COMPANY FORMATION OUTSIDE INDIA / IN INDIA BY FOREIGNERS

CA Ankita Shethia

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STEPS FOR COMPANY FORMATION

1. **Decide Jurisdiction & Type of Entity**

   The first step involves determining where you want to register your company and what type of business entity suits your needs. Different countries and regions have varying laws and regulations.

2. Choose Company Name

Selecting a name for your company is crucial as it represents your brand and identity in the market.

- Brainstorming: Start by generating a list of potential names, ideally 3 options. Consider names that reflect your business values or services.
- Legal Checks: Ensure the name complies with local regulations. It should not be identical or too similar to existing registered names to avoid confusion or legal issues.
- Reservation Process: Once you have your preferred names, you'll need to apply for name reservation with the relevant authority, which typically involves a small fee.

3. File Necessary Forms

This stage involves completing and submitting various forms required for company registration.

- Name Approval Application: Fill out the application for name approval, ensuring all details are accurate and complete.

- Additional Documentation: Depending on your jurisdiction, you may need to submit other documents such as identification proof, address proof, and any specific forms related to the type of entity you are forming.

4. Approval from the Authorities

After filing your forms, you must obtain approval from the Chamber of Commerce or equivalent regulatory body (e.g., KvK in the Netherlands, Companies House in UK, ROC in India, ACRA in Singapore).

- Review Process: The authority will review your application to ensure that the name is unique and complies with legal requirements.
- Timeline: This process can take a few days to a couple of weeks. If there are any issues, you may need to revise your application.

5. Finalize Memorandum and Articles of Association

These documents outline the company’s structure and governance rules.

- Memorandum of Association (MOA): This document states the company's name, objectives, and authorized capital. It serves as a charter for the company.

- Articles of Association (AOA): This outlines the internal rules for managing the company, including how decisions are made and how meetings are conducted.

- Notary Requirement: In many jurisdictions, these documents must be prepared in front of a notary public to ensure their legality.

6. Obtain Certificate of Incorporation

The final step is to submit all required documents along with any applicable fees to receive your Certificate of Incorporation.

- Significance: This certificate is official proof that your company is legally recognized and can begin operations.

- Post-Incorporation Actions: After obtaining this certificate, you may need to register for taxes, open a business bank account, and comply with ongoing regulatory requirements such as annual filings.

7. Opening of Bank Account

Set up meeting with the choice of your Bank and submit the required documents for account opening.

PART I

COMPANY FORMATION OUTSIDE INDIA

BY INDIAN RESIDENT

BASICS OF FEMA REGULATIONS FOR OVERSEAS INVESTMENT

1. **Overseas Investment (OI)**

- **Definition:** "Overseas Investment" or "OI" means financial commitment and Overseas Portfolio Investment by a person resident in India

- **Overseas Portfolio Investment** or **OPI** means investment, other than ODI, in foreign securities, but not in any unlisted debt instruments or any security issued by a person resident in India who is not in an IFSC

- **Overseas Direct Investment (ODI)** means

i. acquisition of any unlisted equity capital or subscription as a part of the Memorandum of Association of a foreign entity, or
ii. investment in 10% or more of the paid-up equity capital of a listed foreign entity, or
iii. investment with control where investment is less than 10% of the paid-up equity capital of a listed foreign entity

2. Automatic and Approval Route

- **Automatic Route:** Most ODI investments can be made without prior RBI approval, provided they meet specific conditions.

- **Approval Route:** Investments that exceed limits or fall within restricted sectors need RBI approval.

3. Investment Limits

- **FOR THE COMPANIES**
  Financial commitment shall not exceed **400% of net worth** as per the last audited balance sheet (not more than 18 months preceding the date of transaction) or USD 1 (one) billion (or its equivalent) in a financial year, whichever is lower.

- **FOR INDIAN RESIDENT INDIVIDUAL**
  Any resident individual may make ODI by way of investment in equity capital or OPI in the manner provided in Schedule III of subject to the overall ceiling under the Liberalized Remittance Scheme i.e. **USD 250,000 per annum**.

