AU CORPORATE
GROWING TOGETHER

DOING BUSINESS IN INDIA

A Complete Guide for Foreign Investors

2026 Edition

AU Corporate | 4O8, Surya Kiran Building, 19 KG Marg, Connaught Place, New Delhi – 110001

partner@theaucorp.com | www.theaucorp.com | +91-9999010513 / +91-9999315010

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About This Guide

This handbook has been prepared by AU Corporate to give foreign businesses and investors a practical, up-to-date overview of what it takes to establish and operate in India — from the economic case for entering the market through to the mechanics of incorporation, taxation, regulatory compliance, and eventual repatriation or exit.

India's regulatory landscape moves quickly — foreign investment policy, tax law, and compliance requirements are revised frequently. The information in this guide reflects the position as of 2026 and is intended as a general reference rather than a substitute for transaction-specific legal, tax, or regulatory advice. AU Corporate would be glad to help you apply this guidance to your specific situation.

INDIA

2026

India's Growing Size and Economy

India has emerged as one of the world's largest and fastest-growing major economies, offering foreign investors access to an enormous and expanding consumer base, a young and skilled workforce, and a policy environment that has been steadily liberalised to attract long-term capital.

Key Economic Indicators

01

India is the world's most populous country, giving businesses access to one of the largest consumer and workforce markets on the planet.

02

India continues to rank among the world's fastest-growing major economies, driven by strong domestic consumption, rising investment, and structural economic reforms.

03

India recorded US$81.04 billion in total FDI inflows during FY 2024–25 — a 14% year-on-year increase — reflecting sustained international investor confidence.

04

India's consumer spending is projected to reach approximately US$4.3 trillion by 2030, driven by rising incomes, rapid urbanisation, digitalisation, and an expanding middle class.

05

More than 40% of India's population is expected to live in urban areas by 2030, creating sustained demand across infrastructure, housing, mobility, retail, healthcare, and urban services.

06

India has established itself as a global technology and outsourcing hub, underpinned by a large skilled workforce, mature digital infrastructure, and an established IT-services ecosystem.

Taken together, these factors position India not merely as a large market to sell into, but as a strategic base from which global businesses can manufacture, source, and scale across Asia.

Why India? Key Investment Factors

India's appeal to long-term investors rests on a combination of scale, growth momentum, and policy direction that few other markets can match. The following factors are among the most cited reasons global businesses choose India as a long-term investment destination.

Factor	Why It Matters
One of the World's Largest Markets	India's population and workforce give businesses access to one of the largest consumer and labour markets globally.
Fast-Growing Major Economy	India continues to rank among the world's fastest-growing major economies, supported by consumption, investment, and reform.
Strong & Rising Foreign Investor Confidence	US$81.04 billion in total FDI inflows in FY 2024–25, up 14% year-on-year.
Rapidly Expanding Consumer Market	Consumer spending is projected to reach ~US$4.3 trillion by 2030.
Rapid Urbanisation	Over 40% of India's population is expected to live in urban areas by 2030, driving infrastructure and services demand.
Global Manufacturing & Electronics Hub	India is the world's second-largest mobile-phone manufacturing country, with 300+ manufacturing units; mobile-phone production reached ~₹5.45 lakh crore in FY 2024–25.
Clean Energy & Sustainability Opportunity	283.46 GW of installed non-fossil-fuel capacity as of 31 March 2026, with continued expansion across renewables, storage, and grid infrastructure.
A Strategic Destination for Global Business	A large domestic market, a young talent pool, expanding digital infrastructure, and growing manufacturing capability make India a natural base for businesses expanding across Asia.

Sector - Wise Opportunities

Global Capability Centres (GCCs)

India hosts 2,100+ GCCs employing 2+ million professionals — ~40% of the world's GCC workforce; the market is on track to cross US$100 billion in FY26, with growing mandates in AI, engineering, and product ownership rather than back-office support.

CHEMICALS

US$250+ billion market with strong global manufacturing and supply-chain opportunities.

PHARMACEUTICALS

World's largest supplier of generic medicines, accounting for ~20% of global generic medicine supply.

IT -BPM

US$290+ billion industry; India is a global hub for IT, digital, and technology services.

AUTOMOBILE / EV AND COMPONENT

A major global automotive manufacturing hub with strong growth in EVs, batteries, and components.

ELECTRONICS

World's 2nd-largest mobile-phone manufacturing country with a rapidly expanding electronics manufacturing ecosystem.

CONSTRUCTION

Rapid urbanisation is driving major opportunities across construction and industrial projects.

ROAD & HIGHWAYS

World's 2nd-largest road network, with continued expansion of highways and logistics infrastructure.

FOOD PROCESSING

One of the world's largest food-producing nations, with strong opportunities across processing and supply chains.

MEDICAL DEVICES

Among the world's leading medical-device markets, with growing domestic manufacturing capability.

TEXTILE

A global textile and apparel manufacturing hub with a strong cotton, silk, and apparel export ecosystem.

RETAIL

One of Asia's largest retail markets, with rapidly expanding organised retail and consumer demand.

TOURISM

A diverse, high-potential tourism market with growing international and domestic travel demand.

CONSUMER GOODS

A large and rapidly growing consumer market with strong opportunities across durables and FMCG.

BIOTECHNOLOGY

One of Asia-Pacific's leading biotech markets, with strong capability in vaccines and life sciences.

DEFENCE

One of the world's largest defence forces, with growing opportunities in defence manufacturing and technology.

LEATHER

A major global leather manufacturing and export hub with a strong export-oriented production base.

RAILWAYS

One of the world's largest railway networks, with significant opportunities in infrastructure and technology.

