

Doing Business in India
Updated upto February 2019



Note: As the National Elections are due in April-May 2019, an Interim Union Budget for the Year 2019 was presented by the Finance Minister on 1st February, 2019. The main budget for Financial Year 2019-20 will be presented by the New Government after the elections. The provisions of Interim Budget have been highlighted and incorporated in this Write-Up.

Currency: Indian National Rupee (INR)

Foreign Investments in India

- A. Foreign Direct Investment (FDI) in India
- B. Foreign Portfolio Investments
- C. Foreign Venture Capital Investments (FVCI)
- D. Other Investments

A. Foreign Direct Investment (FDI) in India

Foreign Direct Investment (FDI) in India is undertaken in accordance with the FDI Policy which is formulated and announced by the Government of India. Under the Foreign Direct Investments (FDI) Scheme, investments can be made in shares, mandatorily and fully convertible debentures and mandatorily and fully preference shares of an Indian company **by non-residents** through two routes:

- **Automatic Route:** Under the Automatic Route, the foreign investor or the Indian company does not require any approval from the Reserve Bank or Government of India for the investment. FDI up to 100 % is allowed under the automatic route in all activities/sectors except where the provisions of the consolidated FDI Policy, paragraph on 'Entry Routes for Investment' issued by the Government of India.
- **Government Route:** FDI is prohibited in:
 - a) Lottery Business including Government/private lottery, online lotteries, etc.
 - b) Gambling and betting including casinos etc.
 - c) Chit funds

- d) Nidhi company
- e) Trading in Transferable Development Rights (TDRs)
- f) Manufacturing of cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes
- g) Activities/sectors not open to private sector investment e.g. Atomic Energy

List of activities or items for which automatic route for foreign investment is not available (except subject to limits specifically allowed by Govt. of India), include the following:

- Banking
- Civil Aviation
- Petroleum Including Exploration/Refinery/Marketing
- Housing & Real Estate Development Sector for Investment (except development of townships, constructions of residential / commercial premises, roads or bridges to the extent specified)
- Venture Capital Fund and Venture Capital Company
- Investing Companies in Infrastructure & Service Sector
- Defense and Strategic Industries
- Agriculture
- Print Media
- Broadcasting
- Postal Services
- Private Security Agencies
- Satellites
- Pharmaceuticals

Procedure under Government approval

FDI in activities not covered under the automatic route, requires prior Government approval and are considered by the Foreign Investment Promotion Board (FIPB). Approvals of composite proposals involving foreign investment/foreign technical collaboration are also granted on the recommendations of the FIPB. Application for all FDI cases, except Non-Resident Indian (NRI) investments and 100% Export Oriented Units (EOUs), should be submitted to the FIPB Unit, Department of Economic Affairs (DEA), Ministry of Finance. Application for NRI and 100% EOU cases should be presented to SIA in Department of Industrial Policy & Promotion.

Investment by way of Share Acquisition

A foreign investing company is entitled to acquire the shares of an Indian company without obtaining any prior permission of the FIPB subject to prescribed parameters/ guidelines. If the acquisition of shares directly or indirectly results in the acquisition of a company listed on the stock exchange, it would require the approval of the Security Exchange Board of India.

General Permission of RBI under FEMA

Indian companies having foreign investment approval through FIPB route do not require any further clearance from RBI for receiving inward remittance and issue of shares to the foreign investors. The companies are required to notify the concerned Regional office of the RBI of receipt of inward

remittances within 30 days of such receipt and within 30 days of issue of shares to the foreign investors or NRIs.

Participation by International Financial Institutions

Equity participation by international financial institutions such as ADB, IFC, CDC, DEG, etc., in domestic companies is permitted through automatic route, subject to SEBI/RBI regulations and sector specific cap on FDI.