4. Funding the Investment

- **Foreign Exchange Transactions:** The investment must be funded in foreign exchange through authorized dealers (Banking Channel) in India.

5. Restrictions on Certain Sectors

- **Prohibited Investments:** Real estate activity, gambling in any form, dealing with financial products linked to the Indian Rupee without having specific approval of the Reserve Bank of India. In addition to these, Resident Individuals are not allowed to invest in financial sectors and set up any Step-Down Subsidiary (SDS).
- Explanation.– For the purposes of this sub-rule, the expression "real estate activity" means buying and selling of real estate or trading in Transferable Development Rights but does not include the development of townships, construction of residential or commercial premises, roads or bridges for selling or leasing.

FEMA COMPLIANCES FOR OVERSEAS INVESTMENT

- **Filing of Form FC:**

The Form FC (Section A to Section E) is required to be submitted to the designated AD bank by the person resident in India seeking to invest in the foreign entity, whether under Automatic Route or Approval Route. The Form FC is to be submitted while undertaking financial commitment in a foreign entity, at the time of sending outward remittance or making a financial commitment, whichever is earlier. Hence, in order to avoid the Late Submission Fees (LSF), it is crucial to submit all the details and Form FC with AD Bank before the Foreign Company gets incorporated.

- **Evidence of Investment:**

Submit Share Certificates or any other document as an evidence of investment in the foreign entity to the satisfaction of the Reserve Bank within six months/180 days from the date of effecting remittance.

- **Submission of Annual Performance Report:**

Indian Party is required to submit every year on or before December 31, an Annual Performance Report (APR) in Annex II in respect of each JV or WOS outside India, and other reports or documents as may be prescribed by the Reserve Bank from time to time. As per practical observation, this APR should be filed before November 30 to avoid last minute delay by Banks.

- **Audit of Books:**

For submission of APR, it is mandatorily required that books of the Foreign Company be audited by Foreign CPA/ Indian CA

- **Submission of annual return on Foreign Liabilities and Assets (FLA):**

It is required to be submitted directly by all the Indian companies /LLP/Partnership Firms which has received FDI and/or made ODI abroad (i.e. overseas investment) in the previous financial year by July 15 every year on website . This is not applicable for Individual shareholder.

- **Repatriation of Dues:**

As per OI Rules, all the dues receivable from the foreign entity (dividend, royalty, technical fees, etc.) are required to be repatriated within 60 days of its falling due.

The investor who has remitted funds under LRS can retain and reinvest the income earned from his investments made under the Scheme. However, the received/realized/unspent/unused foreign exchange, unless reinvested, shall be repatriated and surrendered to an authorized person within a period of 180 days from the date of such receipt/ realization/ purchase/ acquisition or date of return to India, as the case may be

In summary, if any amount is due from Foreign entity, it should be brought back within 60 days to India.

- **Changes to Foreign Entity:**

Post Investment Changes/ Additional Investment in existing JV/WOS to be reported within 30 days can be updated with RBI by filing Form FC with AD Bank within 30 days of such change.

- **Certain Prohibitions:**

Resident Individual cannot provide Loan to their subsidiary abroad, invest by way of ODI in an operating foreign entity engaged in financial services activity and entity which has subsidiary or step down subsidiary.

TOP 10 COUNTRIES IN WHICH INDIANS ARE INVESTING

1. Singapore

Singapore is a key hub for Indian investments, particularly in finance, real estate, and technology sectors. Many Indian firms use Singapore as a base for Southeast Asian operations.

2. United States

A major destination for Indian investments, particularly in technology and startups. India's investments in the United States are concentrated in several key states known for their favorable business environments and growth opportunities. Here are some of the most popular states where India is investing Delaware, Nevada, Wyoming, California, New York, Texas, Washington, Florida.

3. United Kingdom

Indian companies invest in the UK across sectors such as IT, Pharmaceuticals, Trading and Manufacturing benefiting from established trade links and cultural ties with Europe.

4. Netherlands

A significant destination for investments in logistics, technology, and finance due to its favorable geographical location.

