



# FOREIGN DIRECT INVESTMENT

# Agenda

## **01 Basic Concept**

Overview

## **02 Illustrations**

FDI, FPI and DI

## **03 Provision**

Entry Route, Acquisition and Pricing

## **04 Reporting and late Submission Fee, Approval Route**

FC-GPR, FC-TRS, DI and LSF

## **05 Budget 2019**

Prime Minister's vision of a 5 trillion dollar economy



## Overview

- ✓ FERA & FEMA;
- ✓ Dealing in Foreign Exchange;
- ✓ Holding of Foreign Exchange;
- ✓ Export of Goods and Services;
- ✓ Capital Account transaction;
- ✓ Current Account transaction;
- ✓ Sectoral Caps;
- ✓ Capital instruments;
- ✓ Online Portals;
- ✓ Parties Involved- Indian Entity, Indian Company, NRI & OCI.





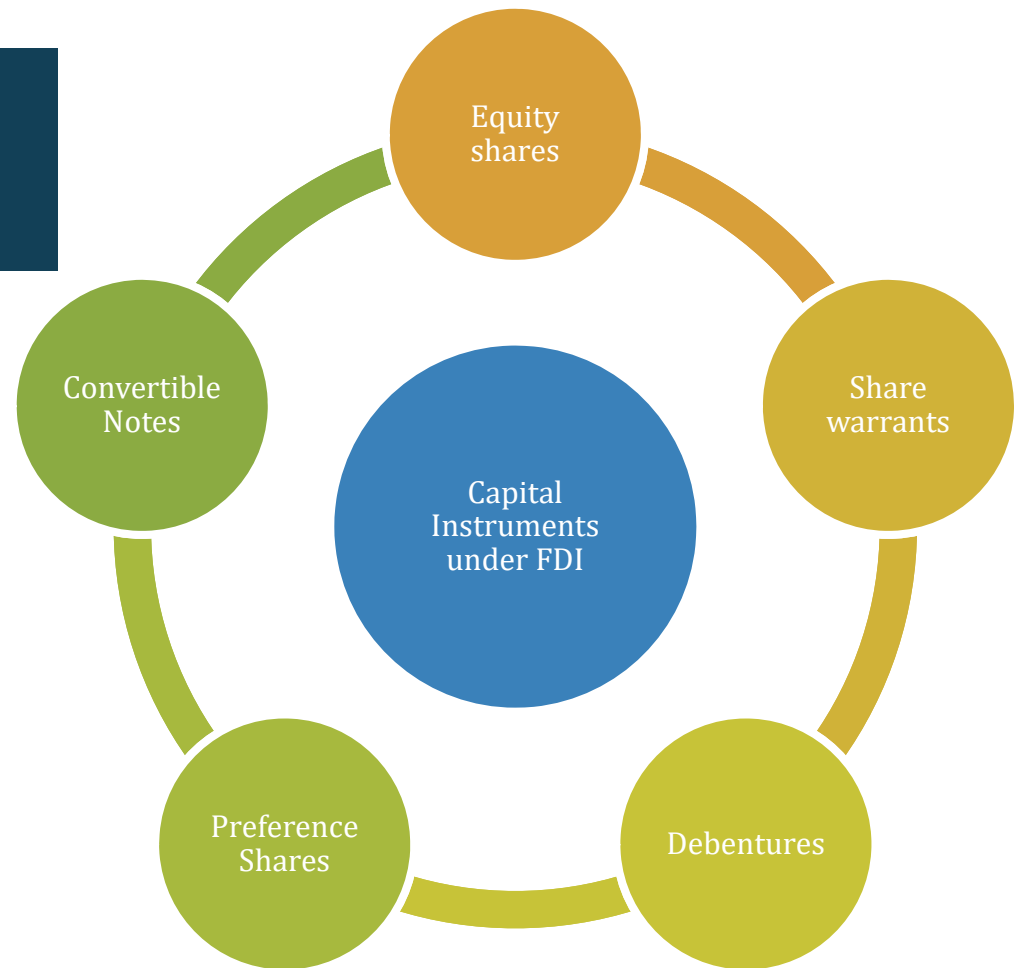
Foreign Investment

- ✓ Rules & Regulations;
- ✓ DIPP (now DPIIT) & RBI;
- ✓ FDI Policy & FEMA Regulation;
- ✓ Master Circular & Master Direction;
- ✓ Automatic Route & Approval Route;
- ✓ Foreign Direct Investment & Indirect Foreign Investment; and
- ✓ Repatriable & Non-repatriable.