FDI in Small Scale Sector (SSI) Units

A small-scale unit cannot have more than 24 per cent equity in its paid up capital from any industrial undertaking, either foreign or domestic. If the equity from another company (including foreign equity) exceeds 24 per cent, even if the investment in plant and machinery in the unit does not exceed Rs 10 million, the unit loses its small-scale status and shall require an industrial license to manufacture items reserved for small-scale sector.

Sector wise Regulation in Foreign Investment

- i) Automatic route for specified activities subject to sectorial cap and conditions.

Sectors	Cap
Airports	
• Existing	100%
• Greenfield	100%
(a) Scheduled Air Transport Service/ Domestic Scheduled Passenger Airline	49% under Automatic
(b) Regional Air Transport Service	100% by Approval
Alcohol distillation and brewing	100%
Banking (Private Sector)	49% (Upto 74% by Approval)
Coal and Lignite mining (specified)	100%
Coffee, Rubber processing and warehousing	100%
Construction and Development (Specified projects)	100%
Floriculture, Horticulture and Animal Husbandry	100%
Specified Hazardous chemicals	100%
Industrial Explosives Manufacturing	100%
Insurance	49%
Mining (Precious metals, Diamonds and stones)	100%
Non-banking finance companies (conditional)	100%
Petroleum and Natural gas	
• Refining (private companies)	100%
• Other areas	100%
Power generation, transmission, distribution	100%
Trading	
• Wholesale cash and carry	100%
• Trading of Exports	100%
SEZ's and Free Trade Warehousing Zones	100%
Telecommunication	49% (upto 100% with approval)

Prior Approval from FIPB where investment is above Sectorial caps for activities listed below.

Sectors	Cap
New Investment by a foreign investor in a field in which the investor already has an existing joint venture or collaboration with another Indian partner	
New investment sought to be made in manufacture of items reserved for Small Scale Industries	
<ul style="list-style-type: none"> Atomic Minerals Terrestrial Broadcasting FM(FM Radio) Direct-To-Home (DTH) Setting up hardware facilities Up linking news and current affairs Up linking non-news, current affairs TV channel 	74% 49% 100% 49% 49% 100%
<ul style="list-style-type: none"> Investment companies in infrastructure / service sector (except telecom) 	49 %
<ul style="list-style-type: none"> Tea Sector – including Tea plantation 	100 %
<ul style="list-style-type: none"> Trading items sourced from Small scale sector 	100 %
<ul style="list-style-type: none"> Test marketing for equipment for which company has approval for manufacture 	100 %
<ul style="list-style-type: none"> Single brand retailing (conditional) 	100 %
<ul style="list-style-type: none"> Satellite establishment and operations 	100 %
<ul style="list-style-type: none"> E- Commerce activities 	100%
<ul style="list-style-type: none"> Print Media 	
<ul style="list-style-type: none"> Newspapers and periodicals dealing with news and current affairs 	26 %
<ul style="list-style-type: none"> Publishing of scientific magazines / specialty journals periodicals 	100 %
<ul style="list-style-type: none"> Telecommunication 	
<ul style="list-style-type: none"> Basic and unified access services 	49 % to 100 %
<ul style="list-style-type: none"> ISP with gateways, radio paging, end to end bandwidth 	49 % to 100 %
<ul style="list-style-type: none"> ISP SP with gateway (specified) 	49%to 100 %

Make in India Initiative

Launched with the primary goal of making India a global manufacturing hub, by encouraging both multinational as well as domestic companies to manufacture their products within the country. 'Make in India' has identified 25 sectors to promote with the detailed information being shared through an interactive web-portal. The Government has allowed 100% FDI in Railway and removed restrictions in Construction. It has also recently increased the cap of FDI to 100% in Defense and Pharmaceutical. More details are available at <http://www.makeinindia.com>

New Infrastructure

Infrastructure is integral to the growth of any industry. The government is developing industrial corridors and build smart cities with state-of-the-art technology and high-speed communication. Innovation and research activities are supported by a fast-paced registration system and improved infrastructure for Intellectual Property Rights (IPR) registrations. Along with the development of infrastructure, the training for the skilled workforce for the sectors is also being addressed.