RENEWABLE ENERGY

Over 500 GW of installed renewable energy capacity, with strong potential across solar, wind, and clean-energy solutions.

BFSI

Rapid growth in digital payments and financial services, with expanding opportunities in banking, fintech, and insurance.

METALS AND MINING

Among the world's leading steel producers, with strong demand for metals, minerals, and industrial materials.

HEALTHCARE

Among the world's leading steel producers, with strong demand for metals, minerals, and industrial materials.

Business Structures in India

A foreign investor has several routes into the Indian market, each suited to a different stage of market entry, level of commitment, and appetite for compliance. Broadly, these fall into three categories: a foreign company presence with no separate Indian legal entity, an Indian company (wholly owned or in partnership with an Indian shareholder), and a Limited Liability Partnership. The right choice depends on the nature of your business activity, the applicable FDI route for your sector, your appetite for local compliance, and how quickly you expect to earn income in India.

1. Foreign Company Presence — No Separate Indian Legal Entity

These structures are legally an extension of the foreign parent itself, rather than a distinct Indian entity. They are established with the prior approval of an Authorised Dealer (AD) Bank or the RBI, and each is subject to a periodic Annual Activity Certificate confirming it has stayed within its permitted scope.

2. Indian Company — A Separate Legal Entity

Unlike a Branch, Liaison, or Project Office, an Indian company is a distinct legal person, separately incorporated under the Companies Act, 2013. It can contract, own property, hire staff, and sue or be sued in its own name, and is taxed as a domestic company regardless of the extent of foreign ownership.

3. Limited Liability Partnership (LLP)

An LLP, registered under the LLP Act, 2008, combines the separate legal identity and perpetual succession of a company with the organisational flexibility and lighter compliance burden of a partnership. At least two partners are required, each with limited liability. FDI in an LLP is permitted under the automatic route in sectors where 100% FDI is allowed and no FDI-linked performance conditions apply — but capital contribution must be brought in as cash (not via External Commercial Borrowings), and an LLP cannot access the concessional 22%/15% company tax regimes available to a WOS. An LLP suits professional-services or low-capital operations that value simpler compliance over access to India's concessional corporate tax rates or the ability to raise structured equity/debt financing.

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Branch Office (BO)

A Branch Office allows a foreign company to conduct substantive commercial activity in India — including earning income — while remaining legally the same corporate person as its foreign parent, rather than a separately incorporated Indian entity. It suits investors who want a direct commercial footprint in India without the compliance overhead of incorporating a subsidiary, though it comes at the cost of a higher effective tax rate than an Indian company (see Taxation, below).

Liaison Office (LO)

A Liaison Office is purely a representative presence — it cannot undertake any commercial activity, sign contracts locally, invoice customers, or earn income in India. Its entire cost of operation must be met through inward remittances from the foreign parent. It is best suited to investors who want a formal, on-the-ground presence to research the market and build relationships before committing to a revenue-generating structure.

Project Office (PO)

A Project Office is a purpose-built, time-bound structure set up solely to execute a specific contract awarded to the foreign company by an Indian entity — typically in infrastructure, EPC, or engineering projects — where funding is routed through an inward remittance, a bilateral or multilateral funding agency, or a term loan from an Indian public financial institution or bank.

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Eligibility: a profit-making track record during the immediately preceding five financial years in the home country, and a net worth of at least US$100,000 or its equivalent.

Permitted activities include:

- Export and import of goods
- Rendering professional or consultancy services
- Carrying out research work in areas in which the parent company is engaged
- Promoting technical or financial collaborations between Indian companies and the parent or overseas group company
- Representing the parent company in India and acting as a buying or selling agent
- Rendering information technology and software development services in India
- Rendering technical support to products supplied by the parent or group companies
- Representing foreign airline and shipping companies

A Branch Office generally cannot undertake manufacturing or retail trading activity directly (manufacturing is permitted only within Special Economic Zones, subject to conditions), and must function on a stand-alone basis in sectors where 100% FDI is permitted. Validity has no fixed tenure, subject to continued compliance.

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Eligibility: a profit-making track record during the immediately preceding three financial years, and a net worth of at least US$50,000 or its equivalent.

Permitted activities include:

- Acting as a communication channel between the parent company and entities in India
- Collecting information on potential market opportunities and providing information about the company and its products to prospective Indian customers
- Promoting export and import from and to India
- Facilitating technical or financial collaboration between the parent company and Indian companies

Validity is generally 3 years (renewable), reduced to 2 years for NBFCs and entities engaged in construction and development sectors.

Project Office (PO)

A Project Office is a purpose-built, time-bound structure set up solely to execute a specific contract awarded to the foreign company by an Indian entity — typically in infrastructure, EPC, or engineering projects — where funding is routed through an inward remittance, a bilateral or multilateral funding agency, or a term loan from an Indian public financial institution or bank.

Eligibility: no specific net worth or track-record condition, but the foreign company must have secured a qualifying project contract in India and demonstrate an approved funding route.

Permitted activities are limited strictly to those relating and incidental to execution of the specific project — the Project Office cannot take on unrelated business, and it closes automatically once the project is complete. Validity runs for the tenure of the project.

Wholly Owned Subsidiary (WOS)

Where 100% FDI is permitted under the automatic route for the relevant business activity, a foreign company can incorporate a Wholly Owned Subsidiary in India — an Indian private or public limited company in which the foreign parent (directly or through group entities) holds the entire shareholding. The WOS is treated as an Indian resident company for all purposes, including income tax and FEMA, despite being fully foreign-owned. It offers full operational control, limited liability, access to concessional domestic tax rates, and the ability to raise debt and equity locally. At least two shareholders are required for a private limited company (seven for a public limited company) — these can be the foreign parent and a nominee, or two group entities. For most foreign investors making a long-term commitment to India, the WOS is the preferred structure, and is covered in a dedicated step-by-step section later in this guide.

