

Investment Climate Statement **India**

July 2023

Mizuho Bank, Ltd.
Global Strategic Advisory Department

Mizuho Research & Technologies, Ltd.
Research Division

MIZUHO

The Mizuho logo consists of the word "MIZUHO" in a bold, white, sans-serif font, positioned above a white horizontal line that curves slightly upwards at both ends.

I. Country Profile

II. Investment-related Information

III. Establishing a Local Subsidiary

IV. Regulations, Incentives, Reference Information

I. Country Profile

I-1. Key Economic Indicators for Asia

Country/Region	India	Bangladesh	Sri Lanka	Laos	Cambodia	Myanmar
Population (millions)	1,406.6	168.5	22.4	7.5	16.0	53.9
Nominal GDP (US\$100 million)	34,686	4,608	737	163	283	595
Real GDP growth rate (y-o-y, %)	6.8	7.2	-8.7	2.2	5.1	2.0
GDP per capita (US\$)	2,466	2,734	3,293	2,172	1,771	1,105
Estimated GDP growth rate (2023, %)	6.1	6.0	-3.0	3.1	6.2	3.3
Credit rating (S&P) as of Oct. 2022	BBB-	BB-	SD	n.a.	NR	n.a.
Country/Region	Indonesia	Thailand	Malaysia	Vietnam	The Philippines	China
Population (millions)	274.9	70.1	33.1	99.4	111.7	1,412.6
Nominal GDP (US\$100 million)	12,894	5,348	4,341	4,138	4,017	183,212
Real GDP growth rate (y-o-y, %)	5.3	2.8	5.4	7.0	6.5	3.2
GDP per capita (US\$)	4,691	7,631	13,108	4,163	3,597	12,970
Estimated GDP growth rate (2023, %)	5.0	3.7	4.4	6.2	5.0	4.4
Credit rating (S&P) as of Oct. 2022	BBB	BBB+	A-	BB+	BBB+	A+

- Data are for 2022; estimated GDP growth rates are for 2023, and italicized data are IMF estimates.

S&P rating criteria:

A: An obligor rated 'A' has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories .

BBB: An obligor rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

BB: An obligor rated 'BB' is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions, which could lead to the obligor's inadequate capacity to meet its financial commitments.

- As of October 31, 2022, for the S&P credit rating

I-2. Basic Data and Overview



Basic Data

Population	1,406.06 million (FY2022, IMF estimate)
Square area	3.3 million Km ² approx. (9 times Japan's size)
Capital	New Delhi
Language	Hindi (federal official language), English (semi-official language), 21 other constitutionally recognized state languages
Ethnicities	Indo-Aryan, Dravidian, Mongoloid, etc.
Religions	Hinduism (about 80%), Islam, Christianity, Sikhism, Buddhism, Jainism
Currency	Indian rupee
Politics	Republic; Head of State: President Droupadi Murmu; Prime Minister: Narendra Damodardas Modi; Parliament: Bicameral
GDP	Nominal: US\$3,468.6 billion; Per capita: US\$2,466 (FY2022, IMF) Real GDP growth rate: 6.8% (FY2022, IMF estimate)
Major industries	Agriculture, industry, mining, IT

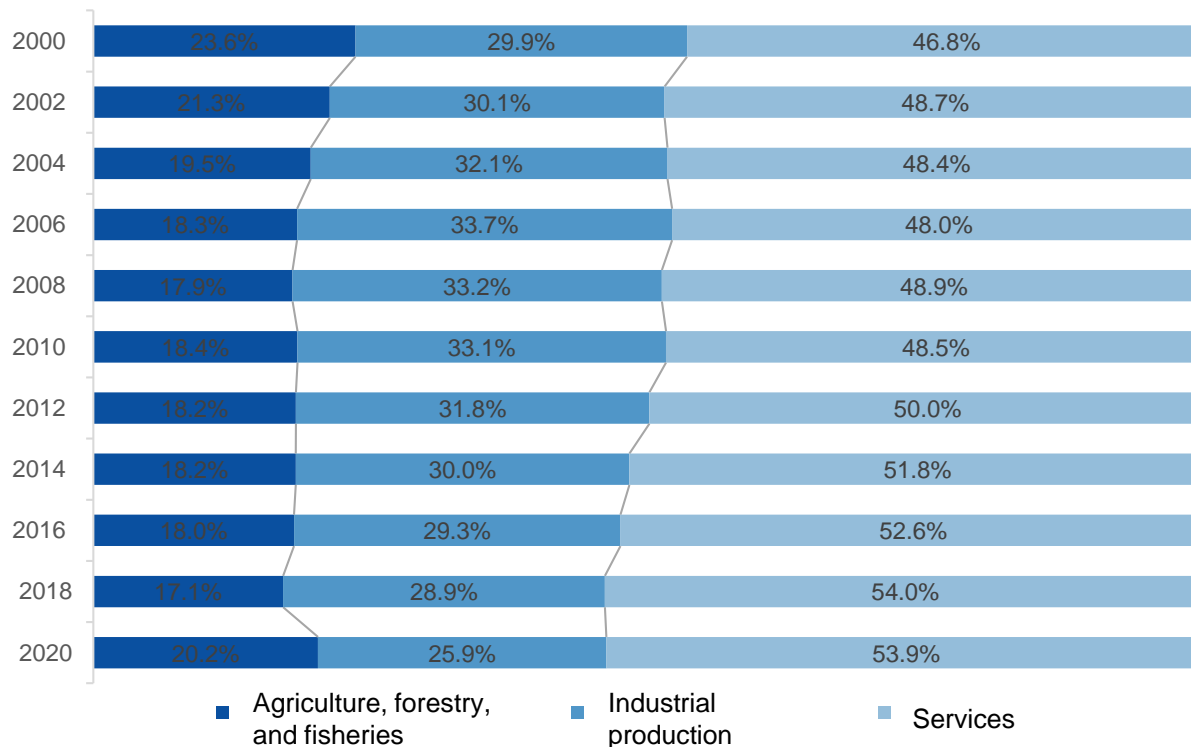
Overview

- After independence in 1947, India was a socialist system in terms of its economy. The economic crisis in the 1990s led to economic liberalization, and the growth rate increased.
- The Modi administration, which was launched by the 2014 general election, has been gradually promoting economic reforms. In July 2017, the Goods and Services Tax (GST), which unifies different indirect taxes in each state, was introduced.
- In the 2019 general election, the ruling coalition (National Democratic Alliance) promised to make large-scale infrastructure investment and won election for the second time. As a result, Prime Minister Modi remains in office and continues to work on economic reforms.

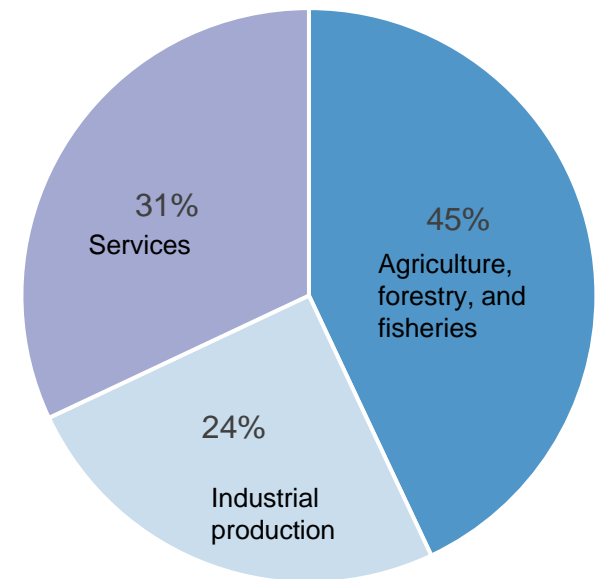
I-3. Economic Structure (Industry/Trade) (1) Industrial Characteristics

- Looking at the working population by industrial structure, the largest working population is still in primary industry (agriculture, forestry and fisheries). Before the general election in May 2019, the Modi administration focused on agriculture and rural development as a measure for Modi's base of supporters. Modi continues to cater to agricultural workers, for example as seen in his repeal of divisive new farm laws in November 2021.
- The Modi administration set a goal of promoting the manufacturing industry and raising its GDP ratio to 25% because of the delayed development of the manufacturing industry. The administration has also developed its "Make in India" policy. Also, a PLI incentive scheme has been successful in fields such as automotive, home appliances, and cellphones, with successful results in attracting a manufacturing base to India in some fields.
- The factor driving the Indian economy is the tertiary industry (service industry), which is strong in IT software. The financial industry is also developing.