5. Mauritius

A popular route for Indian investments due to favorable tax treaties and regulatory frameworks.

6.United Arab Emirates (UAE)

A key market for Indian businesses, especially in trade, retail, and real estate.

- **Dubai Mainland**

  A company in Dubai Mainland can operate in a wide range of business activities, including industrial, commercial, and professional services. Mainland companies are subject to UAE Commercial Law and can do business across the country, including local markets.

- **Dubai Free Zones**

  A company in a Dubai Free Zone is established in a designated area and can enjoy benefits like tax exemptions and custom-duty privileges. Each Free Zone has its own rules and regulations for permissible business activities, and a license is required. Free Zones are designed to attract specific types of businesses, such as tech startups, media companies, or manufacturing firms.

7. Switzerland

India invests in pharmaceuticals, financial services, and technology in Switzerland. Switzerland is known for its robust financial sector, stable economy, and favorable tax regime. It serves as a gateway for Indian companies to access European markets.

8. British Virgin Islands (BVI)

Investments are primarily in finance, real estate, and holding companies. The BVI is a popular offshore destination for Indian companies due to its favorable tax policies and minimal regulatory requirements making it an attractive location for structuring investments.

9. Russia

Investments are mainly in energy, defense, and pharmaceuticals. India-Russia relations have historically been strong, with both countries collaborating on various projects. Indian companies are involved in sectors like oil and gas, defense manufacturing, and infrastructure development.

10. Cyprus

Key areas include financial services, real estate and shipping. Cyprus offers a favorable tax regime and serves as a strategic gateway to Europe and the Middle East. Indian companies often use Cyprus for investment structuring and as a base for European operations.

TOP 10 ODI DESTINATION COUNTRIES (For Last 25 Years)

Sr. No	Name of the Country	ODI (in US$ Million)	As % of Total ODI
1	SINGAPORE	58,794	19.52%
2	MAURITIUS	41,163	13.66%
3	UNITED STATES OF AMERICA	37,222	12.36%
4	NETHERLANDS	24,990	8.30%
5	UNITED KINGDOM	18,758	6.23%
6	UNITED ARAB EMIRATES	14,497	4.81%
7	RUSSIA	12,708	4.22%
8	CHANNEL ISLAND	10,579	3.51%
9	BRITISH VIRGIN ISLANDS	8,865	2.94%
10	SWITZERLAND	8,013	2.66%
11	CYPRUS	7,379	2.45%

Note: COUNTRY-WISE ODI OUTFLOWS FROM APRIL 2000 TO MARCH 2024

Source: RBI Website

TOP 10 ODI DESTINATION COUNTRIES (For Last 3 Years)

Rank	ODI (In US$ Million)				(Apr 2021 - March 2024)	
	Country	2021-22	2022-23	2023-24	Cumulative ODI In US$ Million	As % of Total ODI (April 2021- March 2024)
1	SINGAPORE	4,497	2,202	3,959	10,658	23%
2	UNITED STATES OF AMERICA	3,602	2,045	2,611	8,258	18%
3	UNITED KINGDOM	2,355	2,731	1,321	6,407	14%
4	NETHERLANDS	1,050	984	1,090	3,124	7%
5	MAURITIUS	1,729	1,130	419	3,278	7%
6	UNITED ARAB EMIRATES	494	1,285	1,164	2,943	6%
7	SWITZERLAND	453	320	593	1,366	3%
8	BRITISH VIRGIN ISLANDS	299	297	127	723	2%
9	RUSSIA	567	200	5	772	2%
10	CYPRUS	334	45	4	383	1%
	Total ODI to Top 10 Countries**	15,380 (83%)	11,239 (83%)	11,293 (82%)	37,912 (83%)	83%
	Total ODI (to All Countries)	18,528	13,495	13,751	45,774	

Source: RBI Website

ADVANTAGES OF GLOBAL PRESENCE FOR INDIAN BUSINESS

When an Indian resident forms a company outside India, there are several advantages to consider:

1. Access to International Markets

- **Broader Customer Base:** Establishing a company abroad allows access to new and diverse markets, expanding the customer base beyond India.
- **Market Diversification:** Reduces reliance on the Indian market and mitigates risks associated with economic fluctuations.