B. Foreign Portfolio Investments

Foreign Portfolio Investment by FII

- Reserve Bank of India (RBI) has granted general permission to SEBI Registered FIIs to invest in India under the Portfolio Investment Scheme (PIS). SEBI registered FII includes Asset management Companies, Pension Funds, Mutual Funds, Investment Trusts as Nominee Companies, Incorporated / Institutional Portfolio Managers or their Power of Attorney holders, University Funds, Endowment Foundations, Charitable Trusts and Charitable Societies.
- Investment by SEBI registered FIIs and its sub accounts cannot exceed 10 per cent of the paid up capital of the Indian company. However, in case of foreign corporates or High Net worth Individuals (HNIs) registered as sub accounts of an FII, their investment shall be restricted to 5 per cent of the paid up capital of the Indian company. All FIIs and their sub-accounts taken together cannot acquire more than 24 per cent of the paid up capital of an Indian Company.

Foreign Portfolio Management by Non – Resident Indians/ Person of Indian origin

Special rules are applicable to these categories

C. Foreign Venture Capital Investments (FVCI)

- A SEBI registered Foreign Venture Capital Investor (FVCI) may contribute up to 100% of the capital of an Indian company engaged in any activity mentioned in Schedule 6 of Notification No. FEMA 20/2000, including startups irrespective of the sector in which it is engaged, under the automatic route. A SEBI registered FVCI can invest in a domestic venture capital fund registered under the SEBI (Venture Capital Fund) Regulations, 1996 or a Category- I Alternative Investment Fund registered under the SEBI (Alternative Investment Fund) Regulations, 2012. Such investments shall also be subject to the extant FEMA regulations and extant FDI policy including sectoral caps, etc. The investment can be made in equities or equity linked instruments or debt instruments issued by the company (including start-ups and if a startup is organised as a partnership firm or an LLP, the investment can be made in the capital or through any profit-sharing arrangement) or units issued by a VCF or by a Category-I AIF either through purchase by private arrangement either from the issuer of the security or from any other person holding the security or on a recognised stock exchange. It may also set up a domestic asset management company to manage its investments. SEBI registered FVCIs are also

allowed to invest under the FDI Scheme, as non-resident entities, in other companies, subject to FDI Policy and FEMA regulations.

