KRESTON SNR

DOING BUSINESS IN INDIA

2026

FOREWORD

India is a vast, populous, and diverse nation encompassing many different identities, languages, cultures, and religions. It is the seventh largest country by area and the most populous country in the world, having surpassed China in 2023. In terms of its economic growth, India is one of the fastest growing major economies of the world. It is now the fifth largest economy globally with a nominal GDP of approximately USD 4.1 trillion and continues to shine as a beacon of stability amid global uncertainty.

Led by the Modi government, several economic, financial, and institutional reforms - including reforms facilitating ease of doing business across states - have been consistently implemented. India's progress in reforming its regulatory environment for businesses has been widely acknowledged by international investors and institutions.

KEY TRANSFORMATIVE REFORMS (2023–2026)

- The four Labour Codes, consolidating 44 central labour laws, were notified with effect from 21st November 2025.
- A new and simplified Income Tax Act, 2025 received Presidential assent on 21st August 2025 and comes into force from 1st April 2026, replacing the Income Tax Act, 1961.
- The Digital Personal Data Protection Act, 2023 establishes India's first comprehensive data protection framework.
- The Competition (Amendment) Act, 2023 introduced a deal value threshold for merger notifications, aligning India with global best practices.
- The FDI policy has been progressively liberalised across sectors including space, insurance, defence, and telecom.
- India's Production Linked Incentive (PLI) schemes across 14 sectors are attracting significant global manufacturing investments under the 'Make in India' initiative.

This document endeavours to lay down the fundamental legal regime regarding the conduct of business in India and resolve queries and issues normally raised by overseas investors. It is updated to reflect the law as prevalent in India as of May 2026.

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July 2026, New Delhi, India

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CHAPTER 1: India at a Glance

COUNTRY PROFILE

Area: 3,287,263 sq. km (1,269,346 sq. mi)
Location: North of the Equator (Lat. 8°4' to 37°6' N; Long. 68°7' to 97°25' E)
Capital: New Delhi
Standard Time: GMT + 5:30 (IST)
Country Code: +91

GEOGRAPHY & CLIMATE

Covering an area of 3.3 million sq. km, India is the seventh largest country in the world. Extending from the Himalayas in the north, it stretches southwards to the Tropic of Cancer between the Bay of Bengal on the east and the Arabian Sea on the west. India's climate varies from permanently snow-capped Himalayas to the tropical south, with four seasons: winter (December–February), summer (March–June), south-west monsoons (June–September), and post-monsoon (October–November).

POLITICAL SYSTEM

India is a sovereign, socialist, secular, and democratic republic with a parliamentary system of government, governed by the Constitution of India which came into force on 26th January 1950. It has a federal government with 28 states and 8 union territories and is the largest democracy in the world.

Executive

The executive branch comprises the President as head of state, the Vice President, and the Council of Ministers headed by the Prime Minister. Smt. Droupadi Murmu is the current President (since July 2022) and Mr. Narendra Modi is the Prime Minister.

Legislature

The Parliament consists of the President and two Houses — Rajya Sabha (Council of States) and Lok Sabha (House of the People). Elections to the Lok Sabha are held every five years.

Judiciary

The Supreme Court is the apex body of the Indian legal system, followed by High Courts and subordinate courts. The judiciary is independent of the executive and legislative branches.

LEGAL SYSTEM

India has one of the oldest legal systems in the world. The Constitution is the supreme law of the country. Notably, India enacted three new criminal laws effective from 1 July 2024:

- Bharatiya Nyaya Sanhita, 2023 (replacing the Indian Penal Code, 1860)
- Bharatiya Nagarik Suraksha Sanhita, 2023 (replacing the Code of Criminal Procedure, 1973)
- Bharatiya Sakshya Adhiniyam, 2023 (replacing the Indian Evidence Act, 1872)

DEMOGRAPHICS & LANGUAGE

India is the most populous country in the world with approximately 1.46 billion people as of 2025. With ~65% of the population in the working-age bracket and a median age of approximately 29 years, India has a significant demographic dividend. The Constitution recognises 22 official languages; Hindi and English are used for national official communication.

CURRENCY & BUSINESS HOURS

Currency: Indian Rupee (INR / ₹); issued by the Reserve Bank of India
Work Hours: Typically 9 am to 5 pm IST, 5 - 6 days per week
National Holidays: Republic Day (26 Jan), Independence Day (15 Aug) + ~15 gazetted holidays

ECONOMY

India has emerged as the sixth largest economy globally with a nominal GDP of approximately USD 4.1 trillion (FY 2024-25), projected to become the third largest economy within the next decade. Real GDP growth in FY 2025-26 is estimated at 7.6%. The service sector accounts for ~55% of GVA, followed by manufacturing (~28%) and agriculture (~17%). Total exports reached USD 825 billion in FY 2024-25.

