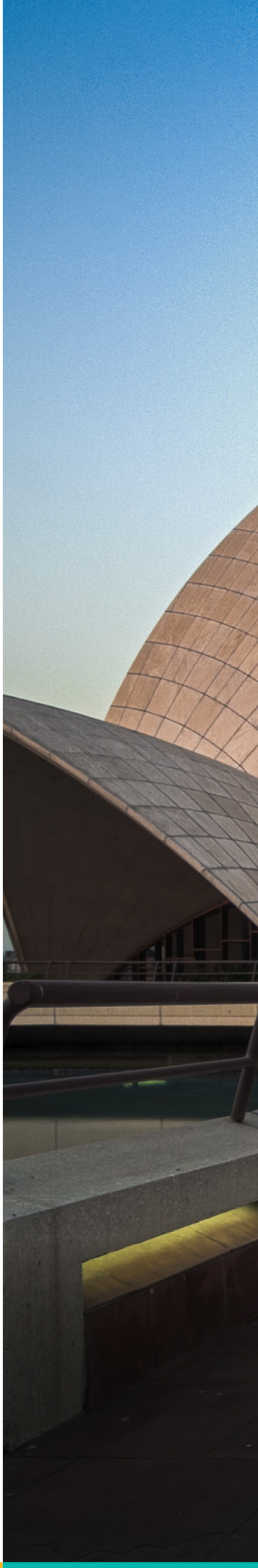
Setting Up a Business in India

The foreign investor's guide to navigating complexity in this exciting jurisdiction

We are the business behind business®.

Contents



India profile

India's government has made concerted efforts to improve the ease of doing business in the country in recent years. As a result, India's ranking in World Bank's Logistics Performance Index improved from 54 in 2014 to 38 in 2023[1].

The country has seen impressive economic growth over the past decade, driven by a number of factors including an expanding services sector, greater domestic consumption, higher investment, growing infrastructure, and a reform focused government. As of 2025, the services sector remains the largest contributor to India's economy, accounting for approximately 53% of gross value added, followed by industry at 25%, and agriculture at 17%. However, agriculture remains the country's largest employer, representing around 45.5% of the workforce[2].

India is the most populous country in the world, having surpassed China, with a population of approximately 1.4 billion people, representing nearly one-fifth of the world's population. With 67% of India's population aged between 15 and 64, the country enjoys a significant demographic advantage.

While India's constitution recognizes 22 local languages, Hindi is the official language and the primary tongue for 30% of the population. English is an additional language used for official purposes and is widely spoken in business circles.

In response to the COVID-19 pandemic, the government and the Reserve Bank of India (RBI) took several monetary and fiscal policy measures to support vulnerable firms and households as well as cushion the impact of the crisis on the economy[3]. The Indian government's Economic Survey 2023 announced that, "India's economic recovery post pandemic is now complete." Also according to the survey, the Indian economy is projected to grow up to 6.5% in 2025-2026 fiscal year[4].

[1] Ministry of Commerce & Industry
[2] Statista
[3] World Bank
[4] Deloitte

Four top takeaways for investors in India

India is one of the world's fastest growing economies

For the first time, foreign direct investments into the country crossed the $70B USD mark in the 2019-2020 fiscal year, recording a total inflow of $73.45B USD, up 18% from the previous year[5]. India ranks 46 in the Global Innovation Index 2021 rankings, first in the Central and Southern Asia region, and second in the Lower Middle-Income Economy Group[6].

India has the largest youth population in the world

The population is expected to rise from 1.2B in 2011 to 1.5B by 2036, an increase of 25.7% over 25 years. India's youth population is estimated to be about 230 million, which constitutes around 19% of the world's 15 to 24 year old population[7].

India boasts booming science and infrastructure sectors

The government's National Infrastructure Pipeline plan is a first-of-its-kind initiative to provide world-class infrastructure across the country. An investment of ₹60B INR ($700M USD) has been made in the National Investment and Infrastructure Fund (NIIF) Infrastructure Debt Financing Platform to attract debt and equity investments in infrastructure[8].