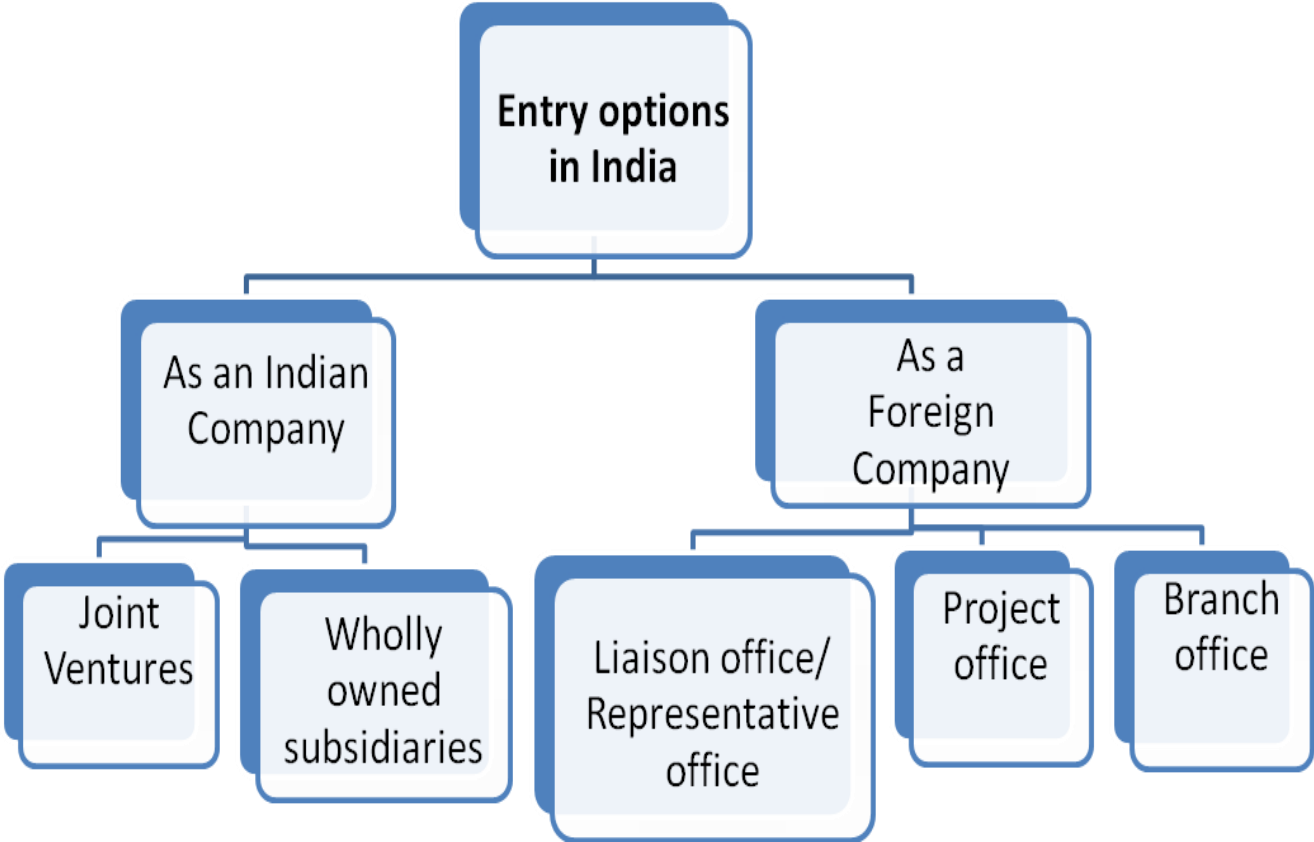
D. Other Investments

- a. A SEBI registered FII may purchase, on repatriation basis, dated Government securities/ treasury bills, listed non-convertible debentures/ bonds issued by an Indian company and units of domestic mutual funds either directly from the issuer of such securities or through a registered stock broker on a recognized stock exchange in India. The FII investment in Government securities and corporate debt is subject to a ceiling decided in consultation with the Government of India.

India's Financial Market

- A. **Credit market:** India has a robust credit market with large range of financial institution including commercial bank, regional commercial
- B. **Money market:** It is a mechanism that deals with the leading and borrowing of short term funds (less than one year). It does not actually deal in cash or money but deal with substitute of cash like trade bills, promissory notes & Government papers which can be converted into cash without any loss at lower transaction cost.
- C. **Foreign exchange market:** For-ex market is a place in which foreign exchange transaction take place. A market in which national currencies are bought and sold against one another.
- D. **Capital Market:** India has 23 stock exchanges that constitute the market for securities issued by the Government and the countries corporate entities. NSE and BSE are the premier exchanges in the country. NSE, India's largest stock exchange, is also the third largest in the world in terms of its quantum of trading in the equity market. However, the country's debt market is still relatively underdeveloped.