2. Business Growth Opportunities

- **Scalability:** Companies can tap into larger markets and benefit from economies of scale, leading to increased growth potential.
- **Innovation and Collaboration:** Exposure to global best practices and technologies can foster innovation and enhance competitive advantage.

3. Tax Benefits

- **Tax Planning:** Certain countries offer favorable tax regimes, which can optimize tax liabilities through strategic financial planning.
- **Double Taxation Avoidance Agreements (DTAA):** Treaties between India and other countries can reduce the risk of being taxed in both jurisdictions.

4. Investment and Funding Opportunities

- **Access to Capital:** Foreign markets may provide easier access to venture capital, private equity and other funding sources.
- **Strategic Partnerships:** Opportunities to collaborate with local businesses can enhance operational capabilities and market reach.

5. Regulatory Environment

- **Business-Friendly Policies:** Some countries offer more favorable regulatory environments for starting and running a business, including simpler compliance requirements.
- **Incentives for Foreign Investment:** Many nations provide incentives for foreign companies, such as tax holidays or grants.

6. Brand Building and Global Presence

- **Enhanced Brand Recognition:** Operating internationally can enhance brand visibility and credibility in the global marketplace.
- **Market Positioning:** Establishing a presence in foreign markets can improve brand positioning and customer loyalty.

7. Cultural Insights

- **Understanding Global Markets:** Exposure to different cultures can enhance the company's ability to operate effectively in various markets, providing valuable insights for global strategies.

CHALLENGES OF GLOBAL PRESENCE FROM INDIAN PERSPECTIVE

1. **Regulatory Compliance**

- Navigating complex legal and regulatory frameworks in the host country, including tax laws, labor laws, and industry-specific regulations.

2. Cultural Differences

- Understanding and adapting to different cultural norms and business practices, which can impact negotiations and operations.

3. Market Entry Barriers

- Encountering trade barriers, tariffs, or quotas that may hinder smooth market entry and competitiveness.

4. Economic and Political Risks

- Facing potential instability in the host country including economic fluctuations, political unrest or changes in government policies.

5. **Operational Challenges**:

    - Setting up operations, hiring employees, and managing logistics can be complicated by local regulations and labor laws.

6. **Foreign Exchange Risks**:

    - Fluctuations in currency exchange rates can impact profitability, particularly if revenues are generated in a different currency than expenses.

7. **Intellectual Property Protection**:

    - Protecting intellectual property rights may be more challenging in foreign jurisdictions, where laws and enforcement mechanisms differ.

8. **Political and Economic Stability**

    - Changes in the political or economic environment in the host country can pose risks to the investment, affecting operations and profitability.

9. **Banking Norms:**
    - Difficulty in opening or maintaining Bank Accounts.

MARKET ENTRY STRATEGIES TO ENTER IN FOREIGN MARKETS

1. Exporting

- **Direct Exporting:** Selling products directly to customers in the foreign market. This can involve establishing relationships with local distributors or agents.
- **Indirect Exporting:** Using intermediaries such as export trading companies or agents to sell products in foreign markets.

2. Licensing

- Granting a foreign company the rights to produce and sell your products, generating revenue with minimal investment.

3. Franchising

- Allowing a local entrepreneur to operate a business under your brand's name.

4. Joint Ventures

- Partnering with a local company to establish a new entity. This allows for shared resources, local knowledge and risk mitigation.

5. Wholly Owned Subsidiaries

- Establishing a fully owned company in the foreign market. This requires significant investment but offers complete control over operations.

6. Mergers and Acquisitions

- Acquiring or merging with an existing company in the foreign market to gain immediate access to local resources, market knowledge and customer bases.

TOP INDIAN COMPANIES HAVING PRESENCE GLOBALLY

1. **Tata Group**
   - **Overview:** A conglomerate with interests in various sectors including steel, automobiles, IT services, and hospitality, Tata has a global presence with operations in over 100 countries.

