

# Recent Amendments in FDI Policy



- Cabinet approves numbers of amendments in FDI policy on January 10, 2018.
- The union cabinet was headed by the Prime Minister Shri Narendra Modi.

## Important amendments in FDI policy

S.no.	Particulars	%
1.	Automatic route for Single Brand Retail Trading	100
2.	Automatic route in Construction Development	100
3.	Air India	49
4.	FIIIs (foreign institutional investment)/FPIs (foreign portfolio investment) are allowed to invest in Power Exchanges by primary market	
5.	Medical devices also amended in FDI policy	

## Single Brand Retail Trading

- Single Brand Retail Trading means when a seller sells multiple varieties of goods of the same brand under a roof. For example, Apple Company set up stores in India in which foreign parents of Apple invest. In such stores, Apple can sell only Apple products like Ipad, Iphone etc. under the category of single brand retail trading.

- As per the existing policy, the government allowed only FDI up to 49% in Single Brand Retail Trading and above 49% investors need approval from the government.
- But now the government has been decided to allow 100% FDI under single brand retail trading.

## Civil Aviation

- According to present policy foreign airlines are permitted to invest in the capital of Indian companies, operating scheduled and non-scheduled air transport services under government approval route up to 49% of their paid-up capital.
- But this provision was not applicable to Air India flight.
- After this amendment, the government allowed investors to invest in Air India up to 49% under approval route in Air India.

### Conditions to invest in Air India are:

1. Foreign investment In Air India shall not go beyond 49% (directly or indirectly).
2. Real ownership and control of Air India shall remain in the hands of Indian National.

## Construction Development

- Construction development includes townships, housing, built-up infrastructure, and real estate broking services.
- According to the recent amendment, it has been decided that real-estate broking service amount to real estate business. So, it is permitted for 100% FDI under automatic route in construction development.

## Power Exchange by Primary Market

- According to the present policy, the government allowed to invest 49% by power exchange by the automatic route which comes under the central electricity regulatory commission (power market) regulation, 2010. But it was restricted to the secondary market only. No FIIs/FPIs can invest through the Primary Market

- But, now it has been decided that FIIs/FPIs can also invest in Power exchange by the Primary Market up to 49%.

## Approval under FDI Policy

- Earlier, an issue of equity share against non-cash like import of machinery, pre-incorporation expenditures and so on are allowed under the approval route.
- But now it has been decided to issue of shares against non-cash like import of machinery, pre-incorporation expenditures and so on shall be allowed by automatic route if the sector in which an investor invests comes under the automatic route.
- Foreign investors engaged in the activity of investing in the capital of other Indian companies and LLP (Limited Liability Partnership) and in the core investing companies are presently permitted up to 100% with the Government approval.
- But now it has been decided that if the above activities are regulated by financial sector then foreign investment up to 100% comes under automatic route and if they not regulated by financial sector then foreign investment up to 100% comes under government approval.

### ***Authorized authority for studying FDI proposals from country of concern***

- Earlier, FDI applications for investment from the country of concern (unfavorable countries) need security clearance as per the present FEMA 20.
- If foreign investors from country of concern invest in automatic route activities and sector then FDI policy and security clearance are to be processed by the Ministry of Home Affairs
- And if investors invest in the government approval activities and sector then security clearance is to be done by respective administration departments and ministries.
- But now it has been decided that foreign investment in automatic route from the country of concern prior need approval from Department of Industrial Policy & Promotion (DIPP) for Government approval and for the government route the procedure will remain same.

## Medical devices

- Definition of medical devices states that instruments which help to assist monitoring and diagnose like appliances, kit, instrument,

apparatus, control material, and so on are considered to be as medical devices.

- Now it has been decided to drop the reference to drug and cosmetics Act from FDI policy and to amend the definition of medical devices as mentioned in FDI policy.

### Features of amendments in FDI policy

- These amendments proposed to simplify and liberalize the FDI policy.
- Increase the FDI inflow into the country (In 2016-17, total FDI of US \$ 60.08 billion has been received).

### Automatic route and Government approval route

- **Automatic route:** In automatic route, investors do not need prior approval from Reserve bank or government of India for investment. It is less restricted and more liberalized.
- **Government approval route:** In government approval route, investors need prior approval from the government of India and respective bodies.