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Joint Venture (JV) with an Indian Partner

While a Wholly Owned Subsidiary has traditionally been the default choice for investors seeking full control, a growing number of foreign companies are structuring their India entry as a Joint Venture with an Indian partner — and this trend has accelerated in recent years. Two forces are driving it:

Sectoral FDI restrictions

Sectoral FDI restrictions — a number of sectors either cap foreign ownership below 100% or require government-route approval beyond a specified threshold, including insurance (74%), defence (100% permitted but beyond 74% requires government approval), multi-brand retail trading (51%, government route), digital news media, and select telecom and space activities. In these sectors, a local partner is often the only way to structure a compliant, fully-funded entry.

Strategic value beyond compliance

Strategic value beyond compliance — even where 100% FDI is freely permitted, many investors choose an Indian partner deliberately, for their distribution network, regulatory relationships, public-sector access, brand recognition, or on-ground execution capability — particularly in infrastructure, defence manufacturing, financial services, and consumer-facing sectors.

A JV can be structured as a jointly held Indian company or, less commonly, through purely contractual arrangements. Its success depends heavily on partner selection and on the strength of the shareholders' agreement — covering board composition and reserved matters, deadlock resolution, IP ownership and licensing, non-compete protections, and exit or buy-out mechanisms if the relationship doesn't work out. Identifying, vetting, and negotiating terms with a suitable Indian JV partner is one of the areas where AU Corporate is most frequently engaged by international clients.

3. Limited Liability Partnership (LLP)

An LLP, registered under the LLP Act, 2008, combines the separate legal identity and perpetual succession of a company with the organisational flexibility and lighter compliance burden of a partnership. At least two partners are required, each with limited liability. FDI in an LLP is permitted under the automatic route in sectors where 100% FDI is allowed and no FDI-linked performance conditions apply — but capital contribution must be brought in as cash (not via External Commercial Borrowings), and an LLP cannot access the concessional 22%/15% company tax regimes available to a WOS. An LLP suits professional-services or low-capital operations that value simpler compliance over access to India's concessional corporate tax rates or the ability to raise structured equity/debt financing.

Terminology used throughout this guide: "WOS" refers to a Wholly Owned Subsidiary company, "JV" to a Joint Venture with an Indian partner, and "LLP" to a Limited Liability Partnership. Where a section refers generically to "Indian company," it covers both WOS and JV structures, since both are incorporated under the Companies Act, 2013.

Quick-Reference Comparison: Structure at a Glance

The table below compares the Branch Office, Liaison Office, Project Office, and Wholly Owned Subsidiary side by side across the criteria that typically drive an investor's choice of structure.

Criteria	Branch Office	Liaison Office	Project Office	Wholly Owned Subsidiary
Eligibility	Profit-making track record for 5 preceding years; net worth ≥ US$100,000	Profit-making track record for 3 preceding years; net worth ≥ US$50,000	No specific eligibility condition	At least 2 shareholders (private) / 7 (public); no home-country track record required
Can Earn Income in India?	Yes	No — cannot undertake commercial activity or earn income in India	Only income relating to the specific project	Yes — full commercial operations permitted
Permitted Activities	Export/import, consultancy, R&D, representation, buying/selling agency, IT & software services, technical support	Communication channel only — market research, liaison, promoting export/import	Limited to executing the specific project and incidental activities	Any lawful business activity, subject to sectoral FDI conditions
Validity / Tenure	No specific tenure criteria	3 years (2 years for NBFCs and construction/development entities)	As per the tenure of the project	Perpetual succession — no fixed tenure
Best Suited For	Testing India operations without incorporating a subsidiary	Market research / representative presence only	Executing a specific, time-bound project (e.g., infrastructure/EPC contracts)	Long-term, full-scale India operations

Choosing Between WOS, JV, and LLP

For investors who have decided to incorporate an Indian company rather than operate through a Branch/Liaison/Project Office, the next decision is typically between a Wholly Owned Subsidiary, a Joint Venture, and an LLP:

Structure	Foreign Ownership	Best Suited For	Key Consideration
WOS	Up to 100%, where the sector permits	Long-term operations requiring full control and access to concessional tax rates	Requires the sector to permit 100% FDI under the automatic route
JV	Below 100%, per sectoral cap or by choice	Restricted sectors, or where a local partner adds strategic value	Success hinges on partner selection and shareholders' agreement terms
LLP	Up to 100%, where automatic route applies	Professional services / lower-capital operations valuing simpler compliance	Cannot access concessional company tax rates; capital must be cash-funded

Recent FDI Policy & Regulatory Reforms

India's FDI policy has been progressively liberalised over the past decade, and the pace of reform has continued into 2025–26. Investors evaluating India today benefit from a materially more open and predictable regime than even five years ago.

Automatic Route vs. Government (Approval) Route

Every inbound investment falls under one of two routes, depending on the sector and business activity:

- **Automatic Route** — no prior approval from the Government of India is required. The investment can be made directly, with the Indian entity simply reporting it to the RBI after the fact (via Form FC-GPR). The large majority of sectors — including most manufacturing, IT/ITES, and professional services — fall under the automatic route today, and this is the default assumption for a straightforward WOS set-up.