GDP Composition by Industry



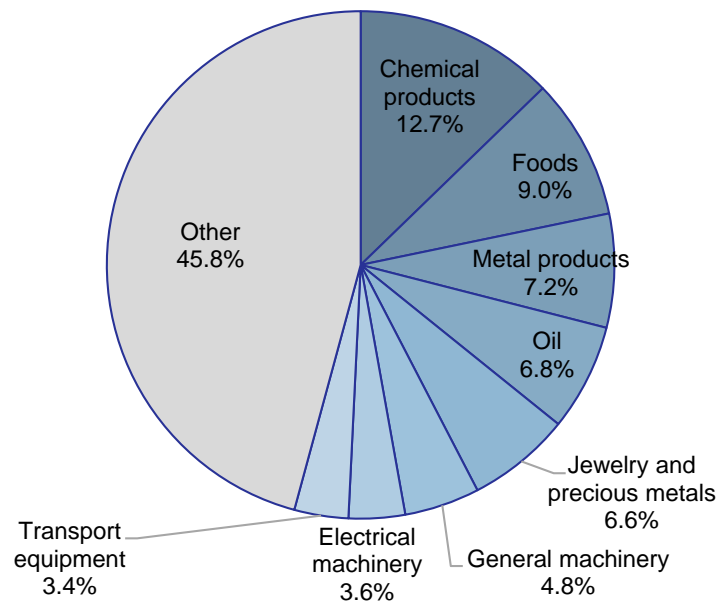
Working Population by Industry (%) (FY2019/20)



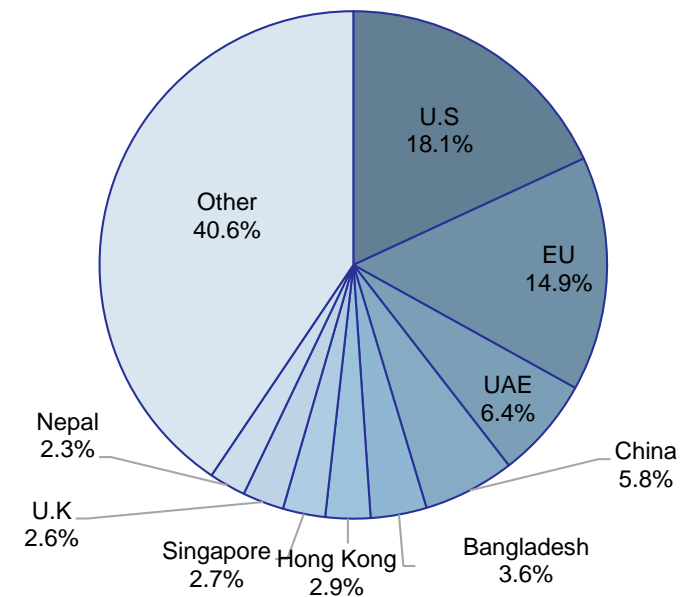
I-3. Economic Structure (Industry/Trade) (2) Export Structure

- The largest export commodities are derived from mineral fuels (petroleum), and for this, India imports crude oil and then exports products.
- The largest export item is chemical products made from petroleum, indicating an expansion of the industry from upstream to midstream.
- Regarding gemstones and precious metals, the country imports rough stones, and using inexpensive labor, exports polished and processed products.
- By country/region, the U.S., EU, and the United Arab Emirates (UAE) are the top export destinations, followed by China.

Breakdown of Exports by Goods (2021)



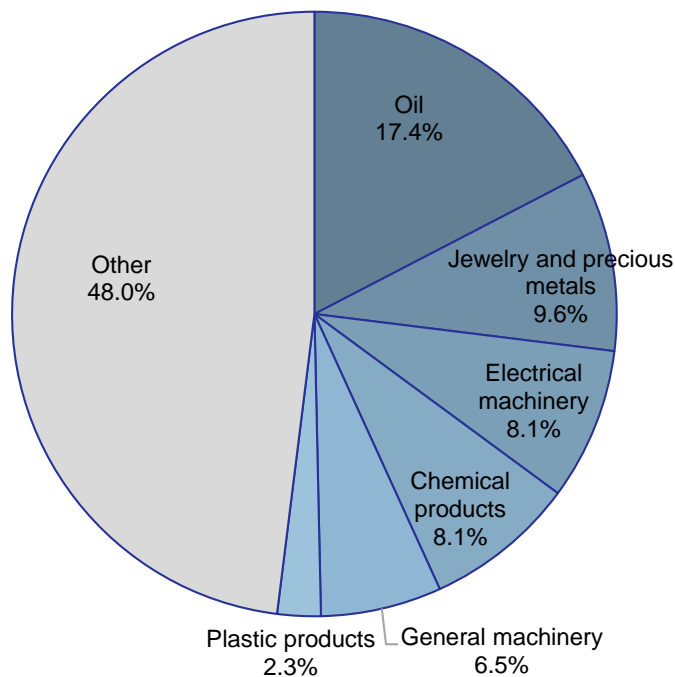
Breakdown of Exports by Country/Region (2021)



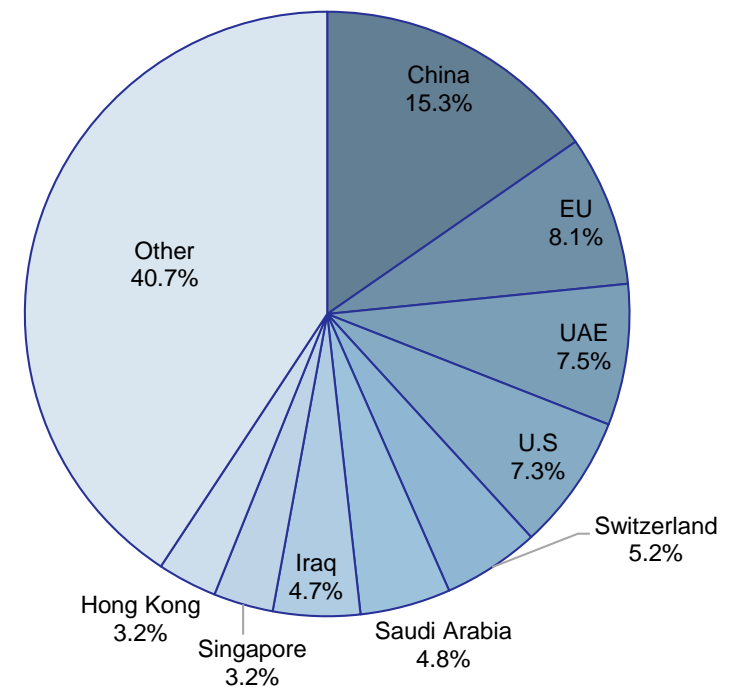
I-3. Economic Structure (Industry/Trade) (3) Import Structure

- The largest import item is oil. In addition to domestic consumption, it is also re-exported to third countries after refining. In 2021, domestic demand was limited due to the impact of Covid-19, and the volume of mineral fuel imports decreased.
- The next largest import is jewelry and precious metals. There is a large domestic demand for gold as a hedge against inflation, and gold is re-exported to third countries after processing and polishing.
- The third largest import is electrical machinery, and most of it is imported from China.

Breakdown of Imports by Goods (2021)



Breakdown of Imports by Country/Region (2021)



I-4. Social and Economic Characteristics

- India is the most populous country in the world and is characterized by social diversity in ethnicity, religion, and language.
- The GDP is large, but GDP per capita remains low.
- On the political front, the ruling coalition led by Prime Minister Modi won a clear victory in the general election of May 2019. While the economic growth achieved by the current administration is recognized to some extent, the ruling coalition is trying to solidify its political base for the next general election in 2024.
- In diplomacy, the orientation is towards traditionally omnidirectional diplomacy. In recent years, India has been actively strengthening relations with Japan and the U.S.