Entry options of Setting up Business in India



Comparative summary of entry options

Particulars	Liaison office	Project/Branch office	Joint venture/ wholly owned subsidiary
Prior approval from RBI for setting up requirement	Yes	Project office : No Branch office: yes	Automatic route: No Otherwise: Yes
Permitted activities	Only liaison/ representation/ communication role permitted, No commercial or business activity allowed	Activities listed by RBI allowed, manufacturing not permitted (Except in SEZ units)	Any activities specified in MOA, subject to FDI guidelines
Compliance required under Companies Act	Registration and periodical filing of accounts /other documents required	Registration and periodical filing of accounts /other documents required	Compliance needed with substantial higher statutory compliance and filing requirements
Compliance required under foreign exchange management regulations	Required to file an annual compliance (from auditors in India) with RBI	Required to file an annual compliance (from auditors in India) with RBI	Required to file periodic and annual filings relating to receipt of capital and issue of shares to foreign investors
Compliances under Income Tax act	Generally, no tax liability, since it cannot carry out any commercial and income generating activities.	Company obliged to pay tax on income earned and required to file returns of income in India.	Liable to be taxed on global income on a net basis. Dividend declared freely remittable but subject to CDT on dividend, pursuant to which dividend is tax free for all SHs.
Compliances under Income Tax act	May be advised to file an IT return	No further tax on repatriation of profit.	Limited inter-corporate dividend set off is allowable.
Permanent Establishment (PE)	Generally do not constitute a PE Not taxable under India due to limited scope of activities	Generally constitute a PE, Taxable under Domestic provisions and DTAA	An independent taxable entity as any other Indian company.

Company Law

Company Law

Companies in India are governed expressly by the Companies Act 2013. Broadly, 2 types of companies registered in India viz. Private Limited and Public Limited.

Incorporation:

The formation of a company requires:

- Selection of a name (which has to be approved by the Registrar of Companies).
- Determination of the state in which the registered office will be situated.
- Drafting a Memorandum of Association and the Articles of Association.
- Preparation of documents for submission to the Registrar of Companies for registration.
- If a foreigner / NRI are subscribers to the MOA then MOA and Power of Attorney are required to be attested by Consulate General of Indian embassy in the country of host and notarized by notary public.

The Registrar on being satisfied has been complied with issues a Certificate of Incorporation.

a) **Minimum Number of Directors**

- Private Limited Co. 2
- Public Limited Co. 3

b) **Minimum Number of Shareholders**

- Private Limited Co. 2
- Public Limited Co. 7

Non Resident Director

Other than a Managing Director, non-residents can serve on the Board of an Indian Company. Under the Companies Act, one-third of the directors need not retire by rotation and, therefore, it is not unusual for the foreign investor to have the right to nominate Directors who need not retire by rotation. Provisions also exist in the Companies Act for the appointment of alternate directors to act in place of the original directors. It is usual for the foreign investor to appoint Indian legal and accounting professionals to act as Alternate Directors and nominees to protect their interests.

Direct Taxes

Each tax is governed by specific legislation, which is amended on an annual basis by The Finance Act consequent upon the budget presented by the Minister of Finance.

Income Taxes on Corporations

General structure and scope

- Companies are classified into '**Domestic Companies**' and '**Foreign Companies**'.

- **'Domestic Company'** means an Indian company registered with the Registrar of Companies, India.
- **'Foreign Company'** means a company, which is not a domestic company.
- A company is treated as **resident** in India in any financial year if:
- It is an Indian company i.e. formed and registered in India;
- During that year, the control and management of the company's affairs was situated wholly in India.

Rates of Income Tax

The corporate tax year ending is 31st March and income for that financial year is taxed in the assessment year commencing on the succeeding 1 April.

The rates of tax for financial year **2019-20** are:

Domestic Company: (inclusive of surcharge + educational cess)

- If total turnover or the gross receipt in the FY 2017-18 does not exceed US\$ **35.71** million/- (INR 2500 million)
 - If Net Income does not exceed US\$ **142,857/-** (INR 10 million)- 26%
 - If Net Income exceeds US\$ **142,857/-** (INR 10 million) – 27.82%
 - If Net Income exceeds US\$ **1,428,571/-** (INR 100 million)-29.12%
- If total turnover or the gross receipt in the FY 2017-18 exceeds US\$ **35.71** million/- (INR 2500 million)
 - If Net Income does not exceed US\$ **142,857/-** (INR 10 million)-31.2 %
 - If Net Income exceeds US\$ **142,857/-** (INR 10 million) - 33.384%
 - If Net Income exceeds US\$ **1,428,571/-**(INR 100 million)- 34.944%