- **Government (Approval) Route** — prior approval is required from the concerned administrative ministry or department before the investment is made, routed through the Government's Foreign Investment Facilitation Portal. This applies to specified sectors (e.g., defence beyond 74%, multi-brand retail trading, print media, satellite and space activities, and select others), and — under Press Note 3 (2020) — to any investment, in any sector, from an entity based in or beneficially owned from a country that shares a land border with India, regardless of the amount.

Confirming which route applies to your specific business activity is one of the first things AU Corporate checks for every client, since it directly affects both the achievable timeline and the documentation required.

Greenfield vs. Brownfield Investment

Greenfield investment — setting up an entirely new entity, facility, or operation from scratch. This generally receives the most liberal FDI treatment and is the more common route for a first-time WOS incorporation.

Brownfield investment — investing by acquiring shares or control in an existing Indian company (via share purchase, merger, or amalgamation). Brownfield investment can attract additional scrutiny even in sectors where greenfield investment is freely permitted — for example, greenfield pharmaceuticals investment is under the automatic route, while brownfield (acquisition-based) pharmaceuticals investment above certain thresholds requires government-route approval, reflecting policy concern around control of existing domestic capacity.

Recent Reform Highlights

- Corporate tax rate for foreign companies reduced from 40% to 35% (effective FY 2024–25 onward, retained under the new Income-tax Act, 2025) — narrowing the gap with the concessional domestic company rate and improving the economics of branch operations relative to subsidiaries.

- A concessional 15% base tax rate (effective ~17.16% after surcharge and cess) continues to be available under Section 115BAB to new domestic manufacturing companies incorporated after 1 October 2019 — a direct incentive for foreign investors setting up greenfield manufacturing capacity as a WOS rather than a branch, since only a domestic company can access this rate.

- GST 2.0 reforms (effective 22 September 2025) simplified India's indirect tax structure from four slabs to three — 5%, 18%, and a 40% slab for luxury and “sin” goods — reducing classification disputes and easing compliance for businesses selling into India.

- FDI policy for LLPs has been notified, making the LLP a more usable long-term structure for foreign investors in permitted sectors.

- Continued digitisation of company incorporation, RBI reporting (FIRMS/SMF portal), and GST registration has meaningfully shortened set-up timelines compared to a few years ago.

Given how frequently FDI policy and sectoral caps are revised, AU Corporate recommends confirming the current sectoral FDI position for your specific business activity before finalising a structure.

GOVERNMENT INCENTIVES & SCHEMES FOR MANUFACTURING

Beyond a liberalised FDI regime, the Government of India offers a substantial and growing package of direct financial incentives, tax concessions, and infrastructure support to investors setting up manufacturing in India. These schemes can materially change the economics of a manufacturing project, and should be factored into location and structuring decisions from the outset.

Production Linked Incentive (PLI) Scheme

India's flagship manufacturing incentive programme, the PLI Scheme, offers eligible manufacturers a direct cash incentive of 4%–18% on incremental sales (over a defined base year) of goods manufactured in India. Launched in 2020 across 14 priority sectors — including large-scale electronics, pharmaceuticals, telecom equipment, automobiles and auto components, specialty steel, textiles, food processing, white goods, solar PV modules, advanced chemistry cell batteries, drones, and IT hardware — the scheme carries a combined outlay of approximately ₹1.97 lakh crore (~US$23 billion). By 2026 it had already generated roughly ₹7.5 lakh crore in incremental production and over 11 lakh direct jobs. Eligibility, incentive rates, and the base year vary by sector-specific guidelines issued by the relevant ministry.

- PLI 2.0 for Electronics — a new ₹62,500 crore scheme (including the Electronics Component Manufacturing Scheme, ECMS) launched to support India's push toward a US$400 billion electronics manufacturing economy by 2030, with a fresh base year and renewed focus on deep local value addition (components, not just final assembly) rather than the assembly-led model of the original scheme.
- Sector-specific refresh rounds — several original PLI sectors, including specialty steel, have received follow-on rounds (e.g., “PLI 1.2”) to extend the incentive window and attract fresh investment commitments.

India Semiconductor Mission (Semicon India Programme)

Under the ₹76,000 crore Semicon India Programme, the government provides fiscal support of up to 50% of project cost for setting up semiconductor fabs, display fabs, compound semiconductor/OSAT (assembly, testing, and packaging) facilities, and semiconductor design companies in India. Ten semiconductor manufacturing projects had been approved by 2026, representing cumulative investment exceeding ₹1.6 lakh crore across six states. A second phase, Semicon 2.0 (with an outlay reported at ~₹1.3 lakh crore), is being rolled out to support more advanced technology nodes and deepen the domestic design and manufacturing ecosystem — relevant to any investor considering India for electronics, semiconductor, or related deep-tech manufacturing.

Concessional Tax Rate for New Manufacturing Companies

As covered in the Taxation section of this guide, a new domestic manufacturing company incorporated after 1 October 2019 can elect a concessional 15% base corporate tax rate (effective ~17.16% after surcharge and cess) under Section 115BAB — one of the most direct and durable incentives available, and a further reason to structure a manufacturing entry as a Wholly Owned Subsidiary rather than a Branch Office, since only a domestic company can access this rate.

Special Economic Zones (SEZ)

India has 276 operational SEZs, which together account for over US$133 billion in exports. SEZ units continue to enjoy meaningful indirect-tax and operational benefits, though it is important to note that the income-tax holiday under Section 10AA has sunset — it is available only to units that commenced operations on or before 31 March 2020, and is not available to new SEZ units incorporating today. The benefits that remain live for new SEZ units include:

•Duty-free import or domestic procurement of capital goods, raw materials, consumables, and spares for authorised operations, without any specific import licence.

