Deloitte.



India at the centre of Global Investment

Seize the India moment

September 2026

First edition – April 2025

Second edition – September 2026

Table of Contents

Grow with a Growing Nation 4
Preface 6
A. India growth story **7**
A.1. Strong economic indicators 8
A.2. Favourable business environment 11
B. Setting up in India 16
B.1. Forms of doing business 17
B.2. Choice of business location in India 21
C. Essential insights for doing business in India **22**
C.1. Tax landscape 23
C.1.1 Income Tax 23
C.1.2 Transfer Pricing 31
C.1.3. Employee taxation 37
C.1.4. Business restructuring 43
C.1.5. Income tax compliances and dispute resolution 49
C.1.6. Indirect taxes 50
C.1.7. Incentives 57
C.2. Regulatory landscape 60
C.3. Returns on investment/repatriation of funds 62
D. Industry overview **65**
D.1. Financial services 66
D.1.1. Main segments of the FS industry 66
D.1.2. Other segments of the FS industry 71
D.2. Technology, media and telecommunications 73
D.2.1. Emerging business trends 74
D.2.2. Tax landscape in India (incentives and trends) 75
D.2.3. Outlook 78
D.3. Consumer industry 78
D.3.1. Automotive sector 78
D.3.2. Tourism and hospitality 80
D.3.3. Consumer products and retail 81
D.3.4. Emerging business trends 82
D.4. Energy, resources and industrials 85
D.4.1. Renewables 85
D.4.2. Green hydrogen in India 91
D.4.3. Oil and gas sector 94
D.4.4. Engineering, procurement and construction sector 97
D.4.5. Metals and mining 98

D.4.6. Industrial products/manufacturing 98
D.5. Life sciences and healthcare 99
D.5.1. Regulatory overview 100
D.5.2. Tax incentives related to LSHC in India 103
E. Futuristic trends in India 106
E.1. Environmental, social and governance 107
E.2. Extensive use of technology in tax reporting and administration 109
E.3. Results of tech surveys 111
E.4 Digital Personal Data Protection Act 2023 114
E.5. Start-ups 115
E.6. Global Capability Centres 116
E.7. Artificial intelligence 117
E.8. Automation 118
F. Seize the India moment 119
Glossary 121
Endnotes 127
Connect with us 130



Romal Shetty
CEO,
Deloitte South Asia



Gokul Chaudhri
President
Deloitte South Asia

Grow with a Growing Nation

The question isn't why to invest in India—it's where and how much? As the world's fourth-largest economy, India is on an ambitious journey to add US$1.1 trillion to its existing GDP, aiming for a US$5 trillion GDP over the next two years. Its aspirations and resilience make the country more than just a place to do business – it's a place to innovate and thrive.

The latest Union Budget 2026 has stepped up India's investment appeal with bold reforms designed to accelerate manufacturing across strategic sectors, increase infrastructure development, streamline regulations, improve ease of doing business, boost foreign investment and fuel innovation. These measures are set to ensure long-term economic stability, attract global capital and drive growth.

This year's budget sustains the strong public investment push, raising capital expenditure to US$133.5 billion, while introducing an Infrastructure Risk Guarantee Fund to de risk private investment, expanding dedicated freight corridors, operationalising 20 National Waterways and promoting coastal and inland cargo movement. The budget also strengthens urban economic transformation through the creation of City Economic Regions (CERs), to amplify integrated regional growth.

It deepens India's attractiveness for foreign investors through a comprehensive overhaul of the tax and regulatory architecture. It also introduces a new, simplified Income Tax Act effective April 2026, rationalises compliance procedures and expands investment certainty through a review of FEMA. A landmark tax holiday until 2047 for foreign companies providing global cloud services via Indian data centres further boosts India's competitiveness as a digital infrastructure hub.

To strengthen capital inflows, the government has proposed deeper reforms to municipal bonds, corporate bond markets, NBFC structures and ease of entry for foreign portfolio investors, including new safe harbour provisions, expanded limits under the Portfolio Investment Scheme and fast tracked Advance Pricing Agreements for IT/ITES companies.

This year's Budget places a decisive emphasis on manufacturing, across seven strategic and frontier sectors, biopharma, semiconductors, electronics components, rare earths, chemicals, capital goods and textiles. It has been through a combination of fund support, industry-led R&D, workforce development, cluster-based plug-and-play infrastructure and strengthened regulatory capacity. This will help build deep domestic capacity and strengthen India's integration into high-value global supply chains. Together, these measures boost employment, accelerate innovation and enhance competitiveness across these sectors.

Complementing this manufacturing push, the Budget significantly elevates the service sector as a central growth driver. A High-Powered Education-to-Employment Standing Committee, sector-specific skilling missions, expanded training pathways in health and allied care, new tourism and hospitality infrastructure, AVGC creator labs, design-education expansion and comprehensive sports ecosystem development collectively strengthen India's talent pipeline and future services export competitiveness.

To drive export competitiveness, the budget extends duty free input imports for multiple products, removes cap on e commerce exports, expands trade facilitation measures and enhances customs clearance efficiency through a risk based, tech enabled framework including non intrusive scanning.

Together, these far reaching reforms offer a powerful value proposition for businesses and investors: a transparent regulatory regime, strong macro fundamentals, an innovation driven growth model and one of the world's largest expanding markets. For global investors, India is a long term strategic opportunity shaping the future of global growth, supply chains and technological innovation.

Preface

Resilient, Rising, Robust India

The global trade landscape is undergoing significant transformation, marked by a rise in protectionist policies. With the current uncertainty around reciprocal tariffs and shifting trade dynamics, it remains to be seen how the situation will stabilise. Despite these headwinds, India will remain resilient.

India, the fastest-growing major economy in the world, has a strong domestic demand accounting for nearly 80 percent of its GDP, primarily consumption and investment. The country is on track to become the world's third-largest economy by 2030, fueled by a rapidly expanding consumer base. By 2030, an estimated 140 million households are projected to join the middle class, and 20 million are expected to enter the high-income segment. This shift will drive spending on essentials to increase by 2–2.5 times and spending on services by 3–4 times, with total consumer expenditure anticipated to rise from US$1.9 trillion to US$5.2 trillion.*

At the same time, India has made significant investments in infrastructure over the past decade, focusing on expanding and modernising its physical assets. India's infrastructure, relative to its GDP, is now at par with that of China.#

Given the strength of its domestic economy, India is well-equipped to withstand external trade disruptions. The country has steadily built a robust foundation that positions it for continued growth—regardless of volatility.

Catch up on the latest developments on the global trade and its impact on India here:

*https://www.weforum.org/stories/2019/01/10-mega-trends-for-india-in-2030-the-future-of-consumption-in-one-of-the-fastest-growing-consumer-markets/;
Rediffusion Red Lab 'Rising to a Billion' report. https://www.ndtv.com/india-news/india-set-to-become-worlds-consumption-capital-7975228

#https://www.ndtv.com/india-news/what-morgan-stanley-said-comparing-india-vs-china-over-infrastructure-5951753

A. India growth story

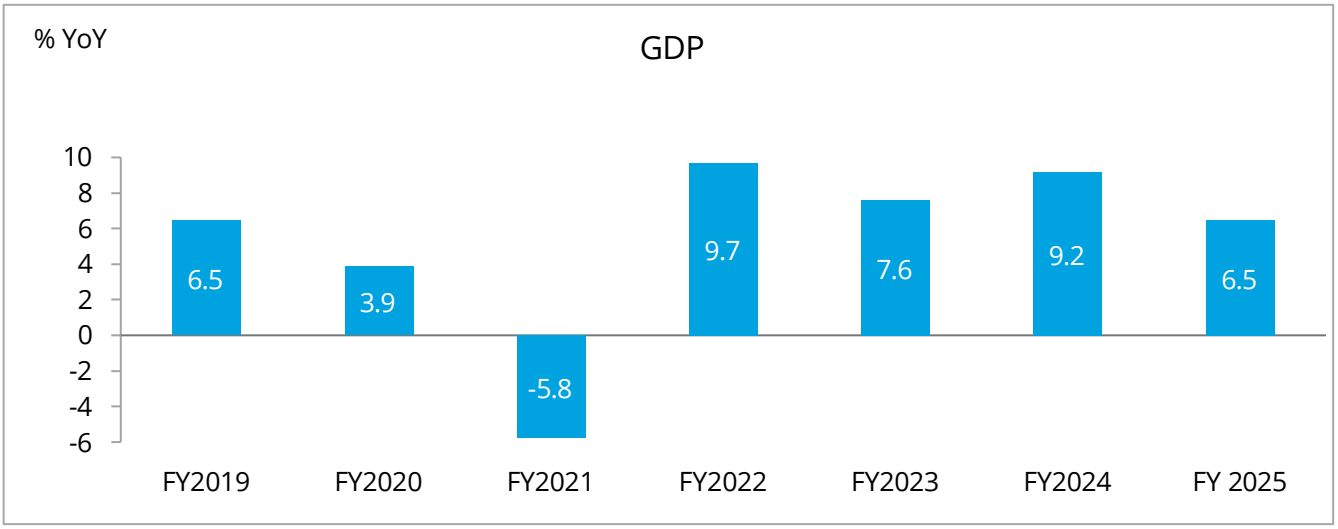


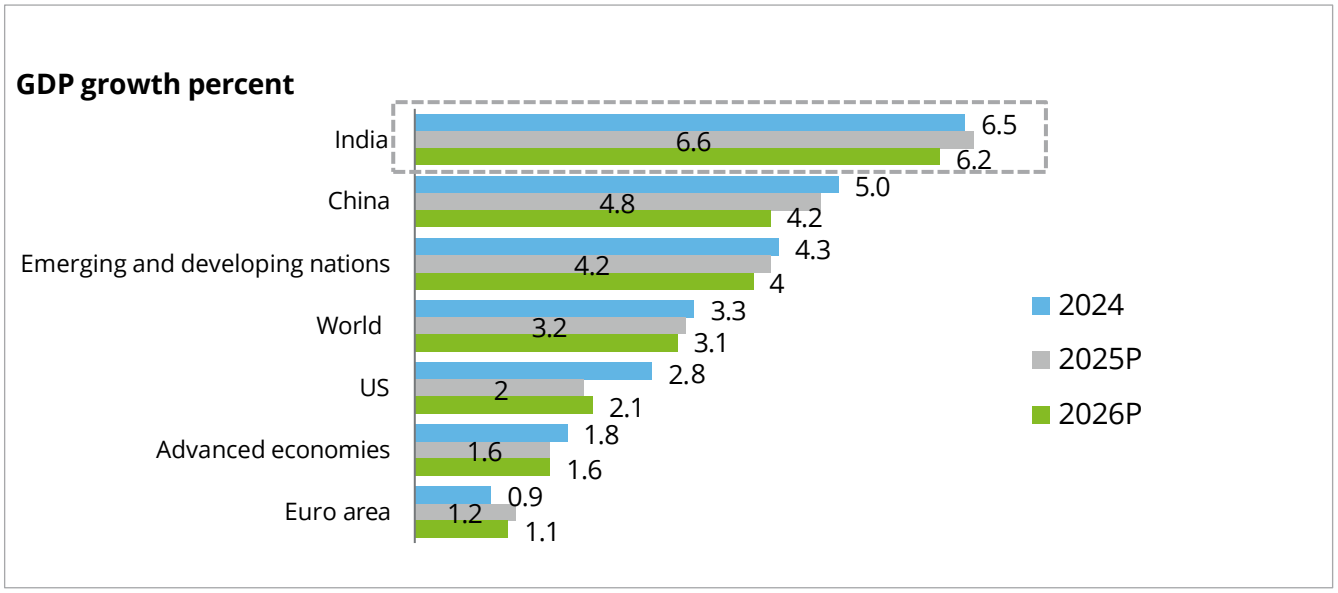
India's robust economic growth drives a positive near-term outlook, positioning it as the fastest-growing economy through FY2026. Strong domestic demand, reviving investment and an expanding digital economy help shield the country from global risks. Technology presents both opportunities and challenges, making it essential to manage its rapid evolution to sustain growth and mitigate potential disruptions effectively.

A.1. Strong economic indicators

Steady GDP growth: Growth in the next two years is likely to be between 6.8 percent and 7.4 percent. This steady GDP growth underscores the country's resilience and economic potential and will contribute to making India a key destination for global investments.

Growth is likely to be at 7.4 percent due to higher consumer spending and reviving investments





Sources: CMIE, IMF WEO Jan 2026,

Drivers of the economy

- Massive consumer base
- Multiple foreign trade agreements
- Largest millennials and Gen X population in the world
- Digital-led economy (0.79 percent increase in GDP with 1 percent increase in level of digital economy[1])
- Increased spending on infrastructure and improved logistics
- Rapid rising contribution of services to GDP and exports

Risks for the economy

- Global economic slowdown
- Regional conflicts and geopolitical uncertainties
- Trade slowdown and regulations
- Impact of climate change on the economy
- Rapid changes in technology and its impact on employment, skills
- Climate change (US$35 trillion loss by 2070[3])
- Volatile crude oil prices (1 percent rise in oil price leads to ~0.26 percent growth in economy[2])

I. https://www.frontiersin.org/journals/public-health/articles/10.3389/fpubh.2022.856142/full;
II. https://www.ipsacademy.org/unnayan/13.pdf
III. India's turning point, Deloitte;

Four strong pillars of growth: Favourable demographics, improving logistics, rapid technological innovation, and the rising sunrise sectors enhance India's competitive edge and resilience. A young, dynamic workforce boosts productivity, while advancements in infrastructure and tech enable greater efficiency and global integration. The contribution of the sunrise and new-gen sectors enhances India's long-term growth, sustenance and competitiveness.

India's competitive edge-demographics, logistics, tech innovation and sunrise sectors fuel growth and resilience.

Technology

US$1 trillion digital economy by FY 2030

87% adoption rate in FinTech, highest in the world

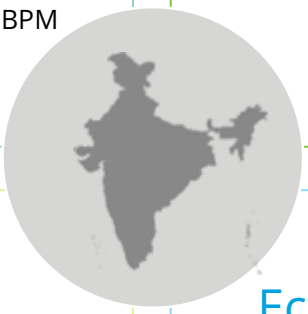
57% share in global sourcing in the IT & BPM sector

Infrastructure

Second-largest road network in the world

Fourth-largest railway network

Third-largest aviation market



Sunrise sectors

Second largest mobile manufacturer in the world

Third in start-up ecosystem

Third in solar power generation

Economy & demography

One-fifth of the world's young population

Third-largest economy by Purchasing Power Parity (PPP)

16% of world's AI talent

Sources: IBEF, Akashvani, Invest India, Economic Survey, DEA

Continuous reforms and supportive initiatives: Since 2016, India has undertaken transformative reforms to solidify its economic fundamentals. The Insolvency and Bankruptcy Code strengthens financial resolution frameworks, while the implementation of GST streamlines indirect taxes. Stronger bank balance sheets after recapitalisation enhance credit flow, while the PLI scheme boosts manufacturing. Efforts such as the national infrastructure pipeline, national logistics policy and PM Gati Shakti are aiding in developing world-class infrastructure and logistics efficiency.

A.2. Favourable business environment

India has been steadily improving its performance in key areas essential to creating a business-friendly environment.

Coordinated efforts by India's central and state governments have strengthened the investment environment, laying a robust foundation for sustained capital formation. This figure gives an overview of the measures driving foreign investment.

Efforts to develop world-class infrastructure have significantly improved logistics across India. These advancements are helping reduce supply constraints, lower production costs and increase efficiency. The enhanced logistics will drive greater demand, fostering economic growth and strengthening the country's competitiveness in domestic and global markets.

Key government initiatives and investments:

Aug 2016

Insolvency and Bankruptcy Code
Led to the recovery of 32.1 percent of bad loans in Q1 FY2025 against 15 percent earlier.

Jul 2017

GST
- GST replaced over 25 indirect taxes at the national and state levels.
- It has simplified compliance, reduced tax cascading and promoted transparency across sectors.

Aug 2019

National Infrastructure Pipeline
NIP currently has over 9,666 projects and schemes covering 37 sub-sectors (as on 12 April 2024), with projects worth INR 108 trillion under implementation.

Apr 2020

Recapitalisation and consolidation of public-sector banks.
- Merger of 10 nationalised banks into four large lenders, thereby bringing down the number of PSBs to 12.
- By April 2020, 10 PSBs have been merged into 4 big banks, making a total of 12 PSBs (from earlier 27).

Nov 2020

The PLI scheme for manufacturing
INR 1.3 trillion investment committed (43 percent of INR 3 trillion commitment) by May 2024.

Aug 2021

National Monetisation Pipeline
- Monetisation potential of ~US$70 billion between FY2022-25.
- The plan has monetised assets worth INR3.85 trillion by FY2023-24.

Oct 2021

PM Gati Shakti National Master Plan
- A ~US$1.2 trillion plan to build a holistic infrastructure.
- As of March 2024, 43 ministries have been onboarded on the PMGS-NMP portal.
- 149 project proposals with a total estimated project cost of INR13.3 trillion have been evaluated.