2. **Infosys**
   - **Overview:** A leading IT services company, Infosys operates in multiple countries, providing consulting, technology, and outsourcing services to clients worldwide.

3. **Wipro**
   - **Overview:** Another major IT services provider, Wipro has a strong international footprint, offering IT solutions and services in various global markets.

4. **Reliance Industries**
   - **Overview:** A diversified conglomerate, Reliance has investments in petrochemicals, telecommunications, and retail, with operations extending to various international markets.

5. **Mahindra Group**
   - **Overview:** With a presence in automotive, aerospace, agribusiness, and more, Mahindra has operations in numerous countries, focusing on manufacturing and services.

PART II

COMPANY FORMATION IN INDIA

BY FOREIGNERS

BASICS OF FEMA REGULATIONS

1. Foreign Direct Investment (FDI)

The investment through equity instruments by a person resident outside India in

- an unlisted Indian company; or

- 10% or more of the post issue paid-up equity capital on a fully diluted basis of a listed Indian company

- If any existing investment in a listed company falls below 10% of the post issue paid-up equity capital on a fully diluted basis then the investment will continue to be treated as FDI.

- Fully diluted basis means the total number of shares that would be outstanding if all possible sources of conversion are exercised.

- FC-GPR has to be filed in such case.

2. Foreign Portfolio Investment (FPI):

Any investment made by a person resident outside India in equity instruments where such investment is less than –

- 10% of the post issue paid-up equity capital on a fully diluted basis of a listed Indian company; or
- 10% of the paid-up value of each series of equity instruments of a listed company
- No FC-GPR to be filed
- If foreign investment is increased to 10% or more in listed Indian company, it will be reclassified as FDI. Indian company must comply with FC-GPR reporting. But if FDI fall below 10%, then not reclassified as FPI, it remains FDI

3. Automatic and Approval Routes

- **Automatic Route:** Certain sectors allow foreign investment without prior approval from the government or Reserve Bank of India (RBI), provided the investment meets specified conditions.
- **Approval Route:** For sectors not covered under the automatic route, prior government approval is required.

PROHIBITED SECTOR FOR FDI

- Gambling and betting including Casinos
- Chit funds
- Nidhi companies
- Trading in transfer development rights
- Real estate business or construction of farm house
- Manufacturing cigars, etc.
- Lottery – online/government or private

PARTLY AUTOMATIC OR APPROVAL ROUTE SECTORS (WITH/WITHOUT CONDITIONS)

Sector	Automatic route up to %	government route beyond %
Scheduled Air Transport Service/ Domestic Scheduled Passenger Airline	49%	51%
Single Brand Product Retail Trading	49%	51%
Pharmaceuticals (Brownfield)	74%	26%
Defence	49%	51%
Petroleum refining by the Public Sector Undertakings (PSUs), without any disinvestment or dilution of domestic equity in the existing PSUs	49%	
Insurance	74%	-
Pension	74%	-
Broadcasting Content Services (Up-Linking of 'News & Current Affairs' TV Channels)	-	49%
Publishing of newspaper periodicals dealing with news and current affairs	-	26%
Publication of facsimile edition of foreign newspapers	-	100%