•Supplies to an SEZ are zero-rated under the IGST Act, effectively exempting SEZ procurement from GST.

•Simplified customs procedures and single-window clearance for central and state approvals.

•Freedom to bring in export proceeds without a fixed time limit, and access to External Commercial Borrowings up to US$500 million per year without maturity restrictions.

A temporary, conditional concessional customs duty regime for SEZ-to-domestic (DTA) clearances was also notified for the period 1 April 2026 to 31 March 2027, aimed at units that commenced production on or before 31 March 2025 and meet specified value-addition and volume conditions — worth checking if your project timeline could benefit from it.

Export Promotion Schemes

•Export Promotion Capital Goods (EPCG) Scheme — allows duty-free import of capital goods for pre-production, production, and post-production, subject to an export obligation typically equal to six times the duty saved, fulfilled over six years.

•Advance Authorisation Scheme — permits duty-free import of inputs that are physically incorporated into an export product.

•Remission of Duties and Taxes on Exported Products (RoDTEP) — refunds embedded, non-creditable central, state, and local duties and taxes on exported goods that are not otherwise rebated under any other mechanism.

State-Level Incentives

Individual state governments compete actively for manufacturing investment and typically offer their own incentive packages on top of central schemes — commonly including capital subsidies, stamp duty exemption or reimbursement on land purchase, concessional or subsidised industrial land, power tariff subsidies, reimbursement of net GST paid over a defined period, and dedicated single-window clearance for state-level approvals. These packages vary significantly by state and by the scale and nature of the investment, and are usually negotiated on a project-specific basis — AU Corporate can help identify and negotiate the most favourable state package for your specific project location and sector.

Because eligibility, incentive rates, and application windows across these schemes change frequently and are sector- and project-specific, AU Corporate recommends a dedicated incentive-mapping exercise as part of any manufacturing entry into India — often the single highest-value piece of early-stage advisory a manufacturing investor can commission.

Setting Up a Wholly Owned Subsidiary — Step by Step

A Wholly Owned Subsidiary is treated as an Indian resident company for all Indian regulatory purposes — including income tax, FEMA, and the Companies Act — despite being 100% foreign-owned. At least two shareholders are required for a private limited company (seven for a public limited company). The incorporation process itself is designed to move quickly:

1. Choose the Structure AU Corporate assesses your business activity, funding plan, and sector against current FDI policy to confirm the Wholly Owned Subsidiary is the right fit — and whether it should be a private or public limited company.

2. Reserve the Company Name A proposed name is checked for availability and compliance with MCA naming guidelines and reserved through the RUN/SPICe+ Part A process.

3. Prepare Incorporation Documents Memorandum and Articles of Association, subscriber and director KYC, registered office proof, and director/shareholder consents are prepared and executed — including any documents to be apostilled or notarised in the home country.

4. File with the Registrar of Companies (RoC) The SPICe+ integrated incorporation form is filed with the Ministry of Corporate Affairs, along with applications for PAN, TAN, EPFO, ESIC, and GST registration where applicable.

5. Incorporation & Post-Incorporation Compliance Once the Certificate of Incorporation is issued, the company opens its bank account, receives foreign investment, and files the required RBI reporting (Form FC-GPR) before commencing operations.

With documentation in order, a Wholly Owned Subsidiary can typically be incorporated within 2–3 weeks. AU Corporate manages the entire process end to end — from structure selection through to your first RBI compliance filing — so you can focus on your core business rather than the paperwork.

FEMA & RBI Compliance Essentials

Every inbound investment structure — LO, BO, PO, WOS, or LLP — is governed by the Foreign Exchange Management Act, 1999 (FEMA) and the regulations issued under it by the Reserve Bank of India (RBI). Getting these filings right, and on time, is one of the most common points of friction for foreign investors, and one of the areas where AU Corporate's regulatory compliance specialists are most frequently engaged.

Key FEMA/RBI Requirements for a Wholly Owned Subsidiary

• Reporting of foreign investment — Form FC-GPR must be filed with the RBI (via the FIRMS portal) within 30 days of allotment of shares to the foreign investor.

• Annual Return on Foreign Liabilities and Assets (FLA Return) — an annual filing required of any Indian company that has received FDI or made overseas investment, due by 15 July each year.

• Sectoral cap and route compliance — confirming whether the proposed business activity falls under the automatic route (no prior approval needed) or the government route (requiring approval before investment).

• Pricing guidelines — shares issued to a non-resident investor must be priced in accordance with RBI's prescribed valuation methodology (typically a valuation by a SEBI-registered merchant banker or Chartered Accountant).

• Downstream investment reporting — where the Indian entity itself makes investments into other Indian companies, additional FEMA reporting obligations apply.

For Branch, Liaison, and Project Offices

• Establishment of a BO/LO/PO requires prior approval from an Authorised Dealer (AD) Bank or, in specified cases, the RBI directly, and is subject to periodic Annual Activity Certificates confirming the office has stayed within its permitted activities.

AU Corporate's regulatory team routinely manages RBI, MCA, and DGFT filings for our clients' Indian entities, ensuring reporting deadlines are met and structures remain compliant as they scale.

Taxation in India

India's tax framework for foreign investors spans corporate income tax, GST, and — for related-party transactions — transfer pricing rules. The government has meaningfully simplified and reduced rates in recent reform cycles, most notably the 2025 corporate rate cut for foreign companies and the September 2025 GST 2.0 rationalisation.