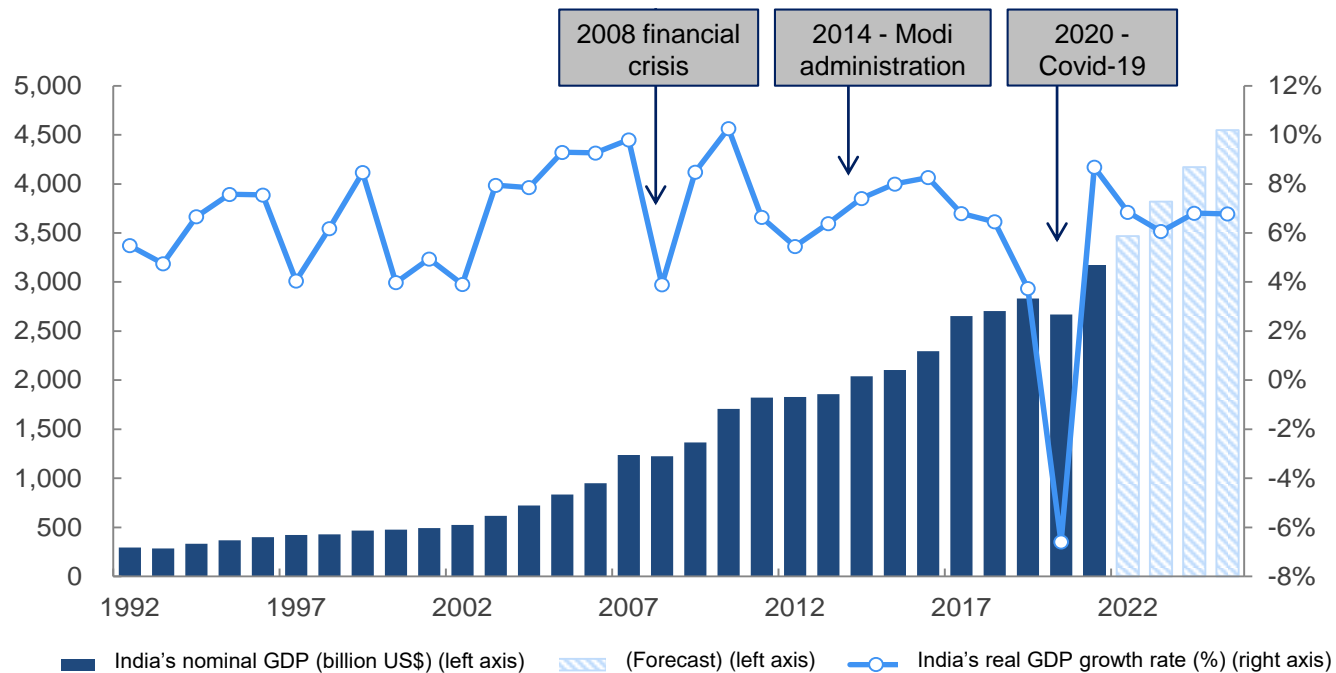
Social and Economic Characteristics, Etc.

Society	<ul style="list-style-type: none"> ✓ The world's second largest population, with over 1.4 billion people. ✓ A mixture of diverse ethnicities, religions and languages. ✓ Although the caste system (a class system rooted in Hinduism, in which 80% of the people believe) is rejected by the Constitution, it still remains in society, and many Indians use it as a norm in daily life.
Economics	<ul style="list-style-type: none"> ✓ GDP ranks high in the world. ✓ GDP per capita is still small.
Politics	<ul style="list-style-type: none"> ✓ The head of state is the president, and the prime minister has the real administrative power ✓ The Parliament is bicameral with an upper house (Council of States) and a lower house (House of the People). The House of the People is superior in terms of its power over nomination of prime ministers and budget resolution. The ruling party supporting the Modi administration faces a “split parliament” characterized by a solid foundation built on its majority in the House of the People but no majority in the Council of States. ✓ India is a federal nation-state, and so the power of the state governments is great.
Foreign diplomacy	<ul style="list-style-type: none"> ✓ Traditionally, India is oriented toward non-aligned, omnidirectional diplomacy. ✓ In recent years, India has actively strengthened its relations with Japan and the U.S. It also maintains its traditional friendship with Russia. ✓ India has border problems with China. ✓ There is conflict with Pakistan over the affiliation of the Kashmir region.

I-5. Economic Environment (1): Mid- to Long-term Growth Trends

- After gaining independence in 1947, India adopted a planned economic system, and to curb new entrants, India introduced measures to limit foreign capital and an industrial license system.
- India partially liberalized its economy around 1980, allowed foreign capital (e.g., Suzuki Motor Corporation in 1982), and relaxed the industrial license system, etc.
- India's balance of payments deteriorated during the Gulf War in 1990, and India's foreign currency was depleted in 1991, causing an economic crisis.
- In response to the economic crisis, in 1991 there was a big bang-type economic reform (further deregulation of foreign capital, abolition of the industrial license system, etc.).
- At the end of the Singh administration (2004–2014), policies were disorganized due to the weakness of the administration's base, and the economy stagnated.
 - The Modi administration took office in 2014 and worked on reform using Modi-nomics.
- Although India's GDP growth rate was severely affected by Covid-19 in 2020, the real GDP growth rate recovered to 8.9% in 2021. Growth is expected to continue at 6% or more from 2022 onward.

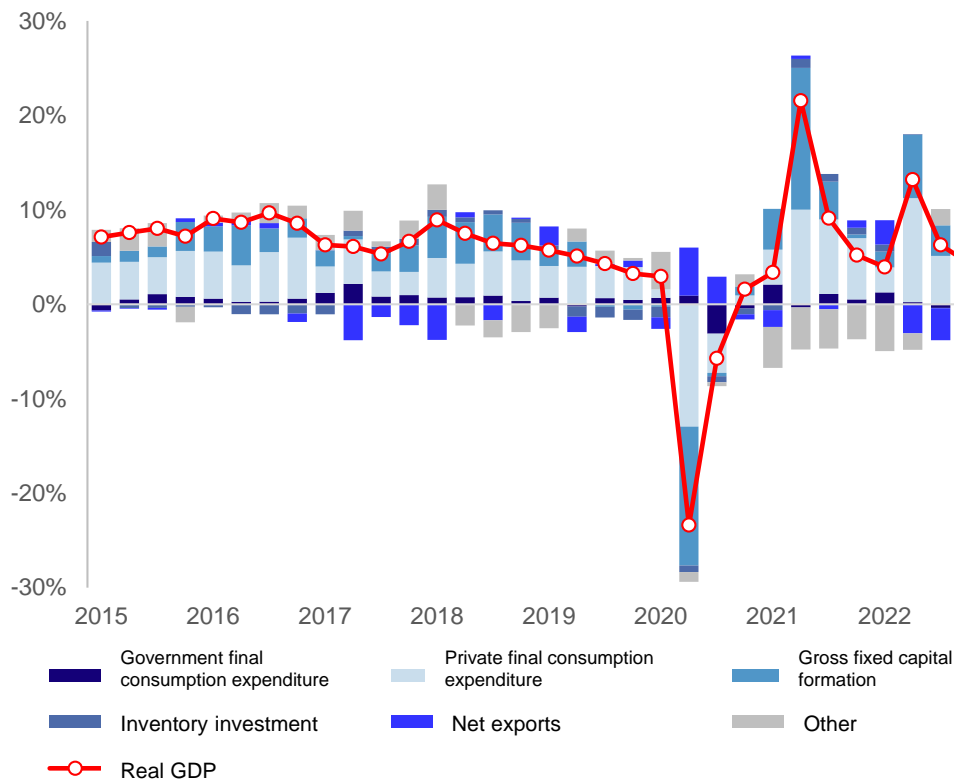
Trends in Nominal GDP and Real GDP Growth Rates



