Deloitte.

India at the centre of global investments

Seize the India moment

April 2025

Executive summary

As one of the fastest-growing economies, India offers a compelling narrative of robust economic indicators, a favourable business environment and a strategic position in the global market. This report, "India at the centre of global investments: Seize the India moment," provides a comprehensive guide for investors looking to capitalise on India's growth trajectory.

What makes India a standout destination for investors

India's economic opportunity is nothing short of remarkable, with robust growth positioning it as the fastest-growing economy through FY2026. The country's strong domestic demand and burgeoning digital economy provide a buffer against global uncertainties. However, effectively managing the rapid pace of technological advancements is crucial to sustaining this growth and mitigating potential disruptions.

Strong economic indicators

India's GDP is projected to grow between 6.3 percent and 8 percent over the next two years, underscoring the nation's resilience and economic potential. This steady growth trajectory is a testament to India's robust economic framework, making it an attractive destination for global investments.

The country's competitive edge is further bolstered by four key pillars: favourable demographics, improving logistics, rapid technological innovation and the rise of sunrise sectors. A young and dynamic workforce enhances productivity, while advancements in infrastructure and technology drive efficiency and global integration. The contribution of emerging sectors ensures long-term growth and competitiveness.

Continuous reforms and supportive initiatives

Continuous reforms and supportive initiatives
Since 2016, India has implemented many reforms to strengthen its economic foundations. Key initiatives, such as the insolvency and bankruptcy code and the Goods and Services Tax (GST), have streamlined financial and tax frameworks, fostering a more dynamic business environment. Addressing infrastructure gaps, enhancing regulatory clarity and ensuring consistent policy implementation are essential to sustaining growth.

Favourable business environment

India has made significant strides in creating a business-friendly environment, reflected in its improved performance in key areas. Government initiatives, such as the insolvency and bankruptcy code, national infrastructure pipeline, Production-Linked Incentive (PLI) scheme, PM Gati Shakti National Master Plan, recapitalisation of public-sector banks, national monetisation pipeline, and national logistics policy have been instrumental in enhancing the ease of doing business and attracting foreign investment.

Achieving the "Developed Nation (Viksit Bharat)" Vision

Sustained 8.5 percent growth could position India as a developed nation, with its economy reaching about US$30 trillion by 2047. India is on track to transition into a high-income nation in the next few decades by focusing on increasing its manufacturing share and expanding its customer base through exports.

A preview of developed India

Technology

	2024	2047
Rank on the Government AI Readiness Index	40	Top 5
Space Technology and Exploration	Top 5 spacefaring nations	Top 3 global space powers
Quantum Computing and Emerging Tech the global quantum ecosystem	Early stage	Major player ranking within the top 5
Digital Infrastructure & Connectivity	5G rollout	6G or 7G world's most digitally connected nation
Ranking in global innovation index	40th (2022)	Top 5

Infrastructure

	2024	2047
National highways network	1,45,240 km	+ 50,00 km high-speed highway
Railway route length	68,043 km	+1,00,000 km
Number of operation airports	157	350
Cargo handling capacity at ports	2,600 MT	10,000 MT
Urbanisation	35.4%	78-93%

Sunrise sector

	2024	2047
Reduction in Carbon Emission intensity from 2005 levels	~33%	>55%
Renewable energy, installed capacity (GW)	191	1500
Semiconductor Manufacturing	Dependent on semiconductor imports	A semiconductor manufacturing hub
Electric vehicle penetration	18% (2023)	87%
Domestic production of semiconductors	~10%	50%