India is rising in global competitiveness

The Goods and Services Tax (GST) enacted in 2017, the biggest tax reform since the country's independence, has paved the way for a common national market by integrating various indirect taxes[9]. The country also introduced the Insolvency and Bankruptcy Code 2016 that helps businesses resolve insolvency issues in a timely manner.

[5] Department of Promotion of Industry and Internal Trade, Government of India
[6] World Intellectual Property Organization
[7] UNFPA
[8] Invest in India
[9] Government of India

India at a glance

Capital
New Delhi

Currency
Indian Rupee

Business languages
English and Hindi

Official languages
English and Hindi

Population
1,463,865,525[10]

GDP
$4.19 trillion USD[11]

GDP per capita
$2,880 USD[12]

Time zone
Indian Standard Time

Telephone country code
(+91)

Legal system
India's legal system is drawn from three primary sources—the common law, religious law, and civil (romanist) law.

[10] U.N. Dept. of Economic and Social Affairs - Population Division.
[11] IMF
[12] IMF

How to do business in India

Entry options for foreign investors

Foreign investors can conduct business in India either by establishing a domestic company—qualifying as Foreign Direct Investment (FDI)—or by operating as a foreign entity through liaison, project, or branch offices. The preferred approach is often to set up wholly owned subsidiaries, as this ensures full compliance with Indian regulations.

Setting up as an Indian company

FDI in the capital of a company or limited liability partnership (LLP) is allowed in all sectors outside the Prohibited Sectors List, which bans activities such as gambling, betting, atomic energy, railways, and tobacco. Investment activity may occur through the so-called automatic route, where no approval is needed from the RBI, however, prior approval is required in other cases.

In addition, any investment made by investors from countries that share a land border with India—Bangladesh, China, Pakistan, Nepal, Myanmar, Bhutan, and Afghanistan—requires government approval irrespective of the sector or activities.

Foreign companies can opt to set up wholly owned subsidiaries (WOS), joint ventures (JVs) or special purpose vehicles (SPVs) in the form of public or private companies. Foreign entities may also make investments in equity share capital, compulsorily convertible debentures, compulsorily convertible preference shares, and convertible notes.

The types of entities that foreign investors can set up are as follows:

Type	Setting up	Repatriation
Company Considered an Indian company and subject to all Indian regulations even though it may be completely or partly foreign owned.	A private limited company is required to have at least two shareholders and a minimum of two directors, while a public limited company must have at least seven shareholders, a minimum of three directors, and at least one resident director. Private limited companies are not subject to minimum capital requirements, have limited liability, and are separate legal entities governed by the Companies Act.	The profits earned by the invested company can be repatriated in the form of dividends after the payment of applicable taxes without the permission of the RBI.
SPV An SPV is an entity established for a single, specific purpose. SPVs are generally incorporated under the private limited company structure. Foreign companies choose SPVs to enter into certain areas of business that are prohibited under the automatic route. Government entities can form SPVs for specific projects, a portion of which is open to private-sector participants. For foreign companies, this is a convenient route for obtaining approvals from the Indian state and central government. SPVs are subject to the regulations of the Companies Act, 2013. The members of an SPV are usually the companies and individuals sponsoring the entity.	Just like companies, an SPV must have a promoter or sponsor, usually the parent company. As the SPV is a separate legal entity, it does not affect the assets and activities of the parent company. **Advantages of SPVs** • Separate risk • Capital is freed up • Can leverage future earnings to raise funds • Asset transfer • Direct ownership of a specific asset • Legal protection	Indian SPVs repatriate funds by following the framework set by the RBI under the Foreign Exchange Management Act (FEMA).

<table>
<tr><th>Type</th><th>Setting up</th><th>Repatriation</th></tr>
<tr><td>Limited liability partnership

A LLP combines the advantages of a company with the organizational flexibility of a partnership.

To form an LLP, at least two designated partners are required, and each partner have limited liability, meaning their personal assets are protected from the debts of the LLP.

FDI into LLPs is permitted under the automatic route only in sectors or activities where 100% FDI is allowed through the automatic route and there are no FDI-linked performance conditions.</td><td>For a foreign company setting up an LLP in India, at least one designated partner must be a resident of India. Foreign partners need to obtain a digital signature certificate (DSC) and director identification number (DIN), and if the partner is a foreign entity, an authorized representative must be appointed. The LLP name must be reserved, and incorporation is done by filing the form for incorporation of limited liability partnership (FiLLiP), along with notarized and apostilled documents, such as passports and proof of address etc.