HOW CAN A FOREIGN COMPANY ENTER IN INDIA

- Only as an Limited Liability Partnership

As LLP

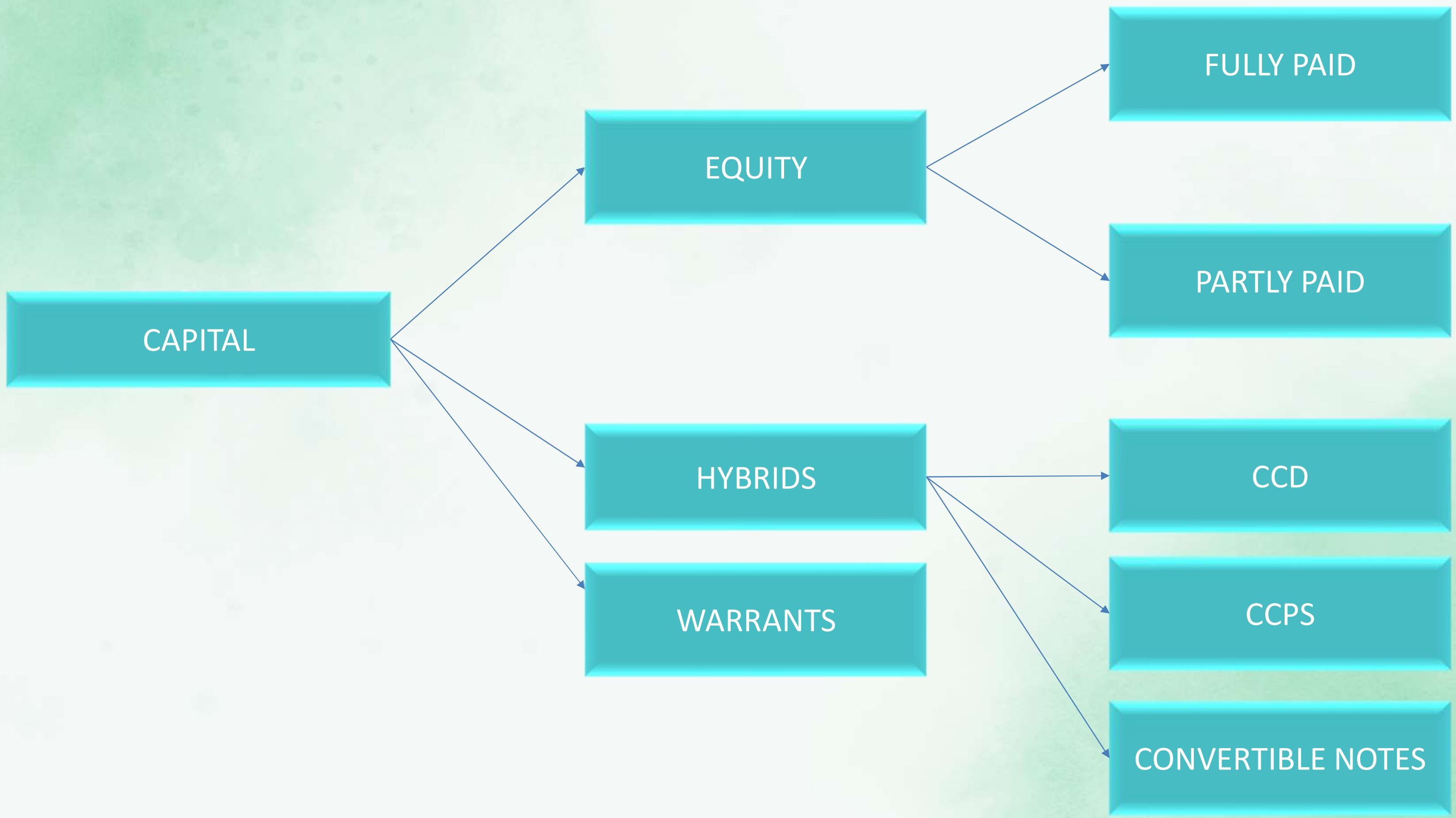
- Liaison office
- Branch Office
- Project Office

As a Foreign company

- Wholly Owned Subsidiary
- Joint Venture (with an Indian Partner)

As an Indian Company

INSTRUMENTS BY WHICH FOREIGNERS CAN INVEST IN INDIA



FEMA COMPLIANCE FOR FDI

1. What is FC-GPR?

An entity that receives / accepts Foreign Direct Investment ('FDI') as capital investment issues shares/convertible debentures/convertible preference shares to the investor. Such transaction needs to be reported with the Reserve Bank of India, and it should be done in FC-GPR Form available on the FIRMS Portal. The reporting of the instrument issued against such investment accepted/ received must be done within 30 days in accordance with the RBI's FDI compliance requirements.

2. When do we need to file Form FC-GPR?

Within **30 days** of allotment of shares or debt instruments, the entity must submit Form FC-GPR to the Regional Office of the Reserve Bank in whose jurisdiction the company's Registered Office is located via FIRMS Portal of RBI.

