

# Doing Business in India



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## Table of Contents

About Budget .....	1
Real Estate.....	2
Extant Schemes.....	2
Budget Announcements.....	3
Private Equity and Venture Capital .....	4
Extant Schemes.....	4
Budget Announcements.....	5
Top Deals .....	6
Corporate Tax .....	6
<i>New Regime</i> .....	7
<i>Tax On Limited Liability Partnerships</i> .....	7
International Financial Services Centre.....	8
<i>Regulatory benefits</i> .....	8
<i>Tax Incentives</i> .....	9
<i>Corporate Flexibilities</i> .....	11
Types of business units at IFSC .....	11
<i>Finance company (FC)/ finance unit (FU)</i> .....	11
<i>Banking Units (BU)</i> .....	11
<i>Bullion Exchange, clearing corporation, depository &amp; vault manager</i> .....	12
Our Team .....	15
Awards & Recognitions .....	16
Read our AKP handbook on Changing Paradigms of FEMA in India here.....	16

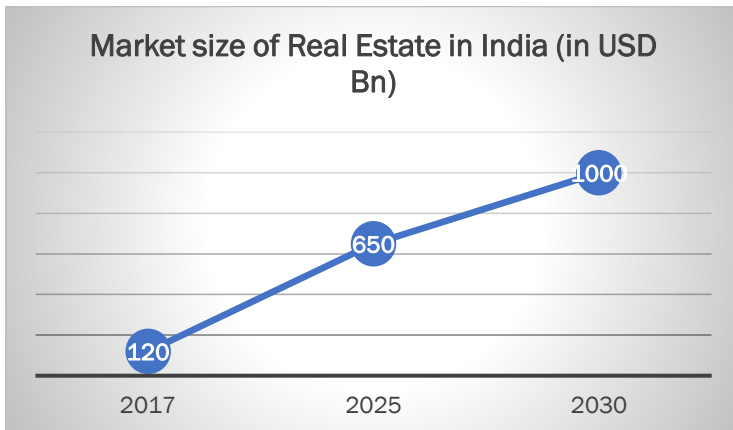
## About Budget

- Budget outlays four priorities for the present financial year



## Real Estate

Real estate sector along with the financial sector contributes 20.05% to the GDP of India with residential sector and commercial contributing at 3% and 13% respectively. With 100% FDI in real estate (prohibiting construction of farm houses and TDR), FDI in the sector stood at US\$ 51.5 billion between April 2000 and June 2021.



## Extant Schemes

With the aim of digitalisation the land records, the central government launched Digital India Land

Records Modernisation Programme in 2008. The two schemes under it are as follows:

<b>Unique Land Parcel Identification (ULPIN)</b>	<b>Number</b>	<b>National Generic Document Registration System (NGDRS)</b>
<ul style="list-style-type: none"><li>• 14-digit alphanumeric unique number identifying details of the land owner, location, longitude and latitude of the land</li><li>• Identifies every surveyed parcel of land and prevent land fraud</li><li>• Implemented in 11 states</li></ul>		<ul style="list-style-type: none"><li>• One Nation One Registration</li><li>• Reduced process, time of document registration at Sub-Registrar level</li><li>• SMS and email alerts related to transactions on a property</li><li>• Transliteration of land record in Schedule VIII languages.</li><li>• Implemented in 10 states.</li></ul>