Corporate Tax Rates (FY 2025–26)

Component	Domestic (Indian) Company	Foreign Company	LLP
Base Rate	30% (or 25% if turnover ≤ ₹400 crore in the relevant prior year)	35% (reduced from 40%, effective FY 2024–25 onward)	30%
Concessional Regime	22% under Section 115BAA (no exemptions/deductions; MAT not applicable) — effective ~25.17%	Not applicable	Not applicable
New Manufacturing Incentive	15% under Section 115BAB for new manufacturing companies incorporated after 1 Oct 2019 — effective ~17.16%	Not applicable	Not applicable
Royalty / Technical Fees (older approved agreements)	—	50% on specified pre-existing agreements approved by the Central Government	—
Surcharge	7% (income > ₹1 Cr – ₹10 Cr); 12% (income > ₹10 Cr); 10% flat under 115BAA/115BAB	2% (income > ₹1 Cr – ₹10 Cr); 5% (income > ₹10 Cr)	12% (income > ₹1 Cr), subject to marginal relief
Health & Education Cess	4% on tax plus surcharge	4% on tax plus surcharge	4% on tax plus surcharge
MAT / AMT	15% of book profits (not applicable under 115BAA/115BAB)	Generally not applicable without a Permanent Establishment in India	18.5% AMT applies to LLPs claiming specified deductions

Goods and Services Tax (GST) — GST 2.0 Structure

Effective 22 September 2025, India simplified its GST structure from four slabs to three, easing classification disputes and compliance for businesses selling into India:

Slab	Category	Illustrative Coverage
0%	Essentials	Fresh milk, bread, eggs, select life-saving medicines, healthcare and educational services
5%	Commonly used goods & services	Packaged food, household products, agricultural machinery, budget hotel stays, gyms & salons
18%	Standard rate	Most consumer durables, small cars & motorcycles, and the majority of services
40%	Luxury & "sin" goods	High-end vehicles, tobacco products, pan masala, aerated/carbonated beverages

A Wholly Owned Subsidiary is taxed as a domestic company, despite being 100% foreign-owned — meaning it can access the 22% concessional regime (Section 115BAA) or the 15% new-manufacturing rate (Section 115BAB), both materially lower than the 35% rate applicable to a Branch Office. This is one of the clearest tax advantages of incorporating a subsidiary rather than operating through a branch.

Transfer Pricing

- Transactions between an Indian entity and its foreign group companies (including the parent) must be conducted at arm's length under India's transfer pricing regulations.
- Indian entities exceeding prescribed thresholds must maintain contemporaneous transfer pricing documentation and file an annual Accountant's Report (Form 3CEB).
- Advance Pricing Agreements (APAs) are available and increasingly used by multinational groups to obtain certainty on pricing for cross-border transactions, including royalty, management fee, and intra-group service arrangements.

Double Taxation Avoidance Agreements (DTAA)

India has signed Double Taxation Avoidance Agreements with more than 90 countries, one of the more extensive treaty networks among major emerging economies. A DTAA directly affects how much tax a foreign investor ultimately pays on dividends, royalties, interest, and capital gains flowing out of India, and should be reviewed early — ideally before the parent or holding company jurisdiction is finalised, not after.

Key benefits a DTAA can provide:

- Relief from double taxation — through the exemption method or the tax-credit method, ensuring the same income is not taxed in full in both India and the investor's home jurisdiction.
- Reduced withholding tax rates — treaty rates on dividends (typically 5%–15%, depending on the treaty and shareholding threshold), interest (typically 10%–15%), and royalties/fees for technical services are usually lower than India's domestic withholding rates, directly improving after-tax repatriation.
- Permanent Establishment (PE) protection — business profits of a foreign enterprise are taxable in India only to the extent attributable to a PE in India, giving certainty to foreign companies with only limited India-facing activity.
- Residency tie-breaker rules — resolve cases where a company or individual could otherwise be treated as tax-resident in both India and the home country.
- Mutual Agreement Procedure (MAP) — a structured, government-to-government mechanism to resolve cross-border tax disputes and double-taxation outcomes outside of litigation.

Specific requirements to claim treaty benefits:

- Tax Residency Certificate (TRC) — obtained from the tax authority of the investor's home country, confirming tax residency there for the relevant year.

- Form 10F — a self-declaration furnishing prescribed particulars (e.g., status, nationality, tax identification number, period of residency) where these are not already captured in the TRC.

- Indian PAN — generally required to claim treaty benefits, though limited relief from this requirement exists for specified categories of dividend, interest, royalty, and FTS income.

- Principal Purpose Test (PPT) — introduced via the Multilateral Instrument (MLI), treaty benefits can be denied where obtaining the benefit was one of the principal purposes of the arrangement, so treaty-based structuring should reflect genuine commercial substance.

- Limitation of Benefits (LOB) — several of India's treaties (including with Singapore and Mauritius) include LOB clauses requiring a minimum level of local substance or expenditure before treaty benefits apply.

Because the DTAA network varies materially by jurisdiction, AU Corporate reviews the applicable treaty position as part of the initial structuring conversation — the choice of holding jurisdiction for the foreign parent can have a meaningful, lasting effect on withholding tax over the life of the investment.

Repatriation of Profits & Exit Considerations

A well-planned entry strategy should always be paired with clarity on how profits will be repatriated and how the investment could eventually be exited. India's repatriation framework is well established, but each route carries its own tax and compliance implications.

Repatriation Routes

• Dividends — freely repatriable after payment of applicable withholding tax; since abolition of the Dividend Distribution Tax, dividends are taxed in the hands of the shareholder, generally subject to a reduced rate under an applicable Double Taxation Avoidance Agreement (DTAA).
• Royalty & technical/management fees — payable to the foreign parent for use of IP or provision of services, subject to withholding tax and, where applicable, transfer pricing scrutiny.
• Buyback of shares — an alternative route to return capital, subject to specific tax treatment on the buyback.
• Capital repatriation on winding up — permitted subject to RBI reporting and confirmation that all statutory dues and compliances have been settled.

