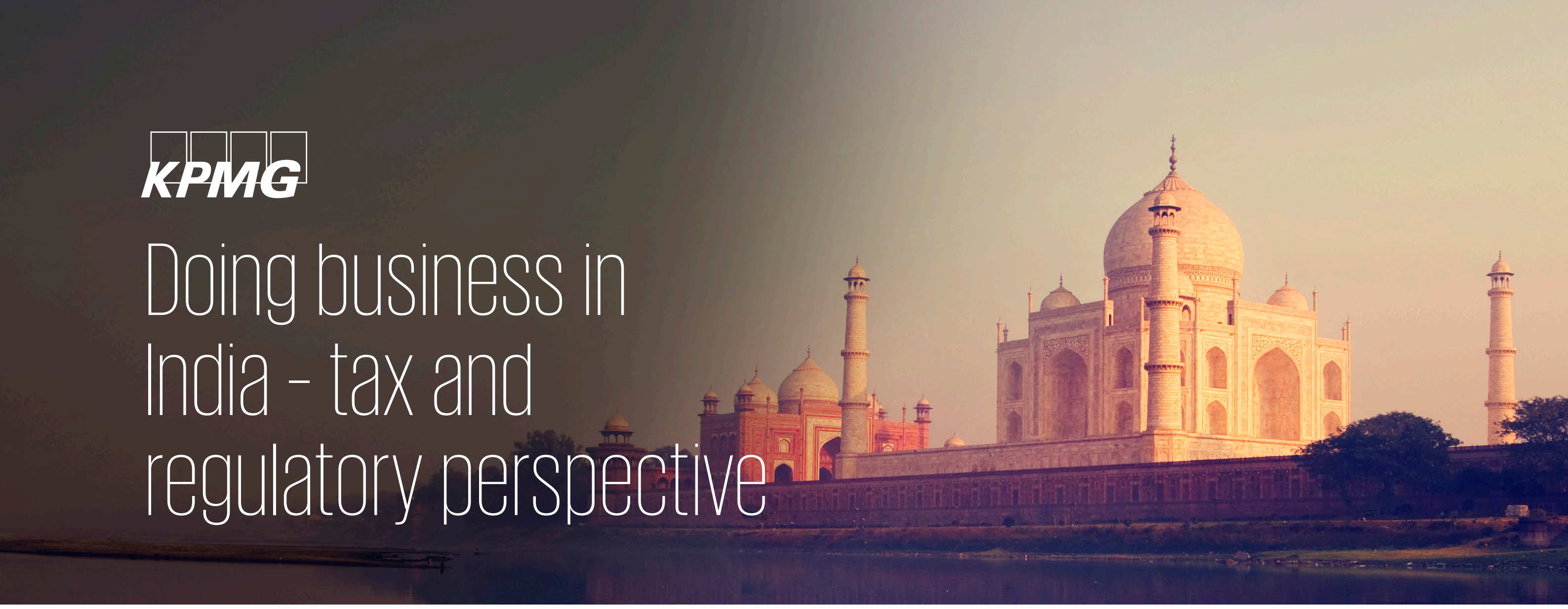

KPMG

Doing business in India - tax and regulatory perspective

India is a young and dynamic economy riding on inherently strong fundamentals such as a huge domestic demand base, demographic dividend, skilled English speaking workforce, expanding infrastructure, etc.

Poised to pursue the target of USD 5 trillion economy by FY 2024-25, the government is committed to boost investor sentiment, attract foreign investment and enhance economic growth.

The government has introduced vigorous policies and programmes focusing on health and agriculture sectors. Announcements of reforms to liberalise the foreign direct investment policy, fast track clearance of major investment projects, etc. make it an opportune time for foreign investors to consider India as a premier investment destination in the current global environment.