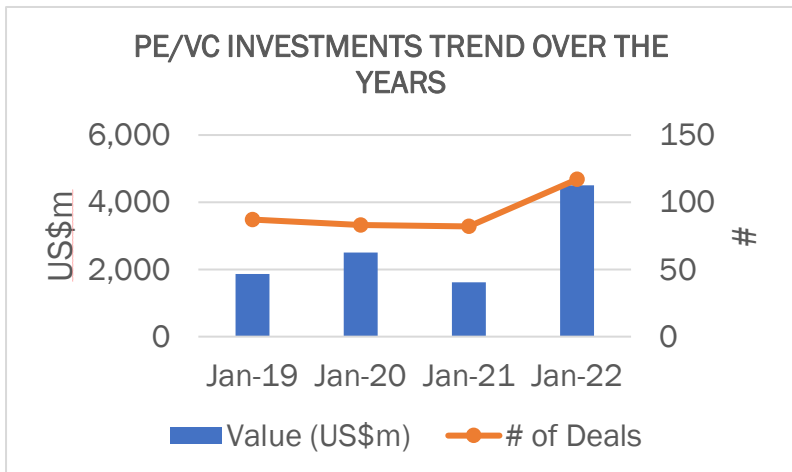
### **Budget Announcements**

- ULPIN and NGDRS to be implemented nationwide in all the states/ union territory of India
- Completion of 80 lakh homes under Pradhan Mantri Awaas Yojana (PMAY) and allocation INR 48,000 crore under PMAY for urban and rural in FY23.

## Private Equity and Venture Capital

With 90+ unicorns in India, a recent trend of increased investment in Indian start-ups is an inevitable phenomenon.

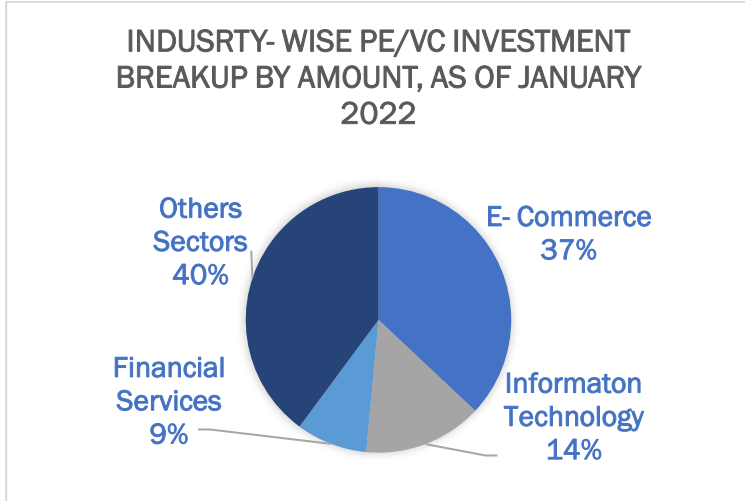
In 2021 alone, the investment by private equity and venture capital firm amounted to \$77 billion which is almost 62% higher than in 2020. Further, an upgradation of Start-ups like Zomata, Nykaa, Policybazaar going for success IPO giving the most lucrative exits worth \$43.2 billion along with others.



### Extant Schemes

Presently, there are no specific regulations governing PE and VC firms allowing them to freely investment in any sector up to the extent to permissible sectoral caps under

FDI policy or other extant rules. Major investments were seen in the following sectors:



*Other sectors amounting to:*

Infrastructure	Media,	Manufacturing
Capital goods	Entertainment	Energy
Retails	Telecomm	Real Estate

### **Budget Announcements**

To supervise the unregulated, the budget proposes to establish an expert committee to examine and suggest appropriate measures for investment by PE and VC firms in India.

Introducing parity in surcharge on LTCG from listed and unlisted companies, the surcharge is proposed to be capped at 15% on all securities (listed and unlisted).

## Top Deals

<p>Blackstone Group sells its entire stake in Mindspace REIT for \$235 million to Abu Dhabi Investment Authority (11 January, 2022)</p>		
<p>Ashoka Builders buys Hyderabad land for Rs 235 crore (28 December, 2021)</p>	<p>Brookfield India REIT to buy Noida office park from Seaview Developers Pvt Ltd (18 December, 2021)</p>	<p>Marriott International enter joint venture pact with Prestige Group and DB Realty for new two hotels (12 November, 2021)</p>

## Corporate Tax

The present taxation regime for companies incorporated in India is as follows:

Income of Company	Corporate Income Tax (CIT) Rate	
	Basic <sup>1</sup>	Effective <sup>2</sup>

<sup>1</sup> Please note that the income is the profits earned after deducting the total deductible expenses from the revenue/ sales of the business. The income is the profit amount subject to tax and has been referred to as total income in some cases.