Economy & demography

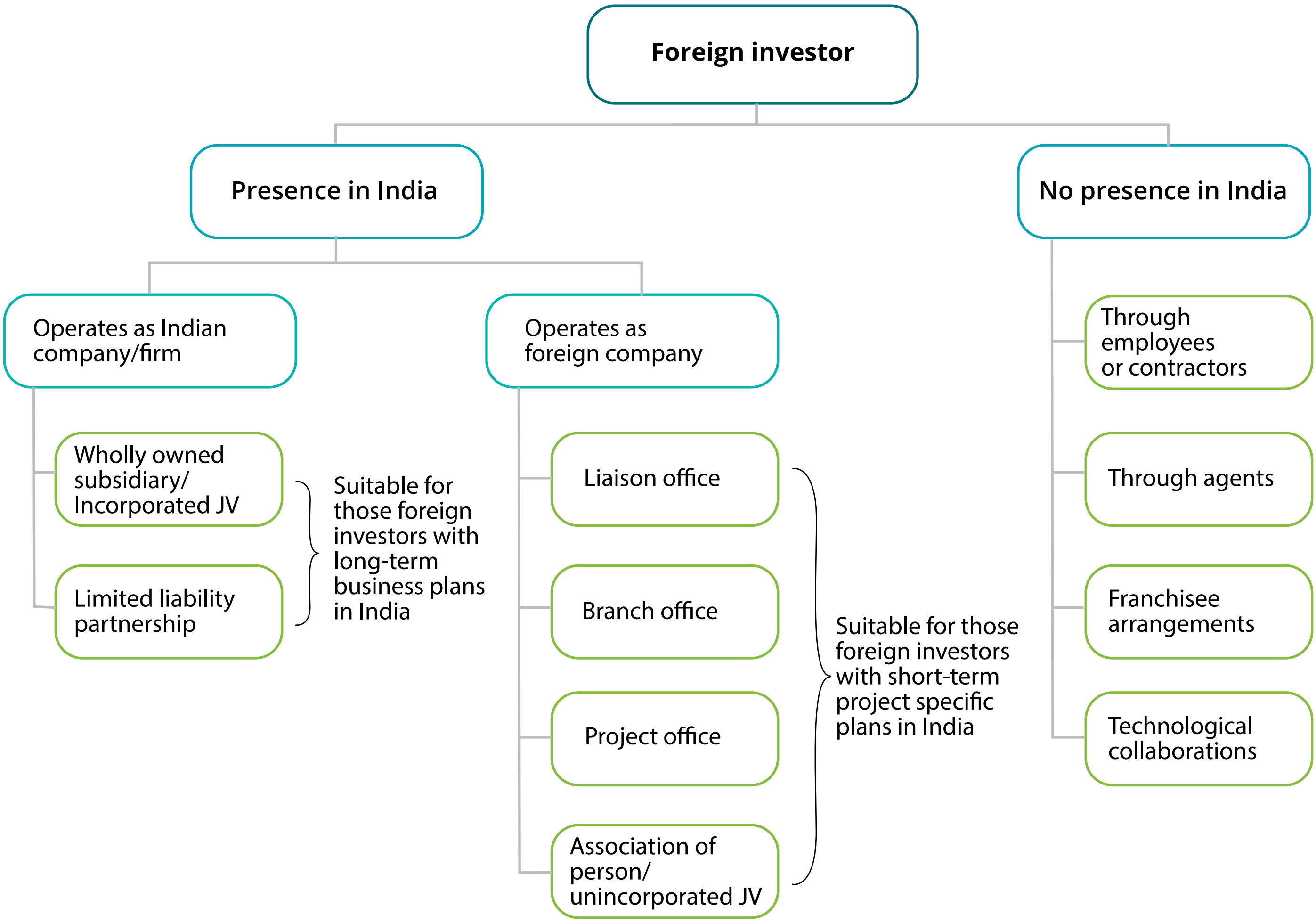
	2024	2047
Employment in highly skilled jobs	32%	100%
Rank in gender equality index	122th	Top 10
Literacy rate	77%	100%
Human Development Index (Value)	0.64	0.9
Women labour force participation (%)	35.4%	74-82%

Sources: Niti Aayog approach paper, PHDCCI, PIB, Economic Times, CXOtoday

How to start your investment journey in India

Choosing the right business entity structure

Choosing the right business entity structure is essential for success in India. Each type of entity has its own advantages, legal requirements and tax implications. Multinational Corporations (MNCs) can operate through various forms, even without establishing a physical presence in India.