Sept 2022

National Logistics Policy
- Reduction of logistics cost from 13-14 percent of GDP to 8 percent by 2030.
- 26 states have notified their state logistics policies.
- Over 614 industry players have registered on ULIP.

Jun 2024

Industrial Park
- Investment-ready "plug and play" industrial parks in 100 cities.
- Twelve industrial parks under the National Industrial Corridor Development Programme.

Feb 2025

Diversifying investments
- National Geospatial Mission to develop foundational geospatial infrastructure.
- 3 year pipeline of infrastructure projects that can be implemented in the PPP mode.
- INR 1.5 lakh crore is proposed for the 50-year interest-free loans to states for capital expenditure.

Feb 2026

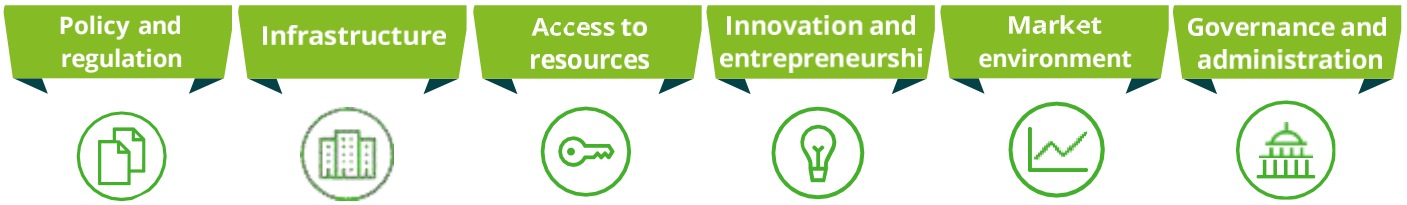
Government initiatives:
- 3 dedicated Chemical Parks; Mega Textile Parks
- Manufacturing scale-up across 7 strategic and frontier sectors (biopharma, semiconductors, electronics components, rare-earth corridor, capital goods, chemicals, textiles).
- New Dedicated Freight Corridor, 20 new National Waterways over five years,
- Inland ship-repair ecosystems
- Coastal Cargo Promotion Scheme to raise inland waterways and coastal shipping share
- Seaplane manufacturing incentives and VGF Scheme to improve last-mile and remote connectivity.
- Seven high-speed rail corridors as growth connectors
- Infrastructure development across Tier-II/III cities and temple towns.
- Incentive of ₹100 crore for municipal bond issuances above ₹1,000 crore by large cities; AMRUT-linked support to continue for smaller towns.

Additional incentives for infrastructure and manufacturing development Investments under the Semiconductor Mission launched in December 2021 amount to INR1.50 trillion. The rules for the Digital Personal Data Protection (DPDP) were notified in November 2025. More than 1.9 million candidates have signed up on the "FutureSkills PRIME Portal" by the government for re-skilling and upskilling IT workforce in 10merging technologies, including Artificial Intelligence (AI). Labour laws streamlined to 4 labour codes.

Sources: NIP – Report of the task force, DEA, GoI, SBI report, News articles, PIB

While these transformative policies have established India as a dynamic hub for growth and innovation, some challenges need attention. Covering infrastructure gaps, enhancing regulatory clarity and ensuring consistent policy implementation are key to sustaining this growth. India's outlook remains positive with abundant opportunities, but overcoming these challenges is essential to realising its full potential.

India's business environment

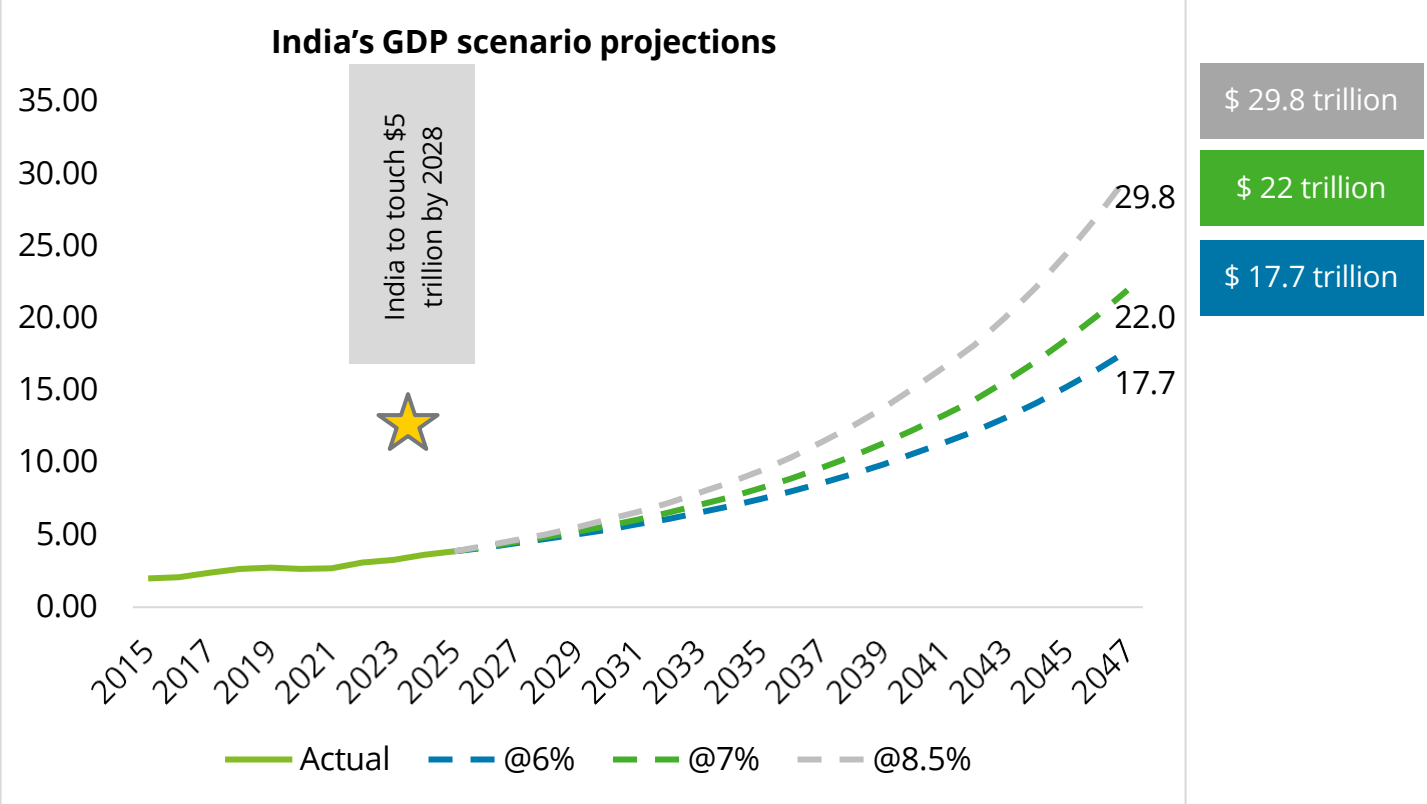


Ease of doing business	Physical infrastructure	Finance	Research and development	Competition	Transparency
National Single Window System (NSWS) now provides access to ~698 Central approvals and ~7,435 State approvals, with 32 Central ministries/ departments and 32 States/UTs live on the platform.	The 2026–27 Budget continues the capex-led push with INR12.2 lakh crore public capital expenditure, reported at about 4.4 percent of GDP, and introduces an Infrastructure Risk Guarantee Fund to crowd in private investment.	For MSMEs, Budget 2026–27 backs liquidity and growth with a INR10,000 crore SME Growth Fund and strengthens TReDS through measures such as credit support via CGTMSE for invoice discounting and tighter institutional adoption.	India is scaling structured innovation financing through the Research, Development and Innovation (RDI) Scheme (approved with INR1 lakh crore corpus)	Reforms such as the Competition (Amendment) Act, 2023 and the continued use of targeted production incentives (like PLI) support a more contestable market and globally competitive Indian manufacturing base.	The steady expansion of digital public services and system-driven compliance processes is reducing "in-person" friction and improving traceability in citizen and taxpayer interactions

Taxation	Digital infrastructure	Skilled labour	Intellectual property	International trade	Judicial reforms
Budget 2026–27 continues the direction of simplifying direct-tax compliance, lowering procedural load via system-based processes (e.g., digitised certificates/declarations) and improving predictability for taxpayers.	Besides strengthening of the 'India-Stack', budget 2026–27 adds a clear investment pull for large digital capacity: a tax holiday up to 31 March 2047 for eligible foreign cloud firms serving global customers using India-based data centres (subject to conditions).	India Skills Report 2026 reports employability at ~56.35%, reinforcing the scale of the skilling pipeline alongside industry participation.	IP administration has been moving toward faster, more user-friendly processing through ongoing digitisation/modernisation of IP office processes.	Budget 2026–27 pushes further on customs and trade facilitation via digitised, integrated processing (including a Customs Integrated System roadmap in analysis notes), plus measures around bonded manufacturing/warehousing to make export-linked operations easier.	The direction of travel is toward faster commercial resolution: pre-institution mediation is a key mechanism under the Commercial Courts framework.

Achieving the "Viksit Bharat" vision: India aspires to attain the developed nation status by its 100th Independence Day. Sustained growth of 8.5 percent annually over the next 25 years could make this vision a reality. By 2047, the economy is projected to reach a size of about US$30.2 trillion, driven by a rising share in global manufacturing and a growing consumer base bolstered by exports. This transformation would result in a per capita GDP nearly five times its current level, reflecting holistic and inclusive growth.

Sustained 8.5 percent growth could position India as a Viksit Bharat, 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 consumer base through exports. This transformation would enhance its global economic standing.



Indicator	2024	2047
Per capita GDP (US$)	US$2,564	US$18,000 - 21,000
Manufacturing (% of GDP)	14.3%	25%
Exports (% of GDP)	2.0%	10.0%

Sources: CMIE, Deloitte calculations

A preview of developed India

Viksit Bharat envisions India as a global leader across key sectors, driven by robust advancements in the four pillars mentioned earlier—infrastructure, demographics, technology and sunrise industries. By 2047, India aims to be a semiconductor hub, fuelling high-value manufacturing and innovation. Universal skilling programmes will ensure 100 percent workforce competence, with women's participation soaring to 82 percent. Rapid urbanisation will transform India into a 93 percent urban economy, fostering economic dynamism and global competitiveness. Additionally, sustainable practices will enable a 55 percent reduction in carbon emissions, aligning growth with environmental stewardship. This vision reflects holistic progress, empowering India to achieve the developed nation status on its centenary.

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

B. Setting up in India

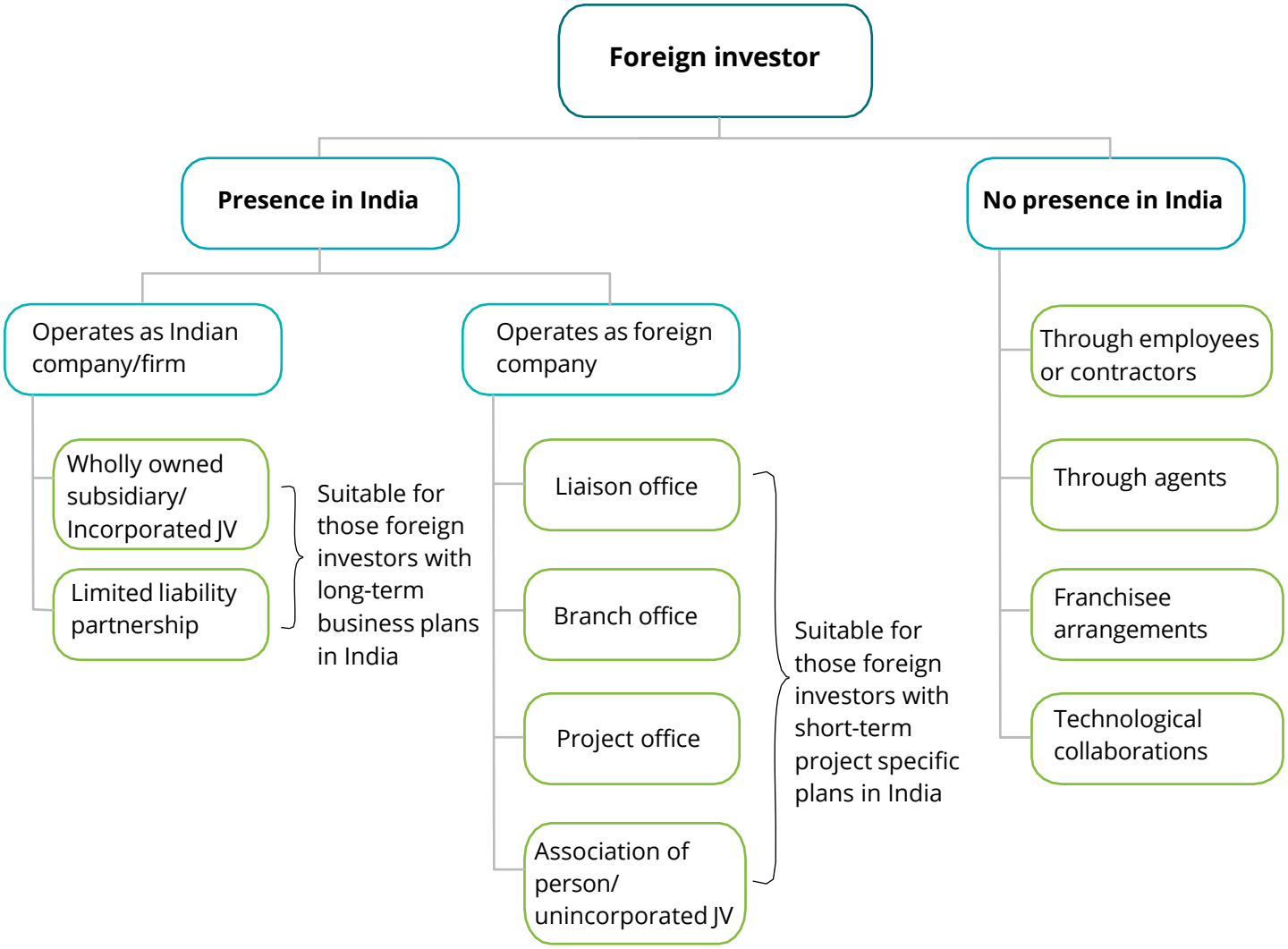


Understanding various business structures in India helps MNCs choose the set-up that best aligns with their goals. Additionally, selecting an optimal business location is key, with factors such as market access, talent availability and regulatory environment playing a crucial role in achieving business success in India.

B.1. Forms of doing business

The right business entity structure is crucial for the success of any business in India. Each business entity has advantages and disadvantages, legal requirements and tax implications.

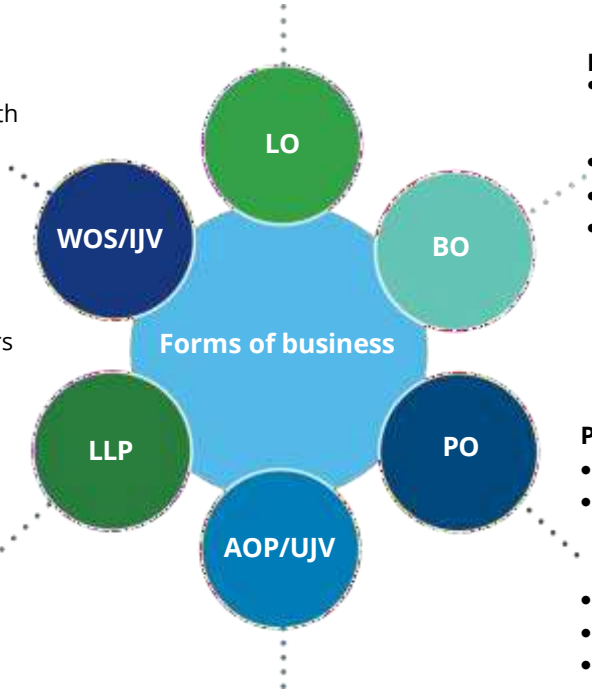
Understanding the key characteristics will help MNCs make an informed choice that aligns with their business objectives and goals. MNCs can operate through any business form in India – even without establishing their presence in India. Some are outlined below.