FDI OVERVIEW

FDI equity inflows during April–December 2025 increased to approximately USD 47.9 billion - robust year-on-year growth of 22%. Key source countries include United States, Singapore, Mauritius, Netherlands, United Kingdom, Japan, UAE, Germany, Cayman Islands, and Cyprus. Leading FDI sectors: services, IT, telecommunications, trading, construction, automotive, pharmaceuticals, and power.

CHAPTER 2: Government Policies and Business Regulations

COMPANIES ACT

The Ministry of Corporate Affairs (MCA) administers the Companies Act, 2013, the Limited Liability Partnership Act, 2008, the Competition Act, 2002, and allied legislation. The MCA operates through headquarters in New Delhi, 7 Regional Director offices, 25 Registrar of Companies offices, and 23 Official Liquidators.

Statutory & Quasi-Judicial Bodies

- SFIO – Serious Fraud Investigation Office: detects and prosecutes white-collar crimes.
- IBBI – Insolvency and Bankruptcy Board of India.
- CCI – Competition Commission of India: administers the Competition Act, 2002 (as amended 2023).
- NCLT – National Company Law Tribunal; NCLAT – appellate body to NCLT.

FOREIGN DIRECT INVESTMENT (FDI)

FDI in India is governed by FEMA, 1999 and the Consolidated FDI Policy Circular issued by DPIIT. FDI may be made through two routes:

Automatic Route

FDI is allowed without prior regulatory approval. Indian companies can issue shares to foreign investors up to the permitted limit under this route.

Government Approval Route

Certain activities require prior Government approval, obtained through the Foreign Investment Facilitation Portal (FIFP) at fifp.gov.in - the single-window clearance portal for FDI.

FDI Reporting

Within 30 days of receipt of funds, the Indian company must report to the Authorised Dealer (AD) Bank. Within 30 days from the date of share issuance, Form FC-GPR must be filed along with certificates from the Company Secretary and Statutory Auditor.

Prohibited Sectors for FDI

- Lottery businesses (including online lotteries)
- Gambling and betting including casinos; Chit funds; Nidhi companies
- Trading in Transferable Development Rights (TDRs)
- Real estate business (other than construction development) or farm houses
- Manufacturing of tobacco products
- Activities reserved for the public sector (e.g., atomic energy, certain railway operations)

SECTOR-WISE FDI LIMITS (AS UPDATED TO MAY 2026)

Sector	FDI Limit	Entry Route
Agriculture & Animal Husbandry	100%	Automatic
Plantation Sector (Tea, Coffee, Rubber, etc.)	100%	Automatic
Mining – Metal & Non-metal ores	100%	Automatic
Mining – Titanium Bearing Minerals	100%	Government
Petroleum & Natural Gas	100%	Automatic
Petroleum Refining by PSU	49%	Automatic
Defence – Manufacturing	100%	Automatic up to 74%; Government above 74%
Broadcasting Infrastructure (DTH, Cable, etc.)	100%	Automatic
Broadcasting Content – News & Current Affairs TV	49%	Government
Broadcasting – Non-News TV / Down-linking	100%	Automatic
Print Media – News & Current Affairs	26%	Government
Print Media – Scientific & Technical	100%	Government
Civil Aviation – Airports (Greenfield & Existing)	100%	Automatic
Civil Aviation – Scheduled Air Services	100%	Automatic up to 49%; Government above 49%
Construction Development: Townships, Housing	100%	Automatic
Space – Satellite Component Manufacturing	100%	Automatic
Space – Satellite Manufacturing & Operation	74%	Automatic up to 74%; Government above 74%
Space – Launch Vehicles & Spaceports	49%	Automatic up to 49%; Government above 49%
Private Security Agencies	74%	Automatic up to 49%; Government 49–74%

SECTOR-WISE FDI LIMITS (AS UPDATED TO MAY 2026)

Sector	FDI Limit	Entry Route
Telecom Services	100%	Automatic up to 49%; Government above 49%
Cash & Carry Wholesale Trading	100%	Automatic
E-Commerce (B2B only)	100%	Automatic
Single Brand Retail Trading	100%	Automatic up to 49%; Government above 49%
Multi Brand Retail Trading	51%	Government
Duty Free Shops	100%	Government
Railway Infrastructure	100%	Automatic
Banking – Private Sector	74%	Automatic up to 49%; Government 49–74%
Banking – Public Sector	20%	Government
Insurance (subject to premium reinvestment in India)	100%	Automatic
Pension Sector	49%	Automatic
Power Exchanges	49%	Automatic
Pharmaceuticals – Greenfield	100%	Automatic
Pharmaceuticals – Brownfield	100%	Automatic up to 74%; Government above 74%
Food Products Manufactured in India (e-commerce trading)	100%	Government

FOREIGN EXCHANGE MANAGEMENT ACT (FEMA)

FEMA, 1999 governs all foreign exchange transactions in India, classifying them as Current Account Transactions and Capital Account Transactions. The FEMA rules have been significantly updated since 2022, including revised Overseas Direct Investment Rules (2022), updated External Commercial Borrowings (ECB) framework, and revised remittance regulations.