Once incorporated, the LLP agreement must be reported within 30 days, outlining profit-sharing and management roles.</td><td>In an LLP, the repatriation of capital contribution is allowed without any statutory thresholds. In addition, there is no buyback equivalent tax on the distributions made. As a result, the gains made by a partner on such repatriation would be taxable only for the partner.

In the event of capital contribution received by an overseas partner, it may be possible for the partner to claim relief under an applicable tax treaty.</td></tr>
<tr><td>Liaison office

Foreign companies may set up an LO in India to act as a channel of communication between the head office abroad and the operations in India, with the aim of promoting and exploring opportunities for the parent company.</td><td rowspan="2">The process and documentation for setting up an LO, BO, or PO are quite similar.

A foreign entity that meets eligibility conditions must receive approval from the RBI or from an authorized bank to operate a LO, BO, or PO in the country. The approval process normally takes four to five months. Several documents must be provided.

Within 30 days of establishment, the LO, BO, or PO office must register with the Registrar of Companies (ROC) through the Ministry of Corporate Affairs online portal. Additional documents must be provided.

All new entities setting up an LO, BO, or PO in India should submit a report to the director general of police (DGP) of the state concerned within five working days of the BO becoming functional.

In addition to the above requirements, a foreign company establishing a PO in India should file the following details with the RBI:
• Name and address of the foreign company
• Reference number and date of letter awarding the contract
• Details of the authority awarding the project or contract
• The total amount of the contract</td><td>As LOs cannot undertake business activity, the repatriation of profits is not applicable.</td></tr>
<tr><td>Branch office

Foreign companies engaged in manufacturing or trading activities are allowed to set up a BO in India with specific approval of the RBI. BOs are permitted to represent the parent company and engage in the export and import of goods.</td><td>BOs are allowed to repatriate their profits after applicable Indian taxes, once they provide the following documents:
• A certified copy of the audited balance sheet and profit-and-loss account for the relevant year.
• A chartered accountant's certificate stating a) the accrual of the remittable profit; b) that the entire remittable profit has been earned by undertaking the permitted activities; and c) that the profit does not include any profit on revaluation of the assets of the branch.</td></tr>
</table>

Project office Foreign companies planning to carry out specific projects in India can set up temporary PO or site offices in India for this purpose. The RBI has granted general permission to foreign entities to set up POs provided they have secured a contract from an Indian company to execute a project in India. Also, the project must have secured the necessary regulatory clearances.	• Address, email address, telephone number, and fax number of the PO • PO tenure • Brief summary of the project • The authorized dealer branch where the account has been opened and the foreign currency in which the account is opened • An undertaking that the PO is eligible to fulfill the permission to operate	Intermittent remittances by POs may be allowed pending winding up or completion of the project, provided the RBI is satisfied with the legitimacy of the transaction, subject to the following: • The PO submits a certificate from the auditors or chartered accountants stating that sufficient provisions have been made to meet liabilities in India, including income tax. • An undertaking from the PO that states the remittance will not affect the completion of the project in India and that any shortfall of funds for meeting any liability in India will be met by inward remittance from abroad.

