-border mergers undertaken in accordance with the prescribed[1] regulations to be deemed to be approved by the RBI.		Not applicable	Recognizes enforceable contracts among share-holders such as right of first refusal, liquidation preference, tag/drag along rights, etc.
Taxation	Generally, tax neutral for shareholders and companies, subject to fulfilment of prescribed conditions.		Gains on transfer are subject to capital gains tax[2].	Gains on transfer are subject to capital gains tax[3]. Indirect transfer of shares are subject to capital gains tax in India if prescribed conditions are met[4].
Carry forward of losses	Available, subject to fulfilment of prescribed conditions.		Not available	Available in certain scenarios.
Trigger of takeover code (SEBI)[5]	Exemption available to merger/demerger, subject to fulfilment of prescribed conditions.		Possible only if shares of a listed company are issued in consideration.	Possible if prescribed limits are breached in case of acquisition (direct/indirect) of shares of listed company through transfer/issue.
Competition Commission of India's approval	Approval is required if prescribed thresholds are breached.			
Time limit[6] (approximate time limit)	Six to seven months in case of unlisted companies. Eight to ten months in case of listed companies.		One to two months through BTA. Same timeline as merger/demerger if undertaken through scheme approved by jurisdictional NCLT.	One to two months



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Personal tax and immigration

Visa and registration requirements

A foreign national visiting India needs to obtain an appropriate visa to enter India. Type of visa to be obtained depends upon the purpose of the visit to India. Below are a few types of Indian visas issued to foreigners.

Visa type	Purpose of visit
Business visa	Establishing or exploring the possibility of setting-up of businesses, attending meetings, liaising with potential business partners or functioning as a partner/director, negotiating supplies, conducting trade of goods and providing high-level technical guidance on ongoing projects.
Employment visa	Employment in India, executing projects or contracts, providing technical support or services, transfer of know-how for which royalty is paid and consulting on a contract basis in highly-skilled services.
Project visa	Execution of projects in the power and steel sectors.
Intern visa	Pursuing internship in Indian companies, educational institutions and non-governmental organizations (NGOs), subject to certain checks and conditions specified.
Tourist visa	Recreation, sightseeing, casual visit to meet friends and relatives, etc.
e-Visa	Sub-divided into six categories: e-Tourist Visa, e-Business Visa, e-Conference Visa, e-Medical Visa, e-Medical Attendant Visa and e-Emergency X-Misc Visa. Available for nationals of specified countries for specified durations.
Others: Other types of visas issued for visits to India include transit, medical, entry (X), student, conference, journalist, research, missionary, sports, mountaineering, film visa, etc. Visa on arrival facility is available for nationals of Japan, South Korea and the UAE for specified purposes.	

Residential permit

Foreign nationals must register with the local FRRO/FRO within 14 days from their date of arrival in India if their visa is valid for longer than 180 days or if the visa stamp specifically requires this registration. Certain categories of visitors are also required to register with the police authorities.

Family and personal considerations

Accompanying legal spouses and dependent children of the individuals visiting India for the purpose of business or employment, are required to apply the visas such as business visa-dependents or employment visa-dependents. Spouses or dependents of working expatriates must obtain a separate employment visa if they need to be employed in India.

Social security

Social security in India is governed by The Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (EPF Act). The EPF Act applies to the following establishments:

- An establishment employing 20 or more persons engaged in a specific industry or any other establishment employing 20 or more persons or class of such establishments as notified by the central government.
- An establishment employing less than 20 persons that voluntarily opts to be covered by the EPF Act.

The covered employers must contribute towards the provident fund and pension scheme for their employees, including employees who are eligible as international workers.

Taxation

Liability for income tax

Liability for income tax is governed by the residential status of individuals during the tax year. Residential status of an individual is determined based on the conditions prescribed in the table below:

Period of stay in India	Residential status		
Conditions	**Non-resident (NR)**	**Resident**	
≥ 182 days in the tax year (1 April to 31 March)	Satisfies None	Satisfies any one	
≥ 60* days in the tax year and ≥ 365 days in four years immediately preceding the tax year			
A citizen of India, having total income, other than income from foreign sources, exceeding INR15 lakh during the tax year, who is not liable to tax in any other country or territory by reason of his domicile or residence or any other criteria of similar nature		Deemed Resident	
Additional conditions		**Not ordinarily resident (NOR)**	**Resident and ordinarily resident (ROR)**
NR as per basic conditions in at least 9 out of 10 immediately preceding tax years		Satisfies one or both	Does not satisfy both
≤729 days in India in seven years immediately preceding tax years			
A citizen of India or a person of Indian origin, having total income, other than income from foreign sources, exceeding INR15 lakh during the tax year, who has been in India for a period or periods amounting in all to 120 days or more but less than 182 days		NOR	
A citizen of India, having total income, other than income from foreign sources, exceeding INR15 lakh during the tax year, who is not liable to tax in any other country or territory by reason of its domicile or residence or any other criteria of similar nature		NOR	

***60 days is substituted by**

a) 120 days for a citizen of India or a person of Indian origin, who being outside India, comes on a visit to India in any tax year, having total income other than the income from foreign sources exceeding INR15 lakh.

b) 182 days for a citizen of India or a person of Indian origin, other than the one referred in a) above, who being outside India, comes on a visit to India in any tax year.

c) 182 days for a citizen of India who being in India, leaves India in any tax year for the purpose of employment outside India.

Rates of income tax for tax year 2021-22

A simplified personal income tax regime which is optional, can be opted for by a taxpayer in which case, the taxpayer will have an option to pay taxes at the reduced slab rates (mentioned below) which are applicable without certain exemptions and deductions. This option can be exercised every year by furnishing the RoI.

Taxpayers earning business or professional income, can opt into the simplified personal income tax regime only once on irrevocable basis. Such option will apply to all the subsequent tax years and in case where such an option is withdrawn by the taxpayer, the taxpayer shall not be eligible to avail the concessional slab rates in subsequent years until the taxpayer ceases to have business or professional income.

The slab rates along with its comparison with the slab rates under the simplified personal income tax regime are as below:

Income levels (INR)	Slab rate (%)	Slab rate under the simplified regime (%)
0-250,000*	Nil	Nil
250,001-500,000	5%	5%
500,001-750,000	20%	10%
750,001-1,000,000	20%	15%
1,000,001-1,250,000	30%	20%
1,250,001-1,500,000	30%	25%
1,500,000-above	30%	30%

*INR250,000 is substituted by INR300,000 for resident individuals who are 60 years old or more but less than 80 years, and INR500,000 in the case of resident individuals of 80 years of age or more.

A rebate of INR12,500 or actual tax payable, whichever is less, is available for resident individuals with total income up to INR500,000.

Surcharge is applicable as in the table below:

Income levels (INR)	Surcharge
0-5,000,000	Nil
5,000,001-10,000,000	10% of total income tax liability
10,000,001-20,000,000	15% of total income tax liability
20,000,001-50,000,000	25% of total income tax liability
50,000,001-above	37% of total income tax liability

In cases where surcharge is applicable, marginal relief is allowed to ensure that the additional amount of income tax payable, including surcharge, on the excess of income over the respective limits of INR5,000,000, INR10,000,000, INR20,000,000 and INR50,000,000 is limited to the amount by which the income exceeds such limits.

Certain specified incomes are taxable at specified rates.