MNCs can choose from several business forms in India:

Liaison office

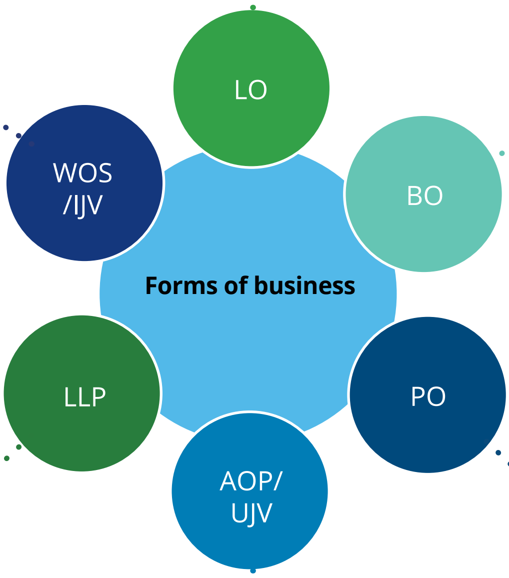
- Acts as communication channel/information collection
- Generally permitted under automatic route for set up and closure
- No commercial activities/income-earning activity
- Not considered a taxable entity
- Incase activities go beyond what is permitted, taxable presence exposure exists
- Suitable for business development/market research

Wholly owned subsidiary/ incorporated joint venture

- Any activity subject to the FDI regulations requires compliance with valuation, sectoral caps, reporting compliances, etc.
- Income taxable @ 15/22/25/30 percent* depending on prescribed criteria
- Income from buyback of shares taxable in the hands of shareholders as dividend.
- Suitable for long-term business operation

Branch office

- Automatic route for eight prescribed set of activities
- Income taxable @35 percent*
- No tax on profit repatriation
- Easy to set up and wind up



Limited liability partnership

- Any activity subject to the FDI regulations requires compliance with valuation, sectoral caps, reporting, etc.
- Income taxable @30 percent*
- No tax on profit repatriation
- Suitable for long-term business operations

Project office

- Project/contract based
- Automatic route for set up and closure subject to specified conditions
- Income taxable @35 percent*
- No tax on profit repatriation
- Suitable for entities undertaking EPC project(s) in India

Association of persons/unincorporated joint venture

- Opening of bank account–Automatic route–for execution of contract in India
- Income taxable @35 percent,* if there is a foreign partner/venture
- Suitable for short-term business operations in consortium

Moreover, foreign investors can fund Indian entities through equity funding (no direct obligation to repay funds) and debt funding (direct repayment of funds upon maturity in India).

*plus applicable surcharge and cess

Spotting the ideal business location

One vast nation with 28 states and 8 union territories – where should you place your bet?

Choosing the right business location and entity structure involves considering the nature of activities, investment period, business model, and tax implications to ensure alignment with business objectives and goals.

A few central and state government policies that can affect investment decisions

State government

- State industrial policies (benefits depend on chosen district, investment proposed, employment generation possibilities, etc.)
- Sector-specific policies, viz. aerospace and defence, MRO, biotechnology, electronic systems, IT and IT-enabled services; tourism, renewable energy, automotive, electric vehicles, logistics, textile, MSME, start-ups, telecom, etc.
- Customised package of incentives possible for large investment projects

Central government

- PLI schemes for specific sectors, incentives for some sectors are under review
- Capital subsidies for SPECS (electronic components and semiconductors)
- Export-linked incentives, such as rebates, exemptions and credit scrips of duties and taxes
- Location specific (Northeast, special zones)
- Special customs programmes for duty concessions and deferrals (in bond manufacturing and project import scheme.)

What you need to know before taking the plunge

The answer is simple: you must be well-versed with the country's tax landscape, regulatory scenario and returns on investments/repatriation of funds.

Navigate the tax landscape in India

Understanding the tax landscape is like having a reliable GPS for investors, guiding them through complex terrain, helping them avoid costly detours and ensuring a smooth journey to success. This knowledge will help provide an overview of taxation laws and ensure compliance with local regulations, ultimately safeguarding returns and minimising risks.
A new simplified Income tax Bill was introduced in February 2025 to increase tax certainty, reduce litigation and achieve overall good governance. The new income tax law is expected to be effective from 1 April 2026.

Income tax:
The tax year runs from 1 April to 31 March. Each person is required to file a separate income tax return, and no consolidation is possible. Residents are taxed on worldwide income; non-residents are taxed on India-sourced income/deemed accrual in India or receipts in India. An individual's residential status is determined by the number of days they stay in India. A company is a resident in India if it is incorporated in India or its place of effective management (PoEM) is in India. A partnership firm/LLP/other non-individual entity is resident in India if any part of the control and management of its affairs is in India.