Taxation

Type of tax	Rate
Goods and services tax	India introduced the Goods and Services Tax (GST) on July 1, 2017, replacing multiple indirect taxes such as Central Value Added Tax, Service Tax, Central Sales Tax, Entry Tax, Luxury Tax, and Entertainment Tax. The GST was designed to simplify taxation, enhance transparency, and create a unified national market by harmonizing tax rates and reducing inefficiencies in trade. Goods and services under GST are categorized into five main tax brackets: 0%, 5%, 12%, 18%, and 28%. However, certain essential goods are exempt from GST, including fresh meat, fish, eggs, dairy products, fresh fruits, and vegetables. Additionally, GST exemptions apply to specific categories such as unprocessed food items, healthcare services, and educational services • Most goods fall under the 12% and 18% GST tax brackets, covering a wide range of consumer products, electronics, and processed foods. • Services are generally taxed at 18%, including telecommunications, banking, and professional services. • The 28% GST bracket applies to luxury items, including high-end automobiles, personal aircraft, yachts, and premium motorcycles. Additionally, some luxury goods may attract an extra compensation cess, such as luxury cars and tobacco products.
Corporate income tax	Corporate tax in India is levied on a company's net profits after deducting eligible expenses and deductions, as per the provisions of the Income Tax Act. • Domestic Companies: Liable to pay tax on their global income, irrespective of the source • Foreign Companies: Taxed only on income that is received, accrued, or deemed to accrue in India The effective corporate tax rate (including base tax, surcharge, and cess) varies based on: • Whether the company is domestic or foreign. • The company's taxable income in the previous financial year (ending March 31). The Finance Act, passed annually by the government, may revise tax rates, surcharge percentages, and cess obligations
Domestic companies	Currently, corporate tax for domestic companies with turnover up to ₹4B INR is set at 25%, while companies with turnover above ₹4B INR pay corporate tax of 30%. In addition to corporate tax, a surcharge and health and education cess of 4% is also applicable. However, the surcharge is payable only if the annual income of a company exceeds ₹10M INR (at the rate of 7%). If the annual income exceeds ₹100M INR, the surcharge is levied at a rate of 12%. Additionally, domestic companies can opt to pay a 22% corporate tax rate plus surcharge at 10% and health and education cess at 4%, for an effective rate of 25.168%. A domestic company may take the benefits of the lower corporate tax rate (15% plus applicable surcharge and cess) if it was incorporated and registered on or after October 1, 2019 and began manufacturing on or before March 31, 2024. The company should be engaged in the manufacture or production of goods. Companies who only distribute goods do not qualify for the lower tax rate.
Foreign companies	The corporate tax rate for foreign companies depends upon the tax agreement or treaty between India and the company's country of origin. Any royalty or fee for technical services received by a foreign company from an Indian concern or the Indian government is taxed at 50%. Any other income is liable to be taxed at 40%. In addition to corporate tax, the surcharge and health and education cess are also applicable. The cess rate is 4% and is applicable irrespective of profit and turnover. A surcharge of 2% is levied if the income is between ₹10M INR and ₹100M INR; and if it exceeds ₹100M INR, the applicable surcharge is 5%.
Dividend tax	Dividends paid to a shareholder residing in India attract a Tax Deducted at Source (TDS) at a rate of 10%, but only if the dividend exceeds ₹10,000 INR. This amendment, effective from April 1, 2025, was introduced in Budget 2025 to benefit small shareholders.This system brings dividend taxation in line with that of most other countries. In the case of non-resident shareholders, TDS will be at 20% plus surcharge and cess as applicable. However, this rate can be reduced if a tax treaty applies, subject to compliance with prescribed Form and TRC (Tax Residency Certificate) requirements.

Type of tax	Rate
Withholding tax	The central government is responsible for the collection of withholding tax. Employers have to deduct the tax at the time of payment to non-resident individuals (NRI). To be a resident Indian, the taxpayer must have either stayed in India for at least 182 days in the previous year; more than 60 days in the previous fiscal year; or more than 120 days in the previous year if the taxable income exceeds ₹1.5M INR, and must have been present in India for a total of at least 365 days in the four years preceding the relevant financial year. If these conditions aren't met, the taxpayer is given NRI status. The prevailing withholding tax rates on payments made to non-residents are as follows. These represent base rates only; the effective tax rates may be higher due to the applicable surcharge and health and education cess: • Interest: 20% • Dividends paid by domestic companies: 20% • Royalties: 10% • Technical services: 10% • Other services: » Individuals: 30% of income » Companies: 40% of income These are general rates and do not apply to countries that have a Double Taxation Avoidance Agreement (DTAA) with India. Withholding tax returns are filed quarterly.
Special economic zones	SEZs in India offer incentives to resident businesses, such as competitive infrastructure, duty-free exports, tax incentives, and other measures designed to make it easier to conduct business in the country. There are at least over 270 SEZs in operation. Investors can apply to the Indian Board of Approval to establish a new SEZ. The amount of land being proposed will determine the type of SEZ that will be granted: • Multi-sector SEZ: Minimum of 500 hectares of land • Sector-specific SEZ: Minimum 50 hectares • Free trade and warehousing zone: Minimum 40 hectares • IT, handicrafts, biotechnology, non-conventional energy, and gems: Minimum 10 hectares
Tax rebates	• Interest earned by foreign companies: Taxed at reduced rates between 5% and 20%, depending on the nature of the income and applicable Double Taxation Avoidance Agreements (DTAA). • Infrastructure & energy investments: Companies investing in new infrastructure or renewable energy may qualify for deductions under various schemes. • Loss carry-forward: Companies can carry forward losses for up to 8 years, provided they meet business continuity conditions. • Charitable donations: Eligible for exemptions ranging from 50% to 100%, depending on the type of organization and relevant provision of the Income Tax Act