Long-term capital gains are not taxed according to the above slab rates but are generally taxed at a base rate of 20% plus applicable surcharge and cess.

Long-term capital gains exceeding INR100,000 arising from the sale of the following specified assets, on which securities transaction tax (STT) is paid, are chargeable to tax at special rates of 10% :

- **Equity shares in a company**
- **Units of equity oriented mutual fund**
- **Units of business trust**

Short-term capital gains on aforesaid specified assets on which STT is paid (if assets are sold within one year) are chargeable at a special rate of 15%.

The rate of surcharge on long term capital gain arising on transfer of any long-term capital asset is restricted to 15% of Income-tax.

The increased rates of surcharge of 25% and 37% are not applicable on any long-term capital gains and on the dividend income for a taxpayer being an individual, a Hindu undivided family (HUF) and an association of persons, a body of individuals and an artificial juridical person.

The income tax and surcharge calculated (as applicable), based on the rates specified above, is further increased by health and education cess of 4%.

Effective 1 April 2022, any income arising from the transfer of Virtual Digital Asset (VDA)* will be taxed at the rate of 30%, plus surcharge (as applicable) and health and education cess of 4%.

No deduction in respect of any expenditure or allowance or set-off of any loss shall be allowed against at the time of transfer of income VDA, except for cost of acquisition.

***VDA has been defined exhaustively and broadly includes the following:**

- Cryptographic assets; or
- Non-fungible tokens or any token of similar nature, as notified by central government; or
- Any other digital asset notified by central government

Income tax filing

All taxpayers, including non-residents (NRs), must file a RoI if their income exceeds the maximum amount that is not liable to tax. Residents (excluding not ordinary residents), who hold foreign assets or income from any source outside India are required to furnish RoI even if the income does not exceed the maximum amount that is liable to tax.

The due date for filing RoI by individuals is as follows:

Categories	Date of filing of RoI
An individual who is required to submit tax audit report in Form 3CD	31 October
Other individuals (including salaried individuals)	31 July

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Direct taxes

The central government levies direct taxes by way of income tax. Its administration, supervision and control lie with the Central Board of Direct Taxes (CBDT).

Administration

The Indian tax year starts from 1 April of a year and ends at 31 March of the subsequent year. The due date for filing RoI is as follows:

Categories	Date of filing of RoI
A company/an LLP that is required to submit a transfer pricing certificate in Form 3CEB with respect to international transactions	30 November
Other companies/LLPs	31 October

Non-resident corporations are also required to file a RoI in India if they earn income in India or have a physical presence or economic nexus with India. However, RoI is not required to be filed in India in case the income earned from India consists of only interest or dividend or royalty or fee for technical services subject to fulfillment of certain conditions.

Effective from 1 April 2022, taxpayers are permitted to file an updated RoI to correct the errors committed in computing tax liability and on payment of additional tax subject of fulfillment of certain conditions. The updated RoI can be filed within three years from the end of the relevant tax year. Updated RoI can also be filed even if original RoI was not filed.

Corporate tax liability needs to be estimated and discharged by way of advance tax on a quarterly basis.

Late filing of an RoI and delay in payment or shortfall in taxes attract penalty/interest.

Corporate income tax

For Indian income tax purposes, a corporation's income comprises of the following heads of income:

- Income from house property
- Income from business
- Capital gains on disposition of capital assets
- Residual income arising from non-business activities (i.e. income from other sources)

Corporations resident in India are taxed on their worldwide income arising from all sources.

Non-resident corporations are taxed on the income earned through a business connection in India or any source in India or transfer of a capital asset situated in India.

The term business connection is used in Indian IT Act instead of a permanent establishment (PE), as in tax treaties, to tax profits from business. The term business connection is considered wider in its scope than PE.

Double Taxation Avoidance Agreement (DTAA)

Provisions of the IT Act or the DTAA, whichever is more beneficial are applicable to a non-resident taxpayer. Accordingly, the taxability is likely to be restricted or modified.

Rate of corporate tax

Domestic and foreign corporations are subject to a tax at a specified basic tax rate and depending upon the total income, the basic rate is increased with a surcharge. There is an additional levy of health and education cess at the rate of 4% of the tax payable.

Base tax rates for tax year 2022-2023

Particulars	Base tax rate[1]
Domestic company	
Companies having turnover <= INR4 billion in the tax year 2020-21	25%
Companies having turnover > INR4 billion in the tax year 2020-21	30%
Manufacturing companies or electricity generation companies established and registered on or after 1 October 2019 and commencing manufacturing or electricity generation up to 31 March 2024 without availing specified deductions or incentives (optional regime)	15%
Domestic companies may opt for concessional tax rate provided they do not avail specified deductions or incentives	22%
Foreign company	40%
LLP	30%

The rates listed above must be increased by applicable surcharge rate (refer table below for surcharge rates) and health and education cess of 4%.

Surcharge rates for tax year 2022-2023

Status	Income from INR10 million to INR100 million	Above INR100 million
Domestic company opting for concessional tax rate of 15% or 22%	10%	10%
Domestic company (other than above)	7%	12%
Foreign company	2	5
LLP	12	12

There is no repatriation tax cost while profits are distributed by an LLP, as the share of such profits in the hands of the partner(s) is exempt.

Withholding tax rates

Withholding tax rates	Tax rates in % (corresponding note)	
	Paid to a domestic company	Paid to a foreign company
Dividends	10 (d)	20 (a)
Interest	10 (d)	20/5 (a)(b)(d)
Royalty from patents, know-how, etc.	10/2 (d)(e)	10 (a)(c)(d)
Fee for technical services (FTS)	10/2 (d)(f)	10 (a)(c)(d)

Notes

(a) The rates listed above for withholding tax must be increased by applicable surcharge with reference to the income slabs as indicated in the surcharge table above and health and education cess of 4%.

(b) This rate of 5% only applies to interest on foreign currency loans. Any other interest is subject to tax at a normal applicable rate of 20% to foreign corporations.

(c) Royalty or FTS: foreign corporations are axed with respect to royalties or FTS at the rate of 10% on a gross basis.

(d) If PAN of the payee (PAN or other specified details/documents in case of a non-resident payee) is not available, tax will be withheld at an applicable rate or at a penal rate of 20%, whichever is higher.

(e) Reduced withholding tax rate of 2% to apply on royalty paid to residents in consideration for sale, distribution or exhibition of cinematographic films.

(f) Withholding tax rate of 2% will apply in case of fees for technical services (not being a professional service) and 10% in other cases.

Taxes are required to be withheld at a higher penal rate (twice of applicable rate or 5% whichever is higher) if:

- RoI has not been furnished by the payee (includes a NR who has a PE in India) for the tax year immediately preceding the financial year in which tax is required to be withheld, for which the time limit for furnishing RoI has expired; and
- the aggregate withholding tax in his case is INR50,000 or more in the said year

Books of accounts and tax audit

Every company engaged in a business is required to maintain books of accounts and get them audited by an accountant if its total sales, turnover or gross receipts exceed INR10 million (INR100 million provided cash transactions are less than 5% in value) during the year.

Depreciation

Depreciation on capital assets is allowed on the basis of reducing balance method using varying rates, depending on the nature of assets.

Tax on dividend income

Dividend received from domestic companies is taxable in the hands of shareholders. Interest expenses up to 20% of dividend income are deductible expenses. Dividend distributing companies are required to withheld taxes at the applicable rates.