Unpacking India's tax landscape

As an investor, you need to be on top of the following elements in the country's extensive tax landscape:

Type of company/income	≤ INR 10 million		≤ INR 100 million		> INR 100 million	
	Normal	MAT	Normal	MAT	Normal	MAT
Domestic company: Normal rates	31.2	15.6	33.4	16.7	34.9	17.5
Domestic company: Turnover ≤ INR 4 billion in the FY two years prior	26	15.6	27.8	16.7	29.1	17.5
Domestic company: Foregoing specified incentives/deductions	25.2	Not applicable	25.2	Not applicable	25.2	Not applicable
Domestic manufacturing company set-up after 29 February 2016; foregoing specified incentives/deductions	26	15.6	27.8	16.7	29.1	17.5
Foreign company	36.4	15.6	37.1	15.9	38.2	16.4

Transfer pricing:
Indian transfer pricing regulations specify that two or more enterprises become Associated Enterprises (AEs) when one of them participates, directly or indirectly, or through one or more intermediaries, in the management, control or capital of the other enterprise(s). These regulations also cover certain circumstances under which two enterprises shall be deemed to be AEs.

India has rolled out safe harbour regulations and introduced the APA (Advance Pricing Agreement) as a key dispute prevention tool. This has become a popular choice among taxpayers because it tends to yield better outcomes.

Taxpayers also have the option to use the MAP (Mutual Agreement Procedure) under relevant tax treaties or go through domestic litigation at appellate levels. Moreover, the Budget 2025 has brought in block transfer pricing assessments, which streamline audits by assessing taxpayers over a block of three years. This change aims to reduce the frequency and administrative burden of audits, ensuring more consistency and predictability in tax assessments.

Employee taxation
In India, employment income earned for services rendered within the country is subject to taxation, regardless of the individual's residential status, the location of the employment contract, or where the income is paid. The Budget 2025 has reduced the tax burden on individuals to encourage consumption.

For non-Indian citizens present in India for a short duration, employment income can be exempt from income tax if short stay conditions are met, according to the Act or DTAA. To claim DTAA benefits, a Tax Residency Certificate (TRC) is required.

Employers must withhold tax on salaries earned by employees in India and provide a tax withholding certificate. They need to obtain tax registrations and file withholding tax returns. Employees must file an annual income tax return if their income exceeds a certain threshold.

Foreign or resident Indian citizens employed by foreign companies and deputed to Indian group companies can maintain foreign currency bank accounts outside India to receive salaries for services rendered in India.

Employee services to employers are not considered a supply of goods or services, hence not subject to GST.

Social security:
Employers and employees must comply with social security regulations, including contributions to provident funds and other statutory benefits.

Immigration:
Foreigners, except OCI cardholders, need an employment visa to work in India. This visa can be extended in India for up to 10 years. Dependent visas are available for accompanying family members.

Here're recent trends and updates.

- Labour code: The government has introduced four new labour codes, subsuming 29 existing laws, to simplify labour regulations. The effective date is yet to be notified.
- Global work-from-anywhere policies: Hybrid and remote working models are now common. Tax implications for foreign employers and employees working from India need careful consideration.
- Gig economy: The gig economy is growing rapidly, with an expected increase in gig workers from 7.7 million in 2021 to 23 million by 2029-30. The government plans to introduce welfare measures for gig workers.

Understanding these aspects is crucial for effective tax compliance for both employers and employees in India.

Business restructuring

Business restructuring requires careful navigation of key factors, such as deal taxation, related tax implications, and due diligence challenges. For investors and businesses venturing into India, grasping these elements is essential for efficiently structuring transactions and mitigating potential risks. With India's dynamic tax landscape and ongoing regulatory reforms, strategic planning in restructuring can unlock substantial value.

Income tax compliance and dispute resolution

The Indian tax authorities have set forth several income tax compliance requirements under the income tax regulations. These requirements mainly include:

Maintenance of books:
Taxpayers are required to maintain accurate and detailed records of their financial transactions. This ensures transparency and helps in the accurate calculation of taxable income.

Audits:
Certain taxpayers must undergo audits conducted by certified professionals. These audits verify the correctness of the financial statements and ensure compliance with tax laws.

Dispute resolution:
Mechanisms are in place to resolve disputes between taxpayers and tax authorities. This includes processes for appeals and settlements to address any disagreements regarding tax assessments or penalties.