3. What are the steps for filing FC-GPR Form?

The government has introduced a new, simplified Single Master Form ("SMF") to streamline the reporting. Nine forms have been combined under SMF, and the person may file the appropriate form by logging into the FIRMS portal.

The following steps are required to be followed for filing FC-GPR form:

- **Creation of Business User Account:**
  The applicant who wants to report FDI must register for a business user account on the FIRMS Portal. The applicant must enter basic information of the authorized person who will file the form on the company's behalf, together with the authority letter that has been properly signed and completed, in order to create an account. The registration will be reviewed by the relevant AD Bank Branch. The business user will receive email notification of the approval or rejection.

- **Log in into FIRMS Portal**:
  Following the creation of the business user ID, the applicant will get login information on the registered email address with an option to change the default password. The applicant must log in again after changing the password.

- **Filling up and submitting the form:**
  the applicant will be directed to the workspace after logging into the SMF portal wherein the form FC-GPR will be selected. The applicant must fill out all transaction-related information along with the necessary attachments as mentioned below in this article. Thereafter, the applicant must save and submit the form.

- **Form Approval or Rejection:**
  After submission, the form is forwarded to the entity's AD Bank, who will review it. The application can either be accepted or rejected. The applicant has no choice except to submit their application again if the same gets rejected due to discrepancies. Also, if the form submission is delayed beyond the prescribed period of 30 days, it will be directed to the Reserve Bank of India who shall compute the LSF amount and the applicant will be notified about the same via the registered email address.

4. What are the attachments required for Form FC-GPR?

If you are up for **FC-GPR Form filing with RBI**, then the following are the list of documents that you will need to submit along with the form:

- Copy of KYC;
- Copy of FIRC Certificate;
- Declaration by the verified representative of the Indian Company;
- CS certificate according to the format specified by the RBI user manual;
- Pricing guidelines declaration;
- Declaration for conversion of CCPS, if applicable;
- Copy of FIPB approval, if any;
- Valuation Report by Chartered Accountant / Merchant Banker that indicates the manner of the arriving at the price of the capital instruments, in case of preferential allotment/private placement;
- Board Resolution for the allotment of securities in addition to the list of allottees;
- Press Note 3 Declaration regarding Beneficial Ownership in the foreign entity;
- MOA in case of foreign inward remittance of share subscription amount.

5. Are there any other compliance for FDI?

- FC – TRS Filing for Transfer of Shares
- FLA Return annually by 15th of July

TOP 10 FDI DESTINATION COUNTRIES (For Last 19 Years)

Serial No.	*Country*	*Percentage of FDI Inflows*
1	Mauritius	31.07
2	Singapore	20.72
3	Japan	7.24
4	Netherland	6.76
5	U.S.A	6.21
6	UK	6.12
7	Germany	2.64
8	Cyprus	2.21
9	France	1.55
10	UAE	1.51

Source: Foreign Direct Investment Fact Sheet, 2000- 2019

ADVANTAGES WHEN FOREIGN COMPANIES INVEST IN INDIA

1. **Market Potential**

- **Large Consumer Base:** India has a population of over 1.4 billion providing a vast market for products and services.
- **Growing Middle Class:** The expanding middle class increases demand for various goods, from consumer products to luxury items.

2. Economic Growth

- **Rapid Economic Development:** India is one of the fastest-growing major economies, with a robust GDP growth rate.
- **Reforms and Liberalization:** Ongoing economic reforms and liberalization policies create a conducive environment for business.

3. Skilled Workforce

- **Young Demographic:** India has a large, young, and increasingly educated workforce, particularly in IT, engineering, and management.
- **Cost-Effective Labor:** Labor costs in India are generally lower than in many developed countries, reducing operational costs.

4. Investment Incentives

- **Government Policies:** The Indian government offers various incentives, such as tax breaks and subsidies, to attract foreign investment.
- **Sector-Specific Initiatives:** Policies like "Make in India" encourage manufacturing and innovation across various sectors.