Tax on Virtual Digital Assets (VDA)

VDAs have gained tremendous popularity in recent times and the volumes of trading in such digital assets have raised substantially. Accordingly, a special tax regime has recently been launched in India for taxation of VDA, a specifically defined asset which covers crypto currencies/assets, non-fungible tokens and any other assets to be notified by the CG as VDA.

Any income from transfer of VDA is taxable @30% w.e.f. 1 April 2022. No deduction is allowed on computation of income, except cost of acquisition of VDA. Further, Gift of VDA is also taxable in hands of recipient.

Consideration paid to a resident for transfer of VDA, is subject to withholding @1% w.e.f. 1 July 2022.

Loss arising from transfer of VDA can neither be set off against any income, nor carried forward to subsequent years.

Relief for losses

Business losses, other than from speculation businesses, are permitted to be set off against income from any other source (except income from employment, i.e., salary income) in the same year. Business losses, which cannot be so set off, are permitted to be carried forward for setting off against business profits arising in the eight subsequent years. Unabsorbed depreciation is permitted to be carried forward for an unlimited period.

Indirect transfer of shares of domestic corporations

Non-residents are also taxed on capital gains arising on any share or interest in a company or entity registered or incorporated outside India, deriving its value substantially from assets located in India, where the fair market value (FMV) of an Indian asset on a specified date exceeds INR100 million and represents at least 50% of the value of all assets owned by a foreign corporation.

Small shareholders holding 5% or less of the total voting power/share capital, in the foreign corporation or entity directly holding the Indian assets are exempted from indirect transfer tax. Moreover, indirect transfer of shares of an Indian corporation pursuant to merger/demerger of foreign corporations, subject to satisfaction of specified conditions is not taxable.

MAT/Alternate Minimum Tax (AMT)

Indian tax law requires MAT to be paid by corporations on the basis of profits disclosed in their financial statements where the tax payable according to regular tax provisions is less than 15% (excluding surcharge and cess) of their book profits. MAT is not applicable on domestic companies opting for concessional tax rate of 15% or 22%.

The credit for MAT paid is allowed to be carried forward for 15 years and set off against the income tax payable under the normal provisions of the IT Act to the extent of the difference between tax according to normal provisions and tax according to MAT.

A modified version of MAT, AMT at 18.5% (excluding surcharge and cess) is applicable to LLPs and certain other taxpayers (other than companies) who are availing specified profit-linked tax incentives. Unadjusted AMT credit can be carried forward for 15 years and set off against income tax payable under the normal provisions of the IT Act to the extent of the difference between tax according to normal provisions and tax according to AMT.

Equalization levy

In line with OECD's BEPS project Action Plan 1 (digital economy), India has introduced an equalization levy on the following transactions:

- Equalization levy of 6% is chargeable on the payment made by a resident carrying on a business or profession or the Indian PE of a non-resident to a non-resident providing specified services. Specified service has been defined as an online advertisement, or provision for digital advertising space or any other facility or service for the purpose of online advertisement, and also includes any other service notified by the central government.
- From 1 April 2020, equalization levy of 2% is chargeable on the amount of consideration received/receivable by NR e-commerce operator from e-commerce supply or services made, provided or facilitated by such an NR beyond threshold of INR20 million during a tax year to:
  - A person resident in India or
  - An NR which entails sale of advertisement targeted at a customer resident in India or accessing such advertisement through an Indian IP address or
  - An NR which entails sale of data collected from a person resident in India or from a person who uses Indian IP address or
  - A person who buys goods or services using an Indian IP address

Foreign tax relief

DTAAs entered into by India with several other countries govern foreign tax relief to avoid double taxation. If there is no such agreement, resident corporations can claim a foreign tax credit for the tax paid by them in other countries subject to fulfillment of certain requirements. The credit amount is the lower of Indian effective rate of tax or the tax rate of the said country on the doubly taxed income.

Authority for Advance Ruling (AAR)

An advance ruling scheme is available to achieve certainty on the income tax liability of eligible taxpayers (including non-residents), to plan their income tax well in advance and to avoid lengthy and expensive litigation.

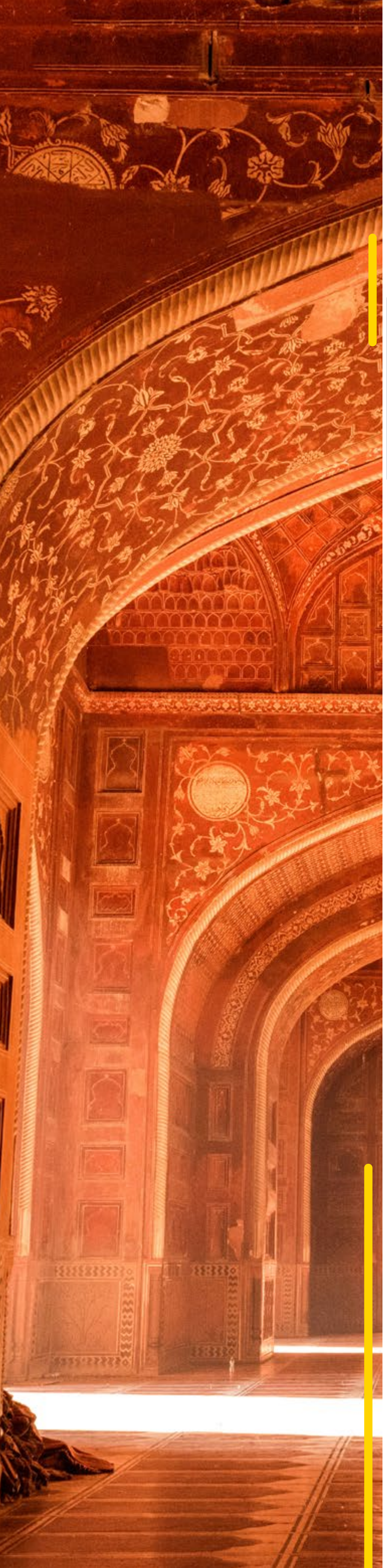
A ruling can be obtained by an applicant (resident or non-resident) with respect to any question of law or fact in relation to the tax liability of the non-resident arising out of a transaction undertaken or proposed to be undertaken. Additionally, a resident applicant can also approach the AAR for determining its tax liability arising out of a transaction undertaken or proposed to be undertaken with a non-resident valuing INR1000 million or more in aggregate.

General Anti-Avoidance Rule (GAAR)

The IT Act contains anti-avoidance provisions in the form of GAAR, which provides extensive

powers to the tax authority to declare an arrangement entered by a taxpayer to be an Impermissible Avoidance Arrangement (IAA). The consequences include denial of tax benefit either under the provisions of the IT Act or the applicable tax treaty. The provisions can be invoked for any step in or part of an arrangement entered, and the arrangement or step may be declared an IAA. However, these provisions only apply if the main purpose of the arrangement or the step is to obtain a tax benefit.

The provisions of GAAR will not apply where the tax benefit (for all parties) from an arrangement in a relevant tax year does not exceed INR30 million.



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Transfer Pricing

Transfer pricing (TP) provisions in India are in line with the TP guidelines for multinational companies and tax administrators issued by the OECD, except with certain noteworthy differences.

Under transfer pricing regulations (TPRs), any international transaction and specified domestic transaction between two or more associated enterprises (AEs) (including PEs) must be conducted at arm's length price (ALP).