The key tax and regulatory implications of each form of business presence are depicted below:

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

*plus applicable surcharge and cess

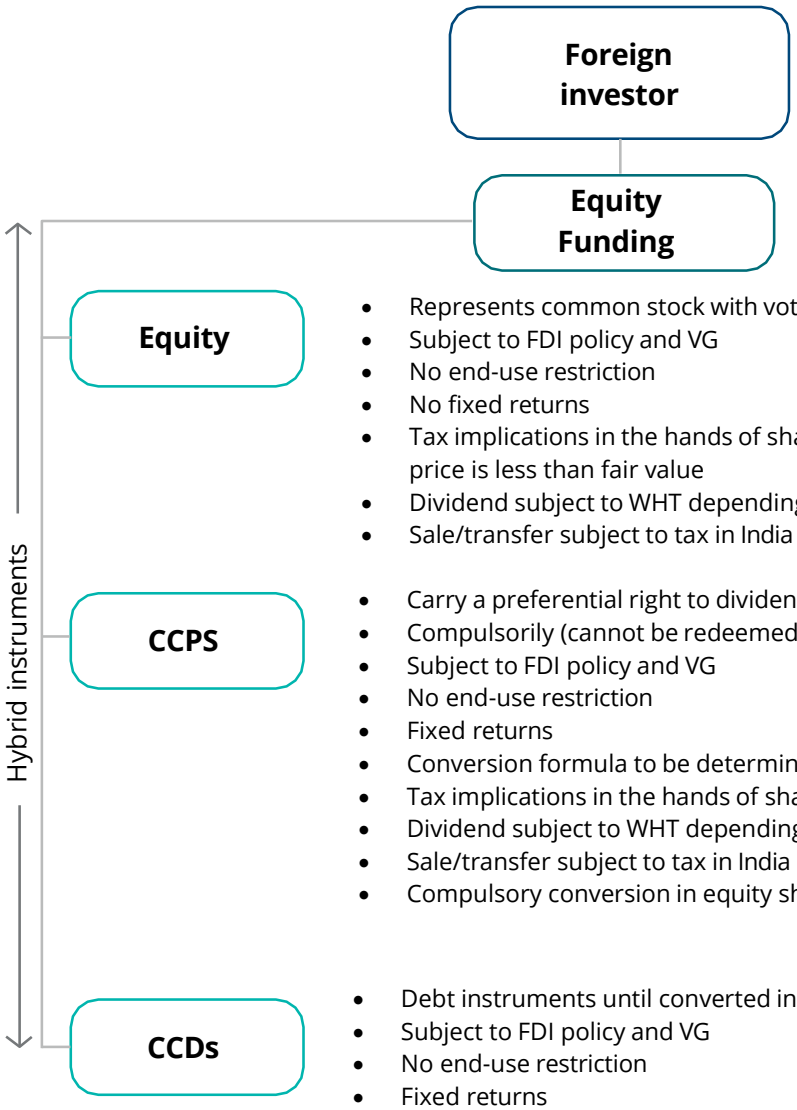
The choice of the entity structure for investment in India should be based on the nature of the activities, investment period (long term or short term), business model, and tax considerations contemplated for Indian operations.

Typical instruments used for investing

Foreign investors can fund Indian WOS/JV through the following modes:

- Equity funding: No direct obligation to repay funds
- Debt funding: Direct repayment of funds on maturity in India

Various instruments typically used by foreign investors for equity and debt funding are depicted below.



Equity

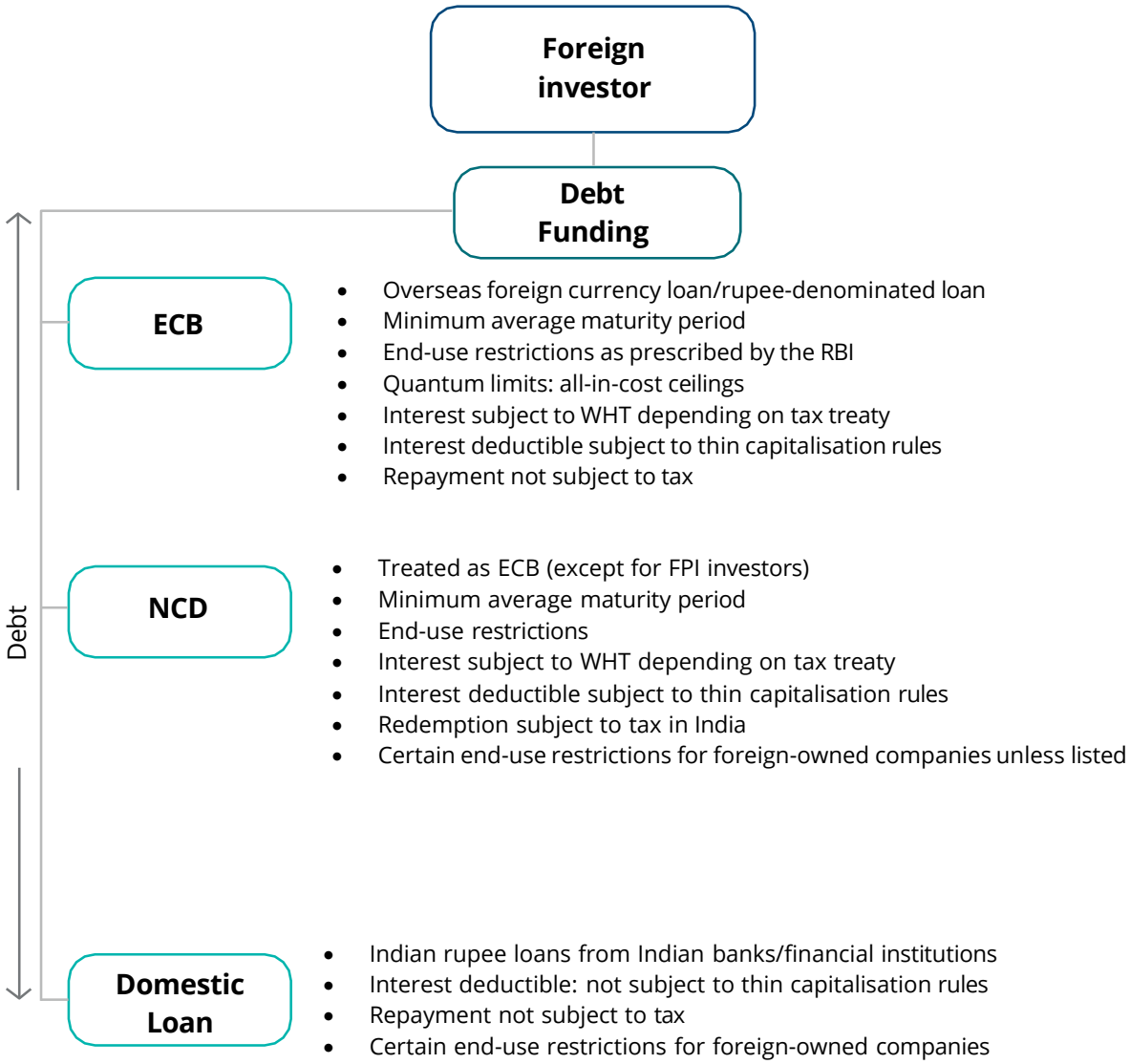
- Represents common stock with voting rights
- Subject to FDI policy and VG
- No end-use restriction
- No fixed returns
- Tax implications in the hands of shareholders, if the issue price is less than fair value
- Dividend subject to WHT depending on tax treaty
- Sale/transfer subject to tax in India

CCPS

- Carry a preferential right to dividends and repayment of capital
- Compulsorily (cannot be redeemed) converted into equity
- Subject to FDI policy and VG
- No end-use restriction
- Fixed returns
- Conversion formula to be determined upfront
- Tax implications in the hands of shareholders, if the issue price is less than fair value
- Dividend subject to WHT depending on tax treaty
- Sale/transfer subject to tax in India
- Compulsory conversion in equity shares in 20 years

CCDs

- Debt instruments until converted into equity
- Subject to FDI policy and VG
- No end-use restriction
- Fixed returns
- Compulsory conversion in equity share in 10 years
- Conversion formula to be determined upfront
- Tax implications in the hands of shareholders, if the issue price is less than the fair value
- Dividend and interest subject to WHT depending on tax treaty
- Interest on CCDs deductible subject to thin capitalisation rules
- Sale/transfer subject to tax in India



Commercial imperatives, such as ease of funding, the period for which a loan is required, end use of the loan, tax cost, overall cost of capital, cash repatriation to the overseas parent and facilitating ease of exit are important considerations.

Typically, equity, preference shares, debentures (convertible and non-convertible), loans and other options are adopted to make the most efficient use of available resources.

B.2. Choice of business location in India

India has multiple states, each with its own set of policies, regulations and incentives to attract investments. Some state and central government incentive/tax benefit schemes may affect investment decisions.

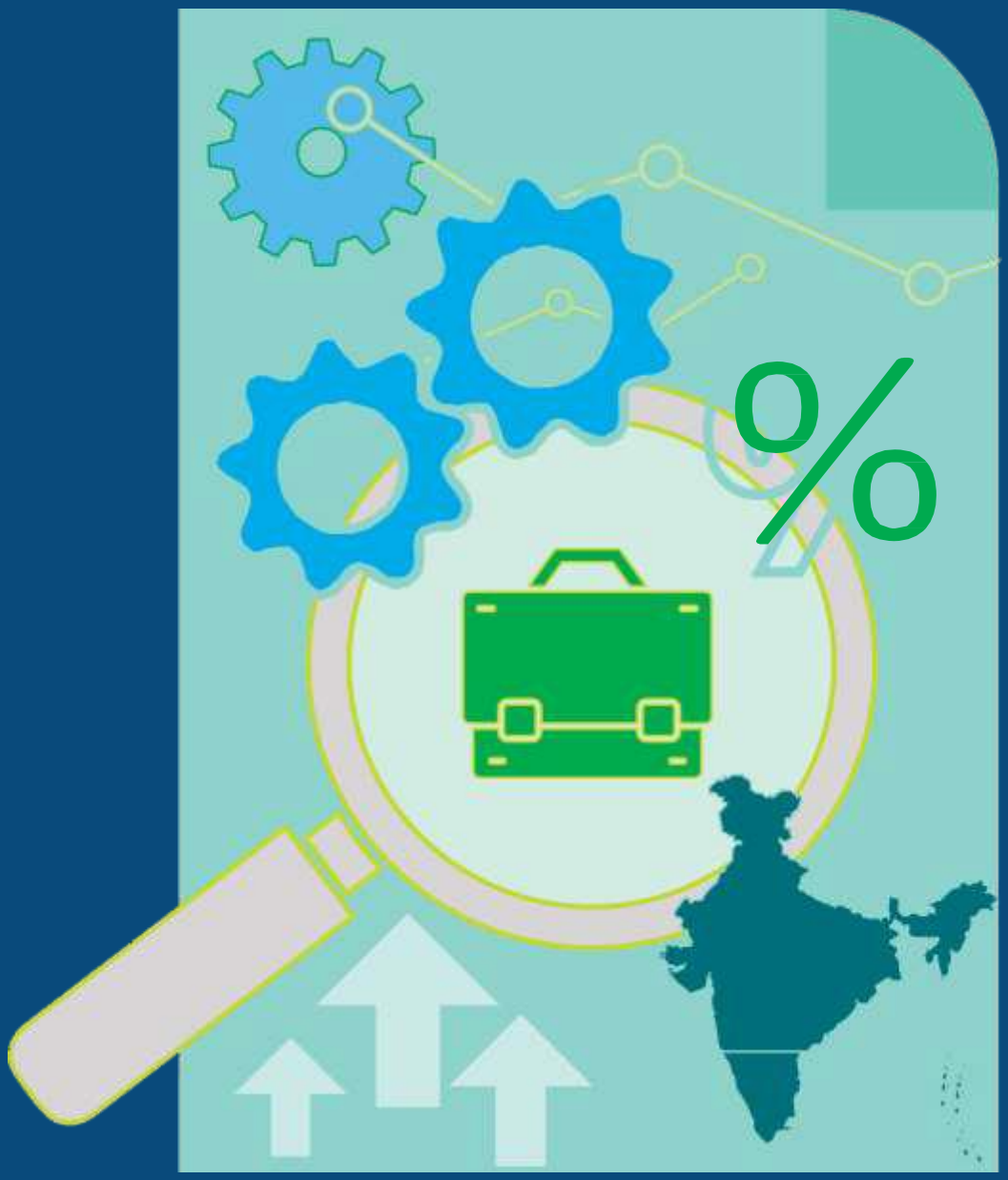
State government

- 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.

C. Essential insights for doing business in India



C.1. Tax landscape

For investors planning to invest in India, understanding the tax landscape is essential to assess potential liabilities, optimise tax structures and ensure compliance with local regulations, ultimately safeguarding returns and minimising risks. Navigating the tax landscape in India requires understanding the nuances of diverse tax areas, such as income tax, transfer pricing, business restructuring, employee taxation and indirect taxes.

A new simplified Income Tax law has been made effective from 1 April 2026. The key objective of this simplified tax law is to increase tax certainty, reduce litigation and achieve overall good governance. The simplified tax law is concise (close to half of the text/chapters contained in the previous law).

Key features of the income tax law are discussed below.

C.1.1. Income tax



Overview

- The tax year runs from 1 April of a calendar year to 31 March of the next. Each person is required to file a separate income tax return, and no consolidation is possible.
- Residents are taxed on worldwide income (certain carve-outs for RNOR); non-residents are taxed on India- sourced income/deemed accrual in India or receipts/deemed 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 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.



Levy and collection

- Income tax is imposed under five major heads:
  a. Salaries that are taxed on the earlier of due or receipt.
  b. Income from building and related land that is taxed on higher of actual or expected yield value of property.
  c. Business and professional income that is taxed on a net income, either on a cash or accrual basis.
  d. Capital gains that are taxed on transfer/alienation of property and subject to specified calculation mechanism.
  e. Residual items of income (including passive income), that are taxed on a cash or accrual basis.

Tax holidays, exemptions, special deductions, concessional and/or presumptive tax regimes are available subject to certain conditions. Examples include tax holiday for start-ups, pass through status to real estate and infrastructure investment trusts, incentives to undertake infrastructure development projects and affordable housing projects, incentives for units set up in the IFSC. Recently, in Union Budget 2026, the Government announced a tax holiday for non-residents procuring data centre services from India and for those supplying capital equipment for electronic goods manufacturing.

- MAT/AMT is levied where normal taxes are lower than MAT/AMT thresholds due to tax holidays, concessions, etc.

- Tax collection is primarily done through withholding/collection of taxes at source and tax prepayments, though the final tax is determined and paid before filing the tax return.
- Credit is available for foreign taxes on income to the extent of Indian taxes, subject to rules and treaties.

Tax rates for certain specific cases

- A concessional rate of 10 percent plus applicable surcharge and cess is available for royalties of patents developed and registered in India.
- Other passive income for residents (including foreign-sourced income) is taxed at regular rates applicable to other types of income.
- Non-residents are taxed on dividends, interest, royalty and fees for technical/included services at 20 percent plus surcharge and cess. These rates are subject to treaty benefits.
- In certain specific cases, lower rates may apply subject to certain conditions.
- Budget 2026 brings buyback proceeds back into the Capital Gains tax regime while also introducing an additional promoter level levy, thereby increasing the overall tax incidence on buy backs for the promoters.
- Onward distribution of dividends received from subsidiaries to shareholders is not taxed if done within a specified period.

Losses and unabsorbed depreciation

- Real property-related, business and capital losses can be carried forward for eight years, with set-off allowed against similar income. There are certain monetary limits on real property-related losses in some cases.
- Long-term capital losses can offset only long-term capital gains.
- Unabsorbed depreciation can be carried forward indefinitely.
- Change in shareholding of a private company beyond a specified threshold disentitles carry forward of losses with certain relaxation provided to eligible start-ups. There are no carry back provisions for any losses.

1.1.1. Tax rates

General tax rates for corporate/non-corporate entities

Type of company/income	≤ INR 10		≤ INR 100		> INR 100	
	Normal	MAT	Normal	MAT	Normal	MAT
Domestic company: Normal rates	31.2	14.6	33.4	15.6	34.9	16.3
Domestic company: Turnover ≤ INR 4 billion in the TY two years prior	26	14.6	27.8	15.6	29.1	16.3
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	14.6	27.8	15.6	29.1	16.3
Foreign company*	36.4	14.6	37.1	14.6	38.2	15.3

*Subject to exceptions
** The above MAT rates are as per Union Budget 2026 and are applicable from 1 April 2026.

1.1.2. Capital gains tax rates

Particulars	Tax rate#
Long term*	
• Securities listed on a recognised stock exchange in India (other than specific assets referred to below where income is deemed to be short-term)/units of UTI/units of equity-oriented funds/listed zero coupon bond • Slump sale of undertaking • Unlisted securities and unlisted shares of a closely held company • Other capital assets, including immovable property	12.5 percent
Debt-oriented mutual funds acquired on or after 1 April 2023/market-linked debentures/unlisted debentures/unlisted bonds (income is deemed to be short-term capital gain)	Normal tax rates
Short term*	
Shares listed on a recognised stock exchange in India/units of business trust/units of equity-oriented funds	20 percent
Other capital assets, including immovable property	Normal tax rates

*12 months for securities listed on a recognised stock exchange in India/units of UTI/units of equity-oriented funds/zero coupon bond; 36 months for slump-sale and 24 months for other assets
#without the benefit of any inflation adjustment

- The rates mentioned above are increased by:
  - a "surcharge" of 7 percent for income > INR 10 million and 12 percent for income > INR 100 million for domestic companies; and 2 percent for income > INR 10 million and 5 percent for income > INR 100 million for foreign companies
  - a "health and education cess" at 4 percent of the "base tax plus surcharge"

1.1.3. International tax, treaty network, MLI

1 DTAA is a bilateral agreement entered between two countries to protect taxpayers against double taxation, encourage the free flow of international trade and capital and share revenue between two states.