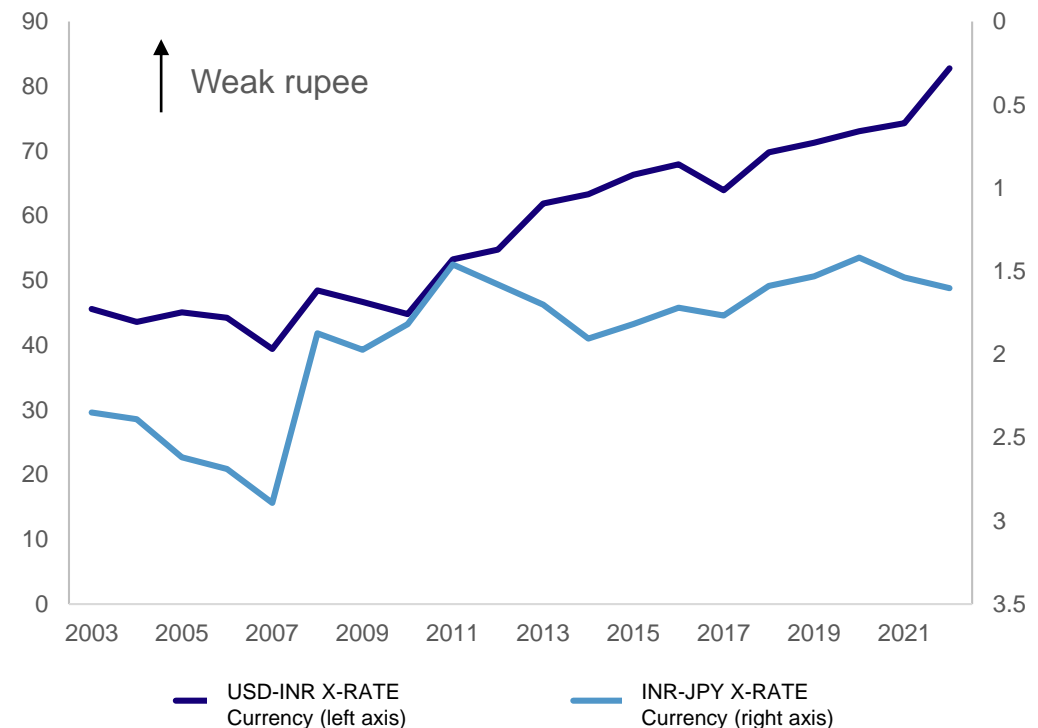
I-5. Economic Environment (2): Real GDP Growth Rate and Rupee Exchange Rate

- India's real GDP growth rate in Q1 2020 (April to June 2020) displayed the worst negative growth ever, down 23.4% YOY, due in part to the impact of Covid-19. After that, the GDP growth rate recovered with the resumption of economic activities and recorded high growth of 21.6% in Q1 2021 (April to June 2021). The downward pressure of Covid-19 and the impact of a rebound are gradually easing, and the GDP growth rate marked 4.4% in Q3 2022 (October to December 2022).
- The rupee has been in a persistent downtrend against both the U.S. dollar and the Japanese yen.

Real GDP Growth Rate (by demand type, quarterly)



Indian Rupee Exchange Rate (INR/USD, INR/JPY; as of the end of the year)

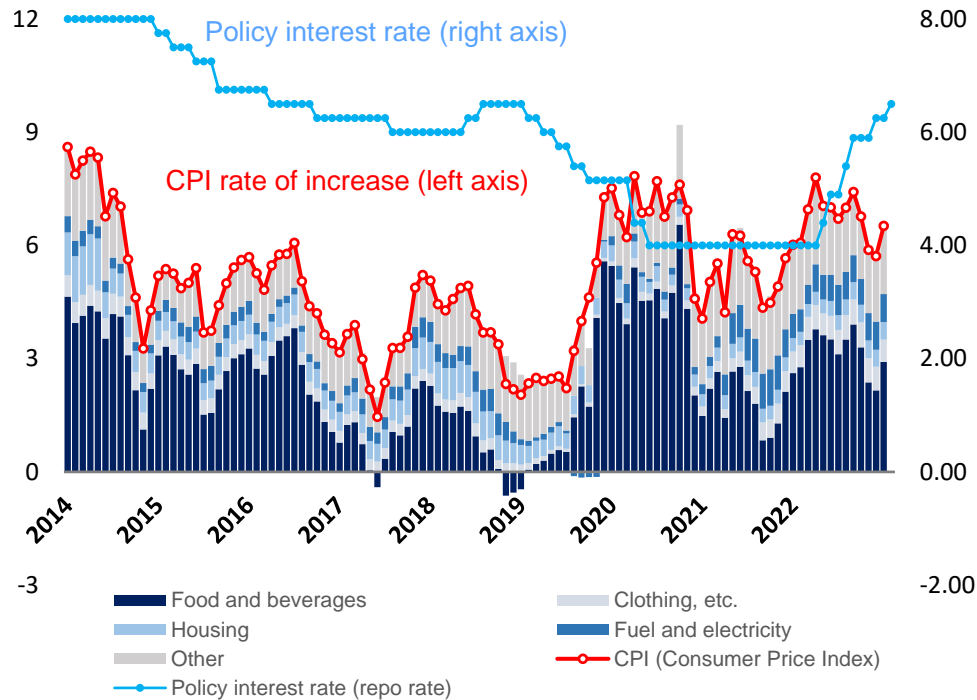


I-5. Economic Environment (3): Consumer Price Index and Current Account Balance

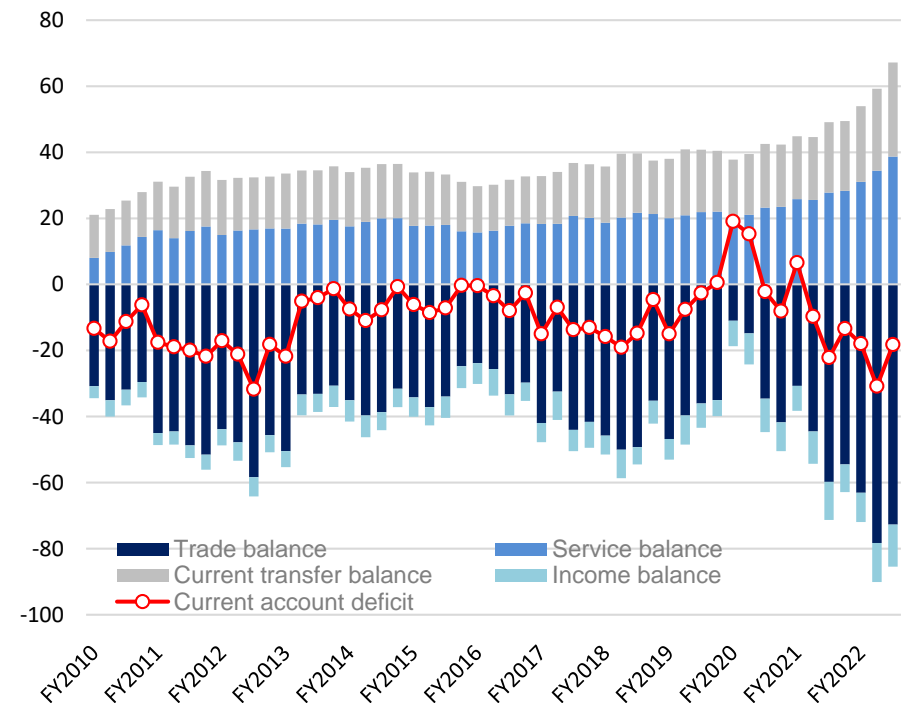
- India's consumer price index (CPI) significantly increased in 2020 due to lockdowns, supply constraints, etc., under the Covid-19 pandemic. The CPI temporarily decreased as a rebound but, in 2022, the CPI was around 6% YOY in the same month, while the inflation rate was rising around the world.
- Given the enormous impact of Covid-19, the policy interest rate was lowered from 4.4% to 4.0% in May 2020. However, the interest rate was raised to 4.4% in May 2022 so as to control inflation, and the rate has been raised ever since then.
- India's current balance is in the red, and economic growth may be hobbled if there is downward pressure on the currency.

India's Consumer Price Index (CPI, itemized contributions)

(YOY in the same month)



India's Current Account



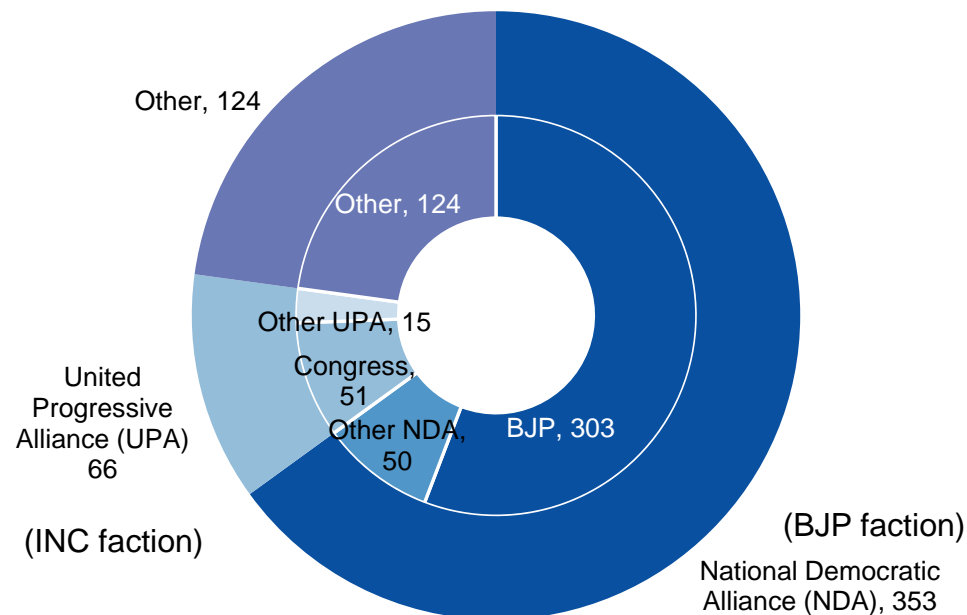
I-6. Political Situation

- In the May 2019 general election, the ruling Bharatiya Janata Party (BJP) was challenged by the largest opposition party, the Indian National Congress (INC), and regional political parties. The focus was on whether or not a majority was won by the ruling coalition, which centers around the BJP led by Prime Minister Modi and the BJP could maintain its administration. Contrary to initial expectations, the BJP secured about 300 of the 545 seats.
- The election result is attributed to the fact that the people had gained confidence in the policy management of the Modi administration over the previous five years. This was the first time since 1984 that a single political party had won a majority twice in a row, and it was a brilliant achievement for BJP.
- The term in the lower house is five years, and the next election will be held in mid-2024.