Relevant provisions regarding TPR:

International transactions

TPRs define an international transaction as the one that takes between two or more AEs, either or both of whom are non-residents and have a bearing on the profits, income, losses or assets of such enterprises. Furthermore, a transaction with a non-AE may also be deemed as an international transaction if a prior agreement or arrangement pertaining to such transaction exists between the non-AE and the taxpayer's AE.

Specified domestic transactions (SDT)

In case the aggregate value of SDT exceeds INR200 million, within the ambit of TPRs, the same shall be computed having regard to ALP. The transactions covered under TPR(s) include all transactions with related domestic companies or units eligible for tax holiday, or new domestic manufacturing companies chargeable to a lower tax rate.

Safe Harbor Rule (SHR)

SHR indicates circumstances under which tax authorities accept a transfer price declared by a taxpayer to be at arm's length. The SHR (applicable for the period FY 2016-17 to FY 2020-21) has also been made applicable for FY 2021-22.

Advance Pricing Agreement (APA)

There is an APA program available in India, wherein the transfer price of goods and services transacted between group entities is determined in advance by the tax authorities (i.e., CBDT in India) and the taxpayers, so as to prevent any dispute arising from controlled transactions between AEs. Application can be filed for unilateral/bilateral/multilateral APAs.

Three-tiered documentation

The Indian Government has adopted a three-tiered documentation structure, comprising of TP documentation, master file and country-by-country (CbC) reporting to implement the recommendations contained in the OECD's BEPS report on Action 13.

Secondary adjustment

In case, there is an increase in the total income or reduction in the loss due to the primary adjustment to the transfer price, the excess money which is available with its AE, if not repatriated to India within the prescribed time, shall be deemed to be an advance made by the taxpayer to such AE (subject to fulfilment of certain conditions). The interest thereon shall be computed in the prescribed manner.

Interest limitation rules

These provisions limit the amount of deductible interest expenditure (in respect of amount lent by a non-resident AE or a third-party debt guaranteed by an AE) to 30% of EBITDA. Excess interest, if any, shall be allowed to be carried forward up to eight successive years.

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Indirect taxes

GST legislation

Goods and Services Tax ('GST') was introduced in India on 1 July 2017[1] replacing the earlier central taxes and duties, such as central excise and a multitude of state levies like Value Added Tax ('VAT')/ Central Sales Tax ('CST'), on a majority of goods, entry tax, purchase tax, octroi, etc.

The GST is based on a dual levy model. Both the center and the state are empowered to levy equal amounts of tax (in the form of Central Goods and Services Tax ('CGST') and State Goods and Services Tax ('SGST') on the same taxable base (supply of goods and services). In case of inter-state transitions, center has the authority to levy Integrated Goods and Service Tax ('IGST'), a part whereof is transferred by the central government to the destination state.

Further, imports would be subject to IGST, while exports would continue to be zero-rated.

Rate classification for goods[2]

Exempt	Electrical energy, newspapers, milk, credit scrips, food grains (other than pre-packaged and labelled)
5%	Apparels valued less than INR1,000, fly ash, fishing net and fishing hooks, aircraft engines, biogas
12%	Articles of apparels exceeding INR1,000, biodiesel, specified parts of sewing machine, furniture wholly made of bamboo or cane
18%	Printing ink, Forklift, lifting and handling equipment, transmission apparatus for radio and television broadcasting, chocolates, slabs of marbles and granite
28%	Air-conditioners, dish washing machines, digital cameras, monitors and projectors, motor car
28% + cess	Cars, pan masala, cigars

Rate classification for services[3]

Exempt

- Education
- Healthcare
- Residential accommodation

5%

- Goods transport
- Rail tickets (other than sleeper class)
- Economy class air tickets

12%-18%

- Works contract
- Business Class air travel
- Telecom services
- Financial services
- Hotel/lodges

28%

- Betting
- Gambling

Electronic invoicing and Dynamic Quick Response (QR) Code

Electronic invoicing (B2B transactions)

The GoI has made electronic invoices mandatory w.e.f. 1 October 2020[4] for registered persons with the aggregate turnover of INR5 billion. The government with an intent to make e-invoicing applicable for all taxpayers has reduced the said threshold in a phased manner to INR200 million.

Electronic invoicing aims to bring interoperability of invoices across the entire GST ecosystem and data consistency across the different government platforms. It also curbs issuance of fake invoices.

Electronic invoicing primarily involves reporting of an invoice generated by a tax payer to the central system (called Invoice Registration Portal), for the purpose of de-duplication check of the invoice, to ensure that a unique invoice reference number (IRN) is generated for each invoice.

Relaxation from IRN and QR code generation has been passed on to the following category of suppliers:

- Supplier of taxable services being insurers/banking institution/ financial institution/non-banking financial companies (NBFCs)
- Goods transport agencies
- Suppliers engaged in passenger transportation services
- Suppliers engaged in exhibition of cinematographic film in multiplex screens

Dynamic QR Code (B2C transactions)

The GoI has made it mandatory[5] for the registered persons with annual aggregate turnover exceeding INR5 billion rupees in any of the financial years from 2017-18 onwards to affix a Dynamic Quick Response (QR) Code for a tax invoice issued to an unregistered person.

Relaxation from Dynamic QR code generation has been provided to the following category of suppliers:

- Supplier of taxable services being insurers/banking institution/ financial institution/non-banking financial companies (NBFCs)
- Goods transport agencies
- Suppliers engaged in passenger transportation services
- Suppliers engaged in exhibition of cinematographic film in multiplex screens
- Supply of Online Information Database Access and Retrieval (OIDAR) services by any person located in non-taxable territory and received by a non-taxable online recipient

Other indirect taxes

Other than GST, the central government levies indirect taxes comprising of customs duty, stamp duty, profession tax and property tax. Post the implementation of GST, the states continue to levy profession tax and state Value Added Tax only on selected items like petroleum products alcohol, etc. Various other taxes that were hitherto levied by the states like entry tax, octroi, etc. have been subsumed with GST.

Tax	Standard rate	Applicability
Customs duty	Rate of customs duty - 30.98% (actual rate varies depending on classification under the customs tariff, which is aligned with the International Harmonized System of Nomenclature)	Customs duty is levied on import of goods into India and is typically payable by the importer. Components of customs duty: ▸ Basic customs duty ▸ IGST leviable under the Customs Tariff Act, 1975 ▸ Social welfare surcharge
Stamp duty	Varies across the states	It is a tax on transactions in the form of stamps on instruments affecting such transactions.
Profession tax	Varies across the states	It is a state levy on persons engaged in any profession, trade, or employment in a state.
Property tax	Varies with each municipal authority	It is a municipal tax imposed on the owner of the property (usually real estate) for the maintenance of basic civic services in a city. The amount of tax is calculated on the value of the property that is sought to be taxed (ad valorem basis) as prescribed by each municipal authority.
Entertainment tax	Varies across states	Local governments, with the authority of the respective state government can levy entertainment tax on various entertainment and amusement activities such as exhibitions, cable or DTH subscriptions, video games, amusement parks and events.

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Tax incentives in India

Make in India scheme

On 25 September 2014, the Indian Prime Minister, Narendra Modi unveiled the ambitious Make in India campaign with an aim to turn India into a global manufacturing hub. The campaign is a major national program designed to facilitate investment, foster innovation, enhance skill development, protect intellectual property and build best-in-class manufacturing infrastructure.