Foreign Company: (Inclusive of surcharge + Educational Cess)

- If Net Income does not exceed US\$ **142,857/-** (INR 10 million) - 41.6%
- If Net Income exceeds US\$ **142,857/-** (INR 10 million)- 43.432%
- If Net Income exceeds US\$ **1,428,571/-** (INR 100 million)-43.680%

If total tax computed under the income Tax Act is less than 18.50% of its book profit computed under Companies Act, a Minimum Alternative Taxes (MAT) is payable @ 18.5% + (SC+ HEC)

In the absence of lower rates under a Double Taxation Agreement, the following % rate of withholding tax is applicable to the incomes of a Foreign Company.

- Royalty and fees for technical services 10%
- Dividends 20%
- Interest on monies borrowed in foreign currency 20%/5%

Capital Gains Tax

- Proportionate exemption on long-term capital gains arising from proceeds of sale of residential house extended to purchase of two residential houses from one house, subject to:
 - Amount of capital gain not exceeding US\$ 285,700 (INR 20 Million) [no monetary threshold continues for investment in one residential house]
 - One-time opportunity to claim such exemption
- Capital gains are calculated by reducing from the consideration received on the transfer, the cost of acquisition, any improvement to the asset, and transfer expenditure.
- Long Term Capital gains arising on transfer of assets held for more than 12 months in case of shares in a company or listed securities or units of notified mutual funds on which the securities transaction tax is applicable are subject to tax at the rate of 10.40%
- Long Term Capital gains arising on transfer of assets other than above held for more than 36 months are subject to tax at the rate of 20.80%.
- Short-term capital gains are taxed at normal income tax rates, other than on securities listed on a recognised stock exchange, on which the securities tax is applicable are subject to tax at the rate of 15.60%.
- Securities Transaction Tax to be levied at 0.1% of the value of transaction in listed securities on buyers.

Income Tax from Income From House Property

The provisions were introduced to tax notional income on rentals from property held as stock-in-trade for a period beyond one year from the end of the financial year in which the certificate of completion of property was obtained. This period of holding is proposed to be increased to two years.

Relief Rebates for corporate sector

To encourage industrial growth and development, the Government of India offers major tax incentives to industrial units and foreign exchange earners in the country.

Depreciation

Depreciation is available on all assets used in business except land.

Deduction of 100% of the profits from business for a period of 10 years for infrastructural projects

Income by way of dividend, interest, or long-term capital gain of an infrastructure capital company or an infrastructure capital fund is 100% tax-exempt. Income of Venture Capital Company or venture capital fund set up to raise funds for investment in a venture capital undertaking is also tax-exempt.

Foreign Tax Exemption and Credit

Relief for the avoidance of double taxation is governed by agreements with several countries. If relevant agreement exists and payment of foreign tax is documented, resident corporations may claim a tax credit for foreign-source income equal to the lower of the tax imposed by the foreign country and the tax imposed by India on the foreign income.

Other Tax Credits

Taxes withheld at source from such payments as dividends, royalties and income from investments may offset gross tax liability along with taxes paid in advance during the accounting year. Credits exceeding gross tax liability are refunded if the taxpayer makes a claim by filing a return of income.

General Anti Avoidance Rule (GAAR)

To claim benefits of DTAA's, Tax Residency Certificate, though necessary, shall not be a sufficient condition. A complete modified chapter for General Anti Avoidance Rule (GAAR) has come into effect for investments made from 1st April 2017.

Treatment of Group of Companies

The income tax law does not provide for consolidation of income or for the common assessment of group of companies. Each company, including a wholly owned subsidiary, is assessed separately.