Structure of the Parliament of India

Upper House	<ul style="list-style-type: none"> ▪ Approximately one-third re-elected every 2 years for a term of 6 years ▪ Indirect elections by state legislators ▪ Because of the above, it takes time to change those in power
Lower House	<ul style="list-style-type: none"> ▪ Term of office: 5 years ▪ Direct election by voters ▪ The lower house can nominate the prime minister and pass budget resolutions alone; other resolutions must be approved by both houses

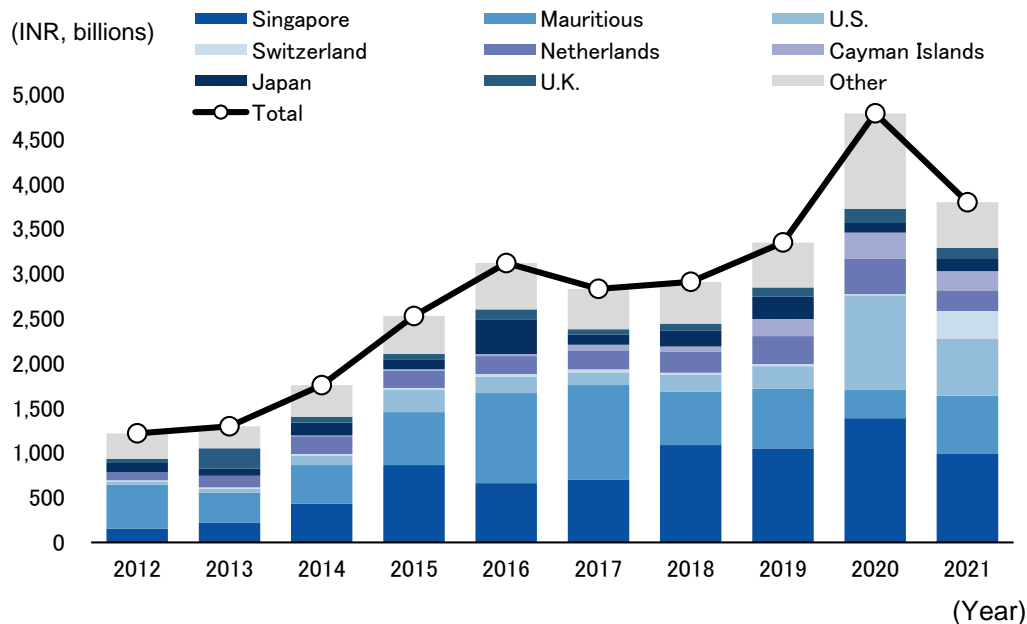
Results of the May 2019 General Election



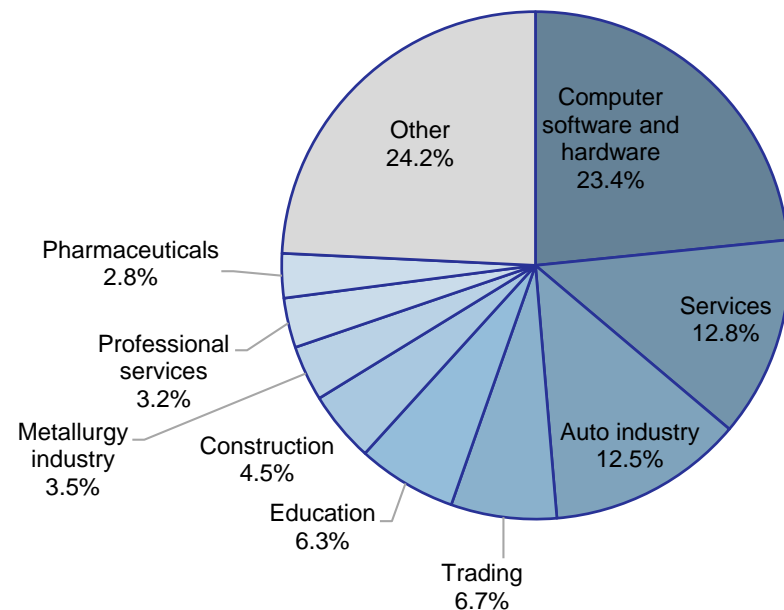
I-7. Direct Investment Trends: Inward Investment

- Inward direct investment is on the rise, and it has increased noticeably since the start of the Modi administration in 2014.
- Looking by investor country, much investment was made via Mauritius and Singapore because they were exempt from capital gains tax on investments in India under certain conditions due to bilateral tax treaties. However, India's tax treaty with Mauritius was amended in May 2016, and capital gains taxation was gradually applied from April 2017, so investment from Mauritius decreased starting in 2018. The India-Singapore tax treaty changed in the same way because it is premised on the India-Mauritius tax treaty.
- In 2020, there was a large-scale investment project from the U.S. In 2021, investment decreased YOY as a rebound but has been increasing on a long-term basis.

**Direct Investment Flow
(trends by country/region)**



Breakdown of Direct Investment Flow by Industry (2021)



I-8. Potential as an Investment Destination

- India is seen as having become the world's largest country in terms of population, in 2022. India's population is expected to continue to increase in the future, and its market will further expand.
- Meanwhile, the lack of infrastructure and complicated tax system are regarded as problems, and improvement of the business environment is an issue.
- India has the potential to serve as a supply base for the growing markets in the neighboring Middle East as well as Africa across the Indian Ocean.

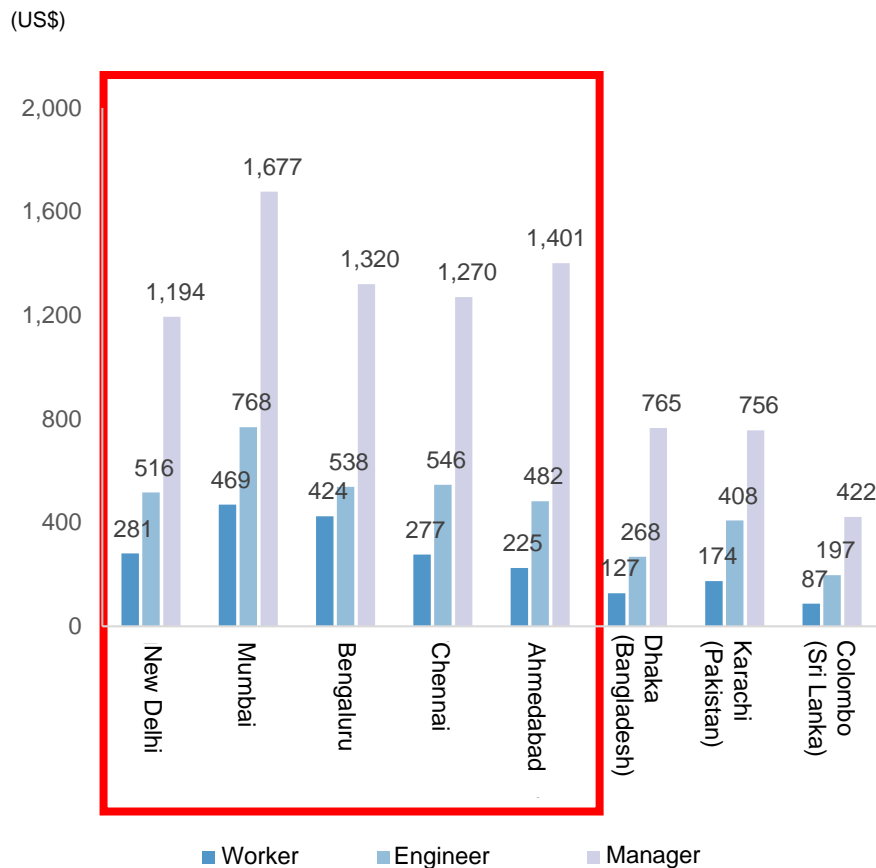
Attractiveness of Investing		Investment Considerations (issues)	
Massive population	World's largest population	Underdeveloped infrastructure	Severe lack of infrastructure to serve the large population and land area
Abundant labor	Working age population is currently increasing	Tax issues	Complex tax reform has just begun in the field of indirect tax (e.g., introduction of GST)
Increasing incomes	Income increases on a macro scale due to the expansion of the labor force	Labor cost	Workers' wages are not cheap despite the large population
Geographical advantage over the Middle East and Africa	Due to its geographical relationship, India has the potential to become a supply base for the Middle Eastern and African markets	Unstable exchange rate	Downward pressure on the Indian rupee against the backdrop of an expanding current account deficit