Exit Considerations

• Share sale / M&A exit — a straightforward route for a WOS, subject to FEMA pricing guidelines, capital gains tax, and any applicable sectoral approval requirements.
• Voluntary winding up / strike-off — for entities that are no longer operational, a simplified strike-off process is available under the Companies Act, subject to no pending liabilities.
• Closure of a Branch/Liaison/Project Office — requires surrender of the RBI/AD Bank approval, submission of the final Annual Activity Certificate, and repatriation of any residual funds.
• Double Taxation Avoidance Agreements (DTAAs) — India has an extensive DTAA network; the applicable treaty between India and the investor's home jurisdiction should always be reviewed early, as it materially affects withholding tax rates on dividends, royalties, and capital gains.

Planning for repatriation and exit at the time of structuring — rather than as an afterthought — is one of the most valuable pieces of advice AU Corporate gives new clients, since it materially affects which entity structure and jurisdiction of the parent company make the most sense from day one.

About AU Corporate

AU Corporate is a conglomerate of professional firms, headquartered at Connaught Place, New Delhi. Our associated firms and professionals bring together more than 30 years of combined experience delivering quality professional services across Risk Advisory & Management Assurance, Corporate Finance & Business Advisory, Tax Consultancy, Accounts Outsourcing, and ERP Implementation.

AU Corporate is professionally managed by merit-holder professionals with rich experience serving multinational companies from more than 12 countries. Our client base spans manufacturers, traders, IT service companies, engineering consulting firms, schools and colleges, construction contractors, mobile manufacturers, and banks.

Centrally located in India's National Capital, AU Corporate serves clients across India through an effective virtual infrastructure — meaning distance from Delhi is never a barrier to the quality or responsiveness of our service.

Why Clients Work With Us

• Integrity — we hold ourselves to high standards of honesty and strong moral principles in every client relationship.
• Confidentiality — client data is protected under strict internal protocols, and we do not hesitate to formalise this through a Non-Disclosure Agreement.
• Industrious — our approach is defined by discipline, responsiveness, and a strong work ethic, ensuring timely execution and reliable results.
• International Client Experience — we serve clients from more than 12 countries, bringing cross-border perspective to every engagement.
• Availability — our team is available to provide consultancy support whenever our clients need it.

How AU Corporate Can Help

Entering India can be complex — layers of company law, FEMA, tax, and sector-specific regulation all interact, and getting the sequence wrong can cost time and money. AU Corporate exists to remove that complexity for international businesses, offering practical, end-to-end professional support from your very first decision through to steady-state operations.

Our India Advantage

- 30+ years of combined professional experience across our partner and associate team.
- India-focused expertise paired with genuine international-client experience.
- Personalised, practical guidance — not generic templates.
- End-to-end support: structuring, incorporation, tax, FEMA/RBI compliance, accounting, and ongoing advisory, all from a single point of contact.
- Support in sourcing and vetting Joint Venture partners in India, and obtaining FDI and other regulatory approvals where your sector requires the government route.

Our support goes beyond paperwork and filings. Many foreign investors underestimate the ground-level logistics of actually establishing a physical and human presence in India — and this is where we add the most practical value. AU Corporate assists with sourcing and negotiating office, factory, and warehouse space (whether renting or buying), setting up a registered business address, and providing an India-resident professional director to satisfy the Companies Act requirement — a role foreign investors often cannot fill from within their own team on day one. We also open corporate bank accounts and support the individuals you send to run the India operation: business and employment visas, income tax return filing for expatriates, and even sourcing suitable accommodation. In short, we help you stand up not just the legal entity, but the operating presence behind it.

Whether you are exploring India for the first time or already operating and looking to optimise your structure, AU Corporate can be your single window into many capabilities.

Meet the Team

AU Corporate's strength lies in the breadth of our partner and associate bench — spanning direct tax, forensic audit, global accounting, FEMA and regulatory compliance, wealth management, arbitration, and GST litigation. This depth means clients get specialist expertise at every stage of their India journey, from a single point of contact.

Abhishek Jaiin

FCA | Registered Valuer (SFA) | Direct Tax & Litigation Expert | Virtual CFO | LLB — Managing Partner

A Chartered Accountant with an All India 44th Rank in CA-Final and 9th Rank in CA-CPT, Mr. Jaiin is also a Registered Valuer in Securities and Financial Assets (IBBI) and a qualified Insolvency Professional. He has worked extensively with MNCs on direct tax and financial matters, acts as Virtual CFO to mid-sized infrastructure companies, and has particular expertise in finding and negotiating joint venture partnerships for infrastructure projects. He also acts as Direct Tax Consultant for various companies, handling litigation, appeals, and advisory.

Utsav Dogra

FCA | Forensic Auditor | Outsourcing & Virtual CFO to Indian Subsidiaries | LLB — Managing Partner

An associate member of ICAI, Mr. Dogra built early expertise in foreign audit and GST — including being appointed as a GST trainer to CBIC officials at the start of his career. He leads bank audit engagements and serves as consultant to Indian subsidiaries of foreign companies from the United States, China, and Germany, providing complete outsourced finance, accounting, and compliance support.