2
- India has one of the largest DTAA networks and signed about 100 comprehensive tax treaties and about eight limited tax treaties.
- MLI helps implement the recommendations of BEPS Action Plans alongside existing bilateral tax treaties (obviating the need for treaty renegotiation) in a synchronised and efficient manner. It helps to (a) combat treaty abuse, (b) improve dispute resolution, (c) prevent the artificial avoidance of PE status and (d) neutralise the effects of hybrid mismatch arrangements. At present, India has entered into covered tax agreements with 93 countries, 13 regional trade/free trade agreements and more than 15 social security agreements.

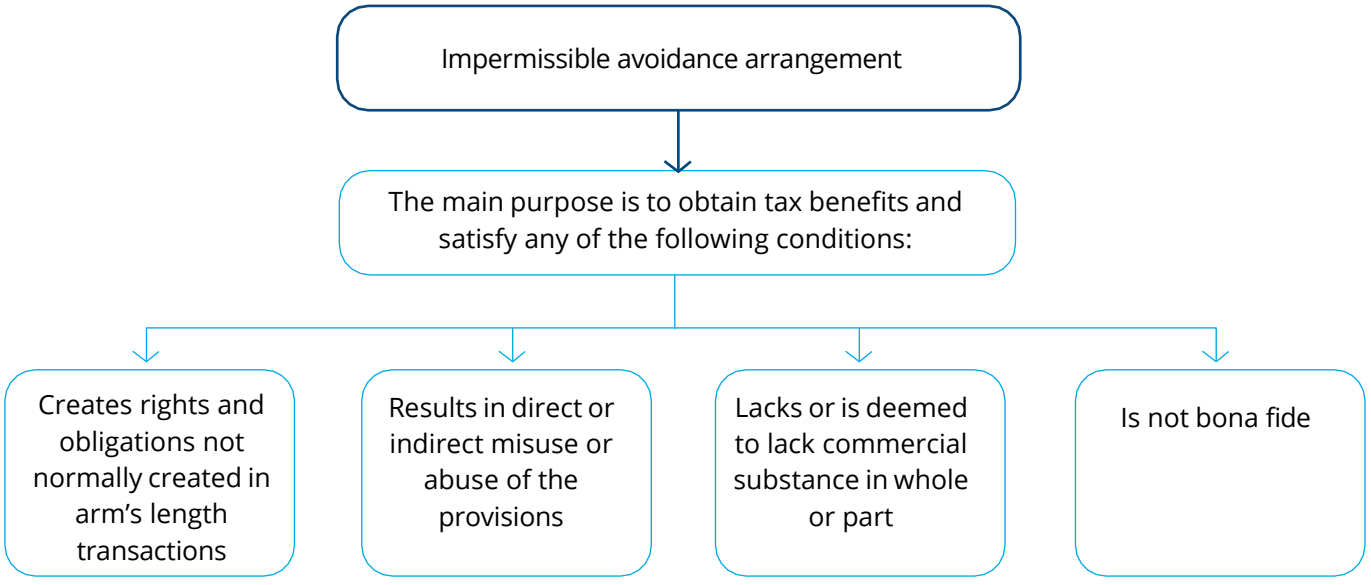
1.1.4. Key developments in direct taxes

(A) GAAR

What is GAAR?

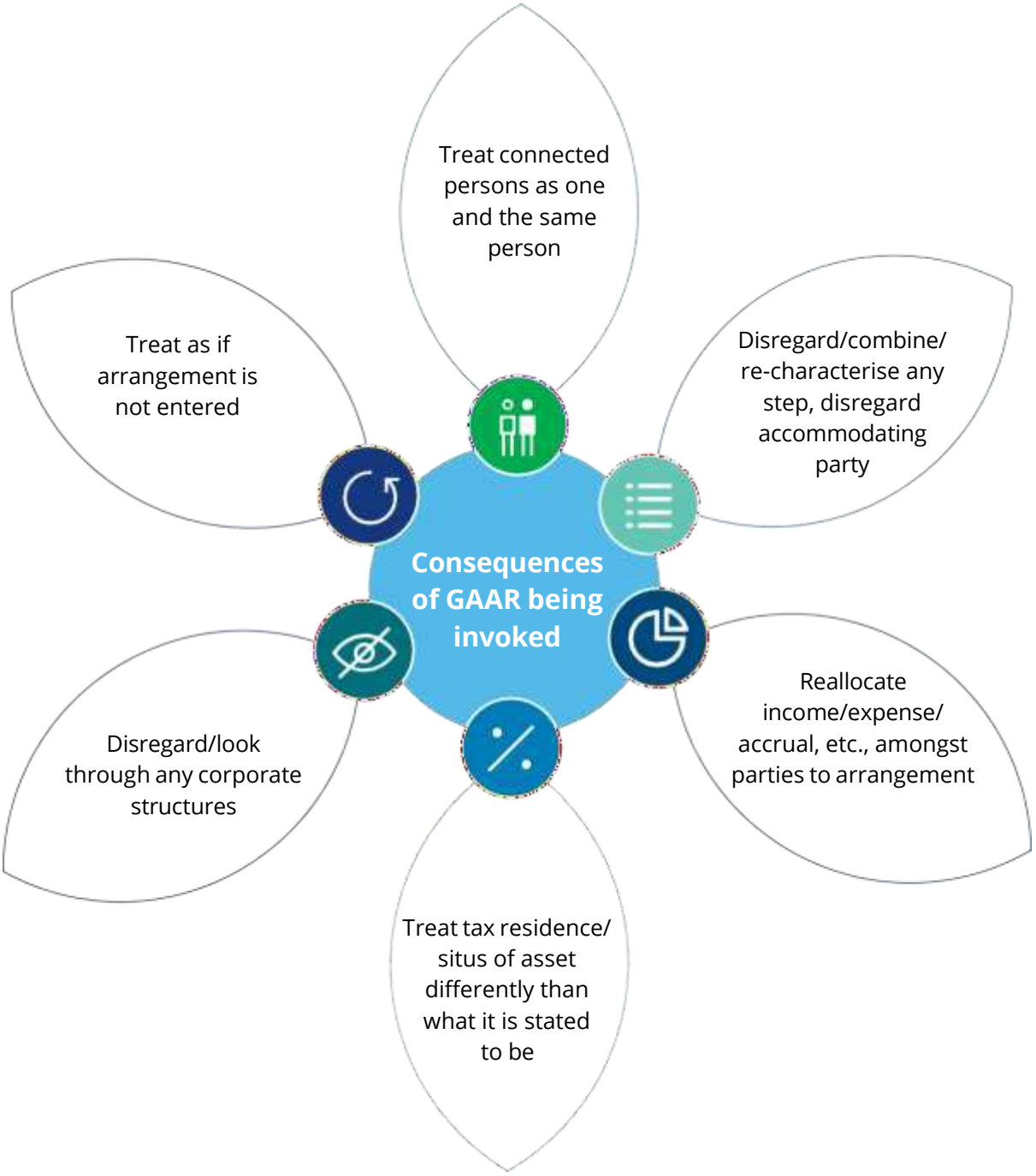
A set of anti-avoidance rules that apply to an arrangement entered into by the taxpayer, which is declared as an impermissible avoidance arrangement.

Applicable from 1 April 2017



Pre-requisite for GAAR to apply

- Tax benefit arising to all parties to an arrangement during a year exceeds INR 30 million.
- All investments made before 1 April 2017 are grand-fathered.



- In India, GAAR was introduced to curb tax evasion and aggressive tax planning practices.
- GAAR and the MLI are tools used by countries to combat tax avoidance and ensure that there is no improper tax planning per domestic tax laws and tax treaties, respectively.

(B) BEPS recommendations incorporated

(i) Thin capitalisation rules

Restriction on interest deductions

- To protect against thin capitalisation, interest payment by Indian AEs to foreign AEs/for loans guaranteed by foreign AEs limited to 30 percent of EBITDA, subject to certain exceptions.

Combating digital economy challenges – SEP and widened definition of business connection

- A "significant economic presence" can lead to a taxable presence in India, subject to treaty benefits, if any. This includes the following:
  - Transactions > INR 20 million (~US$0.23 million) in aggregate with persons in India
  - Systematic and continuous solicitation of business/interaction with > 300,000 users

  Agents who habitually play the principal role leading to the conclusion of contracts, can now trigger a business connection in India.

(C) India's perspective on the OECD Two-Pillar solution

Globally, 57 countries have adopted the Pillar Two law into their domestic legislation (hereinafter referred to as "Pillar Two countries"), but there has been no policy announcement on Pillar Two in India. However, this does not absolve India-based MNEs from undertaking Pillar Two-related calculations and compliances. In other words, India-headquartered MNE groups with a presence in Pillar Two countries, will be required to undertake Pillar Two-related calculations and compliances, even in the absence of Pillar Two Law in India. Let us understand this with the help of an example. An India-based MNE has revenue in excess of EUR 750 million and subsidiaries in the UK, France, China and Bangladesh. Since the UK and France are Pillar Two countries, the MNE group is in the scope of Pillar Two and required to calculate the Pillar Two ETR of each of the 5 countries in which it operates. In case the ETR of any of the 5 countries, including India, is less than 15 percent, a 'top-up tax' liability under Pillar Two could arise. The fact that India and China have not adopted Pillar Two Law and Bangladesh is not an Inclusive Framework member, is not relevant.

Further, the Ministry of Corporate Affairs, via Companies (Indian Accounting Standards) Amendment Rules, 2025 (G.S.R. 549(E)), dated 13 August 2025, has amended Ind AS 12, Income Taxes, to introduce specific requirements to the accounting and disclosure of OECD Pillar Two global minimum taxation rules

- Current tax provisioning under Pillar Two: Applicable for both annual and interim financial statements from FY 2025–26 onwards.
- Current tax disclosure under Pillar Two: Annual financial statements, applicable from FY 2025–26; Interim financial statements, applicable from FY 2026–27
- Disclose the temporary exception to recognize deferred taxes concerning Pillar two

Additionally, Pillar Two countries (such as Belgium, France, Germany, Mauritius, Singapore, the UAE and the UK have introduced local compliance requirements, including mandatory Pillar Two registrations and filing of top-up tax returns. These obligations apply irrespective of where the Ultimate Parent Entity is located. The Pillar Two local country registrations are ongoing with the due dates for countries such as the UK, France and Denmark are already passed. There are upcoming local QDMTT return filings in Hungary, Vietnam, Turkey etc.

Further, the Global Information Return (GIR) is a mandatory annual filing under Pillar Two that requires MNE groups to report jurisdiction-wise Pillar Two Effective Tax Rates, top-up tax calculations and other prescribed disclosures to a tax authority. Although an India-headquartered group cannot file the GIR in India due to the absence of Pillar Two legislation, it is still required to ensure that the GIR is filed through a surrogate filing mechanism in any Pillar Two country where the group has a presence.

Latest trends in the Indian tax system and digitalization

Highly digitised tax system in India

Integration of labour laws

Labour regulations have been consolidated into 4 labour codes. The new labour code has become effective from 21 November 2025.

Income tax

- A new and simplified Income Tax law has been made effective from 1 April 2026.
- Digitalised tax compliance, payment and administration.
- Electronic filing of income-tax returns started in 2006. All income-tax returns are now filed electronically.
- Audits, penalties, first-level appeals and information collection are now anonymised (with some exceptions) and conducted electronically.
- This will be expanded to second-level appeals, rectifications and tax demand collection matters.

New income tax website

- A new electronic filing website was launched in 2021 and the shift to anonymised electronic interaction with tax authorities is well received across the board.
- Features of the new electronic filing website include pre-filled tax returns (for individuals), speedy processing (average time reduced to 10 days), integration of banks for swift tax payments, annual information statements with detailed information to enable the filing of tax returns.

Key attributes of digitalisation

- Minimising complexities in filing tax returns.
- Compliance monitoring, simplifying reconciliation and audit processes.
- Sequential filing of GST returns promoting better compliance and hygiene, and enhancing visibility and transparency.

GST and customs

- Manage tax-related processes using digitalised tax compliance and reporting.
- Phased implementation of e-invoicing has facilitated the process and enabled healthier public perception.
- Pre-filled returns based on invoices uploaded by the taxpayer and its vendors.
- Auto generation of notices to taxpayers due to mismatch of tax liability or input tax credit during reconciliation.
- Introduction of Invoice Management System enabling a granular invoice-based availment of input tax credit directly on the Indian GST portal.
- Simplified GST registration scheme facilitating approval within three working days for select low-risk taxpayers
- Introduction of GST amnesty scheme and operationalising GST Tribunals is a leap forward progress for easing the litigation process.
- Electronic refund processing, notice issuance and reply filing; where necessary,meetings are held with authorities.
- Electronic filings/exchange of information on customs clearance procedures.

Use of technology by tax administration

- Tax administration using extensive technology to streamline compliance, data tracking, processing and analytics, outreach and audits.
- Extensive tax audits under automation of data population on tax portals.
- Adoption of electronic processes to gather “business intelligence” for assessing compliance done by businesses
- Tax administration streamlining the use of technology and information between corporate taxesand GST for the audit purpose.

C.1.2. Transfer pricing

Introduction of transfer pricing in India

Consequent to the economic liberalisation in 1991, MNCs have made significant FDIs in India. The growth of MNCs over a decade since then, coupled with the development of TP guidance by the OECD and regulations in several jurisdictions, triggered the need to curb potential tax avoidance arising out of profit shifting due to international transactions between AEs of an international/multinational group. To prevent erosion of the tax base, Indian TP regulations were implemented by India as a special anti-avoidance measure in 2001.

1.2.1. Applicability of transfer pricing in India

Meaning of AE

Indian TP regulations specify that two or more enterprises become 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 cover certain circumstances under which two enterprises shall be deemed to be AEs.

International transaction

TP applies when an international transaction occurs between two or more AEs, i.e., group companies that are part of the same international group.

Specified domestic transaction

Under/over-invoicing of expenses among domestic parties is revenue neutral but shifting profits to entities claiming tax incentives may lead to government revenue loss. To address this, Indian TP regulations have been extended to include certain "specified domestic transactions" between companies and their Indian group companies if the total value exceeds INR 200 million.

Deemed international transaction

Indian TP regulations cover transactions between an enterprise and a third party as deemed international transaction, if (a) there exists a prior agreement between the third party and AE, or (b) the terms are determined in substance by the AE.

TP methods in India

Consistent with international practice, the methods adopted in India for determining an arm's length price are broadly similar to those outlined in Chapter II of the OECD Guidelines, including comparable uncontrolled price, resale price, cost plus, profit split and transactional net margin method. In addition to the methods prescribed in OECD Guidelines, Indian TP regulations permit the use of 'Other Method' in case if any of the 5 above methods do not apply for determination of arm's length price.

Three-tier documentation in India

In 2016, India adopted the three-tier TP documentation structure as prescribed in the OECD BEPS Action Plan 13. The documentation comprises the local file, master file and the country-by-country report, which is consistent with the OECD Guidelines on BEPS Action Plan 13. The details are captured below.

BEPS action 13: Three-tier documentation requirement

Local file

- Taxpayers with international transactions (including deemed international transactions) of more than INR 10 million or specified domestic transactions of more than INR 200 million need to maintain a local file. The information requirement is in line with the OECD BEPS Action 13.
- Taxpayers are also required to file an Accountant's report, disclosing all international transactions, deemed international transactions (no minimum threshold) and specified domestic transactions (over INR 200 million). On failure to file such an Accountant's report, a penalty of INR1,00,000 may be levied on direction of assessing officer. Further, the Finance Bill, 2026 has proposed to replace the penalty with a fixed fee sum of INR50,000 for delay up to one month for which such failure continues and a sum of INR1,00,000 thereafter.
- The local file needs to be maintained within the due date i.e., 1 month prior filing the income tax return and submitted only if requested by the tax authorities. It is also applicable to non-resident entities with international transactions in India.

The local file includes group overview, taxpayer overview, industry overview, management structure, details regarding AEs and international transactions and/ or specified domestic transactions, functional assets and risk analysis, as well as economic analysis of international (including deemed international transactions) and/ or specified domestic transactions.

Master File (MF)

- Applicable to all constituent entities of an International Group (IG). However, filing can be done by any one entity in India.
- Intended to provide a high-level blueprint of the IG's transfer pricing policies such as description including supply chain, value drivers, geographical markets, functional analysis, business restructuring, details regarding description, legal and economic ownership of Intellectual Property (IP), financial arrangements, consolidated group financial statements and description of advance pricing agreement rulings.
- The Indian TP regulations require certain additional information beyond the requirements as per the OECD Guidelines. In India, the MF has to be filed within the due date of filing the income tax return.
- The MF in India comprises two parts—Part A (applicable to all IGs) and Part B (applicable if group turnover is greater than INR 5 billion and if either of the following conditions are met):
  - Quantum of international transactions is greater than INR 500 million; or
  - Quantum of international transactions related to IP is greater than INR 100 million.