Transfer Pricing

The tax authorities have the power to determine profits that may reasonably be deemed to have been derived in a business transaction between a resident and non-resident or between a resident and resident but not ordinarily resident and include such profits in the income of the resident. Such power can be exercised when, owing to the close connection between the resident and non-resident or between the resident and the not ordinarily resident, it appears to the tax authorities that the business is so arranged as not to produce fair profits to the resident.

Income tax on Individuals

- **Income Tax** Individuals are classified into '**residents**', '**non-residents**' and '**residents but not ordinarily residents**'. The **taxability** of income is **dependent on the residential status irrespective of nationality** of the individual.
- Increase in Standard Deduction from US\$ 570 (INR 40,000) to US\$ 720 (INR 50,000).

TERRITORIALITY AND RESIDENCE

An individual is regarded as a **resident** if he is in India:

During an assessable year for a period of 182 days or more; or

- Within the four years preceding that year for a period of 365 days or more and during the assessable year for a period of 60 days or more.

There are two categories of residents “**resident and ordinarily resident**” and “**resident but not ordinarily resident**”.

Taxation of Expatriates and Non-residents

Expatriate residents are not taxed on their foreign income, unless it is received or accrued in Indian or derived from a business controlled in, or a profession set up in India.

Expatriate employees are not generally subject to tax on employer-paid travel expenses to their home countries for themselves and their families.

Tax treaties exempt compensation of employees who are present in India for less than 183 days, but the conditions required for exemption vary depending on the treaty.

- **Income Tax Rates** for financial Year 2018-2019 for residents and non-residents are:

Taxable income	Tax Payable
Up to US\$ 3,570/- (INR 250,000)	Nil
US\$ 3,570- US\$ 7,140/- (INR 250,000- INR 500,000)	5 %
US\$ 7,140 - US\$ 14,280/- (INR 500,000 – INR 1 Million)	20%
Above US\$ 14,280/- (INR1 Million)	30%

If taxable income exceeds US\$ 71,450/- (INR 5 Million), an additional surcharge of 10% and if exceeds US\$ 142,850/- (INR 10 Million), an additional surcharge of 15% shall be levied.

A rebate under Section 87A, which was upto an amount of US\$ 35 (INR 2,500) for Individuals having Annual Income upto US\$ 7,150 (INR 500,000), has been increased to US\$ 180 (INR 12,500).

Gross Income

An individual's gross income includes **salary, income from property, profits and gains of business or profession, capital gains and income from other sources.**

Capital Gains

Capital gains tax is levied on capital gains arising from the **transfer of a capital asset**. Capital gain is classified as either Long Term or Short Term, as explained above.

Short term capital gains are subject to tax as normal income at the normal rates, except to the capital gain on listed share & securities shall be liable to be taxed at 15.60% whereas, long term capital gains are subject to tax at 20.80% on the asset other than listed share & security. Long term capital gain in case of listed share & securities on which security transaction tax is applicable shall be liable to tax @ 10.4%.

In the case of long-term capital gains, the benefit of inflation indexation of the cost of the asset is available. The DTAs between India and some countries provide for some relief from tax on capital gains.

Withholding Taxes

The income tax law provides for withholding of tax at source on various types of income, including salaries, interest on securities, other interest, rental income from land or buildings together with furniture and fittings. Different thresholds and rates apply depending on the type of income. Withholding taxes are offset against gross tax liability, which is determined on the aggregate of all sources of income after reducing allowable deductions.

Tax deduction at source @ 1% for land/building (other than agricultural) for consideration exceeding US\$ 71,400/- (INR 5 Million).

Intending to provide relief to the small depositors/taxpayers and also reducing compliance burden, Finance Bill 2019 proposes to amend Section 194A and Section 194I of the Act and increase the threshold limits.