Shivam Gupta

CMA | GST Litigation, Income Tax Advisory & Regulatory Compliance Specialist — Associate

A qualified Cost and Management Accountant with over five years of experience in GST litigation, income tax advisory, and regulatory compliance, Mr. Gupta specialises in tax dispute resolution and ITC optimisation, and supports clients across financial reporting and banking advisory.

Meet the Team

Akshat Singhal

Chartered Accountant | Wealth Management, Financial Advisory & Equity Research — Associate

A Chartered Accountant and CFA Level 1 holder, Mr. Singhal began his career with ITC Limited as a Finance Manager before moving into end-to-end financial advisory for HNI and corporate clients, focused on investment structuring, portfolio management, tax planning, and business finance.

Rudraksh Gupta

Advocate | Arbitration, Infrastructure Disputes & Corporate Advisory — Associate

An Advocate enrolled with the Bar Council of Delhi with close to six years of experience in arbitration and commercial litigation, Mr. Gupta has handled over 80 arbitration matters as Lead Counsel and serves as Panel Counsel for the Yamuna Expressway Industrial Development Authority, alongside advisory roles for several corporate clients.

Rimpi Jain

Company Secretary | Corporate, FEMA & Regulatory Compliance Specialist — Associate

A Practicing Company Secretary specialising in company law, incorporations, and corporate restructuring, Ms. Jain has worked extensively on regulatory approvals and compliance under the MCA, RBI, DGFT, and FEMA. She also assists clients with M&A, corporate governance, intellectual property matters, and dispute resolution.

AU Corporate Services

Our services are designed to support foreign businesses at every stage of the India journey — from the earliest entry-strategy conversation through incorporation, tax and regulatory compliance, and into steady-state operations and growth.

Entry-Level Strategy

- Advice to multinational companies on setting up a business presence in India
- Advice on formation of representative office, branch office, project office, joint venture, or company
- Identifying, screening, and introducing prospective Joint Venture partners in India, and supporting negotiation of the shareholders' agreement
- Assistance obtaining FDI and other regulatory approvals — including government-route sectoral approvals, RBI/AD Bank approvals for Branch/Liaison/Project Offices, and related filings
- Planning advice and assistance to ensure ongoing compliance

Corporate Taxation

- Tax advisory and consultancy
- Representation and litigation
- Advance Pricing Agreements
- Tax dispute resolution
- Expatriate tax returns
- Compliance services

Goods and Services Tax (GST)

- GST transition management and opinion
- Transaction advisory
- GST training and workshops
- Audit and certification under GST
- Representation and compliance services

Audit and Assurance

- Statutory audit of companies and banks
- Tax audit under the Income Tax Act
- Internal financial control and concurrent audits
- Information system audits
- Audit of PF trusts, charitable trusts, schools, etc.

Virtual CFO

- Accounting system design and implementation
- Financial accounting, budgeting, and reporting
- MIS reports and financial analysis
- Liaison with banks, attorneys, vendors, and insurance agents
- Financial guidance in expansion

Risk Advisory & Management Assurance

- Internal and management audits
- Business process review and re-engineering
- SOPs and internal financial controls
- Fixed asset mapping, recording, and verification
- Retail location and pre-payments audits

Transactions & Business Advisory

Financial & tax due diligence, including "virtual" due diligence
Data room management
Corporate finance, private equity, and M&A support

Corporate Finance

Project report preparation and business/share valuations
Financial management for distressed assets
Private equity negotiations and loan/bank finance take-overs
Joint venture and collaboration structuring

Business Valuation

Valuation of shares, businesses, and intangibles (goodwill, brand, patents)
Valuation for M&A, buy-sell agreements, and regulatory purposes

Fraud Risk Management & Investigation

Corporate investigations and fraud risk assessments
Forensic and digital forensics audits
Whistle-blower ("Ombudsman") management
Insurance claims and "funds end-use" audits

Other Services

- HR management and recruitment / talent-hunt services
- Payroll management
- Government registration and liaison services
- Corporate training

Supporting Your India Journey — Pre, During, and Post Incorporation

AU Corporate's support is structured around the full lifecycle of establishing and running a business in India, so nothing falls through the cracks between stages.

Stage		What We Do
Pre-Incorporation		Sector and FDI-route assessment, structure selection, name reservation, document preparation (including cross-border notarisation/apostille coordination), and entry-strategy advisory.
Incorporation		Filing with the Registrar of Companies, PAN/TAN/GST/EPFO/ESIC registrations, bank account opening support, and initial FC-GPR reporting once foreign investment is received.
Post-Incorporation		Ongoing statutory audit, tax compliance and filings, GST compliance, FEMA/RBI annual reporting (including the FLA Return), Virtual CFO and accounting outsourcing, payroll, and HR support as the business scales.

Some Specific Services for Foreign Investors & Expatriates

- Visa services for expatriates — business and employment visa applications, extensions, and renewals
- Income Tax Return (ITR) filing for expatriates working in India
- Accommodation and rental services for expatriates — sourcing, negotiating, and formalising housing
- Business office / factory renting or buying services for companies entering India
- Factory setup services — end-to-end support for establishing manufacturing premises
- Registered business address services
- Indian (resident) professional director services — meeting the Companies Act requirement for at least one India-resident director
- Corporate and expatriate personal bank account opening services

Contact Us

Your India business journey starts here. Entering India can be complex — AU Corporate helps international businesses navigate incorporation, tax, compliance, and business advisory with practical, professional support. Let's build your India presence together.

AU Corporate

4O8, Surya Kiran Building, 19 KG Marg,
Connaught Place, New Delhi – 110001

Managing Partners

Utsav Dogra — +91-9999010513

Abhishek Jaiin — +91-9999315010

partner@theaucorp.com
www.theaucorp.com