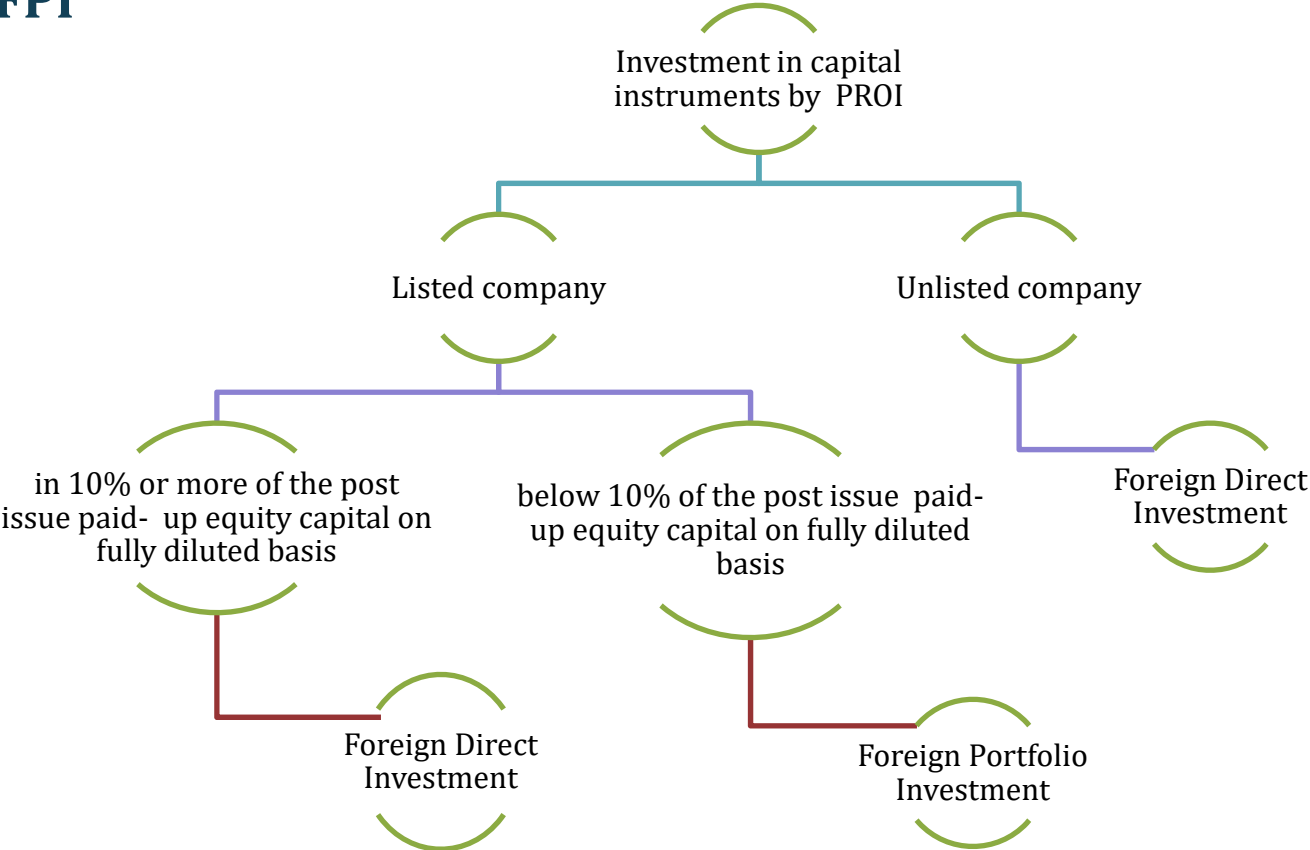


## Capital Instruments

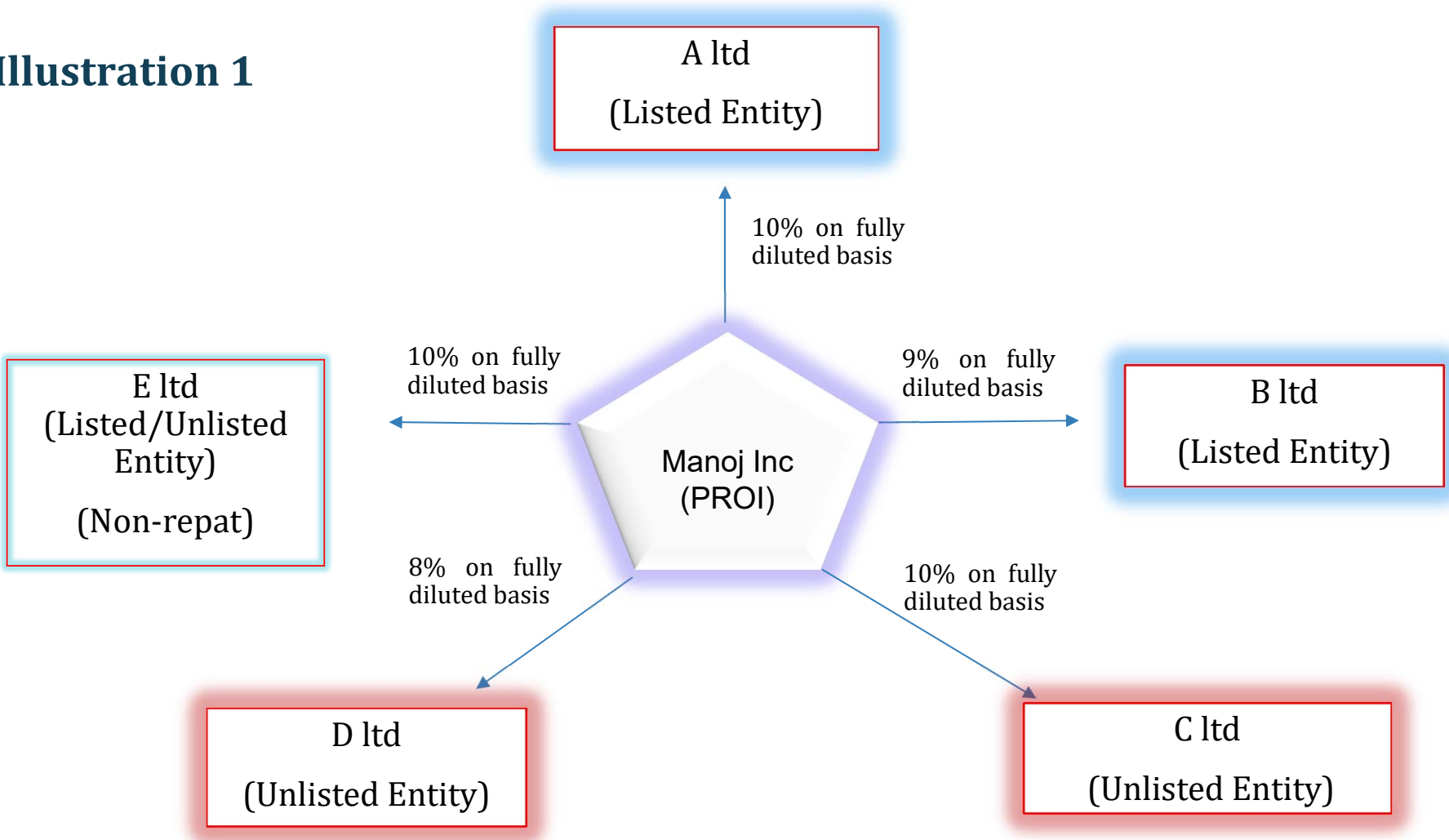
As per Para 4 of RBI- Master Direction on Foreign Investment in India the capital instruments are as follows:



# FDI v/s FPI



# Illustration 1





## Downstream Investment

- Indirect foreign investment means Downstream Investment
  1. Investment in the capital instruments of another Indian company by an Indian entity which has received foreign investment and:
    - is not owned and not controlled by resident Indian citizens; or
    - is owned or controlled by persons resident outside India.