MAKE IN INDIA INITIATIVE

Make in India 2.0 focuses on 27 sectors - 15 manufacturing sectors coordinated by DPIIT and 12 service sectors coordinated by the Department of Commerce. The initiative aims to increase manufacturing's share of GDP. The Production Linked Incentive (PLI) scheme offers financial incentives across 14 key sectors including mobile phones, pharmaceutical ingredients, medical devices, automobiles, advanced batteries, textile products, food processing, telecom, white goods, specialty steel, solar PV modules, and drones. PLI has attracted investments exceeding ₹ 1.5 trillion.

INSOLVENCY & BANKRUPTCY CODE, 2016

The IBC consolidates laws relating to insolvency and bankruptcy of individuals, corporates, and partnership firms. It introduced a creditor-in-control regime with the Corporate Insolvency Resolution Process (CIRP) to be completed within 330 days.

Key Amendments

- Pre-Packaged Insolvency Resolution Process (PPIRP) for MSMEs - faster out-of-court restructuring with minimum default of ₹ 10 lakh.
- 2023-24 IBBI Regulations: enabling separate resolution plans for each real estate project.
- 2024 liquidation amendments enabling reduction in reserve price and private sale of assets.
- IBC (Amendment) Bill, 2025 under consideration for further streamlining.

COMPETITION LAW (AMENDED 2023)

The Competition (Amendment) Act, 2023 substantially updated India's competition law framework:

- Deal Value Threshold (DVT) - effective 10 Sept. 2024: transactions exceeding ₹ 20 billion with substantial Indian business operations require mandatory CCI notification.
- Reduced review timelines: prima facie view reduced from 30 to 15 working days; overall review from 210 to 150 calendar days.

COMBINATION REGULATION THRESHOLDS (COMPETITION LAW)

Level	Assets		Turnover
Enterprise (India)	> ₹ 25 billion	or	> ₹ 75 billion
Enterprise (Worldwide with India leg)	> USD 1.25B + min. ₹ 12.5B in India	or	> USD 3.75B + min. ₹ 37.5B in India
Group (India)	> ₹ 100 billion	or	> ₹ 240 billion
Group (Worldwide with India leg)	> USD 5B + min. ₹ 12.5B in India	or	> USD 15B + min. ₹ 37.5B in India
Deal Value Threshold (from Sep 2024)	Transaction value > ₹ 20B AND substantial Indian operations	or	Applicable irrespective of asset/turnover size

INTELLECTUAL PROPERTY RIGHTS

India has well-established statutory, administrative, and judicial frameworks for safeguarding Intellectual Property (IP). India remains compliant with TRIPS obligations.

Patents

The Patent (Amendment) Rules, 2024 streamlined examination processes, reduced timelines, and updated fee structures. Expedited examination is available for start-ups, small entities, female applicants, and government undertakings. Filing of commercial working statement (Form 27) annually remains mandatory.

Copyrights

Governed by the Copyright Act, 1957. The term of copyright is generally the lifetime of the creator plus 60 years. India is a member of the Berne Convention.

Trademarks

Governed by the Trade Marks Act, 1999 and Trade Marks Rules, 2017. The Trade Marks (Second Amendment) Rules, 2024 updated fee structures and processes. Registered trademarks are valid for 10 years and renewable.

Designs

Protected under the Designs Act, 2000. A new Designs Act is under consideration to align with the Hague Agreement. Protection period: 10 years, extendable by 5 years.

ENVIRONMENTAL LAWS

India's environmental regulatory framework is administered by the Ministry of Environment, Forest and Climate Change (MoEFCC). Industries are categorised as Red, Orange, Green, and White based on a Pollution Index. Key legislation includes the Environment (Protection) Act, 1986; the Water Act, 1974; and the Air Act, 1981. India is committed to net-zero emissions by 2070, spurring rapidly growing regulations and incentives for renewable energy and green hydrogen.

DIGITAL PERSONAL DATA PROTECTION ACT, 2023

India enacted its first comprehensive data protection law — the DPDP Act — which received Presidential assent on 11 August 2023, affecting all businesses that collect, process, or use personal data in India.