Country by Country (CBC) report

- Filing of CBC report/CBC notification by every constituent entity of an IG.
- Threshold—MNEs with annual consolidated group revenues of or above INR 64 billion (Approx EUR715 million) in the previous fiscal year.
- The report's contents align with OECD BEPS Action Plan 13. It generally includes details related to group revenue, profit before taxes, cash tax paid, current tax accrual, capital and retained earnings, net block value of tangible assets, number of employees, list of constituent entities and permanent establishment of each jurisdiction, etc.

Penal consequences

Non-compliance with the documentation requirements in India has penal implications for non-maintenance/ filing of the required forms/documents within the prescribed due date.

1.2.2. Transfer pricing dispute resolution mechanisms in India

In India, the scrutiny/ TP audits by field-level officers are considered stringent compared with other jurisdictions. To address this perception, India has introduced safe harbour regulations and instituted advance pricing agreement as a key dispute prevention mechanism, which is now the most sought-after mechanism by taxpayers due to better outcomes. In addition, taxpayers can resort to a mutual agreement procedure under the relevant tax treaty, apart from proceeding with domestic litigation at the appellate levels.

Furthermore, provisions related to block transfer pricing assessments were enacted through the Finance Act 2025 which gives power to a transfer pricing officer to examine and determine the arm's length price in relation to such similar transaction for two consecutive previous years immediately following such previous year, in the transfer pricing officer order. (Commonly known as block assessment). The provision of transfer pricing block assessment would apply if the taxpayer opted for such block assessment options of fulfilment of conditions given in Indian TP regulations. The objective is to ensure greater consistency and predictability in tax assessments.

(A) Safe Harbour Rules (SHR)

- SHR was introduced as an alternative TP dispute prevention mechanism, under which, in certain circumstances, tax authorities accept the transfer prices declared by the taxpayer without undertaking a detailed audit. The said rules are updated at regular intervals for each financial year.
- In a certain category of transactions, SHR allows low-risk-bearing taxpayers, who are parties to eligible transactions, to maintain an operating profit margin as prescribed in the SHR. These rules also enable taxpayers to take recourse to otherwise controversial transactions, such as payment of intra-group services charges, subject to certain scopes and amount thresholds.
- The scope of safe harbour provisions was expanded to cover certain foreign companies engaged in the business of diamond mining and the sale of raw diamonds from any notified special zone(s) in India. The new rule, effective retrospectively from 1 April 2024, outlines criteria for eligible businesses and taxpayers. A minimum profit margin of 4 percent on gross receipts is required to qualify for safe harbour, eliminating the need for complex transfer pricing assessments.
- The Central Board of Direct Tax SHR by:
  - Increasing the threshold for availing safe harbour from INR200 crore to INR 300 Crore; and
  - Including “lithium-ion batteries for use in “electric or hybrid electric vehicles” in the definition of core auto components. The provisions of safe harbour rules are made applicable for AY 2025–26 and AY 2026–27.

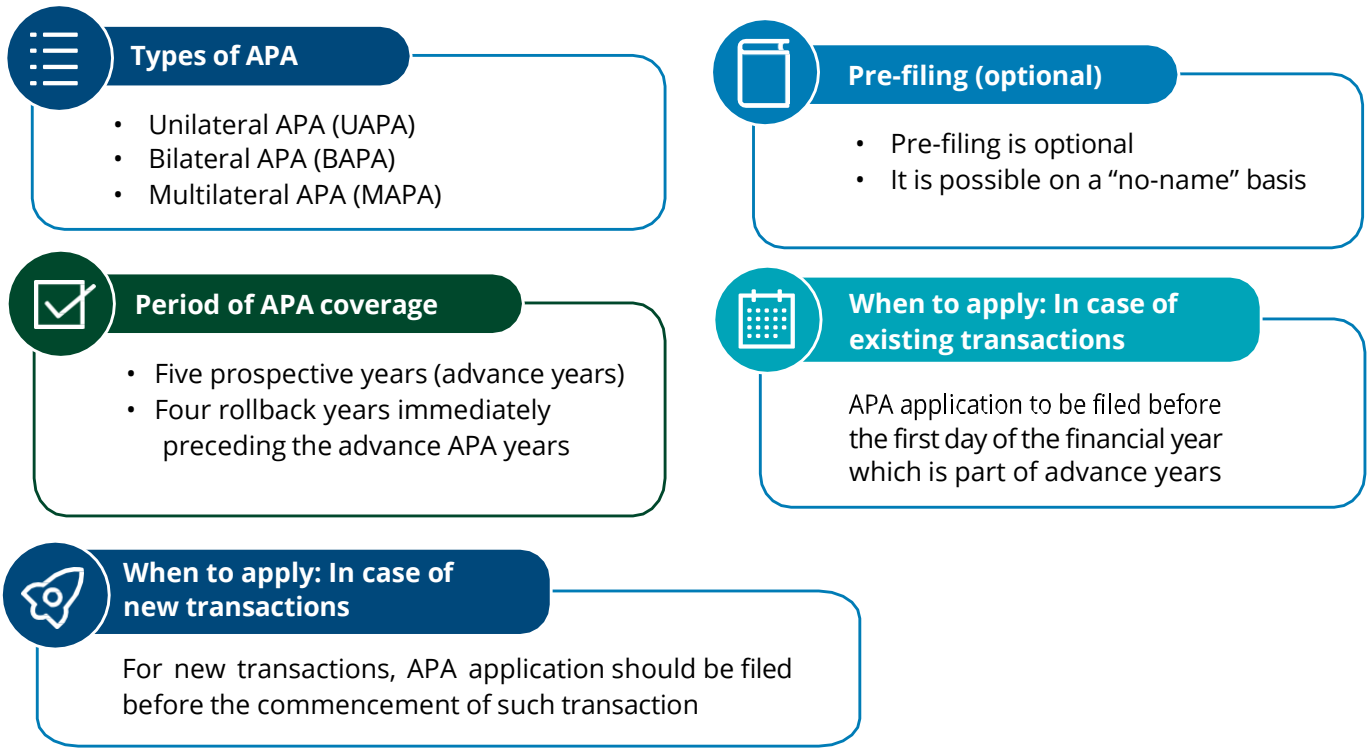
- Further, through the Union Budget, 2026, the following proposals have been made:
  - Clubbing of software development services, IT-enabled services, knowledge process outsourcing services and contract R&D services relating to software development under a single category of Information Technology Services with a common safe harbour margin of 15.5 percent on cost. Further, the threshold for availing safe harbour for IT services will be enhanced from INR3 billion to INR20 billion.

- The safe harbour for IT services shall be approved by an automated rule-driven process without any need for tax officer to examine and accept the application. Once applied, the same safe harbour can be continued for a period of five years at a stretch at its choice in case of IT Services.
- Expand the scope to encompass data centre services, with a proposed 15 percent on cost if the company providing data centre services from India is a related entity.

- Expand the scope of SHR to non-residents for component warehousing in a bonded warehouse at a profit margin of 2% of the invoice value. Thus, bringing the resultant tax of about 0.7 percent will be much lower than in competing jurisdictions

(B) Advance Pricing Agreement (APA)

- An APA is an agreement between a taxpayer and the CBDT to determine the arm's length price of existing and future international related party transactions.
- APA was introduced in India vide the Finance Act, 2012 effective FY 2012–13. Since its introduction, several MNCs have sought confirmation on their transfer price through the APA mechanism, saving time and cost on prolonged TP litigation. It has successfully tracked TP dispute resolution in India. The salient features of the APA are captured below:



The detailed procedure for filing an APA in India, along with filing fees, is captured in relevant sections/ rules of the applicable India transfer pricing regulations.

- India APA statistics: The CBDT achieved a record by concluding 174 APAs (i.e., 108 UAPAs, 65 BAPAs, 1 MAPA) in FY 2024-25. Notably, FY 2024-25 also saw the signing of India's first-ever MAPA. With this, the CBDT has concluded a total of 815 APAs (615 UAPAs, 199 BAPAs and 1 MAPA) from FY 2012-13 to FY 2024-25. The number of unilateral and bilateral APAs concluded has increased, indicating the CBDT's commitment to making APAs successful and facilitating improved litigation management in India.

- Further the Union Budget, 2026 has made the following proposals in relation to the APAs concluded on or after April 1, 2026, and will, accordingly, apply in relation to assessment year 2026-2027 and subsequent years
  - Introduction of a fast-track approval mechanism for UAPAs for IT services, enabling conclusion within two years, with an extension of up to six months at the taxpayer's request.
  - To provide that where an income is modified as a result of APA entered into with any person then, such person shall, or any other person being an associated enterprise, may, furnish a return or a modified return, as the case may be, in accordance with and limited to the agreement; within a period of three months from the end of the month in which the said agreement was entered into, thus enabling claims for refunds, if any, of additional/ withholding taxes.

(C) Mutual Agreement Procedure (MAP)

- MAP is an alternate tax dispute resolution mechanism available to the taxpayer for the resolution of international TP disputes incorporated in the Double Tax Avoidance Agreement (DTAA) of many countries.
- MAP entails resolving disputes through the intervention of each country's Competent Authorities (CAs), who evolve a mutually acceptable solution.
- MAP can help relieve double taxation either fully or partially and relief provided under MAP is in addition to domestic dispute resolution mechanisms.
- MAP application is filed when the taxpayer considers the action of the tax authority of one or both
- contracting states results in taxation not per the treaty.
- Earlier, in MAP cases where appeals were pending before the CIT(A), there was no prescribed procedure for issuing proof of appeal withdrawal. Therefore, CBDT has now clarified that the CIT(A)'s intimation accepting withdrawal of the appeal (or relevant grounds) will serve as valid proof for implementing the MAP resolution under Rule 44G(8).

(D) Block assessment for three years

- Applicability: Under the block assessment provisions, the ALP determined in relation to an international transaction/specified domestic transaction for any previous year will apply to similar transactions for the immediately succeeding two years, if the taxpayer opts to be covered by the block assessment provisions. The said provision will be applicable with effect from 1 April 2026. Detailed guidelines are enacted through Finance Act 2025.

Provisions for secondary adjustment

- Secondary adjustment essentially refers to repatriating the excess money available with a foreign group entity (or an AE) to an Indian taxpayer on account of the primary transfer pricing adjustment.
- The primary transfer pricing adjustment occasioning the secondary adjustment can occur under the following scenarios:
  - A TP adjustment made by a taxpayer on its own accord in the tax return (suo moto adjustment); or
  - Acceptance of TP adjustment made by tax authorities during audit/scrutiny proceedings or by any appel authority during the appeal process; or
  - Adjustment made under an APA, a settlement under MAP, or upon application of SHR provisions
- If the excess money available to the AE(s) (i.e., the difference between the arm's length price and the actual value of the transaction) is not repatriated into India within the prescribed timeframe (mentioned below), triggered from the time of acceptance of primary adjustment, the amount of primary adjustment is deemed to be an advance made by the taxpayer to the respective AE(s) and a notional interest on such advance is imputed. The interest is included as part of the total income of the Indian taxpayer and is subject to taxes at applicable rates. However, no secondary adjustment is required if the value of the primary adjustment is lower than INR 10 million or the primary adjustment pertains to years before FY 2015 and FY 2016.

Time limit for cash

Cash repatriation to be within 90 days of the adjustment

- For suo-moto (voluntary) adjustment, safe harbour and MAP settlement from the date of filing the tax return
- For APA conclusions from the date of filing of modified returns
- For audit or appeal cases from the date of the order of the TPO/appellate authority, accepted by the taxpayer

Applicable interest rate p.a.

- Rupee-denominated transactions - 1 year MCLR of SBI as of 1 April of the relevant previous year and 325 basis points
- Foreign currency-denominated transactions - 6 months LIBOR as of 30 Sept of the relevant previous year and 300 basis points

The CBDT has brought in certain amendments to the secondary adjustment provisions vide the Finance Bill 2019:

- Optional one-time tax (effective 1 September 2019): Taxpayers are provided with an option to pay a one-time additional tax at 18 percent (plus applicable surcharge and cess) on the unrepatriated amount instead of imputing interest on the advance regularly.
- Repatriation of cash from any AE: The taxpayer can repatriate the excess money from any foreign AE(s).
- Grandfathering of APAs: Primary adjustments under APAs signed before 1 April 2017, are excluded from the scope of secondary adjustment provisions. However, no tax refund under the pre-amended section would be allowed.

Introduction of Income tax Act 2025

The President of India gives her assent on August 21, 2025, to the Income Tax Bill, 2025 (No.2) and the same was enacted as Income Tax Act, 2025 replacing the existing Income Tax Act 1961. Further, Income Tax Act, 2025 (No.2) was notified on August 22, 2025, in the official gazette by the Union Ministry of Law and Justice, making it a law of the land. New Income tax Act, 2025, will be effective from 1 April 2026. Simplified Rules and Forms under the New Income tax Act, 2025 have been notified.

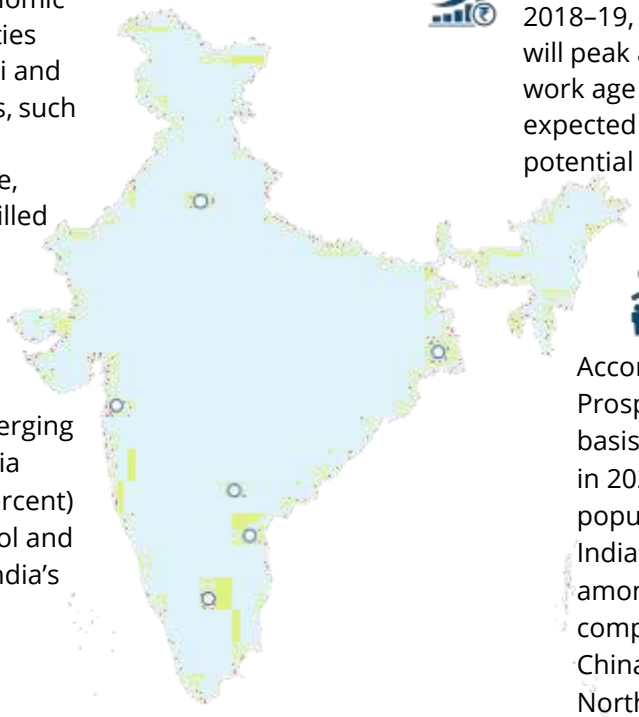
C.1.3 Employee taxation

1.3.1 Human Capital

India's rapid growth has made it a prime destination for businesses from across the globe – be it a South Asia/ India-focussed business entity or a large-scale GCC. The Indian talent pool has gained significant recognition due to several factors, including educational qualifications, digital proficiency, hard work and the ability to adapt to new technologies.

Talent pool

India has 7–10 major economic centres, including megacities such as Mumbai and Delhi and large metropolitan regions, such as Bengaluru, Hyderabad, Chennai, Kolkata and Pune, which have a large and skilled talent pool.



Other than major hubs, emerging tier 2 and tier 3 cities in India house a large share (~15 percent) of the Indian tech talent pool and can drive cost savings for India's technology landscape.

According to the Economic Survey 2018–19, India's demographic dividend will peak around 2041, when the share of work age (i.e., 20–59 years) population is expected to hit 59 percent, offering great potential for India's economic growth.

According to the World Population Prospects (WPP), which forms the basis of the UNFPA report released in 2023, the median age of India's population is 28.2 years. This makes India one of the youngest countries among fast-growing economies. For comparison, the median age for China's population is 39 years, North America is 38.4 years and Europe is 42.2 years.

Talent acquisition and retention

India's talent hubs face intense competition for top talent from domestic and international companies. This high demand has led to relatively higher salary growth rates in India. However, on the flip side, this is offset by a large pool of new entrants to the workforce every year, which brings down the overall median remuneration, making it affordable to operate in India.