Employment regulations

In September 2020, India's parliament approved three new codes to consolidate the country's labor legislation and compliance regulations. The new regulations make it easier for companies to be flexible in their hiring and firing decisions, as well as in shutting down operations in the country. For example, companies with up to 300 employees can now dismiss staff without seeking government permission. Conditions restricting workers' right to strike have also been introduced. At present, the employment and labor laws include:

1 Social security system

Social security in India is currently governed by the Employees' Provident Fund Organisation (EPFO). Employers and employees each contribute 12% of the employee's salary to the Employees' Provident Fund (EPF), out of which 8.33% of the employer's share (capped at ₹15,000 INR per month) goes toward the Employees' Pension Scheme (EPS). Foreign nationals working in India are also required to make these payments, unless they are from a country with bilateral social security agreements with India.

At establishments with 10 or more employees, employers are also required to pay gratuity to eligible employees—including fixed-term employees—upon superannuation, retirement, termination of service, resignation, or disablement due to an accident or disease. In the event of the employee's death, gratuity is paid to their legal heirs or nominees, as per the rules of succession.

The rate of gratuity payable to employees is 15 days' salary for every completed year of service or a part thereof exceeding six months, subject to a maximum limit of ₹25 lakh.

Establishments employing 10 or more persons are also required to contribute towards employee state insurance, providing for benefits in cases of sickness, maternity, employment injury, and certain other criteria. Employees drawing wages below ₹21,000 INR per month (₹25,000 INR per month in the case of persons with disability) are eligible for benefits.

2 Work permits

Foreigners intending to work in India have to apply for an employment visa (eVisa) at the Indian embassy or consulate in the country of their residence. eVisas are issued only to highly skilled, specialized, or qualified persons and professionals, relating to jobs for which no local Indian workers are available. An eVisa is not granted for routine, ordinary, or secretary jobs. The minimum yearly salary threshold for an eVisa is $25,000 USD, with exemption to roles such as foreign language teachers, translators, and volunteers.

3 HR legislation

As well as obtaining licenses and registrations, making contributions, maintaining registers, and filing periodical returns under the applicable labor and employment legislations, employers in India are expected to:

- Ensure safe, healthy, and sanitary conditions for their employees
- Provide restrooms and first aid appliances
- Provide a safe working environment at the workplace

4 Termination

An employment relationship may terminate in these cases:

- Automatically on completion of the agreed term
- When the employee has reached the age of superannuation
- Signing a mutual termination agreement by either party as agreed in the contract

Indian labor regulations also recognize termination of employment for cause. The employer may dismiss an employee summarily for misconduct without notice. However, an internal inquiry should precede a dismissal for misconduct, except in cases involving moral turpitude and criminal acts.

Severance pay entitlement is 15 days' wages per year of service, as long as the employee has served at least one year continuous service.

How CSC can help you invest in India

While India has made efforts to simplify processes for foreign investors, its business environment remains complex. Many processes and regulations have been simplified, but foreign companies may find it difficult to understand compliance requirements and regulatory formalities. Many challenges remain—such as deciding on the appropriate structure and location, dealing with infrastructure and labor concerns, as well as understanding tax issues. Before entering the Indian market, foreign investors should rely on professional advice to navigate these complex matters. Working with a trusted partner is essential.

Who we are

CSC provides knowledge-based solutions for every phase of the business life cycle, helping businesses form entities, maintain compliance, execute transaction work, and support real estate, M&A, and other corporate transactions in hundreds of U.S. and international jurisdictions.