Key Provisions

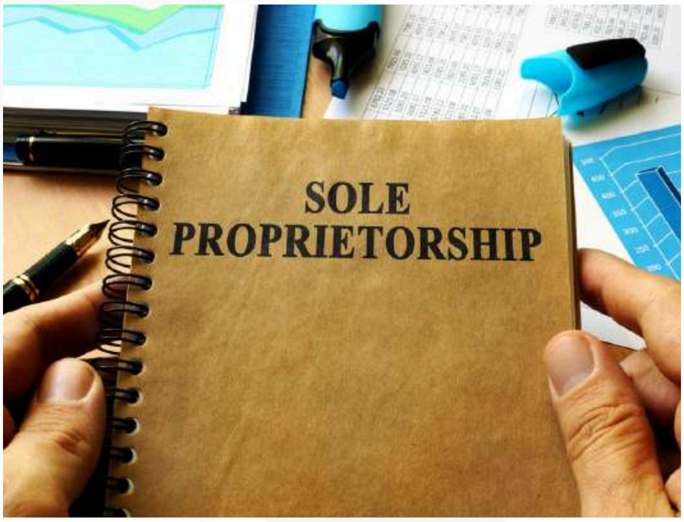
- Scope: Applies to processing of digital personal data in India and to entities outside India offering goods/services to individuals in India.
- Data Fiduciaries must obtain free, specific, informed, and unconditional consent before processing personal data.
- Significant Data Fiduciaries (SDFs): heightened obligations including data audits, impact assessments, and a Data Protection Officer.
- Children's Data: Verifiable parental consent required; no behavioural monitoring or targeted advertising directed at children.
- Cross-Border Transfers: Personal data may be transferred outside India except to restricted countries.
- Penalties: Up to ₹ 2.5 billion for failure to comply, including for data breaches.

Full compliance under the DPDP Rules is expected by May 2027.

CHAPTER 3: Business Entities

SOLE PROPRIETORSHIP

A sole proprietorship is owned, managed, and controlled by a single individual. No formal registration is required, though the proprietor may need licences from local administration (shops and establishments, trade licence, GST registration, etc.). The firm has no legal existence separate from its owner; liability is unlimited. An NRI/PIO may invest with repatriation benefits only with prior RBI approval, except in agricultural/plantation, real estate, or print media.



PARTNERSHIP

Governed by the Indian Partnership Act, 1932 and formed by two or more persons to share the profits of a business. The minimum number of partners is two and the maximum is 100. Partners are jointly and severally liable for the firm's liabilities.

LIMITED LIABILITY COMPANIES

Private Limited Company

Restricts share transfers, limits shareholders (excluding employee-shareholders) to 200, and prohibits public invitation to subscribe. Requires a minimum of two shareholders (at least one resident shareholder) and two directors. Name carries the suffix 'Private Limited' (Pvt. Ltd.).

Public Limited Company

Requires a minimum of seven shareholders and three directors. Name carries the suffix 'Limited' (Ltd.). A listed public company is additionally regulated by SEBI.

Dormant Company

A company formed for a future project or to hold assets/IP, with no significant accounting transactions, may obtain Dormant Company status from the ROC, enjoying reduced compliance obligations.

One Person Company (OPC)

Formed with only one person as its member. Following 2021 amendments, NRIs (Indian citizens, whether resident or not) are eligible to incorporate an OPC. Residency requirement reduced to 120 days (from 182 days). Capital and turnover restrictions removed. Foreign nationals remain ineligible.

TRUSTS

Public charitable trusts benefit the public at large; private trusts benefit specified beneficiaries. Public trusts are governed by state-specific legislation. Private trusts are governed by the Indian Trusts Act, 1882. Charitable and religious trusts enjoy several tax exemptions under the Income Tax Act.

LIMITED LIABILITY PARTNERSHIP (LLP)

Governed by the LLP Act, 2008. An LLP combines the benefits of limited liability with the flexibility of a partnership. It is a separate legal entity with perpetual succession. Partners' liability is limited to their agreed contribution.

ENTITY OPTIONS FOR FOREIGN COMPANIES

Liaison Office (LO)

Can only undertake liaison activities — it cannot earn income in India. Expenses must be met entirely through inward remittances from the Head Office. Initial approval for 3 years (extendable).
Track record of Head Office: Profit-making in the immediately preceding 3 financial years. Net worth: Minimum USD 50,000 or equivalent.

Branch Office (BO)

With RBI approval, a BO may export/import goods, render consultancy services, carry out research, promote technical/financial collaborations, render IT services, and provide technical support. A BO cannot undertake manufacturing or retail trading. Profits can be freely remitted, subject to taxes. Track record: Profit-making in the immediately preceding 5 financial years. Net worth: Minimum USD 100,000 or equivalent. Note: Foreign entities from Pakistan, Bangladesh, Sri Lanka, Afghanistan, Iran, China, Hong Kong, or Macau require prior RBI permission.

Project Office (PO)

RBI grants general permission to foreign companies to establish Project Offices in India where they have secured a contract from an Indian company, provided the project is funded by inward remittance, a bilateral/multilateral financing agency, or through a term loan from a public financial institution or bank in India.