II. Investment-related Information

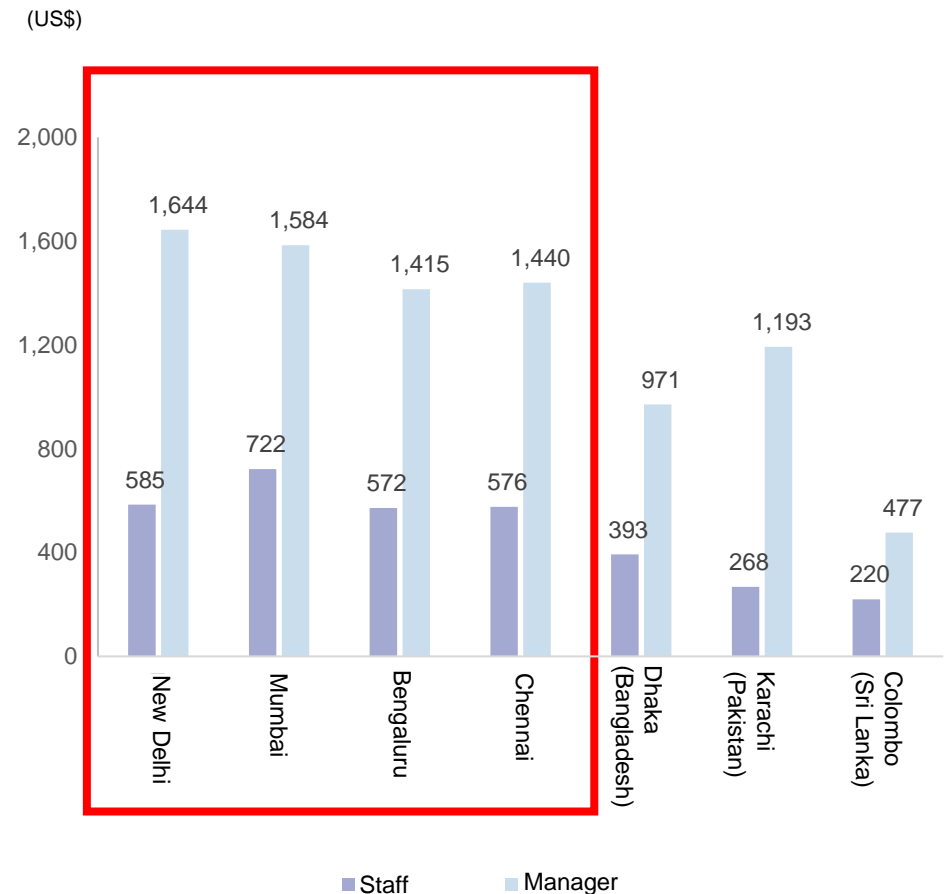
II-1. Labor-related Information: Labor Cost

- Workers' wages are over US\$200, and wage levels are rising year by year.
 - The turnover rate is high, and securing outstanding staff is one of the challenges for companies that have entered the market. The power of labor unions is strong, and labor disputes are a problem.

Manufacturing Wage Comparison (monthly)



Non-manufacturing Wage Comparison (monthly)



II-2. Key Industrial Parks/SEZ

- Lack of good industrial parks
 - Land acquisition regulations and environmental regulations are strict, and there is an absolute shortage of industrial parks in the first place. Industrial parks often have no vacancies.
 - There are many industrial parks that only have land and do not have water and sewage, electricity, or roads, etc.
- In the north (Rajasthan) and the west (Gujarat), there are industrial parks developed by the state governments and promoted by JETRO as “for Japanese companies only.”
- In the south, CapitalLand Limited, JGC Holdings, and Mizuho Bank jointly developed a comprehensive industrial park called One Hub Chennai mainly for Japanese companies.
- Development is being promoted under the DMIC (Delhi Mumbai Industrial Corridor) to deal with infrastructure issues.

Industrial Parks in India with Multiple Japanese Companies

No.	1	2	3	4	5	6	7	8	9	10	11
Name of industrial park	IMT Manesar Industrial Park	Bawal Industrial Park	Neemrana Industrial Park (Phase 3) (Japanese companies only)	Ghiloth Industrial Park (Japanese companies only)	Greater Noida Industrial Park	Mandal Industrial Park (Phase 1) *Japanese companies only	Chakan Industrial Park	Bidadi Industrial Park	Mahindra World City Industrial Park	OneHub Chennai Industrial Park	Sri City Industrial Park
Location	Haryana	Haryana	Rajasthan	Rajasthan	Uttar Pradesh	Gujarat	Maharashtra	Karnataka	Tamil Nadu	Tamil Nadu	Andhra Pradesh
Status	In operation	In operation	In operation	In operation	In operation	In operation	In operation	In operation	In operation	In operation	In operation
Area	4,912 Acres	3,365 Acres	1,161 Acres	530 Acres	3,000 Acres	300 Acres (Phase 1) 100 Acres (Phase 2)	8,500 Acres	KIADB* 1,192 Acres/ BVIP* 395 Acres	1,550 Acres	1,450 Acres	7,500 Acres
Land cost	Rs.27,850/m ²	Rs.11,800/m ²	Rs.4,500/m ²	Rs.3,600/m ²	—	Rs.3,190/m ² (Phase 2)	Rs.5,247/m ² (Phase 1-4) Rs.4,943/m ² (Phase 2)	Rs.7,165/m ² (BVIP predetermined price)	Rs.35M/Acre	Rs.20M/Acre	Rs.10M-14M /Acre
Tenancy rate	98%	90% approx.	91% approx.	Vacancies	93% approx.	Phase 1: No vacancies	No vacancies	KIADB: No vacancies	Almost no vacancies	Vacancies	Vacancies
Number of Japanese companies	35	18	55**	-	32	15**	13	8	5	6**	25**

* KIADB: Karnataka Industrial Area Development Board; BVIP: Bidadi Vendor Industrial Park

** Figures with “**” are as of December 2021. Others are as of 2019.

II-3. Information on Taxation (1)

Main Taxes in India (as of February 2023; please note that tax rates change frequently and need to be confirmed each time)