The government has come out with several policy initiatives such as rationalizing duty structure for a wide range of products, extending differential duty structure to components, corporate tax exemptions, increasing ease of doing business with a focus on start-ups, promoting skill development, R&D and innovation. These announcements have been well-received by industry partners and manufacturers.

In order to resonate well with the Make in India program, various tax incentives are available for existing and newly setup companies in India. These are broadly divided into three categories:

Location based	Export linked	Industry specific
▸ Special Economic Zone incentives ▸ Tax holiday in specified locations, viz., the northeastern regions of India ▸ State-level incentives like stamp duty exemption, electricity duty exemptions, etc.	▸ Benefit for R&D expenditure ▸ Employment of new workmen ▸ Business of collecting and processing bio- degradable waste ▸ Project Import Scheme for initial set-up or substantial expansion of specified projects	▸ Infrastructure and power facilities ▸ Oil and gas ▸ Cold chain and warehousing ▸ Hospitals ▸ Fertilizer production ▸ Affordable housing project schemes ▸ Hospitality and tourism, etc.

Some of the tax deductions and tax incentives have been highlighted below:

Activity	Benefits (subject to specified conditions)
All taxpayers, whose total sales, turnover or gross receipts exceed INR10 million	Additional deduction of 30% of the cost incurred on a new employee
Scientific research and development	100% deduction on expenditure
Deduction in respect of specified business categories such as cold chain facilities, warehousing facilities for storage of agricultural produce, cross-country distribution of natural gas oil, infrastructure facilities, etc[1].	100% deduction on capital expenditure
Expenditure on skill development projects	100% deduction on expenditure incurred on a notified skill development project by a company
Start-up businesses engaged in innovation, development, deployment or commercialization of new technology- or intellectual property- driven products, processes or services	100% tax holiday for three consecutive years out of 10 years, deduction to eligible start-ups set-up before 1 April 2023 with a turnover of less than INR1 billion
Companies located in International Financial Service Centers (IFSCs)	▸ 100% tax holiday for 10 consecutive years out of 15 years ▸ Reduced Minimum Alternate Tax rate of 9% ▸ Specified relaxation from Securities Transaction Tax, Long-term Capital Gains Tax and Commodities Tax

Special Economic Zones (SEZs) in India

SEZs are specifically delineated duty-free enclaves deemed to be a foreign territory for the limited purpose of trade operations, duties/tariffs. With the SEZ scheme, the government aims to create hassle-free environment for exports, supported by an integrated simplified infrastructure and a package of incentives to attract foreign and domestic investment.

Direct tax incentives for SEZ

Nature of business	Quantum of deduction
Undertakings/units located in SEZs and engaged in the manufacture or production/ provision of services.	Deduction is available to units' setup in a SEZ in a phased manner as under: ▸ 100% deduction in respect of export profits for first five years ▸ 50% deduction in respect of export profits for the next five years ▸ 50% of export profits, provided that the profits are transferred to a Special Economic Zone Reinvestment Reserve Account for the purpose of acquiring plant or machinery within three years (The aforesaid tax holiday is only available for SEZ units approved by 31 March 2020 and which commence operation by 30 September 2020)

MAT/AMT of 15% (plus surcharge and cess) is applicable on book profits/taxable income of the SEZ unit. However, MAT/AMT credit can be carried forward for 15 years and set-off against tax liability in future.

Indirect tax benefits available to SEZ developers/units

Import of goods and services

Exemption
Import of goods and services has been specifically exempted from levy of IGST. However, the SEZ developer/unit shall be required to execute a bond-cum-legal undertaking for claiming an upfront custom duty exemption on import of goods.

Domestic procurement of goods and services
An SEZ developer/SEZ unit shall be eligible to avail tax benefit on domestic procurements from a registered dealer under the following options:

- Upfront exemption by way of execution of a bond or a legal undertaking
- GST paid by a registered dealer/ service provider and refund shall be claimed subsequently by the registered dealer/service provider

Stamp duty exemption/ reimbursement
States offer additional incentives in the form of stamp duty exemption on land related transactions in an SEZ (subject to state laws).

The Finance Minister in the Budget Speech for the Financial Year 2022-23 specified that the Special Economic Zones Act will be replaced with a new legislation that will enable the states to become partners in 'Development of Enterprise and Service Hubs'. This will cover all large existing and new industrial enclaves to optimally utilize available infrastructure and enhance competitiveness of exports.

Incentives under Foreign Trade Policy 2015-20 (FTP)

Trade facilitation is a priority of the government to cut down the transaction cost, thereby rendering Indian exports more competitive. To achieve the said objective, the GoI has provided various incentives such as Advance Authorization, Duty Free Import Authorization etc., for the benefit of stakeholders of import and export trade vide FTP. The FTP provides a framework for increasing exports of goods and services as well as generation of employment and increasing value addition in the country thereby integrating the Make in India, Digital India and Skill India initiatives of the government.

The FTP (2015-20) which was earlier extended upto 30 September 2022, has been extended by six months and shall be valid up to 31 March 2023. Accordingly, various benefits provided under the current FTP (2015-20) shall remain in force up to 31 March 2023, unless otherwise specified.

Remission of Duties and Taxes on Exported Products

The Ministry of Commerce and Industry, on 17 August 2021, notified Scheme Guidelines for Remission of Duties and Taxes on Exported Products (RoDTEP) under which a mechanism for reimbursement of taxes/duties/ levies, at the central, state and local level, which are currently not being refunded under any other mechanism, but which are incurred in the process of manufacture and distribution of exported products.

This scheme is going to give a boost to the domestic industry and Indian exports, providing a level playing field for Indian producers in the international market so that domestic taxes/duties are not exported.

The key highlights of the scheme are as under:

- Scheme's objective is to refund currently unrefunded duties/ taxes/levies at central, state and local level borne on the exported products and such indirect duties/taxes/levies in respect of distribution of exported products
- Rebate under scheme shall not be available in respect of duties and taxes already exempted or remitted or credited
- Under the scheme, rebate shall be granted to eligible exporters at notified rates as a percentage of Free on Board value with a value cap per unit of the exported product, wherever required. For certain export items, a fixed quantum of rebate amount per unit may also be notified
- Certain categories of exports/ exporters shall be ineligible for rebate under RoDTEP, primary among which are
  - Deemed exports;
  - Domestic Tariff Area to SEZ/ Free Trade Warehousing Zone;
  - Products manufactured by Electronics Hardware Technology Park and Bio Technology Park;
  - Products manufactured partially or wholly in a warehouse under section 65 of Customs Act;
  - Exports for which electronic documentation in Indian Customs Electronic Gateway Electronic Data Exchange (EDI) has not been generated/ exports from EDI ports;
  - Products manufactured or exported in discharge of export obligation against Advance Authorization scheme, Duty Free Import Authorization scheme and Special Advance Authorization scheme;
  - Products manufactured by Export Oriented Unit;
  - Products manufactured by units in Free Trade Zones or Export Processing zones or SEZs.
- The refunds under the RoDTEP scheme is a step towards zero-rating of exports in the form of drawback and IGST refund. This would lead to cost competitiveness of exported products in international markets and would provide better employment opportunities in export-oriented manufacturing industries.