**Note:** Ownership of an Indian company shall mean beneficial holding of more than 50 percent of the capital instruments of such company.



## Illustration 2

Case 1: A Inc hold shares in B ltd (i.e. 80%), what will be extent of indirect foreign investment in C Ltd?

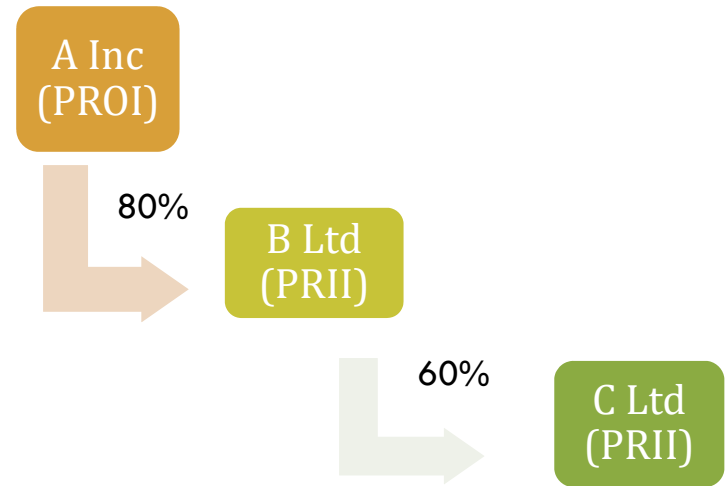
- 80%
- 60%
- 48%
- None of above

**Answer: 60%**

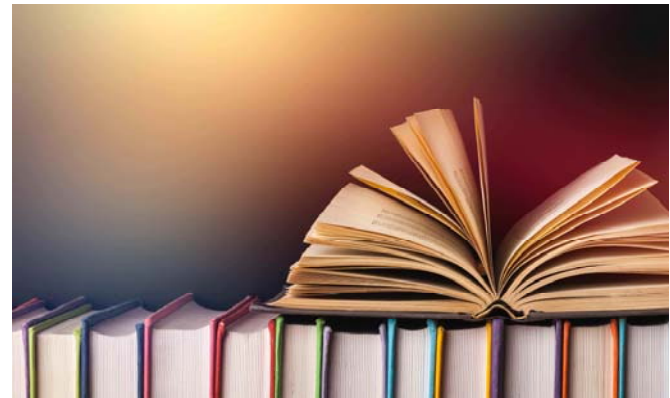
Case 2: What will be extent of indirect foreign investment in C Ltd if 100 % is held by B Ltd?

- 80%
- 100%
- None of above

**Answer: 80%**



# Provision





---

**Entry Route and Permitted Sector**

Approval Route

---

Automatic Route

---

---

**Acquisition Through**

Rights Issue or Bonus issue

---

ESOP or Sweat Equity Shares

---

Convertible Notes by Startup

---

Merger or demerger or amalgamation of Indian companies

---

---

**Pricing Guidelines**

Applicability

---

Non-Applicability

---

Tgrqtvkpi

➤ **Form FC-GPR**

- ✓ Issuing capital instruments to a person resident outside India;
- ✓ Thirty days from the date of allotment of capital instruments;
- ✓ To be reported Form FC-GPR.

➤ **Form FC-TRS**

- ✓ PROI holding capital instruments in an Indian company on a repatriable basis and PROI holding capital instruments on a non-repatriable basis; and
- ✓ PROI holding capital instruments in an Indian company on a repatriable basis and a PRI.
- ✓ Within sixty days of transfer of capital instruments or receipt/ remittance of funds whichever is earlier.