We work with some of the world's largest banks and commercial lenders to reduce risk in their lien portfolios, improve their transaction speeds, and create a secure environment for their financial processing needs. We also provide solutions for secure real estate document preparation and recording. We have more than 900 experts in Bangalore, Chennai, and Mumbai who carry out a wide range of services, including funds and IT.

We are the trusted partner for 90% of the Fortune 500®, nearly 10,000 law firms, and more than 3,000 financial organizations. Headquartered in Wilmington, Delaware, USA, since 1899, we are a global company capable of doing business wherever our clients are—and we accomplish that by employing experts in every business we serve.

What we can do

CSC provides a wide range of financial and administrative services to clients operating and investing in the international business environment. We help companies expand globally, offering support with restructuring, outsourcing, and further developments. We're experts in management and administration services to operational companies and holding structures across the globe.

In India, we help clients incorporate their company in this exciting jurisdiction and keep up with its regulatory requirements. Our services allow foreign investors to focus on growing their business in India and beyond.

Entity solutions

- Corporate services
  - Formations and incorporations
  - Registered office
  - Corporate secretary
  - Global treasury management
  - Domiciliation
  - Accounts and reporting
  - Director services
  - Tax Compliance services
- Special purpose vehicles (SPVs)
- Global subsidiary management
- Global payroll
- Private Client services

Fund solutions

- Fund administration
  - Private equity
  - Private debt
  - Real estate
  - Infrastructure
  - Fund of funds
  - Hedge fund
- Shadow accounting
- Outsourcing
  - Middle office outsourcing
  - Loan administration
  - Reconciliation
  - Treasury management
- Regulatory and governance
  - Anti-money laundering (AML) and Know Your Customer (KYC)
  - Regulatory reporting
- Technology and consulting

Digital brand and cyber risk

- Domain security
- Domain management
- Online brand protection

Business administration and compliance

- Transaction filings
  - Charitable filings

Capital markets

- Trustee services
  - Indenture and note trustee
  - Successor trustee
  - Bankruptcy, insolvency, and restructuring
  - Specialized Trustee services
  - Delaware Statutory Trust
- Escrow services
- Independent director
- Loan agency
  - Administrative and facility agent
  - Collateral and security agent
  - Depositary agent and account bank
- SPV services
  - Transaction structuring and compliance
  - Domiciliation and management

Appendix

Double taxation agreements

India has signed DTAAs, limited DTAAs, and Exchange of Information (EOI) Arrangements with 94 jurisdictions. A DTAA is a treaty between two countries that aims to prevent double taxation and fiscal evasion. These agreements typically cover income tax, withholding tax, and tax residency.

It is strongly recommended to consult with your tax professionals or advisors for tailored guidance and interpretation of specific treaty provisions.

Albania
Armenia
Australia
Austria
Bangladesh
Belarus
Belgium
Bhutan
Botswana
Brazil
Bulgaria
Canada
China
Columbia
Croatia
Cyprus
Czech Republic
Denmark
Estonia
Ethiopia
Fiji
Finland
France
Georgia
Germany
Greece
Hong Kong
Hungary
Iceland
Indonesia
Iran
Ireland
Israel
Italy
Japan
Jordan
Kazakhstan
Kenya
Korea
Kuwait
Kyrgyz Republic
Latvia
Libyan Arab Jamahiriya
Lithuania
Luxembourg
Macedonia
Malaysia
Malta
Mauritius
Mongolia
Montenegro
Morocco
Mozambique
Myanmar
Namibia
Nepal
Netherlands
New Zealand
Norway
Oman
Philippines
Poland
Portuguese Republic
Qatar
Romania
Russian Federation
Saudi Arabia
Serbia
Singapore
Slovenia
South Africa
Spain
Sri Lanka
Sudan
Sweden
Swiss Confederation
Syria
Taipei
Tajikistan
Tanzania
Thailand
Trinidad and Tobago
Turkey
Turkmenistan
Uganda
Ukraine
United Arab Emirates
United Mexican States
United Kingdom
United States
Uruguay
Uzbekistan
Vietnam
Zambia

Let's talk cscglobal.com

CLS07112025