Notes

Key tax compliance calendar

1 April 2022 to 31 March 2023

April 2022	
11	Electronically filing details of outward supplies of taxable goods and/or services in Form GSTR-1 for March 2022
13	Electronically filing details of outward supplies of taxable goods and/or services in Form GSTR-1 for the quarter January 2022 to March 2022 by taxpayers having turnover less than INR15 million in preceding financial year
20	Electronically filing Form GSTR-3B to discharge GST tax liability for March 2022 by taxpayers having turnover above INR50 million in the preceding financial year
22	Electronically filing Form GSTR-3B to discharge GST tax liability for March 2022 by taxpayers having turnover up to INR50 million in the preceding financial year for the specified states[1]
24	Electronically filing Form GSTR-3B to discharge GST tax liability for March 2022 by taxpayers having turnover up to INR50 million in the preceding financial year for the states/UTs other than those mentioned above
30	Payment of taxes withheld in March 2022

May 2022	
7	Payment of taxes withheld in April 2022
11	Electronically filing details of outward supplies of taxable goods and/or services in Form GSTR-1 for the month of April 2022
20	Electronically filing Form GSTR-3B[2] to discharge GST tax liability for April 2022 by taxpayers having turnover above INR50 million in the preceding financial year
22	Electronically filing Form GSTR-3B to discharge GST tax liability for April 2022 by taxpayers having turnover up to INR50 million in the preceding financial year for the specified states[1]
24	Electronically filing Form GSTR-3B to discharge GST tax liability for April 2022 by taxpayers having turnover up to INR50 million in the preceding financial year for the states/UTs other than those mentioned above
25	Payment of due tax in PMT-06[3] for the month of April 2022 for the taxpayers filing return under Quarterly Return Monthly Payment (QRMP) scheme
31	Electronically file quarterly (January to March 2022) withholding tax returns in Form 24Q/26Q/27Q

June 2022	
7	Payment of taxes withheld in May 2022
11	Electronically filing details of outward supplies of taxable goods and/or services in Form GSTR-1 for the month of May 2022
15	Payment of advance tax (not less than 15% of the estimated tax for the tax year 2022-23)
20	Electronically filing Form GSTR-3B to discharge GST tax liability for May 2022 by taxpayers having turnover above INR50 million in the preceding financial year
22	Electronically filing Form GSTR-3B to discharge GST tax liability for May 2022 by taxpayers having turnover up to INR50 million in the preceding financial year for the specified states[1]
24	Electronically filing Form GSTR-3B to discharge GST tax liability for May 2022 by taxpayers having turnover up to INR50 million in the preceding financial year for the states/UTs other than those mentioned above
25	Payment of due tax in PMT-06 for the month of May 2022 for the taxpayers filing return under QRMP scheme

July 2022	
7	Payment of taxes withheld in June 2022
11	Electronically filing details of outward supplies of taxable goods and/or services in Form GSTR-1 for June 2022
13	Electronically filing details of outward supplies of taxable goods and/or services in Form GSTR-1 for the quarter April 2022 to June 2022 by taxpayers having turnover less than INR15 million in preceding financial year
20	Electronically filing Form GSTR-3B to discharge GST tax liability for June 2022 by taxpayers having turnover above INR50 million in the preceding financial year
22	Electronically filing Form GSTR-3B to discharge GST tax liability for June 2022 by taxpayers having turnover up to INR50 million in the preceding financial year for the specified states[1]
24	Electronically filing Form GSTR-3B to discharge GST tax liability for June 2022 by taxpayers having turnover up to INR50 million in the preceding financial year for the states/UTs other than those mentioned above
31	Electronically file quarterly (April to June 2022) withholding tax returns in Form 24Q/26Q/27Q
31	Filing income tax return by the taxpayers who are not subject to tax audit and transfer pricing provisions, for tax year 2021-22

August 2022	
7	Payment of taxes withheld in July 2022
11	Electronically filing details of outward supplies of taxable goods and/or services in Form GSTR-1 for July 2022
20	Electronically filing Form GSTR-3B to discharge GST tax liability for July 2022 by taxpayers having turnover above INR50 million in the preceding financial year
22	Electronically filing Form GSTR-3B to discharge GST tax liability for July 2022 by taxpayers having turnover up to INR50 million in the preceding financial year for the specified states[1]
24	Electronically filing Form GSTR-3B to discharge GST tax liability for July 2022 by taxpayers having turnover up to INR50 million in the preceding financial year for the states/UTs other than those mentioned above
25	Payment of due tax in PMT-06 for the month of July 2022 for the taxpayers filing return under QRMP scheme

September 2022	
7	Payment of taxes withheld in August 2022
11	Electronically filing details of outward supplies of taxable goods and/or services in Form GSTR-1 for August 2022
15	Payment of advance tax (not less than 45% of the estimated tax for the tax year 2022-23)
20	Electronically filing Form GSTR-3B to discharge GST tax liability for August 2022 by taxpayers having turnover above INR50 million in the preceding financial year
22	Electronically filing Form GSTR-3B to discharge GST tax liability for August 2022 by taxpayers having turnover up to INR50 million in the preceding financial year for the specified states[1]

September 2022	
24	Electronically filing Form GSTR-3B to discharge GST tax liability for August 2022 by taxpayers having turnover up to INR50 million in the preceding financial year for the states/UTs other than those mentioned above
25	Payment of due tax in PMT-06 for the month of August 2022 for the taxpayers filing return under QRMP scheme
30	Filing of tax audit report (in Form 3CD) by the taxpayer liable to file its tax return by 31 October[4]

October 2022	
7	Payment of taxes withheld in September 2022
11	Electronically filing details of outward supplies of taxable goods and/or services in Form GSTR-1 for September 2022
13	Electronically filing details of outward supplies of taxable goods and/or services in Form GSTR-1 for the quarter July 2022 to September 2022 by taxpayers having turnover less than INR15 million in preceding financial year
20	Electronically filing Form GSTR-3B to discharge GST tax liability for September 2022 by taxpayers having turnover above INR50 million in the preceding financial year (due date has been extended upto 21 October 2022)
22	Electronically filing Form GSTR-3B to discharge GST tax liability for September 2022 by taxpayers having turnover up to INR50 million in the preceding financial year for the specified states[1]
24	Electronically filing Form GSTR-3B to discharge GST tax liability for September 2022 by taxpayers having turnover up to INR50 million in the preceding financial year for the states/UTs other than those mentioned above
31	Intimation by a designated constituent entity, who is a resident in India, of an international group in Form no. 3CEAB for the tax year 2021-2022
31	Intimation to be filed by a resident constituent entity of an international group whose parent is a non-resident (CbC Report) for the tax year 2021-22 (Assuming consolidated financial statements ending on 31 December) [Form 3CEAC]
31	Filing of income tax return by the non-corporate taxpayer liable to only tax audit, foreign/domestic companies (non TP cases) and partners of the firm/LLP liable to tax audit, for the tax year 2021-22[5]
31	Filing of tax audit report (in Form 3CD) and/or TP certification (in Form 3CEB) for taxpayers subject to TP compliance and maintenance of TP documentation, for the tax year 2021-22
31	Electronically file quarterly (July to September 2022) withholding tax returns in Form 24Q/26Q/27Q[6]