Secondment arrangements

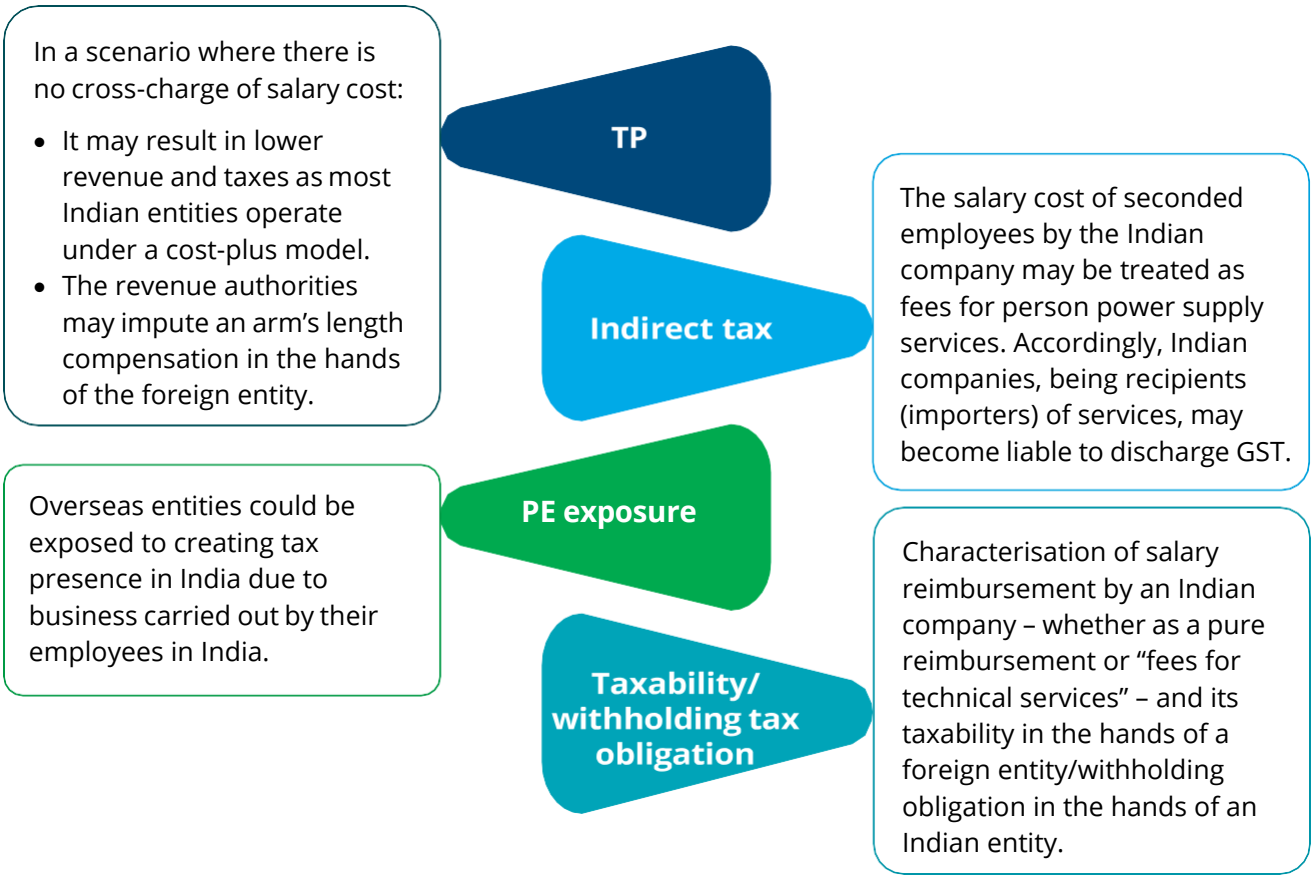
It is common for MNCs to deploy foreign nationals in India under a secondment arrangement to oversee their Indian operations. The period of their stay in India could vary depending on business needs.

While Indian operations must be aligned with the policies of the global parent and receive guidance from the deputed foreign nationals, the following factors must be duly addressed:

- Nature of role – Stewardship, managerial roles, actual business operations, etc.
- Roles and responsibilities and commercial arrangement among the seconded employee, overseas employer and Indian employer

- Robust tracking mechanism on the number of employees being deputed to India in a fiscal year, duration of stay and the number of visits
- Remuneration of the deputed employees and entity that bears the cost of such employees

In the absence of guardrails, manifold implications typically arise due to deputations that are not supported by robust secondment arrangements. Some key implications are mentioned below:



Secondment agreements should appropriately reflect relationship, roles and responsibilities, and the commercial arrangement among the seconded employee, overseas employer and Indian employer.

1.3.2 Employee tax and regulatory considerations

In India, employment income earned for services rendered within the country is subject to taxation, irrespective of the residential status, the location of entering the employment contract, or the place where the income is paid. According to Budget 2025, the tax burden on individuals has been reduced to encourage consumption.

However, for an individual who is not an Indian citizen but is present in India only for a short duration of time, employment income can be claimed exempt from income tax subject to fulfilment of short stay conditions (as provided in the Act or DTAA, whichever is more beneficial). To claim benefits per the DTAA, a TRC would be required.

Employers would be liable to withhold tax on salaries earned by the employee in India and furnish a tax withholding certificate to the employee. The employer would be required to obtain tax registrations in India and file withholding tax returns. The employee is required to file an annual income tax return in respect of income earned exceeding a de-minimis threshold.

A foreign or resident Indian citizen employed with a foreign company and on deputation to an Indian group company, can maintain a bank account in foreign currency outside India to receive salary (net of mandatory deductions) for services rendered in India.

Services by an employee to the employer are treated neither as a supply of goods nor services. Hence, these services are not subject to GST.

Social security

Social security/ retiral – End service benefits

Provident Fund (PF)

International Workers (IWs)

- All foreign citizens (including OCI card holders) working for an establishment to which the EPF Act applies would be regarded as IWs.
- Employer and employee need to mandatorily contribute 12 percent of pay (as defined) without wage ceiling.

Social Security Agreement (SSA)

- SSA is an agreement between two countries that provides for the protection of the interests of cross-border workers and primarily avoids "double coverage"
- Currently, India has 20 SSA effective with 19 countries and 1 region, including Germany, Netherlands, Australia, Japan, Canada, Switzerland, Luxembourg, France, Sweden, Finland and Norway. Also, India is in negotiations with certain other countries, including the US and UK.
- Foreign nationals from SSA countries and having a Certificate of Coverage (COC)/ detachment certificate can be excluded from the applicability of IW provisions and hence, need not contribute towards PF in India.
- IWs are eligible to withdraw PF accumulations (contributions + interest) on leaving the services of an Indian company, except for those coming from a non-SSA country who in addition should have also attained 58 years of age.

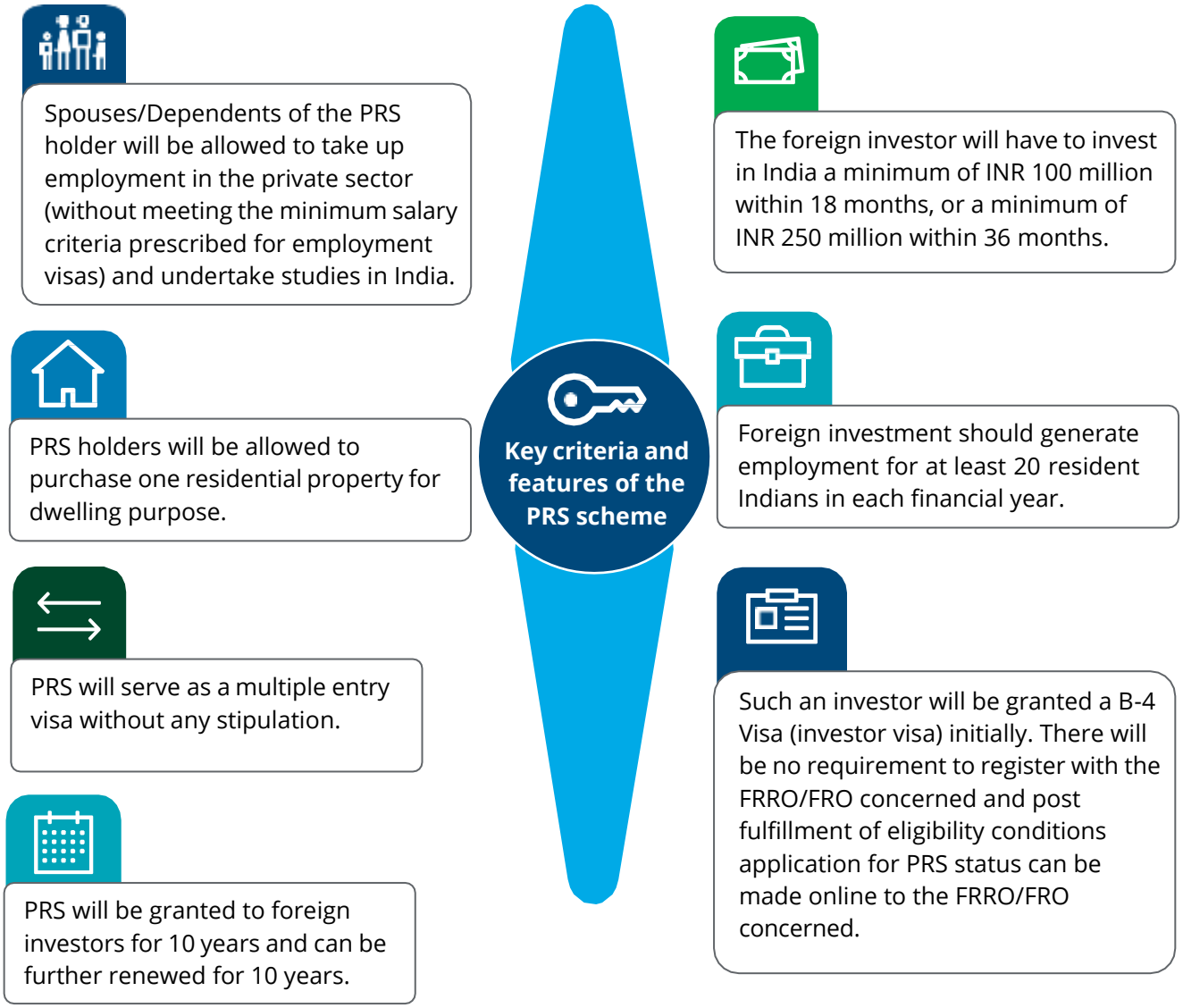
Gratuity: End of service payment

- The Payment of Gratuity is now governed under the Code on Social Security ('CoSS'-part of Labour Codes) which became effective from 21st November 2025.
- Under the Erstwhile Payment of Gratuity Act (POGA), Gratuity was payable on last drawn salary which technically meant Basic Salary and Dearness Allowance. However, under the CoSS, Gratuity has to be paid on the new definition of 'wages' which is wider. The Gratuity is payable for every completed year of service.
- Every establishment with 10 or more employees is required to pay gratuity on termination of service.
- A permanent employee must render a minimum of five years of continuous service (with certain exceptions) with the employer to become eligible for such benefit.
- Proportionate gratuity to be paid to Fixed Term Employee on completion of one year of service.

Immigration
Other than OCI cardholders, most foreigners need an employment visa to work in India. An employment visa must be applied in the home country and can be extended while in India for a maximum duration of 10 years. Accompanying children and spouses are eligible for dependent visas.

Specifically, investors can use the PRS, subject to the fulfilment of relevant conditions specified in the FDI policy.

The key criteria and features of the PRS scheme include the following:



1.3.3. Recent trends and emerging updates

(A) Labour code

As part of the "ease of doing business in India," the Government undertook a major reform by introducing four new "Labour Codes" subsuming 29 existing central labour laws. While the Labour Codes have been notified, full implementation is subject to the notification of detailed rules and schemes. Until these rules are finalised and notified, the provisions under the existing labour laws and their corresponding rules and notifications will continue to remain in force. However, certain provisions of the Labour Codes that do not depend on the framing of rules have become effective 21 November onwards.

Key features of labour codes are as follows:



A foreign company investing in India should:

- understand the financial impact on account of a change in the definition of wages;
- align compensation structure, HR policies and underlying technology and processes; and
- ensure appropriate workforce categorisation.

(B) Global work-from-anywhere policies

The pandemic tested the flexibility and responsiveness of work and culture across the globe. Hybrid and remote-working models have now become the norm.

However, understanding the immigration and tax implication is critical for the foreign employer and its employees working from India.

Immigration
Unlike other countries, which have introduced a specific visa to facilitate remote working, India has yet to develop a specific visa. Thus, foreign nationals other than those holding an OCI card cannot work remotely from India.

Tax and other implications
Remote working by overseas employees from India has started the debate on the creation of taxable presence, i.e., PE exposure for the overseas employer in India, which inter-alia depends on the following factors:

- Number of employees travelling to India
- Threshold on the number of days of stay in India
- Role/work profile of employees
- Rights of employees to negotiate, sign, execute or conclude contracts
- Interaction with customers/vendors located in India
- Place of work of employees - home Indian group company's office, etc.

Tax treaties provide some relief by excluding preparatory/auxiliary activities from the definition of PE. However, the extent of services must be tested in relation to the employer's overall activity/business.

With a growing trend of globally mobile employees, understanding the PE exposure arising out of work-from-anywhere policies is crucial. The OECD's updated guidance on cross-border remote work introduces a two-step framework to assess permanent establishment (PE) risk: first, a **Temporal Test** using the 50 percent rule, where working from a home or other relevant place for less than half of total annual working time generally avoids PE; second, a **Commercial Reason Test**, which considers whether the location serves a business purpose, such as employer-mandated presence or core business activities involving clients or suppliers. Voluntary remote work for personal reasons typically does not create PE, and factors like employer control, regularity of work and physical presence for business-critical tasks influence the determination.

If it is concluded that a foreign entity has a PE in India, an arm's length profit will have to be attributed to the Indian PE. Accordingly, the Indian PE of the foreign company will have to obtain tax registrations in India, file an annual income tax return and tax audit report (subject to threshold limits), maintain books of accounts and audited financial statements, and comply with TP regulations.

When employees of foreign companies work in India and are not eligible to claim any short-stay exemption either under the Act or DTAA, several such foreign employers would need to comply with withholding tax and other related compliance on their remuneration. Further, such foreign employees would be required to file a tax return in India. The employee is required to obtain a TRC where a short-stay exemption is claimed under the DTAA.

In addition, foreign employers need to examine the applicability of labour laws in India due to their employees working from India.

Implications under the GST laws would also need to be examined to check the requirement of foreign entities to take GST registration in India.

(C) Gig economy in India
The gig economy describes the growing trend of people working independently, often on a short-term, for multiple clients. In India, this sector has been growing rapidly. According to India's Booming Gig and Platform Economy paper by Niti Aayog, in 2021, there were 7.7 million gig workers in India; the number is expected to increase to about 23 million by 2029–30.

Key factors contributing to the gig economy in India include the following:

- Availability of a large workforce across the unskilled, medium-skilled and highly skilled categories
- Change in the outlook of businesses to use more gig workers to control costs and provide business flexibility during rapid growth
- The high rate of digital adoption, even in smaller towns, has made gig workers accessible to more companies
- An increased focus on diversity and inclusion among Indian corporates is leading to more efforts to engage in non-traditional workforce models

To acknowledge the vital role of gig workers in the new-age services economy and to support nearly 10 million gig workers, the companies that act as aggregators (such as ride-hailing or food delivery platforms) must contribute 1–2 percent of their annual turnover, but not more than 5 percent of what they pay their gig and platform workers, to a social security fund. Further, Workers will get an Aadhaar-linked Universal Account Number, which makes it easy to access welfare benefits. These benefits will be portable across states, so workers can keep them even if they move to a different location.

C.1.4. Business restructuring

Business restructuring involves navigating key considerations, such as deal taxation, associated tax implications and diligence challenges. For investors and businesses entering India, understanding these aspects is crucial to structuring transactions efficiently and mitigating potential risks. With India's evolving tax landscape and regulatory reforms, strategic planning around restructuring can unlock significant value. This section offers guidance to help stakeholders make informed decisions and capitalise on opportunities.

1.4.1. Deal taxation

Every deal involves various tax implications that need to be highlighted. Some of these key implications include the following:

1 Business consolidation

Business consolidation involves the merger of two or more entities by pooling their assets and liabilities, including tax attributes. This mode is often favoured in group consolidation as it typically does not require monetary considerations and can be structured as tax-neutral, provided certain conditions are met. However, securing the regulatory authority's approval is crucial, and stamp duty implications may apply.

2 Carve out

Carve-out options involve transferring a business undertaking, including tax attributes, to another entity through various means.

Demerger is a tax-neutral choice but can be time-consuming due to the requirement of regulatory approvals. Slump and asset sales are more common options, usually executed through mutual agreements. These options may save time but may entail tax costs.

3 Capital structuring

Capital structuring methods encompass realigning a company's share capital structure through buy-backs, capital reduction, bonus issues and rights issues. These methods are employed to simplify the cap-table, optimise the balance sheet and facilitate the repatriation of excess cash or raise capital for expansion.

4 Share transfer

Expanding business or investment in India can often be achieved through share acquisitions. This approach provides direct control aligned with group interests. Typically, it is a quicker process and may entail a tax leakage.

Buy-side

Transferability of tax losses and UAD

(Conditions to be satisfied for transfer of losses in case of merger/ demerger).

Anti-abuse provisions

(Taxability due to receipt of property for inadequate consideration)

Depreciation

(Depreciation to be available basis the WDV of the assets)

General Anti Avoidance Rules

(Transactions to be justified through reasonable commercial rationale)



Transferability of tax balances

(Possibility of transferring GST credit, MAT credit, advance tax and TDS balances in case of merger/ demerger)

Deductibility of expenses

Tax deductibility of expenses incurred in undertaking the transaction

Withholding of tax

(Tax withheld on considerations subject to ITA/DTAA provisions and residency of seller)

Sell-side

Capital gains tax

Gains arising on transfer is taxable per the provision of ITA.

Buy-back tax

From 1 April 2026, share buybacks will be taxed as capital gains while also introducing an additional promoter level levy, thereby increasing the overall tax incidence on buy backs for the promoters. Earlier, buybacks were taxed as dividend at applicable slab rate, and shareholders could claim capital loss up to the cost of acquisition.