<sup>2</sup> The above tax amount is subject to a surcharge of 7% of such tax, in case of total income exceeding INR 10 million and 12% of such tax, in case of total income exceeding INR 100 million. A



Less than INR 10 million	30	31.2
INR 10 million to 100 million	30	33.38
More than INR 100 million	30	34.94

### ***New Regime***

An optional regime enables companies not seeking any tax incentives or exemptions to avail benefits of reduced tax payment from assessment year 2020

Base tax rate	Surcharge applicable	Cess	Effective tax rate
22%	10%	4%	25.17%

### ***Tax On Limited Liability Partnerships***

Base tax rate	Surcharge applicable	Cess	Effective tax rate
30%	12% (in case of total income above INR 1 Cr)	4%	34.94%

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cess of 4% of the tax amount + surcharge shall be added to the above amount after addition of surcharge.

## **International Financial Services Centre**

The first International Financial Services Centre (IFSC) in India is established in Gujarat International Financial Tech City, Ahmedabad, Gujarat (**GIFT City**). IFSC is aimed at tapping global capital flows to meet India's development needs and simultaneously provide a globally competitive financial platform for the full range of international financial services at the regional and global level.

IFSC is a carve out international finance centre with special exemptions in direct and indirect tax, foreign exchange and regulatory requirements in banking and finance, insurance, capital markets etc as compared to rest of India.

### ***Regulatory benefits***

The banking, capital markets and insurance sectors in IFSC which are regulated by multiple regulators in India are unified under IFSCA. IFSCA has established relaxed regulatory norms for units in IFSC as compared to rest of India in banking, capital markets and insurance sectors

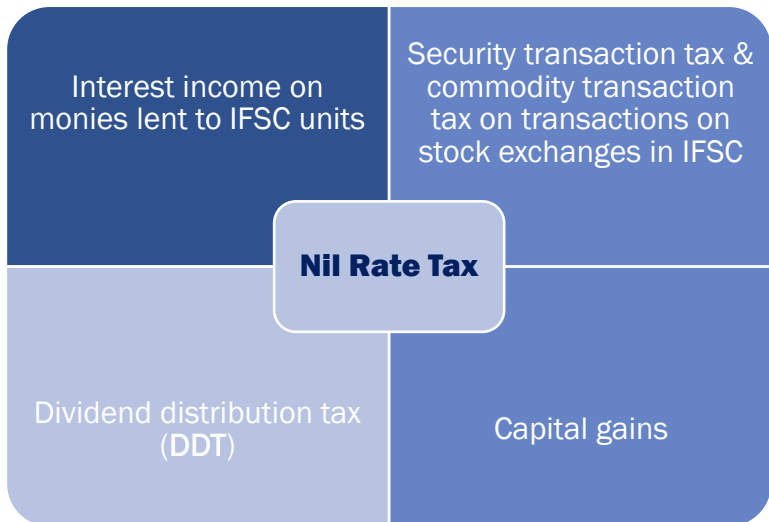
### **Tax Incentives**

Tax incentives given by government to International Financial Services Centre Authority (IFSCA) units are as follows:

<b>Particulars</b>	<b>Business Entity</b>	<b>Investors</b>
<b>Income tax</b>	<ul style="list-style-type: none"> <li>• 100% tax exemption for 10 consecutive years out of 15 years</li> <li>• Minimum Alternate Tax (MAT) at 9%<sup>3</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Interest income on monies lent to IFSC units not taxable</li> <li>• Long term bonds and Rupee denominated bonds listed on IFSC exchanges taxable at lower rate of 4 percent.</li> </ul>
<b>Goods and Services Tax (GST)</b>	<p>No GST on services:</p> <ul style="list-style-type: none"> <li>• Received by IFSC unit</li> <li>• Provided by IFSC units to offshore clients</li> </ul> <p>GST applicable on services provided</p>	<p>No GST on transactions carried out in IFSC exchanges</p>

<sup>3</sup> Plus surcharge and cess, as applicable

<b>Particulars</b>	<b>Business Entity</b>	<b>Investors</b>
	to Domestic Tariff Area (DTA)	
<b>Other taxes duties</b>	State subsidies – Lease rental, provident fund contribution, electricity charges	Exemption from securities transaction tax, commodity transaction tax, stamp duty in respect of transactions carried out on IFSC exchanges



## **Corporate Flexibilities**

- *Choosing financial year*
- *No compulsory rotation of statutory auditors*
- *Non-applicability of secretarial standards*
- *No cap on managerial remuneration*
- *No corporate social responsibility (CSR) obligation for first five years from commencement of business*
- *Relaxed filing timeline of 60 days (other companies 30 days) under Companies Act, 2013*

## **Types of business units at IFSC**

*All transactions of any business unit in IFSC are mandatory to be undertaken in foreign currency (not Indian currency).*

### **Finance company (FC)/ finance unit (FU)**

FC is a full function subsidiary of regulated financial entity outside India. FU is a branch office of regulated financial entity outside India. Entity shall have a minimum owned fund in the range of USD 0.2 million to USD 5 million, depending upon the nature of activity proposed to be undertaken by it.