November 2022	
7	Payment of taxes withheld in October 2022
11	Electronically filing details of outward supplies of taxable goods and/or services in Form GSTR-1 for October 2022
20	Electronically filing Form GSTR-3B to discharge GST tax liability for October 2022 by taxpayers having turnover above INR50 million in the preceding financial year
22	Electronically filing Form GSTR-3B to discharge GST tax liability for October 2022 by taxpayers having turnover up to INR50 million in the preceding financial year for the specified states[1]

November 2022	
24	Electronically filing Form GSTR-3B to discharge GST tax liability for October 2022 by taxpayers having turnover up to INR50 million in the preceding financial year for the states/UTs other than those mentioned above
25	Payment of due tax in PMT-06 for the month of October 2022 for the taxpayers filing return under QRMP scheme
30	Report in Form No. 3CEAA by a constituent entity of an international group for the tax year 2021-2022
30	Filing of income tax return by taxpayers subject to TP compliance and maintenance of TP documentation for the tax year 2021-22

December 2022	
7	Payment of taxes withheld in November 2022
11	Electronically filing details of outward supplies of taxable goods and/or services in Form GSTR-1 for November 2022
15	Payment of advance tax (not less than 75% of the estimated tax for tax year 2022-23)
20	Electronically filing Form GSTR-3B to discharge GST tax liability for November 2022 by taxpayers having turnover above INR50 million in the preceding financial year
22	Electronically filing Form GSTR-3B to discharge GST tax liability for November 2022 by taxpayers having turnover up to INR50 million in the preceding financial year for the specified states[1]
24	Electronically filing Form GSTR-3B to discharge GST tax liability for November 2022 by taxpayers having turnover up to INR50 million in the preceding financial year for the states/UTs other than those mentioned above
25	Payment of due tax in PMT-06 for the month of November 2022 for the taxpayers filing return under QRMP scheme
31	Electronically file GST annual return and audit report (if applicable) for the period 2021-22 in form GSTR-9 and GSTR-9C, respectively

January 2023	
7	Payment of taxes withheld in December 2022
11	Electronically filing details of outward supplies of taxable goods and/or services in Form GSTR-1 for December 2022
13	Electronically filing details of outward supplies of taxable goods and/or services in Form GSTR-1 for the quarter October 2022 to December 2022 by taxpayers having turnover less than INR15 million in preceding financial year
31	Electronically file quarterly (October to December 2022) withholding tax returns in Form 24Q/26Q/27Q
20	Electronically filing Form GSTR-3B to discharge GST tax liability for December 2022 by taxpayers having turnover above INR50 million in the preceding financial year
22	Electronically filing Form GSTR-3B to discharge GST tax liability for December 2022 by taxpayers having turnover up to INR50 million in the preceding financial year for the specified states[1]
24	Electronically filing Form GSTR-3B to discharge GST tax liability for December 2022 by taxpayers having turnover up to INR50 million in the preceding financial year for the states/UTs other than those mentioned above
31	Electronically file quarterly (October to December 2022) withholding tax returns in Form 24Q/26Q/27Q

February 2023	
7	Payment of taxes withheld in January 2023
11	Electronically filing details of outward supplies of taxable goods and/or services in Form GSTR-1 for January 2023
20	Electronically filing Form GSTR-3B to discharge GST tax liability for January 2023 by taxpayers having turnover above INR50 million in the preceding financial year
22	Electronically filing Form GSTR-3B to discharge GST tax liability for January 2023 by taxpayers having turnover up to INR50 million in the preceding financial year for the specified states[1]
24	Electronically filing Form GSTR-3B to discharge GST tax liability for January 2023 by taxpayers having turnover up to INR50 million in the preceding financial year for the states/UTs other than those mentioned above
25	Payment of due tax in PMT-06 for the month of January 2023 for the taxpayers filing return under QRMP scheme

March 2023	
7	Payment of taxes withheld in February 2023
11	Electronically filing details of outward supplies of taxable goods and/or services in Form GSTR-1 for February 2023
15	Payment of advance taxes up to estimated tax liability for the tax year 2022-2023
20	Electronically filing Form GSTR-3B to discharge GST tax liability for February 2023 by taxpayers having turnover above INR50 million in the preceding financial year
22	Electronically filing Form GSTR-3B to discharge GST tax liability for February 2023 by taxpayers having turnover up to INR50 million in the preceding financial year for the specified states[1]
24	Electronically filing Form GSTR-3B to discharge GST tax liability for February 2023 by taxpayers having turnover up to INR50 million in the preceding financial year for the states/UTs other than those mentioned above
25	Payment of due tax in PMT-06 for the month of February 2023 for the taxpayers filing return under QRMP scheme
31	Filing of a CbC Report by an Indian parent entity or Indian constituent entities of an international group where exchange of information agreement has not been signed, in respect of tax year 2021-22 (in Form 3CEAD)

Note: The calendar pertains to compliances to be undertaken under the central laws.

1. Specified states are Chhattisgarh, Madhya Pradesh, Gujarat, Maharashtra, Karnataka, Goa, Kerala, Tamil Nadu, Telangana, Andhra Pradesh, the Union territories of Daman and Diu and Dadra and Nagar Haveli, Puducherry, Andaman and Nicobar Islands or Lakshadweep.
2. The due date for filing of GSTR-3B for the month of April 2022 for the taxpayers with turnover more than INR50 million has been extended upto 24 May 2022.
3. The due date for payment of due tax in PMT-06 for the month of April 2022 for the taxpayers with turnover upto INR50 million has been extended upto 27 May 2022.
4. The due date for filing of tax audit report for these taxpayers for the tax year 2021-22 has been extended from 30 September 2022 to 07 October 2022 vide Circular no. 19/2022 dated 30 September 2022
5. The due date for filing of return of income for the tax year 2021-22 has been extended from 31 October 2022 to 07 November 2022 vide Circular no. 20/2022 dated 26 October 2022.
6. The due date for filing of withholding tax return (Form 26Q) for the second quarter (July to September 2022) has been extended from 31 October 2022 to 30 November 2022 vide Circular no. 21/2022 dated 27 October 2022.

Glossary

Abbreviation	Description
AAR	Authority for advance rulings
ACC	Advanced Chemistry Cell
AD Bank	Authorized dealer bank
ADR	American depositary receipt
AE	Associated enterprise
AGR	Adjusted gross revenue
ALP	Arm's length price
AMT	Alternate Minimum Tax
APA	Advance pricing agreement
b	Billion
BC	Body corporate
BCG	Bacillus calmette-guérin
BEPS	Base erosion and profit shifting
BO	Branch office
BPM	Business process management
BRSR	Business responsibility and sustainability reporting
BSE	Bombay Stock Exchange
BTA	Business transfer agreement
BTP	Bio technology park
CAGR	Compound annual growth rate
CbC	Country-by-country
CBDT	Central Board of Direct Taxes
CCI	Competition Commission of India
CCPS	Compulsorily fully convertible preference shares
CEA	Central Electricity Authority
CG	Central Government
CGST	Central Goods and Service Tax
Companies Act	Companies Act, 2013