5. Strategic Location

- **Gateway to Asia:** India serves as a strategic hub for accessing other Asian markets, enhancing regional trade opportunities.
- **Diverse Markets:** Proximity to other emerging markets in Southeast Asia can facilitate broader market penetration.

6. Technological Advancements

- **Growing Tech Ecosystem:** India has a thriving tech ecosystem, particularly in IT services, fintech, and startups, providing opportunities for collaboration and innovation.
- **Digital Transformation:** The increasing adoption of digital technologies offers avenues for foreign companies to leverage.

7. Access to Capital

- **Venture Capital and Private Equity:** The growing interest from venture capital and private equity firms provides funding opportunities for foreign companies.

CHALLENGES WHEN FOREIGN COMPANIES INVEST IN INDIA

1. **Cultural Differences**

   - **Diverse Cultures and Languages:** India's cultural diversity can create challenges in understanding consumer preferences and business practices.
   - **Negotiation Styles:** Different business etiquette and negotiation styles may complicate interactions with local partners and stakeholders.

2. Taxation and Compliance

- **High Tax Rates:** Certain sectors face high taxation, and understanding the tax implications can be complex.
- **Compliance Costs:** Companies must invest in ensuring compliance with various laws, which can be resource-intensive.

3. Political and Economic Instability

- **Policy Changes:** Sudden shifts in government policies or economic conditions can impact business operations and profitability.
- **Geopolitical Risks:** Tensions with neighboring countries may pose risks for foreign investments.

4. Infrastructure Issues

- **Inadequate Infrastructure:** While improvements are underway, infrastructure challenges in transportation, logistics, and utilities can affect business operations.
- **Power Supply Variability:** Fluctuations in power supply can disrupt operations, particularly for manufacturing sectors.

5. Market Competition

- **Intense Local Competition:** Foreign companies often face stiff competition from established local players who understand the market better.
- **Price Sensitivity:** The Indian market is often price-sensitive, which can pressure margins and require companies to adapt their pricing strategies.

6. Consumer Behavior Variability

- **Understanding Local Preferences:** Adapting products and marketing strategies to cater to diverse consumer preferences can be complex.
- **Brand Loyalty:** Building brand loyalty in a market with numerous established players can take time and resources.

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- Granting a local firm the rights to produce and sell products under the foreign brand.

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- Allowing a local entrepreneur to operate a business under the foreign brand's name.

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LICENSES REQUIRED TO START A BUSINESS IN INDIA

Some of the common types of business licenses that are required in India are as follows:

- **Company Registration**

  Company registration is the first and foremost requirement for a new business entity in India. The company registration is based on the business structure and the partners involved.

- **GST Registration**

  Every business with an annual turnover of over Rs. 40 lakhs (or Rs. 20 lakhs for certain states) must register for GST

- **Trade License**

  A trade license is required for businesses that involve trade or commerce, such as shops, restaurants, and other establishments.

- **FSSAI License**

  India's Food Safety and Standards Authority issues FSSAI licenses to food businesses, including manufacturers, distributors, and retailers.

- **MSME Registration – Udyam Registration**

  Micro, Small, and Medium Enterprises (MSMEs) can obtain registration under the MSME Act to avail of various benefits and subsidies.

- **Shops and Establishment License**

  All businesses with a physical establishment, such as shops, offices, and other commercial establishments, must register under the respective state Shops and Establishment Act

- **Professional Tax Registration**

  Businesses with employees in certain states must obtain professional tax registration and pay professional tax.

- **IEC code**

  IEC is mandatory for importing or exporting in India, unless specifically exempted. It is also required for the import or export of services or technology if the provider is taking benefits under the Foreign Trade Policy.

- **Procure import licenses** (if applicable)

  To determine whether a license is needed to import a particular commercial product or service, an importer must first classify the item by identifying its Indian Trading Clarification based on a Harmonized System of Coding or ITC (HS) classification.

S K Patodia & Associates LLP
CHARTERED ACCOUNTANTS

Thank You

CONTACT US

+91 22 6707 9444

ankita.shethia@skpatodia.in

https://skpatodia.in/

Sunil Patodia Tower,
J.B. Nagar, Andheri (East),
Mumbai 400099