➤ **Form DI**

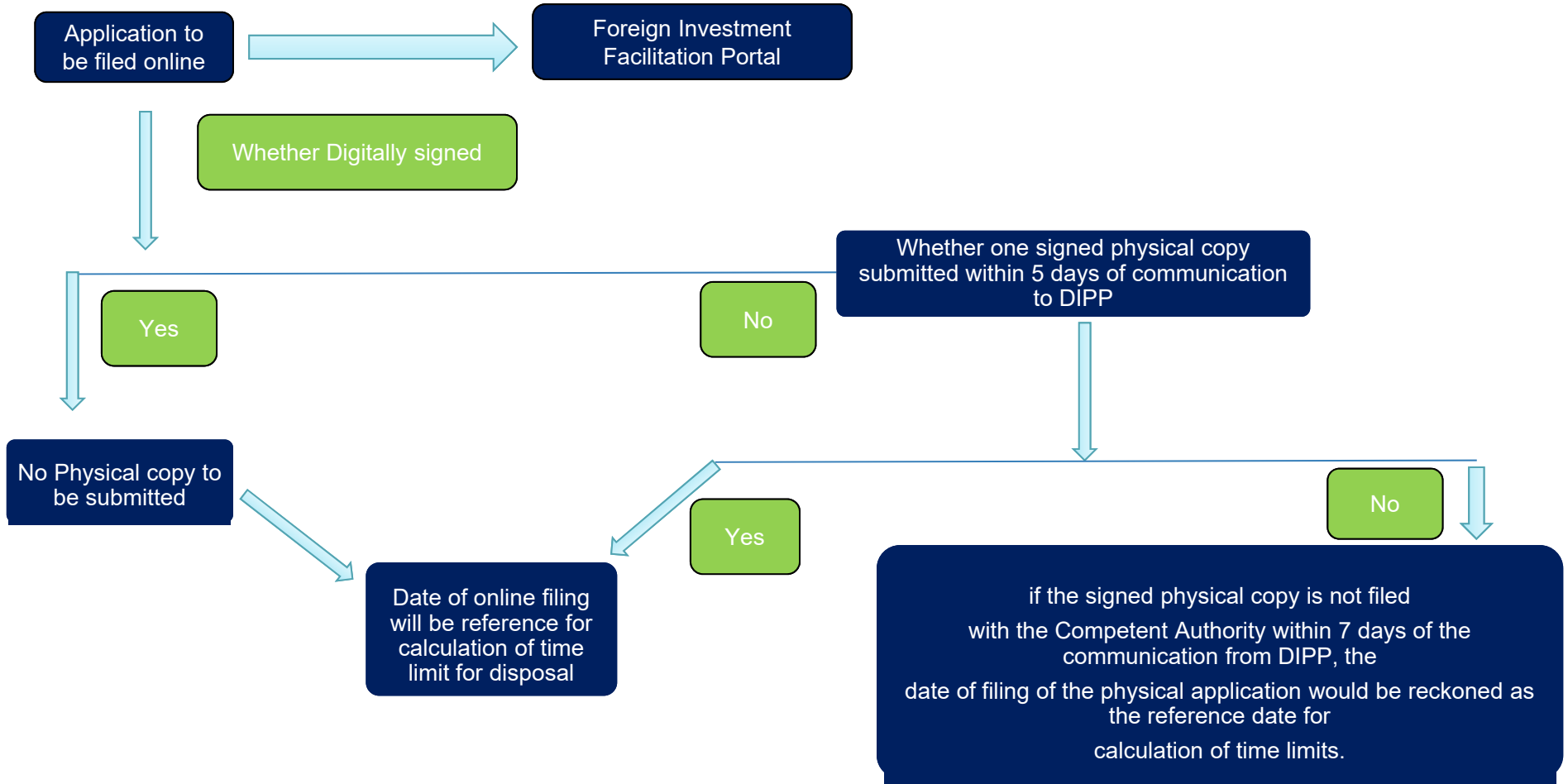
- ✓ An Indian entity or an investment Vehicle making downstream investment in another Indian entity which is considered as indirect foreign investment for the investee Indian entity.
- ✓ Within 30 days from the date of allotment of capital instrument.