Wholly Owned Subsidiary (WOS) / Joint Venture

A foreign company may set up a WOS in sectors where 100% FDI is permitted. Alternatively, it may enter into a JV with an Indian partner. A WOS or JV incorporated in India is treated at par with any domestic Indian company and is subject to all Indian laws and regulations.

CHAPTER 4: Incorporation and Administration

DOMESTIC COMPANY

The process of incorporating a company in India has been significantly streamlined through the MCA V3 portal and the SPICe+ (Simplified Proforma for Incorporating Company Electronically Plus) form, which provides integrated registration across multiple authorities in a single application.

A. PAN/PASSPORT – DSC – DIN

Permanent Account Number (PAN) and Digital Signature Certificate (DSC), for foreign director must have valid passport are mandatory for initiating incorporation.

B. NAME APPROVAL

The RUN (Reserve Unique Name) facility on MCA V3 allows applicants to reserve a company name. Up to two preferred names may be submitted. The name must not be identical or similar to existing companies or violate the Emblems and Names (Prevention of Improper Use) Act, 1950. The name, once approved by the Registrar, shall remain reserved for a period of sixty days.

C. FILING VIA SPICE+

SPICe+ allows simultaneous application for company incorporation, PAN, TAN, GSTIN (optional), ESIC registration, EPFO registration, Professional Tax registration (Maharashtra and Karnataka), bank account opening, and Shops & Establishments Act registration. Foreign subscribers must physically sign with apostillisation.

D. Certificate of Incorporation

The Certificate issued by the ROC contains the Corporate Identification Number (CIN), PAN, and TAN.

E. Post-Incorporation Checklist

- First Board Meeting: within 30 days of incorporation.•First Auditor: appointed by the Board within 30 days of incorporation.
- Share Certificates: issued within 2 months of receiving the Certificate of Incorporation.
- Dematerialisation of Shares where more than 50% of the shareholding is owned by a body corporate Declaration in Form INC-20A: filed with the ROC within 180 days before commencing business or borrowing.
- FDI reporting to RBI via AD Bank (Form FC-GPR) upon receipt of subscription money from foreign subscribers.

SHARES & CAPITAL STRUCTURES

Equity Shares

Ordinary shares carrying voting rights and dividend rights.

Preference Shares

Carry preferential rights to dividends at a fixed rate and preferential rights during liquidation. Compulsorily Convertible Preference Shares (CCPS) may be issued to non-residents for FDI purposes.

Debentures

Debentures issued to non-residents must be compulsorily convertible to equity shares for FDI purposes. Fully and Compulsorily Convertible Debentures (FCCDs) are treated on par with equity for FDI.

External Commercial Borrowings (ECB)

Governed by the RBI ECB Framework. Indian companies may avail ECB from eligible foreign lenders subject to end-use restrictions, eligible borrower criteria, and minimum average maturity requirements.

RETURN ON INVESTMENTS

Dividend

Dividend income from Indian companies is taxable for foreign investors at 20% (plus surcharge and cess), subject to applicable tax treaties.

Buy Back

Companies may buy back shares up to 25% of paid-up equity capital plus free reserves in any 12 month period (with shareholder approval).

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Every company must have a Board of Directors. Companies of prescribed classes must have Key Managerial Personnel (KMP): Managing Director or CEO or Manager, Company Secretary, and Chief Financial Officer. Companies with paid-up capital of ₹ 10 crore or more, must appoint a Company Secretary.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Under the Companies Act, 2013, every company with a net worth of ₹ 5 billion or more, or turnover of ₹ 10 billion or more, or net profit of ₹ 50 million or more must constitute a CSR Committee and spend at least 2% of the average net profits of the preceding three years on CSR activities.

STATUTORY REPORTING AND AUDIT

All companies prepare financial statements in accordance with the Companies Act, 2013. Listed companies and certain classes of unlisted companies apply Indian Accounting Standards (Ind AS), converged with IFRS. The financial year runs from 1 April to 31 March.

CHAPTER 5: Corporate Taxation

DOMESTIC COMPANY

All domestic companies are liable to tax on their global income. Foreign companies are liable to tax in India on income received or accruing in India. The Income Tax Act, 2025 received Presidential assent on 21 August 2025 and came into force from 1 April 2026, replacing the Income Tax Act, 1961. The new Act simplifies language and reduces sections from 819 to 536 but does no changes in tax rates.

Category	Income Tax Rate
Domestic companies with FY 2023-24 turnover/gross receipts not exceeding ₹ 4 billion	25%
Other Domestic Companies (normal rate)	30%
Domestic companies opting for concessional rate (Sec. 115BAA – no deductions/incentives)	22%
New Domestic Manufacturing Companies incorporated on or after 01-10-2019 (Sec. 115BAB)	15%
Foreign Companies	35%

SURCHARGE RATES

Company Type	Net Income ₹ 10M–100M	Net Income > ₹ 100M
Domestic Companies (Normal Rate – 25% / 30%)	7%	12%
Domestic Companies (Concessional Rates – 22% or 15%)	10%	10%
Foreign Companies	2%	5%

Health & Education Cess: 4% of Income Tax and surcharge for all categories.