- Section 194A requires every banking company, co-operative society and post office to withhold tax @ 10% on payment of income by way of interest other than "Interest on securities," if the same exceeds US\$ 145 (INR 10,000). Finance Bill, 2019 proposes to increase this threshold limit from US\$ 145 (INR 10,000) to US\$ 570 (INR 40,000).
- Section 194-I of the Act, requires every person (subject to certain exceptions) to withhold tax @ 2% or 10% on payment of income by way of rent, in excess of US\$ 2,570 (INR 180,000). Finance Bill, 2019 proposes to increase such threshold limit from US\$ 2,570 (INR 180,000) to US\$ 3,425 (INR 240,000).

Gift Tax

If any sum of money exceeding of US\$ 715 (INR 50,000) is received without consideration by any person from any person after 1st April 2017, the whole of such amount shall be chargeable to Tax except certain condition where it is given to specified relatives, on marriage, under will or by way of inheritance or in case of a death.

Indirect Taxes

GST - Goods and Services Tax

GST, a unified Indirect Tax on products traded and services rendered, has subsumed former taxes such as Central Excise Duty, Service Tax, Additional Custom Duty, Central and State Ad-hoc Surcharges, State Level Value Added Taxes, and Octroi and has come into effect on 1st July, 2017.

GST is bifurcated into two components – Central GST and State GST, thus enabling the Centre and the State to levy GST simultaneously along the value chain. The GST regime uses the Harmonized System of Nomenclature (HSN), an 8-digit code for type or product or service, which enables the tax payer to identify the applicable rate of GST on different products as per GST Rules.

Rates under GST

Currently, GST is being charged in 5 slabs based on various categories of goods and services. The slabs are 5%, 12%, 18%, 28%, and 28% + Cess. Essential commodities have been exempted from GST.

In India GST is applicable on all the goods & services except the following: -

- Services by Govt. or local authorities;
- Services by the Reserve Bank of India;
- Services by a foreign diplomatic mission located in India;
- Services related to agriculture;
- Transmission & distribution of electricity
- Service by way of access to a road or a bridge on payment of toll charges;
- Services provided by educational institutes, charitable trust subject to certain conditions.
- Foods and other necessary items

Considering that the amendments required are already introduced by the GST Council from time-to-time; no amendments were proposed to the GST legislation in the Union Budget. Some highlights:

- Most items of daily use of the poor and middle class are already between 0 and 5 percent tax slab
- Threshold limit for supplier of goods registration under GST proposed to be doubled from US\$ 28,500 (INR 2 Million) to US\$ 57,000 (INR 4 Million) benefitting small businesses
- Changes in the existing composition scheme made by increasing the turnover limit to join the scheme up to US\$ 215,000 (INR 15 Million), tax payments to be made quarterly and returns to be filed annually starting 1st April 2019.
- New composition scheme is introduced for service providers and those who supply services along with goods; the Turnover limit set is US\$ 71,500 (INR 5 Million) and the Tax rate is fixed at 6%
- It has been proposed to bring more than 90% of the taxpayers with a turnover of less than US\$ 715,000 (INR 50 Million) under the quarterly return filing scheme
- GST burden on home buyers is proposed to be reduced by appointing a Group of Ministers to examine and make recommendations to rationalize GST on the real estate sector

Customs Duty

Customs duty is levied by the central government on all imports into and exports from India at the rates prescribed in the Customs Tariff Act. The peak ad-valorem customs duty rate is 15%. The Government has imposed additional duty at a rate not exceeding 4% ad-valorem to countervail the sales tax.

Other Significant Taxes

There is no social security tax. Under the Provident Funds laws, an amount up to 12% is deducted from the salaries of the employee and an equal amount is contributed by the employer every month.

The accumulated amount, including interest, is paid to the employee on termination of service. Employers and employees are required to contribute a monthly amount to a medical fund.

There is stamp duty act which is applicable on the transfer of immovable property. The stamp duty liability will vary state wise as it is a duty levied by state govt.

(Assumed Exchange Rate: US\$ 1 = INR 70)

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