### **Banking Units (BU)**

BU is wholly owned subsidiary of a bank outside India. Promoter shareholding dilution norms do not apply.

Authorisation for operations provided by IFSCA and not RBI. It is a fully functional banking unit that operates in foreign currency for high-net-worth clients and high value transactions. Parent Bank shall provide a minimum capital of USD 20 million or such other amount as may be specified by the IFSCA.

### ***Bullion Exchange, clearing corporation, depository & vault manager***

Shall set up operations in IFSC, either through a subsidiary or a branch or any other mode as permitted by the IFSCA. The bullion exchange shall have products in gold, silver or such other precious metal backed by physical bullion. All trades on the bullion exchange shall be cleared and settled by the Bullion Clearing Corporation (**BCC**). Every member of the bullion exchange shall be required to operate through a clearing member to settle their trade through the BCC.

### ***Stock exchanges***

Any recognised stock exchange of a foreign jurisdiction may form a subsidiary to provide the services of stock exchange in IFSC. Trading is only in foreign currency. Subject to SEBI approval, trading is permitted in equity shares of companies incorporated outside of India, depository receipts, debt securities of eligible issuers,

currency, index, interest rate and non-agriculture commodity derivatives and all categories of exchange traded products that are available for trading in stock exchanges in Financial Action Task Force (FATF)/ International Organization of Securities Commissions (IOSCO) complaint jurisdiction.

### ***Alternate Investment Fund***

At par with Singapore, Ireland and Mauritius continuing interest requirement by the manager or sponsor is voluntary and allows AIFs to invest in units of schemes launched by mutual fund regulated in FATF-compliant jurisdictions. Permitting AIFs in IFSC to invest in domestic mutual fund schemes brings them at par with other FPIs who have no such restrictions. Restrictions on leverage, creation of co-investment pools and diversification norms have been done away. Exemption from capital gains tax if funds are relocated by transfer of capital assets from an original non-resident fund incorporated or registered outside India to a new Category I, II or III AIF located in IFSC.

### ***Aircraft leasing***

Aircraft leasing activity includes operating and financial lease and any hybrid of operating and financial lease of aircraft or helicopter and engines of aircraft or

helicopter. The ‘lessor’ must have a minimum of USD 0.2 million capital or its equivalent in a foreign currency and is required to transact in foreign currency.

### ***International Trade Finance Services platform (ITFS)***

ITFS enable exporters and importers to avail various types of trade finance facilities at competitive terms, for their international trade transactions such as export invoice trade financing, reverse trade financing, bill discounting under letter of credit, supply chain finance for exporters, export credit (packing credit), insurance/ credit guarantee, factoring and any other eligible product through a dedicated electronic platform.

The company to be set up as ITFS in IFSC shall have minimum paid up equity capital of USD 0.2 million or equivalent in any other freely convertible currency. The parent entity or promoter(s) groups of the company applying to set up the ITFS shall have minimum net worth of USD 1 million.



## Our Team



**Anuroop Omkar**  
Founder & Partner



**Kritika Krishnamurthy**  
Founder & Partner



**Prasanna Kumar Dash**  
Director  
(Former Member, Central Board of  
Direct Taxes, Government of India)



**Arjun Bikas Dutta**  
Director  
(Former General Manager,  
Reserve Bank of India)



**Shreyas Mehrotra**  
Counsel- Dispute Resolution



**Nidhi Bhatia**  
Director (Singapore)

## Awards & Recognitions



If you find this handbook interesting, checkout our AKP handbook on Changing Paradigms of FEMA in India [here](#)





**Doing Business in India**  
*Legal & Tax Referencer*

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