RESIDENT COMPANIES AND POEM

A company incorporated in India is always a resident. A foreign company is regarded as resident if its Place of Effective Management (POEM) is in India. POEM rules do not apply to foreign entities with turnover less than ₹ 500 million.

TAXABILITY - FOREIGN COMPANIES

- Business Income (through PE or business connection): 35% plus surcharge and cess.
- Royalty/Fees for Technical Services: 20% on gross basis plus surcharge and cess.
- Interest from foreign currency loans: 20%; concessional rate of 5% for long-term bonds during specified periods.
- Dividend: 20% plus surcharge and cess (subject to beneficial treaty rates).
- Other income: 35% plus surcharge and cess.

Non-residents can avail beneficial rates under India's ~96 tax treaties, provided a Tax Residency Certificate (TRC) and Form 41 are furnished.

EQUALISATION LEVY

- 6% Levy on online advertisement services received/receivable by a non-resident from a resident carrying on business.

- 2% Levy on non-resident e-commerce operators -abolished effective 1 August 2024 (Finance (No. 2) Act, 2024).

CAPITAL GAINS TAX

Following significant reforms under the Finance (No. 2) Act, 2024 (effective 23 July 2024), India's capital gains tax regime has been substantially simplified. Capital assets (other than listed securities) are long-term if held for more than 24 months. Listed securities and equity-oriented MF units are long-term if held for more than 12 months.

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CAPITAL GAINS TAX RATES

Type of Capital Gain	Applicable Tax Rate
STCG: Listed equity shares & equity MF units (subject to STT)	20% + surcharge + 4% cess
STCG: Other assets	Applicable corporate/individual tax rate
LTCG: All assets (held > 24 months; listed securities > 12 months)	12.5% without indexation (+ surcharge capped at 15% + 4% cess)
LTCG: Immovable property acquired before 23 July 2024 (resident individuals/HUF)	Option 1: 12.5% without indexation or Option 2: 20% with indexation - whichever is lower
LTCG: Listed equity/equity MF units where STT paid	12.5% without indexation on gains exceeding ₹ 1,25,000

TRANSFER PRICING

All transactions between Associated Enterprises (AEs) must be at arm's length. Two enterprises are associated if there is 26% or more direct/indirect shareholding, or loans representing 51% or more of total assets, or appointment of more than 50% of the Board. India has adopted the OECD BEPS framework.

- Form 48 (Accountant's Certificate): Mandatory for all international transactions between AEs, to be filed by 31 October of the relevant assessment year.
- Country-by-Country Report (CbCR): Required for Indian multinational groups with consolidated revenue above ₹ 6.4 billion.
- Master File: Required for international groups with aggregate value of international transactions exceeding prescribed thresholds.
- Advance Pricing Agreement (APA): Available for up to 5 consecutive years, with roll-back provisions for 4 preceding years.

TAX RETURNS & ASSESSMENTS

All companies must file tax returns electronically. Due date: 31st October (30th November for companies with international transactions requiring a transfer pricing report). The Faceless Assessment Scheme and Faceless Appeal Scheme minimise direct interaction between taxpayers and tax officers.

CHAPTER 6: Personal Taxation

Residential Status	Tax Regimes
An individual is a resident if they satisfy either: (a) presence in India for 182 days or more during the financial year; or (b) presence of 60 days or more during the year and at least 365 days during the preceding 4 years. For Indian citizens/POIs with total income (other than foreign sources) exceeding ₹ 1.5 million, the threshold in condition (b) is 120 days.	India currently operates two personal tax regimes. The Finance Act, 2023 made the New Tax Regime the default for all individuals, HUFs, AOPs, and BOIs from AY 2024-25. Taxpayers must opt out of the new regime to apply the old regime.

NEW TAX REGIME — INCOME SLABS (FINANCE ACT, 2026 REVISED SLABS)

Net Income Range	Tax Rate
Up to ₹ 4,00,000	Nil
₹ 4,00,001 to ₹ 8,00,000	5%
₹ 8,00,001 to ₹ 12,00,000	10%
₹ 12,00,001 to ₹ 16,00,000	15%
₹ 16,00,001 to ₹ 20,00,000	20%
₹ 20,00,001 to ₹ 24,00,000	25%
Above ₹ 24,00,000	30%

OLD TAX REGIME — INCOME SLABS (OPTIONAL; FY 2025-26)

Net Income Range	Tax Rate
Up to ₹ 2,50,000	Nil
₹ 2,50,001 to ₹ 5,00,000	5%
₹ 5,00,001 to ₹ 10,00,000	20%
Above ₹ 10,00,000	30%

Key Benefits – New Tax Regime (FY 2025-26)

- Standard Deduction: ₹ 75,000 for salaried employees and pensioners.
- Tax Rebate (Section 87A): Full rebate up to ₹ 60,000 for individuals with total income up to ₹ 12 lakh — effectively making income up to ₹ 12 lakh tax-free.