As a result, shareholders may avail the benefit of capital gains taxation, subject to specified exceptions.

Tax neutrality

Certain transactions such as merger and demerger can be tax-neutral subject to fulfilment of certain conditions.

Lapse of tax losses on substantial acquisition

Onchange in shareholding >49 percent of a closely held company.



Transferability of ongoing litigations/demands/ assessments

To be analysed on a case-to-case basis as per the relevant provisions

Valuation requirements

Capital assets to be transferred at fair market value per the valuation rules prescribed by the ITA.

Indirect tax Implications

GST implications to be evaluated depending on the nature of transaction.

General Anti Avoidance Rules

Transactions to be justified through reasonable commercial rationale.

Other relevant issues

Deal issues

SEBI implications

If any of the parties to a proposed deal is a listed company, applicable SEBI regulations, such as the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 2011 (the Takeover Regulations), the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2018 must be complied with.

Indirect transfer

Per the provisions of the Income-tax Act, 1961, indirect transfer provisions trigger when shares of an overseas company are transferred and the value of such shares is derived substantially from the assets situated in India.

Stamp duty implication

While undertaking a transaction, such as transfer of shares, merger, demerger and acquisition, stamp duty implications need to be taken into consideration that vary from state to state.

Timelines

- Approximate time to undertake slump sale shall be 2-3 months.
- Further, approximate time to undertake a merger/ demerger via different routes are as follows:
  - NCLT Route- 10-12 Months
  - Fast Track Route- 6-7 Months

Further, for other modes like share acquisition, etc. takes approx. 1 Month.

CCI approval

CCI is the statutory authority responsible to review combinations and assess whether they cause or are expected to cause an appreciable adverse effect on competition within the relevant market(s) in India. M&As that meet the asset and turnover prescribed are required to notify and take approval of the CCI before their consummation.

Limiting the benefit of carry forward of tax losses in case of mergers

Currently, the amalgamating company's accumulated losses could be carried forward for eight years by the amalgamated company. In case of amalgamation or business re-organisations effected on or after 1 April 2025, accumulated loss of predecessor entity will be deemed to be the loss of the successor entity and carried forward for not more than eight assessment years from the year it was originally computed for the predecessor entity.

Diligence issues

1. Non-compliance with withholding tax obligations by the target as mandated under the law
2. Timely income tax compliances- filing of returns and depositing taxes
3. Impact of any prior change in shareholding on the eligibility of carrying forward tax losses
4. Capitalisation of expenses for tax purposes and claiming depreciation thereon
5. Risk of disallowance of marketing and promotional expenditure considered revenue
6. Disallowance of amalgamation expenses under Section 35DD
7. Positions adopted by target entity for any ongoing tax litigation/audit, which is less favourable
8. Potential disallowance of expenses due to non-availability of “No PE” certificates
9. Tax treatment of preliminary expenses incurred in case of a newly set-up entity
10. Disallowance of interest payable on external commercial borrowings

C.1.5. Income tax compliances and dispute resolution

1.5.1 Income tax compliances

The Indian tax authorities have established various income tax compliance requirements under the income tax regulations. These primarily comprise the following:

Obtaining PAN in India	PAN is a unique identification number in India allotted by the income tax authorities. Typically, any person earning taxable income per income tax regulations is mandated to obtain a PAN in India.
Filing annual tax return	Every person earning taxable income, according to India's income tax regulations, is required to file an annual income tax return within the timeline provided by income tax authorities. The authorities have provided various forms and timelines for different categories of persons.
Withholding tax compliances	Every person responsible to make any payment to any person chargeable to tax in India would be required to deduct the withholding taxes in India in line with the income tax regulations. Such person would also be required to file statement of taxes withheld as mentioned above and issue withholding tax certificates.
Tax collected at source	TCS is a mechanism, wherein tax is collected by seller while selling specific goods or services to the buyer. The objective of TCS is to ensure that the government collect taxes at the earliest point of time and track transactions of high value. The seller who collects the tax has to file quarterly returns. The buyer who pays the tax can claim credit for it while filing his return of income.
Payment of advance taxes	Every person who is liable to pay income tax in India is required to deposit quarterly advance taxes to the credit of the Government of India. Such taxes are offset against the final tax liability determined at the time of filing the return of income for a fiscal year.

1.5.2. Maintenance of books, audits and dispute resolution



Requirement for maintenance of books

- Every person with turnover or income more than the threshold limit specified in the Indian income tax regulations would be required to maintain the books of accounts along with the supporting documents.
- Books of accounts and related documents must be preserved for a specific period as defined in the Indian income tax regulations. The above records may be maintained in manual or electronic form.



Requirement for tax audit

- The books of accounts maintained by any person would need to be audited by an Indian chartered accountant under the Indian income tax regulations, where the income earned is more than the specified threshold limits.
- The tax audit is required to ensure the correctness of books of accounts, reporting prescribed information as may be required by the Indian tax authorities.



Forums for resolution of tax dispute

- The Indian Income tax authorities have provided various platforms to address various tax disputes between the taxpayer and tax authorities.
- The platforms are listed as below (the hierachy is top to bottom)
  - Dispute Resolution Panel/ Commissioner of Income Tax (Appeals)
  - Income Tax Appellate Tribunal
  - High Court of India
  - Supreme Court of India
- Other alternative dispute resolution forums include the Board for Advance Rulings (BFAR) and Mutual Agreement Procedure.

C.1.6. Indirect taxes

1.6.1. Indirect taxes in India

GST applies on supplies of goods and services. In addition, customs duty continues to apply to import of most goods and export of specific goods. Central excise duty is levied on specific petroleum products (such as petrol and diesel) and specific tobacco products State excise duty applies to alcoholic beverages and other goods, such as narcotics. States also impose VAT on the sale of alcohol. For meeting expenditure on national security and for public health, a cess has been introduced per The Health Security se National Security Cess Act, 2025. The cess is levied on the basis of machines installed or other processes undertaken by which specified goods i.e., pan masala and other goods that may be notified, are manufactured.

The central and state governments occasionally roll out various policies/schemes providing tax benefits or incentives to enable imports and promote domestic manufacturing, exports, industrial development, employment, growth, etc. The foreign trade policy, PLI schemes, state government incentives, etc., provide such benefits.

The GST story

Introduction

GST was implemented on 1 July 2017 by the central and state governments. It has combined several complex central and state legislations, such as service tax, central excise duty, VAT and central sales tax. However, there are exceptions when it comes to liquor and petroleum products as they are still taxable under excise duties and VAT.

Major reforms and simplification of GST are an ongoing process and ongoing improvements are being made to compliance and tax processes based on stakeholder consultations.

The introduction of GST is a move towards achieving efficiency in tax administration.

Structure

GST has a dual structure regime as the centre, states/Union Territories (UTs) can simultaneously levy it on the supplies of goods and services. Components of GST include the following:

- CGST (levied by the central government) – Applicable on intra-state supply (i.e., within the state/UT) and represents half of the total applicable tax.
- SGST/UTGST (levied by the state/UT government) – Applicable on intra-state supply and represents the other half of the total applicable tax.
- IGST (levied by the central government) – Applicable on inter-state supply (i.e., between two states/UT[s]) and import of goods and services.
- Compensation cess: As part of the rate rationalisation exercise undertaken, compensation cess has been merged into consolidated rate. GST at enhanced rate of 40 percent has been made applicable on specified tobacco products from 1 February 2026. The value of supply of specified tobacco products shall be determined basis the retail sale price (RSP) declared on the package using a specified formula.
- GST has been simplified to a two-slab structure (5% & 18%). Luxury goods are taxed at 40%. Some essential commodities are exempted from GST.
- Input tax credit is eligible in respect of GST paid on inward supplies of goods/services as prescribed.

1.6.2. Customs duties

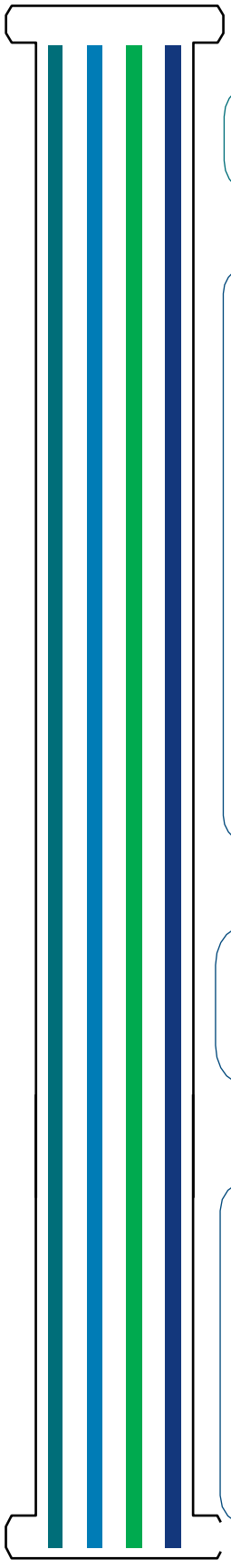
Customs duties apply to goods imported into or exported from India. The items and the rates of duties are specified in two Schedules to the Customs Tariff Act, 1975. The First Schedule lists various import items under the systematic and well-considered categories based on the "International Harmonised System of Commodity Classification." It specifies the prescribed rates of import duties. Duties on imported items are usually levied on either a specific (fixed rate per unit) or ad-valorem basis (percentage of value). However, in a few cases, specific cum-ad-valorem duties are also imposed. The Second Schedule has items subject to export duties. The predominant mode of levy of duties is on an ad-valorem basis, i.e., concerning value. The valuation provisions adopt a General Agreement on Tariffs and Trade (GATT) based valuation system (now termed the WTO Valuation Agreement), followed globally. The CBIC has taken numerous measures to enable the Customs clearance process and reduce transaction costs to ensure the ease of doing business. Based on the WCO SAFE Framework of Standards, AEO has been developed to enable businesses involved in international trade to reap various benefits.

The Government offers various trade facilitation and export incentive schemes such as Manufacturing and other operations in warehouse (MOOWR) scheme, Duty Drawback schemes, Export Promotion Capital Goods (EPCG) scheme, Advance Authorsiation (AA) scheme, Remission of Duties and Taxes on Exported Products (RoDTEP) scheme, Special Economic Zones (SEZ) and Export Oriented Unit (EOU) schemes, etc.

1.6.3. Foreign Trade Policy (FTP)

FTP is a set of guidelines and instructions established by the Directorate General of Foreign Trade (DGFT) in matters related to imports and exports and notified by the Central Government. India's journey towards becoming a global economic powerhouse took a significant leap with the announcement of the FTP 2023, as on 31 March 2023. Unlike earlier FTPs that operated on a fixed five-year validity cycle, FTP 2023 adopts adynamic and open-ended framework, allowing continuous updates to accommodate the emerging needs of time. FTP 2023 represents an initiative-taking and forward-looking approach to foreign trade by embracing technological advancements, fostering collaboration and identifying emerging areas of export potential. The policy aims to position India as a competitive player in the global trade arena.

The policy is built on the principles of trust and partnership with exporters and the following four pillars:



Incentive to remission

Shift from incentives to remission by way of reduction of duties and taxes on global trade transactions (exports).

Export promotion through collaboration

- Import duty exemptions/concession – Historic export promotion schemes, such as Advance Authorisation and Export Promotion Capital Goods Scheme, which allowed duty-free import of raw materials and capital goods respectively to continue along with substantial process re-engineering and technology enablement for facilitating the exporters.
- Rationalise the export performance thresholds for recognition of exporters as status holders, to enable more exporters to achieve higher status and reduce transaction costs.
- Boost merchanting activities from India.
- Internationalise the Indian rupee by accepting rupee payments under the FTP schemes.
- Introduce four new towns as Towns of Export Excellence (TEE) in addition to the existing 39 towns of export excellence.
- States and districts as partners in export promotion aim to decentralise export promotion in India. One of the crucial aspects of the FTP 2023 is the promotion of exports from the district level and accelerating the development of the grassroots trade ecosystem.

Ease of doing business

Greater faith is reposed on exporters through automated IT systems with risk management systems for various approvals in the FTP. The policy codifies implementation mechanisms in a paperless, online environment, building on earlier "ease of doing business" initiatives.

Emerging areas – E-commerce developing districts as export hubs and streamlining SCOMET policy

Significant measures were introduced to promote and support e-commerce exports by extending FTP benefits to this sector. In a significant move to boost e-commerce exports, the existing value limit of INR 10,00,000 per consignment for exports through couriers has been proposed to be removed in Union Budget 2026. Development of infrastructure for e-commerce export hubs.

India is focusing on the "export control" regime as its integration with export control regime countries strengthens. The policy introduces measures for streamlining the SCOMET (Special Chemicals, Organisms, Materials, Equipment and Technologies) policy and other relevant regulations.

1.6.4. Free Trade Agreements

FTAs are arrangements between two or more countries or trading blocs that primarily agree to reduce or eliminate Customs tariffs and non-tariff barriers on substantial trade. FTAs, usually cover trade in goods (such as agricultural or industrial products) or trade in services (such as banking, construction, and trading). FTAs can also cover other areas, such as IPRs, investments, government procurement and competition policy.

India has signed more than 19 bilateral /multilateral trade deals, such as CEPA/CECA/FTA/PTAs. The recent development encompasses the conclusion of India-European Union (EU) FTA at the 16th India–EU Summit held in India in January 2026.

Rules Of Origin (ROO) are the criteria needed to determine the country of origin of a product for the purpose of international trade. ROO's importance is derived from the fact that duties and restrictions depend on the source of imports. The criteria are used for the following:

- To implement measures and instruments of commercial policy such as anti-dumping duties and safeguard measures
- To determine whether imported products shall receive Most Favoured Nation (MFN) treatment or preferential treatment
- For the purpose of trade statistics
- For the application of labelling and marking requirements
- For government procurement

The ROO helps assess the application of preferential tariffs under an FTA. Moreover, non-members of the FTA do not benefit from preferential tariffs agreed between two FTA partners.

To prove the origin of goods for availing the preferential rate of duty under FTA, a “proof of origin” is required. FTAs have different requirements regarding the proof of origin. Under some FTAs, proof of origin is to be obtained in the form of a certificate from the designated authority. However, in some, it can be in the form of a self-declaration.

1.6.5. Indirect tax compliances

Typical compliance obligations under key indirect tax laws in India are as follows:

GST



- Electronic invoice and compliance.
- Monthly/quarterly GST returns: Normal registered businesses must file two monthly returns for reporting outward supplies (transaction level revenue details) and summary returns respectively. Eligible small taxpayers may opt for the Quarterly Return Monthly Payment (QRMP) scheme and file returns quarterly while discharging tax liability on a monthly basis. Eligible taxpayers registered under the composition scheme must file quarterly statements. In addition, a specific category of GST-registered businesses, such as e-commerce operators, small taxpayers, casual taxable persons, non-residents and service providers of online information and database access or retrieval services (OIDAR), specified government entities have separate reporting obligations. Additionally, taxpayers having multiple registrations have to undertake input service distributor compliances as may be applicable Annual compliances: Filing annual returns and self-certified statements for businesses with a certain turnover threshold.

Customs declarations



- Importers and exporters must file customs declarations, including bills of entry (for imports) and shipping bills (for exports), providing details of the goods, their value, origin, and other relevant information.
- Specific declarations are to be filed in case of imports from related parties.
- Compliance with specific conditions and procedures may be required to import any restricted goods or to avail the benefit of any exemption or duty concession.

Maintenance of books, audits and dispute resolution

Record-keeping requirements



Registered businesses are required to maintain various records and documents, including invoices, waybills and all books of accounts. Books should accurately reflect financial transactions, ITC details and tax liabilities. The details are required to be maintained state wise.



Records should be maintained for the prescribed number of years from the end of respective FY.

Audits

The respective laws provide for various types of audits, including regular audits, special audits by tax authorities in addition to investigation and scrutiny by intelligence wing of the tax departments.

Dispute resolution

Typically, the law provides several avenues for dispute resolution along with time limits for various stages of dispute resolution to ensure timely resolution of disputes. Here are the key components of dispute resolution under indirect tax laws:

Adjudication

Power is vested in the authority to undertake the determination of tax liability through adjudication.

Appeals

Taxpayers have the right to appeal the decision of the adjudicating authority if they are dissatisfied with the outcome.

Petitions and appeals to higher courts

If a taxpayer is not satisfied with the decisions of the first and second appellate authorities, i.e., tribunal, they can appeal to higher judicial forums, such as the High Court and the Supreme Court.

Settlement commission/interim board for settlement

This is an alternative dispute resolution mechanism under customs and central excise for taxpayers who wish to resolve tax disputes in a spirit of conciliation rather than litigation However, no application for settlement of Customs matters can be made after 31 March 2025. At present, there is no provision for settlement of cases pertaining to GST matters.

Advance ruling

Provides taxpayers with the opportunity to have certainty, seek clarity on Customs and GST implications for proposed transactions. The ruling given by the Authority for Advance Ruling is binding on the applicant and government authorities. This mechanism serves as a proactive measure to reduce uncertainties and potential disputes in Customs and GST-related matters.