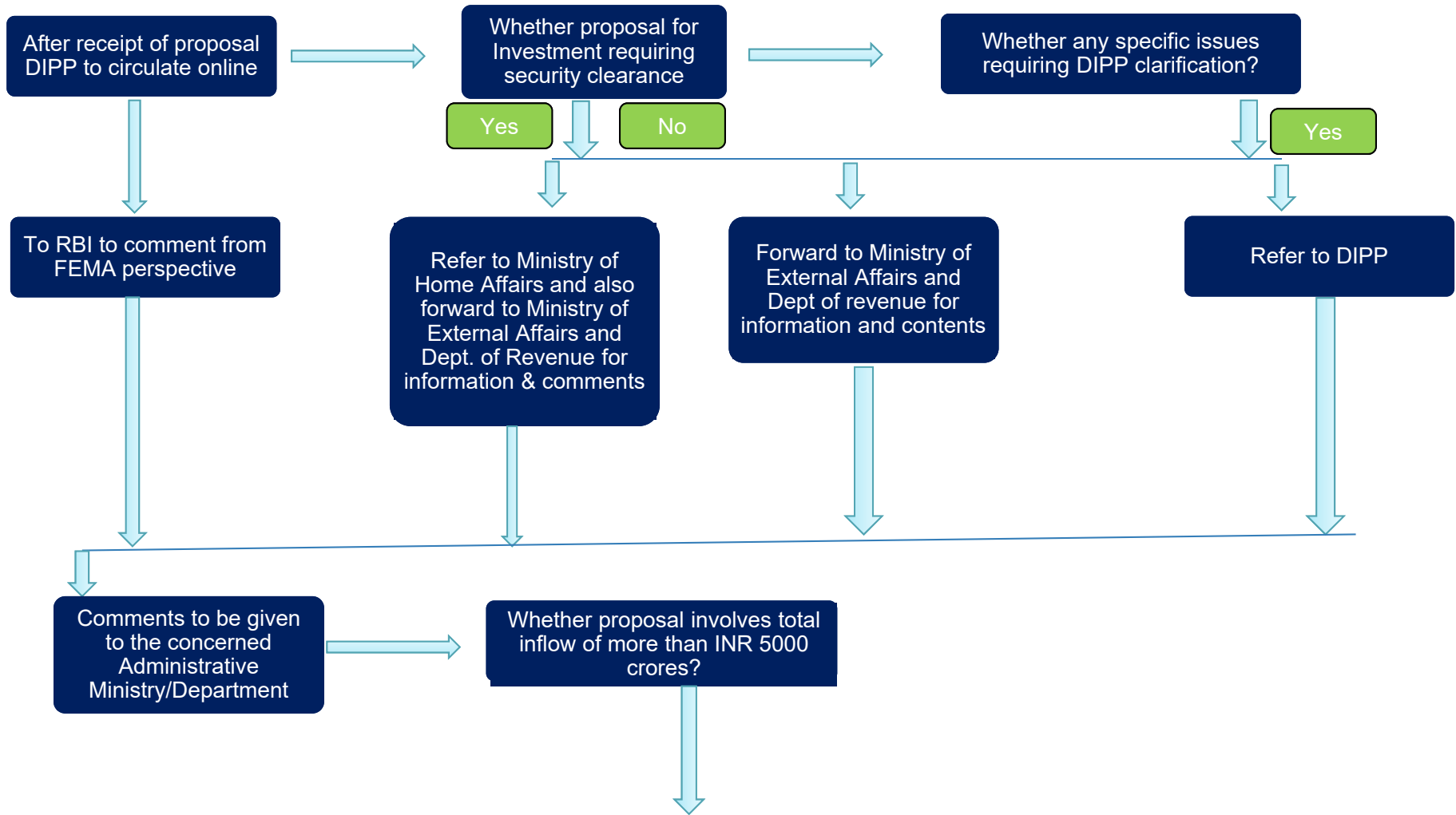
## Financial Reporting

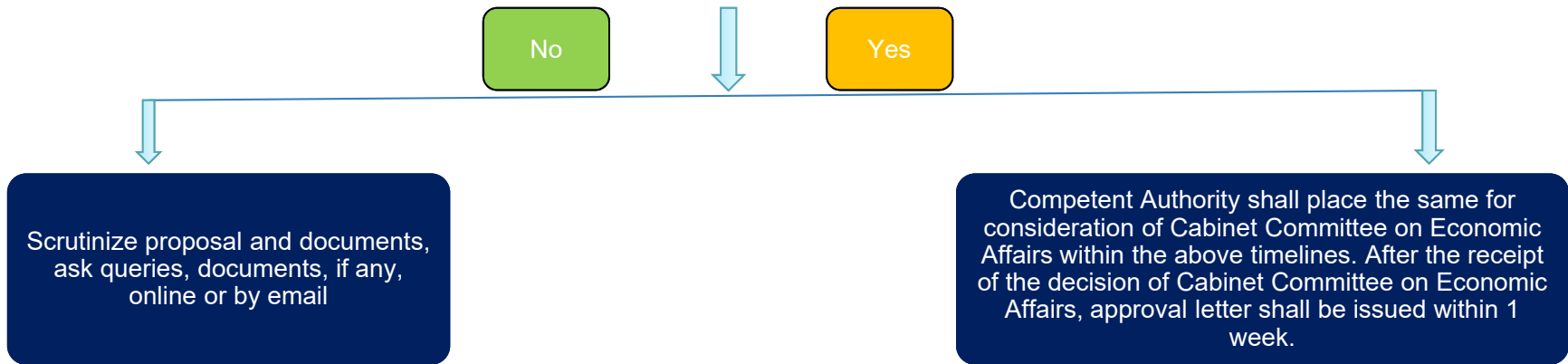
- ✓ The LSF shall be applicable for the transactions undertaken on or after November 7, 2017.
- ✓ The payment of LSF is an option for regularising reporting delays without undergoing the compounding procedure.
- ✓ The late submission fee is for reporting delays only
- ✓ The payment of LSF is an additional facility for regularising reporting delays without undergoing the compounding procedure..

Amount involved in reporting (in INR)	Late Submission Fee (LSF) as % of amount involved*	Maximum amount of LSF applicable
Upto 10 million	0.05%	INR 1 million or 300% of the amount involved, whichever is lower.
More than 10 million	0.15%	INR 10 million or 300% of the amount involved, whichever is lower.
<ul style="list-style-type: none"> <li>• The % of LSF will be doubled every twelve months</li> </ul>		

R t q e g f w t g # W p f g t # C r r t q x c n # T q w v g







Approval/ Rejection letter will be sent online by the competent authority to the applicant, consulted Ministries/Departments and DIPP





\$5 Trillion

Dollar  
e c o n o m y



Dwfigv#423;



## SUPER RICH TAX TO BE REVIEWED IN 3 YRS

### TAX RELIEF

- Surcharge on foreign and domestic portfolio investors goes
- Super rich tax on HNIs to be reviewed in 2022
- From Oct, all notices to be disposed of within 3 months of receiving reply
- Simplified KYC for FPIs
- Separate cell to deal with tax issues of startups
- **Reason:** Since July, FPIs have pulled out nearly \$3.4bn from stock market; companies are alleging 'tax terrorism'

### REVVING UP AUTO

- Additional 15% depreciation on inventory allowed
- Govt ban on buying new vehicles lifted