Under the old regime, all existing deductions and exemptions are available (Section 80C up to ₹ 1.5 lakh, HRA, LTA, 80D, etc.). Resident senior citizens (above 60 years) enjoy a basic exemption of ₹ 3 lakh; very senior citizens (above 80 years) enjoy ₹ 5 lakh (old regime).

SURCHARGE & CESS

- 10% of Income Tax where total income exceeds ₹ 5 million
- 15% of Income Tax where total income exceeds ₹ 10 million
- 25% of Income Tax where total income exceeds ₹ 20 million
- 25% of Income Tax where total income exceeds ₹ 50 million

Surcharge on LTCG (under Sections 112/112A) is capped at 15%. Health & Education Cess: 4% of total income tax and surcharge.

TAX TREATMENT OF ESOPS

ESOPs are taxed at two stages. At exercise: the difference between FMV and actual exercise price is taxable as salary (perquisite). For employees of eligible DPIIT-recognised start-ups, this may be deferred to the earliest of: sale of shares, change in employment, or 5 years from allotment. At sale: the difference between sale proceeds and FMV at exercise is taxable as capital gains.

FILING & COMPLIANCE

Tax returns must be filed electronically via the e-filing portal (incometax.gov.in). Due dates: 31 July (without audit) and 31 October (with audit) of each assessment year.

CHAPTER 7: Indirect Taxes

GOODS AND SERVICES TAX (GST)

GST was introduced on 1 July 2017 as India's most significant indirect tax reform, consolidating multiple central and state taxes into a unified destination-based consumption tax. It replaced central excise, service tax, VAT/CST, entry tax, purchase tax, octroi, and similar levies.

STRUCTURE OF GST

- CGST: Levied by the Centre on intra-state supplies.
- SGST/UTGST: Levied by the State/UT on intra-state supplies.
- IGST: Levied by the Centre on inter-state supplies and imports.

REGISTRATION THRESHOLDS

GST registration is mandatory when aggregate turnover exceeds ₹ 4 million for goods and ₹ 2 million for services (₹ 1 million in special category states). Certain categories must register irrespective of turnover (e.g., e-commerce operators, inter-state suppliers).

E-INVOICING (UPDATED)

- Effective August 2023: Mandatory for businesses with AATO exceeding ₹ 5 crore.
- 30-Day Reporting Rule (effective April 2025): Businesses with AATO of ₹ 10 crore or more must upload invoices to the IRP within 30 days of the invoice date.

GST RATES

India implemented major GST reforms effective September 22, 2025, replacing the previous four-tier system (5%, 12%, 18%, 28%) with a simplified two-rate structure of 5% and 18%, plus a new 40% rate on luxury and sin goods. Specifically, a new 40% rate has been introduced for luxury and "sin" goods - including premium cars, tobacco products, and aerated beverages - replacing the earlier 28% GST plus cess structure.

COMPOSITION SCHEME

Small taxpayers with aggregate turnover up to ₹ 15 million may opt for the Composition Levy at reduced flat rates (1% for manufacturers, 5% for restaurants, 6% for service providers) without claiming Input Tax Credit. Further, such taxpayers cannot charge the taxes on the service recipients or buyers.

OTHER KEY GST PROVISIONS

- Input Tax Credit (ITC): Available to registered taxpayers on inward supplies used for business purposes, subject to conditions.

- Reverse Charge Mechanism (RCM): For import of services and certain notified goods/services, the recipient is liable to pay GST.

- GSTR-9 (Annual Return): Mandatory for taxpayers with AATO above ₹ 2 crore. GSTR-9C (Reconciliation Statement): Mandatory for AATO above ₹ 5 crore.

- Anti-profiteering: The CCI now handles anti-profiteering cases under GST (NAA subsumed from December 2022).

CUSTOMS DUTY

Customs Duty is levied on the import of goods and comprises:

- Basic Customs Duty (BCD): Primary levy, based on assessed value of goods.

- IGST under the Customs Tariff Act, 1975: Paid on imports, available as ITC to registered importers.

- GST Compensation Cess: Applicable on certain specified goods.

- Social Welfare Surcharge: 10% of the aggregate of customs duties (excluding IGST and compensation cess).

