Liberalisation of FDI Policy

In line with the Government of India’s (GoI) continued efforts to facilitate foreign investment, the Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and Industry recently released two Press Notes that enhance the threshold invoking referral of proposals of foreign equity inflow to the Cabinet Committee on Economic Affairs (CCEA) recommended by the Foreign Investment Promotion Board and promote investments from Non-Resident Indians (NRIs).

Increase in threshold for referring foreign investment proposals to CCEA

As per extant Consolidated FDI Policy, proposals with total foreign equity inflow of more than INR20 billion referred by FIPB are placed before the CCEA for consideration.

DIPP has liberalised the threshold vide its Press Note 6 (2015 Series) dated 3 June 2015. Accordingly, in order to place the proposals before the CCEA for its approval, the threshold limit has been enhanced to INR30 billion.

Revised definition of NRI and liberalisation of non-repatriation investment by NRIs

The GoI has a stated policy to provide Overseas Citizens of India (OCIs)/Persons of Indian Origin (PIOs) parity with NRIs. In pursuance of the same the definition of NRIs has been broadened to include OCI cardholders within its purview, vide its Press Note 6 (2015 Series) dated 3 June 2015.

Revised definition of an NRI is as under:

NRI means an individual resident outside India who is a citizen of India or is an ‘Overseas Citizen of India’ cardholder within the meaning of Section 7(A) of the Citizenship Act, 1955. ‘Person of Indian Origin’ cardholders are deemed to be ‘Overseas Citizen of India’ cardholders.

Further, a new paragraph has been inserted in the Consolidated FDI Policy Circular of 2015 that deems foreign investment made by NRIs under Schedule 4 of FEMA (Transfer or Issue of Security by Persons Resident Outside India) Regulations, 2000 (‘FEMA 20/2000’) to be domestic investment and at par with the investment made by residents.

This amendment, which is in line with recommendations of the Dr. Arvind Mayaram Committee, would treat ‘non-repatriable’ investment by NRIs as ‘domestic’, exempting them from FDI related conditions.

The above mentioned amendments, that are expected to come into effect from 18 June 2015, could expedite the approval process for large FDI projects and encourage foreign investment by NRIs in India.

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1 Press Notes 6 and 7, dated 3 June 2015