- Scrapage policy to be unveiled soon
- EVs, internal combustion engines to ply, revision of registration fee on hold till June 2020
- **Reason:** Move to push

vehicle sales, which have slumped to near 2-decade low

### FUNDS FOR BANKS, NBFCs

- Govt to release ₹70,000cr for recapitalisation of PSU banks
- PSBs to unveil repo rate-linked products, reduce rates
- NHB to provide additional liquidity of Rs 30,000cr to home finance companies
- Improved one-time loan settlement policy for MSME, retail borrowers
- Better tracking of loan applications, documents to be released within 15 days of loan repayment
- Honest bankers to be protected
- **Reason:** Measures to step up lending, better transmission of rates, increase transparency

### HELP FOR MSMEs

- Arrears of MSMEs to be cleared expeditiously, GST

refunds in 30 days

- Decision to pay 75% of arbitration awards
- Law to be amended to better define MSMEs, definition may go beyond investment
- **Reason:** Improve fund flow, reduce stress in small businesses; multiple definitions hamper decision-making

### COMFORT TO INDIA INC

- Violation of CSR mandate to be a civil offence
- Compounding, monetary penalty instead of prosecution to be favoured option
- Review of Companies Act to do away with prosecution
- **Reason:** Industry was worried about CSR violation being made a criminal offence

“ Our government has kept reform at the top of our agenda, since 2014. We are maintaining the reform momentum, be it regarding self-certification or labour reforms or environmental clearance

— NIRMALA SITHARAMAN | FM



Mini Budget



Current Scenario

*Thank  
you*

**By Burhanuddin Dohadwala  
Executive  
Vinod Kothari & Company**