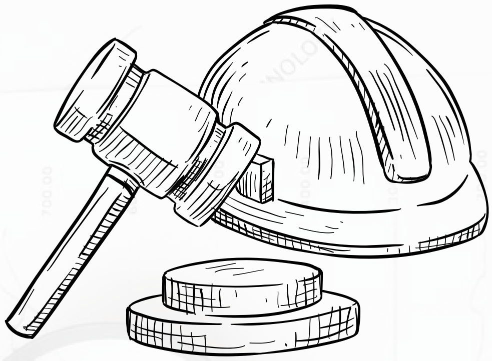
India has entered Free Trade Agreements with ASEAN, Japan, South Korea, UAE, and Australia. The ICEGATE portal facilitates digital customs clearance.

CHAPTER 8: Labour Laws and Social Security

India's labour regulatory framework has undergone a landmark transformation. The Government has consolidated 44 central labour laws into four comprehensive Labour Codes, notified with effect from 21 November 2025. Employers must review and update HR policies, employment contracts, payroll structures, and compliance calendars accordingly.

THE CODE ON WAGES, 2019

Consolidates: the Minimum Wages Act, 1948; Payment of Wages Act, 1936; Payment of Bonus Act, 1965; and Equal Remuneration Act, 1976. Covers all employment across industry, trade, business, and manufacturing.



KEY PROVISIONS

- Minimum Wages: Universal floor wage fixed by the Central Government; state governments must fix wages at or above this floor. Revised at least every 5 years with periodic dearness allowance adjustments.
- Wages Definition (effective 21 November 2025): Includes basic pay, dearness allowance, and retaining allowance. Basic pay must constitute at least 50% of total compensation.
- Working Hours: Maximum 9 hours per day with a 12-hour spread including rest intervals. Overtime payable at at-least twice the normal rate.
- Bonus: Applicable to establishments with at least 20 employees. Annual bonus of at least 8.33% of wages (minimum ₹ 100), up to a maximum of 20% of annual wages.
- Gender Equality: Prohibition on gender-based discrimination in wages and recruitment for the same or similar work.

THE INDUSTRIAL RELATIONS CODE, 2020

Consolidates: the Trade Unions Act, 1926; Industrial Employment (Standing Orders) Act, 1946; and Industrial Disputes Act, 1947.

KEY PROVISIONS

- Standing Orders: Industrial establishments with at least 300 workers must prepare standing orders on classification, work hours, holidays, paydays, termination, and grievance mechanisms.
- Strikes and Lockouts: Notice of 60 days required before strikes/lockouts.
- Lay-off and Retrenchment: Non-seasonal establishments with 300 or more workers require prior government approval for lay-off, retrenchment, or closure (threshold raised from 100 to 300 workers). Retrenchment compensation: 15 days' wages for each year of continuous service.
- Fixed-Term Employment: Fixed-term employees are entitled to proportionate gratuity from day one and statutory benefits on par with permanent workers.
- Closure: 60 days' advance notice to the government for industrial establishments employing 50 or more workers.

THE CODE ON SOCIAL SECURITY, 2020

Consolidates nine laws including: the EPF and Miscellaneous Provisions Act, 1952; Payment of Gratuity Act, 1972; Employees' Compensation Act, 1923; Maternity Benefit Act, 1961; and Employees' State Insurance Act, 1948.

KEY PROVISIONS

- EPF Contributions: 12% of wages each from employer and employee towards EPF, EPS, and EDLI.
- Gratuity: Payable to employees completing 5 years of continuous service (pro-rata in cases of death or disability). For fixed-term employees, payable on a pro-rata basis from day one.
- Gig and Platform Workers: Aggregators must contribute 1–2% of their annual turnover (not exceeding 5% of payments to gig workers) towards social security funds.
- Maternity Benefits: 26 weeks maternity leave for first two children; crèche facility mandatory for establishments with 50 or more employees.
- ESI: Applicable to establishments with 10 or more employees (manufacturing with power) with wages up to ₹ 21,000/month. Employer contribution: 3.25%; Employee: 0.75%.

OCCUPATIONAL SAFETY, HEALTH & WORKING CONDITIONS CODE, 2020

Consolidates 13 laws including: the Factories Act, 1948; Mines Act, 1952; Building and Other Construction Workers Act, 1996; and Contract Labour Act, 1970.

KEY PROVISIONS

- Applicability: Factories with 20+ workers (with power) or 40+ workers (without power).
- Women in Night Shifts: Women may work before 6 AM and after 7 PM with their consent, subject to safety conditions.
- Welfare Officer: Required when 250+ employees are employed.
- Canteen: Mandatory for establishments employing 100 or more workers.
- Transgender Rights: All establishments must provide separate washrooms, bathing places, and locker rooms for male, female, and transgender employees.
- Inter-State Migrant Workers: Benefits include access to PDS, building and construction cess fund, insurance, and provident fund in either home or employment state.
- Working Hours: No worker may work more than 8 hours per day and 48 hours per week. Overtime payable at twice the normal wages.

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