Abbreviation	Description
COP 26	26th Conference of parties
COVID-19	Coronavirus Disease 2019
CSR	Corporate social responsibility
CST	Central Sales Tax
DAP	Defence acquisition procedure
DESH	Development of enterprise and service hubs
Designs Act	The Designs Act, 2000
Designs Rules	The Design Rules, 2001
DoT	Department of Telecommunications
DPePP	Defence Production and Export Promotion Policy 2020
DPM	Defence procurement manual
DPT	Diphtheria, pertussis and tetanus
DRDO	Defence Research & Development Organization
DTAA	Double Taxation Avoidance Agreement
DTH	Direct-to-home television
EBITDA	Earnings before interest, tax, depreciation and amortization
ECB	External commercial borrowing
EDI	Electronic data exchange
EPF Act	Employee Provident Fund & Miscellaneous Provisions Act, 1952
ESG	Environment, social and governance
EDI	Electronic Data Exchange
EHTP	Electronics Hardware Technology Park
EOU	Export Oriented Unit
EPF Act	Employee Provident Fund & Miscellaneous Provisions Act, 1952

Abbreviation	Description
ESG	Environment, Social and Governance
ESOP	Employees stock ownership plan
FCCB	Foreign currency convertible bond
FDI	Foreign direct investment
FEMA	Foreign Exchange Management Act, 1999
FII	Foreign institutional investor
FIPB	Foreign Investment Promotion Board
FMV	Fair market value
FPI	Foreign portfolio investment
FRO	Foreigner's Registration Office
FRRO	Foreigner Regional Registration Offices
FTP	Foreign Trade Policy
FTS	Fee for technical services
FY	Financial year
GAAR	General Anti-Avoidance Rule
GATT	General agreement on tariffs and trade
GDP	Gross domestic product
GDR	Global depository receipt
GI Act	Geographical Indications of Goods (Registration and Protection) Act, 1999
GI Rules	Geographical Indication of Goods (Regulation and Protection) Rules, 2002
GoI	Government of India
Government	Government of India
GST	Goods and Service Tax
GW	Giga watt
HUF	Hindu undivided family
IAA	Impermissible avoidance arrangement
IASB	International Accounting Standards Board
IBEF	India Brand Equity Foundation

Abbreviation	Description
IC	Indigenous content
ICA	Indian Contract Act, 1872
ICDS	Income Computation and Disclosure Standards
ICEGATE	Indian Customs Electronic Gateway
IFRS	International Financial Reporting Standards
IFSC	International Financial Service Centres
IGST	Integrated Goods and Services Tax
ILO	International Labour Organization
Ind AS	Indian Accounting Standard
INR	Indian Rupees
IOR	Indian Ocean Region
IPO	Initial public offering
IRDAI	Insurance Regulatory and Development Authority of India
IRN	Invoice reference number
IT & ITES	Information technology & information technology enable services
IT Act	Income-tax Act, 1961
km	Kilometres
LLP	Limited Liability Partnership
LO	Liaison office
M&A	Mergers and acquisitions
M&E	The Indian Media and Entertainment industry
m/mn	Million
MAT	Minimum Alternate Tax
MCA	Ministry of Corporate Affairs
MMF	Man-made fibre
MNC	Multi national companies
MoSPI	Ministry of Statistics and Programme Implementation
MRO	Maintenance & repair overhaul

Abbreviation	Description
MSMEs	Micro, small and medium enterprises
NBFC	Non-banking financial companies
NCLT	National Company Law Tribunal
NCPS	Non-convertible preference shares
NGO	Non-governmental organizations
NI Act	Negotiable Instruments Act, 1881
NOC	No objection certificate
NOR	Not ordinarily resident
NR	Non-resident
NRI	Non-resident Individual
NSE	National Stock Exchange
OCI	Overseas citizen of India
OCPS	Optionally convertible preference shares
OECD	Organization for Economic Co-operation and Development
OFB	Ordnance Factory Board
OIDAR	Online information database access and retrieval
OTT	Over the top
PAN	Permanent Account Number
PE	Permanent establishment
PIB	Press Information Bureau
PIO	Person of Indian origin
PLI	Production linked incentive
PMU	Project management unit
PO	Project office
PSU	Public sector undertaking
QFI	Qualified foreign investors
QR	Quick response
QRMP	Quarterly return monthly payment
R&D	Research and development

Abbreviation	Description
RBI	Reserve Bank of India
REIT	Real Estate Investment Trusts
ROC	Registrar of companies
RoDTEP	Remission of duties and taxes on exported products
ROI/RoI	Return of income
ROR	Resident and ordinarily resident
SAAS	Software as a service
SDT	Specified domestic transaction
SEBI	Securities and Exchange Board of India
SEZ	Special economic zone
SGST	State Goods and Service Tax
SHR	Safe Harbor Rule
SME	Small and medium enterprises
STT	Securities Transaction Tax
t	Trillion
TAR	Tax audit report
TM Act	Trade Mark Act, 1999
TM Rules	Trade Marks Rules, 2017
TP	Transfer pricing
TPR	Transfer pricing regulations
TRIPS	Trade-related aspects of intellectual property rights
UK	United Kingdom
US	The United States of America
US$	US dollar
UT	Union territory
VAT	Value Added Tax
VDA	Virtual digital asset
WTO	World Trade Organization
YoY	Year on year
YTD	Year-to-date

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A

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24. As per the Consolidated FDI policy dated 15 October 2020
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C

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2. Services sector includes financial, banking, insurance, non-financial / business, outsourcing, research & development, courier, technology testing and analysis
3. The trade data for FY 2021-22 is per the data published by Press Information Bureau

D

1. BOs are permitted to represent the parent company and undertake activities, such as export/import of goods, rendering professional services, carrying out research work, etc. in India.
2. For setting up a BO/LO, a foreign entity should further have a financially sound track record and should satisfy profitability and net worth conditions and other conditions prescribed under the Master Directions issued by the RBI for establishment of a BO/LO/PO or any other place of business in India by foreign entities dated 01 January 2016 (updated on 18 May 2021).
3. Rates mentioned above needs to be increased by applicable surcharge rate as well as by health and education cess of4%. (Please refer section 'M' for more details).

F

1. Rule 40BB of the Income-tax Rules, 1962 states the provisions for calculation of 'amount received on issue of shares' in scenarios such as mergers, asset acquisition, ESOPs, etc.

G

1. An LLP to be engaged in sectors where 100% FDI is allowed under automatic route and FDI linked performance conditions do not exist.

K

1. As per Foreign Exchange Management (Cross Border Merger) Regulations, 2018 dated March 20, 2018
2. Capital gains are required to be computed basis the recently prescribed rules / mechanism. Capital gains tax rate may vary between 20%-40%, depending upon the period of holding and the residency status. The rates exclude a maximum surcharge of 5% in case of foreign entities, and 12% in case of domestic companies, and cess of 4%.
3. Capital gains tax rate may vary between 5%- 40%, depending upon the period of holding and the residency status. The rates exclude a maximum surcharge of 5% in case of foreign entities, and 12% in case of domestic companies, and cess of 4%
4. Indirect transfer tax implications are required to be evaluated basis separate mechanism and computation
5. Applicable to listed companies only
6. Subject to any NCLT vacations and protracted litigations

O

1. Notification No. 9/2017 – Central Tax dated, 28 June 2017
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4. Notification No. 13/2020 - Central Tax Dated 21 March 2020
5. Notification No. 14/2020 - Central Tax Dated 21 March 2020

P

1. Certain advanced technology areas such as semi-conductor fabrication, solar photo voltaic cells, lithium storage batteries, solar electric charging infrastructure, computer servers, laptops, etc. are yet to be notified.

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