Direct Tax	Corporate income taxes	<ol style="list-style-type: none"> 1. Domestic corporation (FY total income and total receipts over 4 billion rupees) <ol style="list-style-type: none"> a. Taxable income of 10 million rupees or less: 31.20% b. Taxable income over 10 million rupees to 100 million rupees: 33.38% c. Taxable income over 100 million rupees: 34.94% 2. Domestic corporation (total income and total receipts in 2018 of 4 billion rupees or less) <ol style="list-style-type: none"> a. Taxable income of 10 million rupees or less: 26.00% b. Taxable income over 10 million rupees to 100 million rupees: 27.82% c. Taxable income over 100 million rupees: 29.12% 3. Foreign Corporation <ol style="list-style-type: none"> a. Taxable income of 10 million rupees or less: 41.60% b. Taxable income over 10 million rupees to 100 million rupees: 42.43% c. Taxable income over 100 million rupees: 43.68% <p style="margin-left: 20px;">◆ A corporate tax of 25% (excluding surcharges and health and education cess) will be applied to domestic corporations with FY total income and total receipts of 4 billion rupees or less.</p> <p style="margin-left: 20px;">◆ There is an option to apply a reduced tax rate of 25% (excluding surcharges and health and education cess) on taxable income of domestic corporations (excluding certain incomes to which certain tax rates apply) if all of the following conditions are met:</p> <ol style="list-style-type: none"> a. The domestic corporation was established or registered after March 1, 2016. b. Engages only in the manufacturing and production of goods, and research and logistics related to the goods. c. Tax exemptions, additional depreciation (excluding general depreciation), and the previous year's business loss cannot be used. d. A choice may be made as to whether or not to apply the reduced tax rate, and the choice is to be made by the prescribed method before the final tax return deadline. <p style="margin-left: 20px;">◆ For other domestic corporations, the basic tax rate is 30%, and a rate of 25% is applied based on total revenue or total receipts in 2020.</p> <p>Note 1: In September 2019, it was announced that domestic Indian companies' corporate tax rate, which was 25% or 30% based on the total amount of income, would be reduced to 22% starting in FY2019 (April 2019-March 2020), provided that the company does not use tax deductions or various incentives.</p> <p>Note 2: Manufacturing companies newly established on October 1, 2019, or after were given the option of a corporate tax rate of 15% from FY2019, on the condition that tax increases will start by April 1, 2023.</p>
	Minimum alternative tax	<p>If 15% of the book profit is higher than the corporate tax, a minimum alternative tax must be paid.</p> <ol style="list-style-type: none"> 1. Domestic corporation <ol style="list-style-type: none"> a. Taxable income of 10 million rupees or less: 15.60% b. Taxable income over 10 million rupees to 100 million rupees: 16.69% c. Taxable income over 100 million rupees: 17.47% 2. Foreign Corporation <ol style="list-style-type: none"> a. Taxable income of 10 million rupees or less: 15.60% b. Taxable income over 10 million rupees to 100 million rupees: 15.91% c. Taxable income over 100 million rupees: 16.38%

II-3. Information on Taxation (2)

Main Taxes in India (as of February 2023; please note that tax rates change frequently and need to be confirmed each time)

Direct Tax

Dividend withholding tax

If the shareholder is a non-resident, a 20% tax rate under Indian domestic law or the reduced tax rate set by the tax treaty (limited tax rate of 10% in the case of Japan) needs to be applied.

Personal income tax

Divided into resident, non-regular resident, and non-resident. Progressive taxation method.
Tax rate: 0%–30%
From FY2020, it is possible to choose to apply the new personal income tax system.

Withholding tax

Withholding Tax Rates

Types of payments	Applicable tax rates for residents	Applicable tax rates for non-residents	Surcharge and health and education cess for non-residents
1. Interest payments including corporate bond interest (Note 1)	10%	20% (gross base) (Notes 2, 3, 4)	Surcharge - Taxable income of 10 million rupees or less: Not applicable - Over 10 million rupees to 100 million rupees: 2% - Over 100 million rupees: 5% Health and education cess 4% for tax and surcharge
2. Royalties (Note 1)	10%	10% (gross base)	Same as above
3. Technical service fees (Note 1)	2%	10% (gross base)	Same as above
4. Professional service fees	10 %	10% (gross base)	Same as above
5. Income attributed to a permanent establishment	Not applicable	40% (net base)	Same as above

Note 1: The withholding tax rates for 1, 2 and 3 are based on the premise that the income is not income attributed to a permanent establishment. In the case of permanent establishment income, the tax rate of 4 is applied.

Note 2: A withholding tax rate of 20% is applied when borrowing in foreign currencies.

Note 3: If borrowing is denominated in Indian rupees and does not meet the requirements of 4, a tax rate of 40% is applied.

Note 4: A reduced tax rate of 5% will be applied to interest on foreign currency-denominated borrowings made up to June 30, 2020, and originating outside India.

II-3. Information on Taxation (3)

Main Taxes in India (as of February 2023; please note that tax rates change frequently and need to be confirmed each time)

Indirect Taxes	Goods and services tax (GST)	<p>India's GST has a two-tier structure, and the types of taxes differ depending on the content and nature of the transaction. The GST Council, which enacts legislation and procedures related to GST, prescribes a structure in which the GST tax rate is divided into seven levels from 0.25% to 28%.</p> <ol style="list-style-type: none"> 1. For asset transfers or service provision within a state: State Goods and Services Tax (SGST) + Central Goods and Services Tax (CGST) 2. For interstate transactions: Integrated Goods and Service Tax (IGST) 3. When procuring goods and services from outside India (imports to India): Integrated Goods and Services Tax (IGST)
	Custom duties	<p>Custom duties consist of basic custom duty, social welfare surcharges, integrated goods and services tax (IGST), and GST compensation cess.</p> <ol style="list-style-type: none"> 1. Basic Custom Duty (BCD): The basic custom duty rate is 0% to 10% in principle, depending on the imported goods. 2. Social Welfare Surcharge: The social welfare surcharge is 10% of the basic custom duty (3% for certain goods). 3. Integrated Goods and Services Tax (IGST): Levied in addition to the basic custom duty and the social welfare surcharge. Currently, the IGST tax rate is 0% to 28% depending on the imported item (maximum tax rate of 40%). 4. GST Compensation Cess: GST compensation cess is levied on special luxury items such as cigarettes, carbonated water, and luxury cars.
Other	Transfer pricing tax system	<p>For transactions with foreign-affiliated companies, a tax audit conducted by the tax office will investigate whether there is a difference between the actual transaction price and the third-party price.</p>

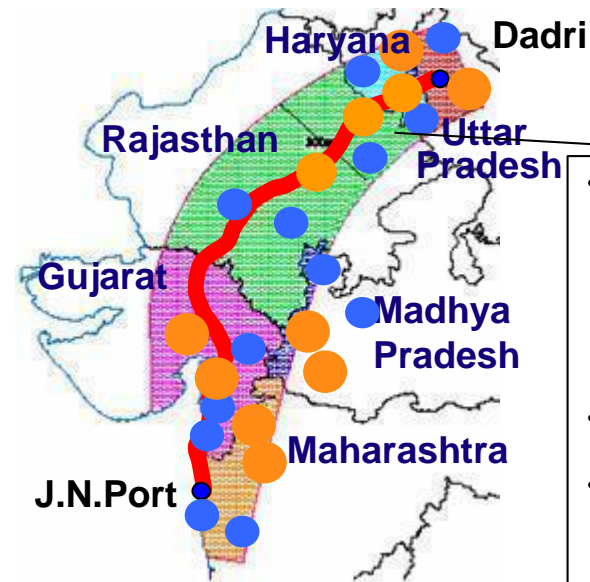
II-4. Information on Logistics

- Due to the serious shortage of road capacity in India as a whole, the National Highways Development Plan was implemented. A 5,846 km golden quadrilateral has been completed, and a 7,142 km north-south and east-west corridor will be completed in 2023.
- DMIC (Delhi Mumbai Industrial Corridor) is a regional development initiative conducted cooperatively by Japan and India. It consists of construction of a freight railway between Delhi and Mumbai (with a yen loan of 450 billion yen) as well as infrastructure development near the railway mainly through private investment, including industrial parks, distribution bases, power plants, roads, ports, housing, commercial facilities, etc.

National Highways Development Plan



DMIC (Delhi-Mumbai Industrial Corridor)