Indirect taxes

Despite the implementation of GST, some indirect taxes remain in effect. Customs duty continues to apply to international trade, while central excise duty is levied on specific petroleum products (such as petrol and diesel) and certain tobacco products. State excise duty applies to alcoholic beverages and narcotics, and states impose VAT on alcohol sales.

Customs duties:
Customs duties are levied on goods imported into or exported from India, with rates specified in the Customs Tariff Act, 1975. Duties can be specific, ad-valorem or a combination of both. The CBIC has implemented measures to streamline customs clearance and reduce transaction costs, promoting the ease of doing business. Various schemes, such as bonded manufacturing facilities and export promotion schemes, support exports.

Foreign Trade Policy (FTP):
The FTP, established by the DGFT, provides guidelines for imports and exports. The FTP 2023 aims to position India as a competitive player in global trade by embracing technological advancements and fostering collaboration. It is built on principles of trust and partnership with exporters.

Free Trade Agreements (FTAs):
FTAs are agreements among countries to reduce or eliminate tariffs and non-tariff barriers on substantial trade. India has FTAs with about 54 countries, covering trade in goods, services and other areas, such as IPRs and investments. Rules of Origin (ROO) determine the country of origin for products, affecting duties and trade policies.

Indirect tax compliances: Compliance obligations under key indirect tax laws include maintaining books, undergoing audits and resolving disputes.

Production-Linked Incentive (PLI) schemes:
Introduced in March 2020, the PLI scheme promotes domestic manufacturing under the Atmanirbhar Bharat initiative. It offers incentives such as tax rebates and reduced import/export duties to boost production, create jobs and ensure social welfare.

Regulatory landscape and returns on investment/ repatriation of funds
Navigating the regulatory landscape in India is essential for foreign investors. It provides a clear framework for external commercial borrowings and foreign direct investments. Grasping the nuances of ROI and fund repatriation is key, as it directly affects profitability and ensures compliance.

What futuristic trends should you keep an eye on

Here are some key trends shaping the future business landscape in India:

ESG integration:
Much in line with global trends, Indian businesses now give greater importance to ESG considerations. They are integrating environmental consciousness, ethical practices and labour protection into their strategies. Government initiatives, such as renewable energy goals and the National Green Hydrogen Mission are supporting this shift towards sustainability.

Technological advancements:
Advanced technologies, such as AI, blockchain and Generative AI, are transforming tax reporting and administration, enhancing efficiency and accuracy. Technology also plays a key role in tax compliance, with many processes now managed through digital solutions.

Booming start-up culture:
India's start-up culture is booming, driven by a young, tech-savvy population, government initiatives, and a growing entrepreneurial spirit, with sectors such as fintech, edtech and e-commerce leading the charge. Start-ups in India can claim a 100 percent tax holiday on profits for any 3 consecutive years within 10 years of incorporation if they meet prescribed conditions and are incorporated before 1 April 2030.

Evolution of GCCs:
Global In-House Centres (GICs or GCCs) in India have gone through the value chain in India and are evolving from back-office processes to becoming centres of operational excellence, product development and innovation hubs.

In conclusion, India presents a dynamic and promising landscape for investment, driven by robust economic growth, a favourable regulatory environment and a wealth of opportunities across various sectors. By understanding the strategic advantages and navigating the regulatory framework, investors can unlock significant potential and contribute to India's ongoing development.

Now is the time to seize the opportunity and invest in India's bright future.

Click here to read the complete report

Deloitte.

In this document, references to Deloitte are references to Deloitte Touche Tohmatsu India LLP. This publication contains general information only and therefore cannot be relied on to cover specific situations. It reflects prevailing conditions and Deloitte's views as of this date, all of which are subject to change. None of the information on which the publication is based has been independently verified by Deloitte.

Deloitte is not, by means of this publication and related discussion, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for any professional advice or services, nor should it be used as a basis for any decision or action that may affect you or your business. Before making any decision or taking any action or refraining from action based on the contents herein, you should consult a qualified professional advisor.

Deloitte accepts no duty of care or liability for any loss occasioned to any person who relies on this publication or for acting or refraining from action as a result of any material in this publication.

© 2025 Deloitte Touche Tohmatsu India LLP. Member of Deloitte Touche Tohmatsu Limited