Broad Foreign Direct Investment (FDI) snapshot of select sectors

Select sector	Limit for FDI – foreign investors
Pharmaceuticals and life sciences	100 per cent under automatic route (Greenfield projects)
E-commerce activities	100 per cent under automatic route (only engaging in B2B and not retail trading)
Agriculture and animal husbandry	100 per cent under automatic route (for certain activities, e.g.: horticulture, seed planting, pisciculture, services to agro sector)
Retail	
• Single brand retail	100 per cent under automatic route (subject to conditions)
• Multi- brand retail	Up to 51per cent with government approval
• Food retail	100 per cent with government approval

* Automatic route means no prior government approval required

Entity presence in India

Available entity options

- Company
- Limited Liability Partnership
- Liaison Office / Branch Office / Project Office

India fact sheet

- **Economy size** – USD 2.7 trillion, **fastest**-growing economy in the world[1]
- **FDI in 2018-19; highest in five years at USD64 bn**[2]
- **Competitive federalism;** states and cities becoming regional powerhouses
- Significant improvement in **'World Bank's Ease of Doing Business Ranking 2018'**, jumps 65 positions from rank 142 (2014) to 77 (2018)[3]
- **Consumer story** to be driven by its 129 mn urban mass consumers[4]
- **Ranks 58** among the world's most competitive economies[5]
- 175 GW of **renewable energy** targeted to be generated by 2022
- **One of the largest aviation markets** globally
- **One of the largest automotive markets** globally in terms of volume.

[1] Strategy for New India At 75 report, Niti Aayog, Government of India
[2] FDI Statistics, 2019, Department for Promotion of Industry and Internal Trade
[3] World Bank's Ease of Doing Business 2019 survey
[4] Consumer Close-Up: Tapping the spending power of a young, connected Urban Mass, Goldman Sachs report
[5] World Economic Forum's global competitiveness index, 2018

Steep corporate tax rate cut

The Indian government's recent announcement to reduce the corporate tax rate to 15 per cent / 22 per cent[1] is a welcome step towards attracting foreign investment in India. The recent tax reforms place India at a competitive advantage against countries in the Asian region, and also bring the effective corporate tax rate closer to the global average tax rate. While some open issues need further deliberation, it is critical that the stakeholders take cognisance of the changes and consider the impact of their decisions on Indian businesses.

[1]As per The Taxation Laws (Amendment) Ordinance, 2019 - India's corporate tax rate is 22 per cent (effective tax rate is 25.17 per cent), down from 25 / 30 per cent (maximum effective tax rate is 29.12 per cent/ 34.94 per cent); new manufacturing companies set up in India after October 1, 2019 shall enjoy beneficial tax rate is 15 per cent (effective tax rate is 17.16 per cent).

Other key tax and regulatory updates

- New Goods and Services Tax regime
- Indian Accounting Standards implemented to align with global IFRS
- Ratification of Multilateral Instrument (MLI) by India covering key trade and investment partners
- Successful* Advance Pricing Agreement (APA) (unilateral and bilateral) negotiated and signed
- Greater relaxations in policy for borrowing from foreign lenders i.e. external commercial borrowings
- Central and state governments of India offer fiscal and non- fiscal incentives to encourage investment in India
- Boost to start-ups by simplifying the regulatory norms and offering tax benefits
- Major thrust on electric vehicle manufacturing; aspiration to be a global hub

**approximately 300 as per the Central Board of Direct Tax*

Key aspects for investors

Market entry strategy

Location analysis

Cost benefit analysis

Robust documentation for business arrangements

Funding options

Tax and regulatory compliances

> Developing a clear strategy, evaluating critical factors such as location, type of entity, evaluation of incentives at Central and state levels, jurisdictional planning, funding and repatriation options, obtaining certainty on potential tax issues by exploring various available options such as Advance Pricing Agreements (APA), Authority for Advance Rulings (AAR), etc. will be instrumental in streamlining affairs for reaping long-term benefits from Indian investments

Why KPMG in India

- A committed international corporate tax and regulatory team of experienced professionals who act as trusted advisors to clients
- Given our focus on industry specialisation, the team keeps track of developments in the sector and is well-versed with common issues faced by the industry
- The India team is well-connected within KPMG's global network of member firms, and keeps track of developments in global markets
- Utmost importance given to client and data confidentiality with stringent internal controls and risk policies.

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