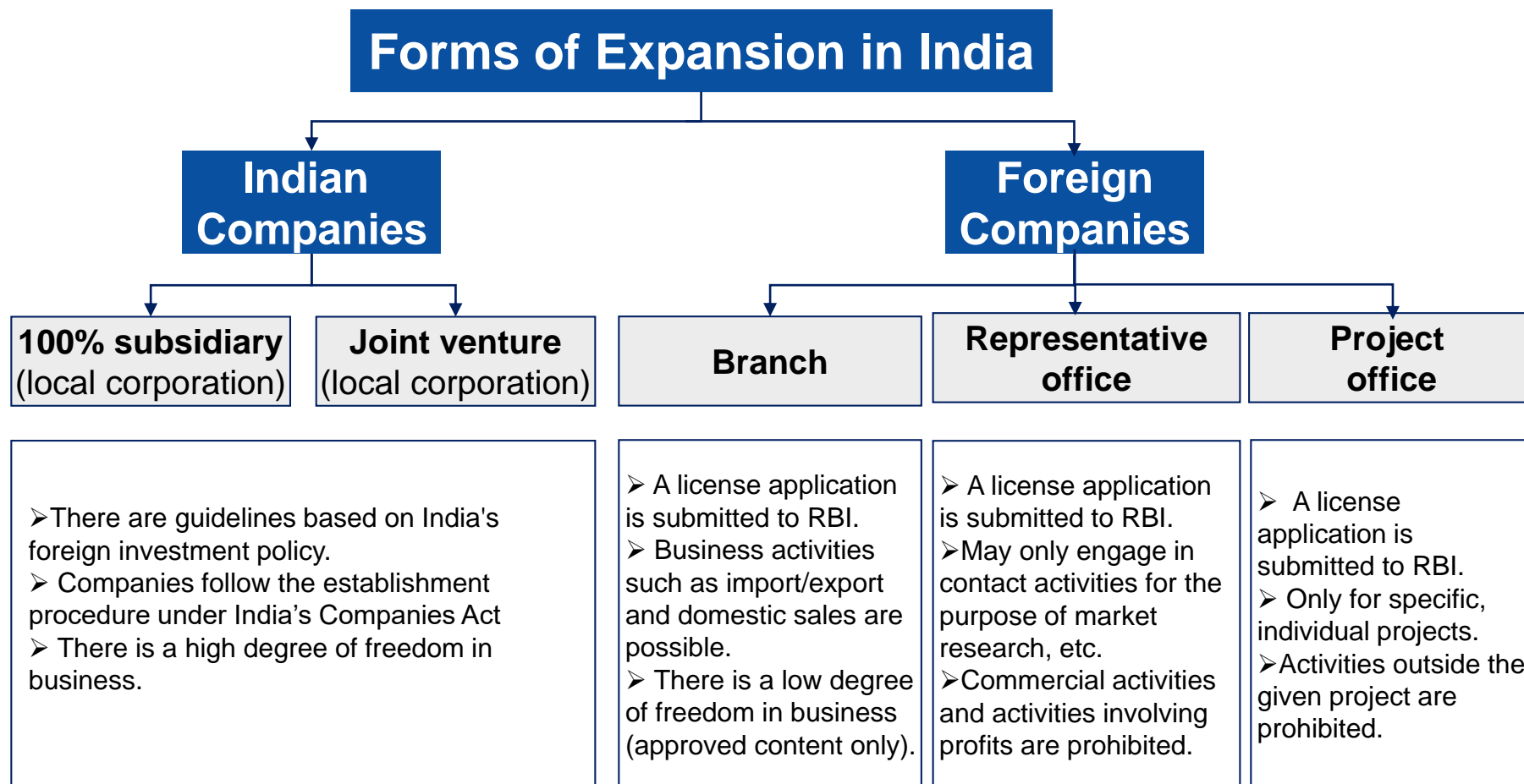
- The DFC (Dedicated Freight Corridor) West Corridor Project started operation in 2021 with the partial opening of the first 306 km section between Rewari (in Haryana) and Madal (in Rajasthan).
- The entire DFC West Corridor is scheduled to open in 2024.
- It is expected that the opening of the entire line will reduce the transportation time between Delhi and Mumbai from three days to one day.

- Freight railway
- Investment incentive area
- Industrial development incentive area

III. Establishing a Local Subsidiary

III-1. Business Models

- When establishing a base in India, the base can be formed as (1) a local subsidiary, (2) a branch, (3) a representative office, or (4) a project office.
- Among these four forms, there are differences in the scope of business permitted, taxation, the procedures at the time of establishment, and the regulatory agencies, etc.



IV. Regulations, Incentives, Reference Information

IV-1. Regulations for Foreign Investors (1)

- In principle, 100% foreign investment is possible except in negative list industries.
 - For investments outside the industries listed on the negative list, direct investment is automatically approved by filing a notification with the Reserve Bank of India (RBI). The foreign investment ratio can be up to 100%.
- The negative list includes prohibited industries as well as regulated industries, for which a license is required to comply with the guidelines.
 - The negative list prescribes industries/cases where direct investment is prohibited or regulated, industries with investment ratio restrictions, and industries that require individual approval from the Foreign Investment Promotion Board (FIPB).

Negative List

Prohibited Industries

Specific Industries Reserved for SOEs

-Specific industries reserved for SOEs-
e.g., nuclear power, railways

-Industries where foreign investment is prohibited-
e.g., gambling, lotteries, etc.

Regulated Industries and Cases

Industries and Cases Requiring a License

Industries for which a license is required:
Aerospace electronics, defense electronics, industrial gunpowder, etc.

Industries with Investment Restrictions

From the standpoint of protection of domestic companies, there are restrictions and guidelines on the investment ratio for each industry in the key industrial sectors

e.g., banking, aviation, communication services, broadcasting, etc.

Other industries and projects that require caution

Industries specified by the environmental protection law:
Insecticides, large-volume chemicals/pharmaceuticals, asbestos and asbestos products, etc.

Projects in specific regions:
Factory/plant construction within 25 km from the center of a city with a population of over one million

IV-1. Regulations for Foreign Investors (2)

Negative List (Prohibited industries/Industries where foreign investment is prohibited)

- ✓ Lotteries
- ✓ Gambling and betting
- ✓ Chit funds*¹
- ✓ Nidhi company*²
- ✓ Trading of transferable development rights
- ✓ Real estate businesses or farm construction
- ✓ Manufacture of cigars, cheroot, cigarettes, and cigarillos produced from tobacco or its alternatives
- ✓ Nuclear power and railway businesses (other than permitted operations)

*¹ A fund which a set number of people pay into under contract; the winner of a drawing, etc., receives distribution of the funds as a prize.

*² Mutual aid finance company under India's Companies Act.

Negative List (Regulated industries and cases/Industries with individual guidelines such as a maximum investment ratio)

1. Banking
 2. Other financial services
 3. White Label ATMs
 4. Credit bureaus
 5. Insurance business
 6. Civil aviation industry
 7. Airports
 8. Communication service industry
 9. Petroleum (other than refining)
 10. Oil refining and natural gas
 11. Housing and real estate industry
 12. Coal/lignite
 13. Commercial
 14. Electronic commerce field
 15. Defense equipment industry
 16. Agriculture, livestock, plantation sector
 17. Printing/publishing businesses
 18. Broadcasting industry
 19. Drugs/pharmaceuticals *
 20. Mining
 21. Retail business (single brand retail business, general retail business)
 22. Duty free shops
 23. Electric power exchanges
 24. Pension businesses
 25. Manufacturing industry
- (* In the pharmaceutical industry, investment can be made up to 100% in undeveloped projects ("green field" projects) through an automatic approval route. Over 74% of investments in "brown fields" are pre-approved by the government.)

IV-2. Real Estate Regulations

- India's lack of standards for real estate transactions is a problem. The manner in which transactions are carried out is largely left to the discretion of government authorities and developers. In addition, the transaction system is undeveloped, with complex land purchase methods, restrictions on transfer of ownership, and unrealistic laws.
- In recent years, with the increased demand for factories, offices, and housing, etc., proposed real estate legislation is being considered to improve the investment environment. Reforms are being promoted to improve transaction transparency.

Real Estate-related Regulations in India		Regulations on Foreign People and Foreign Capital
Real estate ownership	<ul style="list-style-type: none"> ✓ Land and buildings can be privately owned in India. However, since there is no registration system, there are cases where the owner of the land is unknown or appears after a transaction, which causes trouble. ✓ In addition, there are strict restrictions on land use and real estate rights, and due to regulations on changing the usage of land, land cannot necessarily be used freely. ✓ 99-year leases are common in industrial parks. 	<ul style="list-style-type: none"> ✓ Foreign direct investment is not permitted in companies engaged in the real estate industry, farm construction, or transferable development rights transactions. Real estate business is defined as land and real estate transactions aimed at earning profits. It does not include land plot development or development of housing, commercial facilities, roads, bridges, educational facilities, recreational facilities, city and community level infrastructure, or townships. ✓ Real estate can be purchased by foreign companies' Indian corporations, branches, and project offices. Representative offices cannot purchase real estate. Individual foreigners are not permitted to own real estate. ✓ Prior permission from the Reserve Bank of India (RBI) is required for overseas remittance of proceeds from land sales.
Real estate registration	<ul style="list-style-type: none"> ✓ There is no system to register the real estate itself, and the government does not issue a land title certificate. ✓ Ownership is confirmed through past sales contracts, not a certificate of title. 	
Real estate leasing	<ul style="list-style-type: none"> ✓ Possible ✓ However, foreign capital is not permitted in the real estate business, and subleasing to companies outside a corporate group is a gray zone. 	

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