C.1.7. Incentives

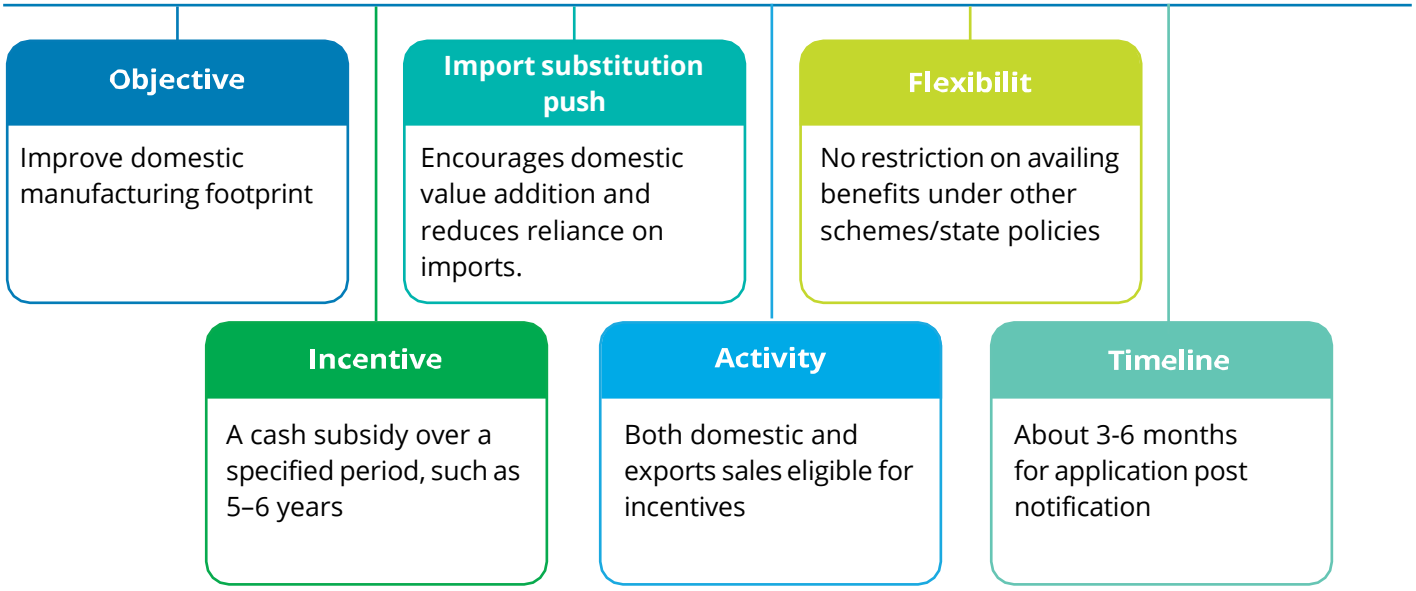
India offers a robust and multi-layered incentive framework, with support extended at both the Central and State levels to promote investment across a wide range of sectors. While the Central Government focuses on broad-based schemes such as Special economic zones, production-linked incentives and sector focused programmes, State Governments complement these efforts through their industrial and sector-specific policies and infrastructure support tailored to regional priorities. Together, these incentives aim to enhance ease of doing business, attract global investments and drive economic growth across industries.

1.7.1. Central government initiatives

The government of India introduced the PLI scheme in March 2020 to promote domestic manufacturing under the Atmanirbhar Bharat initiative. It is a conventional and popular strategy to boost domestic production, encourage job creation, promote social welfare and increase tax revenue. PLI schemes primarily provide direct fiscal incentives linked to incremental production, sales, investment or value addition achieved by eligible manufacturers. The incentive is typically disbursed over a defined period subject to the fulfilment of prescribed eligibility and performance criteria.

The purpose of the PLI schemes is to attract investments in key sectors and cutting-edge technology; ensure efficiency and bring economies of size and scale in the manufacturing sector; and make Indian companies and manufacturers globally competitive.

Salient features of the PLI scheme



Eligibility criteria

1. Companies/JV registered in India.
2. Meet specified new/incremental investment/turnover threshold.
3. Meet additional production capacity.
4. Additional employment generation.
5. Zonal classification of the location where investment planned.

The Government of India initially rolled out the PLI Scheme across 14 priority sectors with a total incentive outlay of approximately INR1.91 lakh crore, aimed at boosting domestic manufacturing and global competitiveness. Since its launch, the scheme has witnessed strong traction, with cumulative investments exceeding INR2.16 lakh crore and significant expansion in production, exports, and employment generation. Further, incentive disbursements under the scheme stood at approximately INR28,748 crore as of 31 December 2025. These schemes have seen strong traction, however, a number of sectoral PLIs are now nearing the end of their implementation period.

Other notable initiative by the Government of India introduced in the last year to boost domestic manufacturing:

Electronics Components Manufacturing Scheme (ECMS):
- Aims to strengthen domestic manufacturing of electronic components and sub-assemblies, reducing import dependence.
- Focuses on deepening the electronics value chain by incentivizing investments beyond final product assembly.

Scheme to promote manufacturing of electric passenger cars in India (SPMEPCI):
- Designed to attract global EV manufacturers by offering duty concessions linked to local manufacturing commitments.
- Encourages establishment of EV production facilities in India with defined investment and localisation thresholds.

Promotion of research and innovation in the Pharma MedTech (PRIP) scheme:
- Seeks to boost R&D in pharmaceuticals and medical devices through financial support for infrastructure and innovation.
- Promotes industry-academia collaboration and development of high-value, complex healthcare products.

Research, Development and Innovation (RDI) scheme:

- Provides long-term capital to support technology-driven innovation and commercialisation.
- Focuses on enabling high-impact projects and strengthening India's overall research and innovation ecosystem.

1.7.2. State incentive policies

- State governments play a pivotal role in complementing central initiatives by offering a wide range of fiscal and non-fiscal incentives to attract investments. Over the years, this has evolved into a competitive landscape, with states actively positioning themselves as preferred investment destinations through tailored policy frameworks and investor facilitation mechanisms. Most states have notified comprehensive industrial policies that provide incentives such as capital subsidies, stamp duty exemptions and SGST reimbursements aimed at reducing the overall cost of setting up and operating businesses.

- In parallel, there has been a strong policy push towards the services sector, particularly in the areas of IT, ITeS and Global Capability Centres (GCCs). States such as Karnataka, Gujarat, Maharashtra and Uttar Pradesh have introduced dedicated GCC policies offering incentives such as capital subsidies, rental reimbursements and employment generation subsidies. These policies are designed to attract high-value service operations, drive employment, and position cities as global delivery hubs.

- Further, states have also rolled out sector-specific policies to promote targeted industries based on their regional strengths and strategic priorities. These include policies for sectors such as food processing, warehousing and logistics, aerospace and defence, textiles and apparel, maritime and port-led development, among others. For large investments, policies also offer customised incentive packages to encourage investments across the value chain, thereby fostering balanced regional and sectoral growth.

C.2. Regulatory landscape

The regulatory landscape in India plays a critical role in guiding foreign investments, offering a structured framework for external commercial borrowings and foreign direct investments. This section provides an overview of the key regulations, compliance requirements and opportunities that shape investment in India, helping investors navigate India's dynamic economic environment effectively.

Overview of foreign investment

Foreign Direct investment Schedule 1

- Automatic vs. approval route
- Unlisted Indian company
- Less than 10 percent of the post issue paid up equity capital of a listed Indian company
- Sectoral conditions
- Valuation norms
- Compliances, such as EMF/SMF
- Applicability of the FOCC compliances
- Valuation and filings for transfer between R and FOCC
- Once an FDI always an FDI

Foreign Direct investment Schedule 2

- More than 10 percent of the post issue paid up equity capital of a listed Indian company
- Sectoral conditions. Valuation and compliances
- FPI investment in non equity instruments – Schedule 1 of debt instrument regulation

Foreign Venture Capital Investment

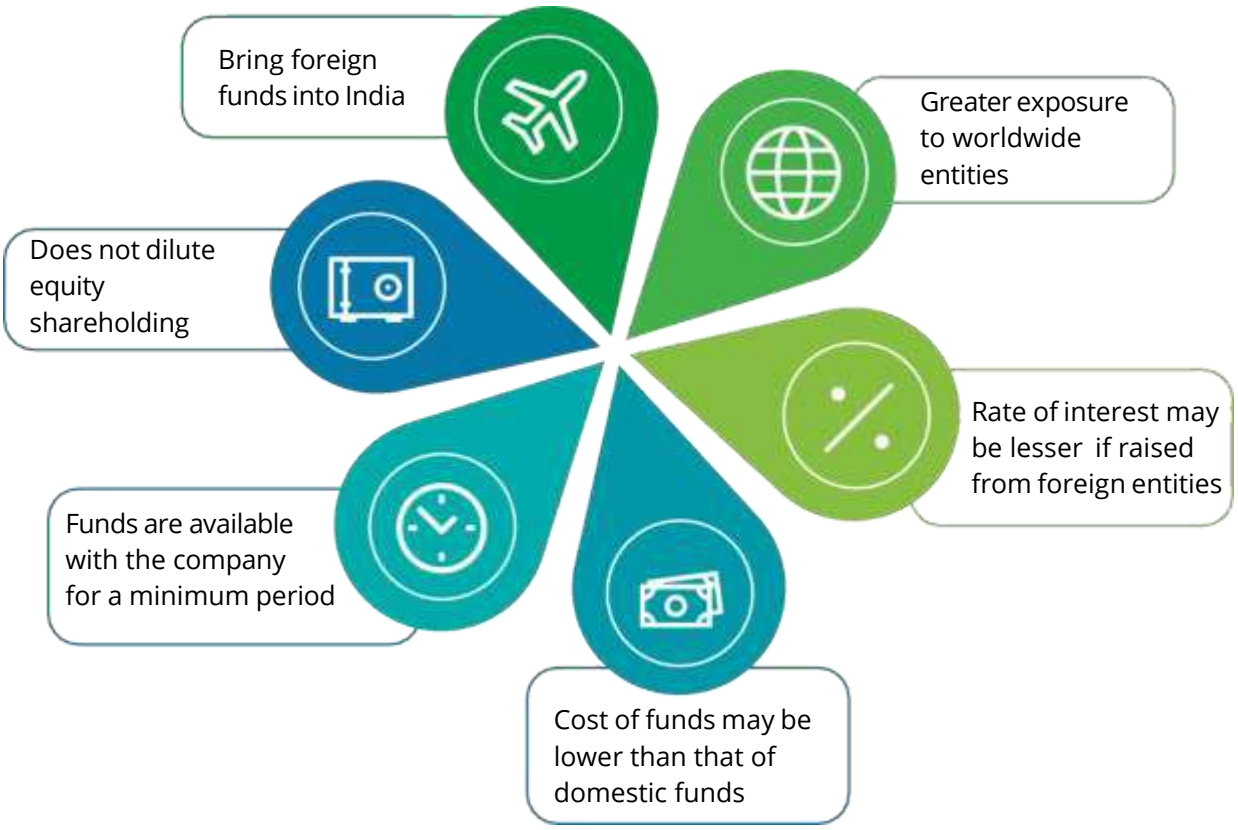
- Debt and non debt instruments
- Specific sectors
  - Biotechnology
  - Nanotechnology
  - Seed R&D
  - Dairy industry
  - Poultry industry
  - Production of biofuels
  - Hotel cum convention sectors
  - Infrastructure
- Valuation and compliances

Economic commercial borrowing

What is ECB?

- Commercial loans
- Raised by eligible borrowers
- From non-residents entities
- For permitted end use prescribed by the RBI
- Should conform to parameters directed by the RBI

Benefits



Procedure for raising ECB

Automatic route

Allowed to raise ECB up to up to the higher of (a) outstanding ECB up to USD 1 billion; or (b) total outstanding borrowing (external and domestic) up to 300 per cent of net worth as per the last audited standalone balance sheet of the borrower.

Approval route

- Where limits, eligibility, minimum average maturity period is not met
- The RBI shall grant approval based on overall guidelines, macroeconomic situation and merits of the proposal

C.3. Returns on investment/repatriation of funds

Understanding ROI and fund repatriation from India is crucial for investors as it affects overall profitability and compliance. The following table offers a concise view of key concepts, tax implications, and other key considerations, aiding in informed decision-making.

Particulars	Dividend	Buy-back	Capital reduction	Royalty payment/fees for Technical Services (FTS)/ management fee	Distributions by an Indian Limited Liability Partnership (LLP) to its foreign partner/(s)	Branch office in India
Concept	Appropriation of profits to the shareholders	The company buys back its shares from the existing shareholders	Cancellation of capital against consideration or accumulated losses	The royalty payment is made for the use of any licence/right by Indian entities under foreign collaboration agreements, while FTS and management fees are paid with respect to a management service agreement.	LLP can be set-up in India with a non-resident partner. There can be repatriation in the form of distribution of profits, remuneration, interest, etc.	A branch office is a mere extension of a foreign company in India and is treated as a foreign company for taxation purpose.
Tax implications in the hands of Indian company/ LLP/branch office	Required to withhold tax @20 percent, subject to tax treaty benefits, if any Not a tax-deductible expenditure for the Indian company	From 1 April 2026, buy-back consideration will be taxable under the capital gains tax regime in the hands of the shareholder. Accordingly, tax is required to be withheld under section 393 of ITA 2025 (Section 195 of ITA 1961) on payments to non-residents at the applicable rates, subject to treaty benefits, if any.	Required to withhold tax @20 percent, subject to tax treaty benefits, if any on the amount treated as a dividend Required to withhold tax at applicable rates based on the period of holding, subject to tax treaty benefits, if any, on the amount treated as capital gains	Required to withhold tax@20 percent, subject to tax treaty benefits, if any. These are tax-deductible expenses	Tax @30 percent** on the profits of the LLP. LLP is required to withhold tax @10 percent on payment of salary, remuneration, bonus, commission and interest to a partner of the firm.	Once the foreign company has been taxed on the profits attributable to the Indian branch, no additional tax is levied on the Indian branch

Particulars	Dividend	Buy-back	Capital reduction	Royalty payment/fees for Technical Services (FTS)/ management fee	Distributions by an Indian Limited Liability Partnership (LLP) to its foreign partner/(s)	Branch office in India
Tax implications in the hands of foreign parent	Taxed in India @ 20 percent, (subject to tax treaty benefits, if any)		It may be treated as a deemed dividend to the extent of accumulated profits; amount in excess of the accumulated profits may be taxed as capital gains; taxability as dividend/ capital gains subject to tax treaty benefits, if any.	Taxed in India typically @20 percent, (subject to tax treaty benefits, if any). Lower rates may apply in certain cases on fulfilling specified conditions.	Share of profit received exempt in the hands of partners on the distribution of profits, while interest/bonus/ remuneration chargeable to tax at rates depending on the legal status of the foreign partner	Income earned by the foreign parent attributable to the branch office taxed @35 percent. No tax implication on repatriation of profits to the foreign parent, after the levy of tax in India as mentioned above.
FEMA implications	Permitted without any specific approval subject to documentation	Needs to comply with the FDI policy in terms of valuation and filings	Needs to comply with FDI policy in terms of valuation and filings	Royalty is permitted without any specific approval subject to documentation FTS - Subject to specific limits from an Indian exchange control perspective	Permitted without any specific approval subject to documentation	Permitted under the automatic route for undertaking a specified set of activities
Companies Act 2013	A company can declare dividends from current or past profits, subject to rules under the Companies Act /rules and shareholder approval; no material	The board can authorise buy-back up to 10 percent; while for buyback up to 25 percent of the paid-up share capital and free reserves, or 25 percent of the number of equity shares	Conditions and procedures for capital reduction, including statutory auditor certificate, shareholder approvals and NCLT involvement The same	Board approval is needed for related party transactions; shareholder approval if the threshold is exceeded, pricing at arm's length	Amongst partners of LLP, at least two individuals should be Designated Partners (DP) and at least one of them should be a "resident" in India. Where all partners are body	Certain documents are to be submitted to the Registrar of Companies for its set-up (one-time and annual compliances)

Particulars	Dividend	Buy-back	Capital reduction	Royalty payment/fees for Technical Services (FTS)/ management fee	Distributions by an Indian Limited Liability Partnership (LLP) to its foreign partner/(s)	Branch office in India
	exchange controlrelated restrictions. The dividend has to be distributed to shareholders within 30 days of declaration	(whichever is lower), a special resolution is required to be passed in a general meeting; additional restrictions for post-buy-back debt-equity ratio. CCPS can also be bought back by the company subject to the terms of the issue	may take 8–10 months		corporates, at least two individuals who are "nominees" of such body corporates act as DP	

D. Industry overview



D.1. Financial services

India's financial services sector is a cornerstone of its growing economy. With rapid digital transformation, expanding customer bases, and regulatory reforms, this sector offers significant opportunities for growth and innovation. Understanding the dynamics of these industries is crucial for investors and businesses looking to tap into India's robust financial ecosystem. Let's look at the main segments of the FS industry – banking, investment and asset management, and insurance.

D.1.1. Main segments of the FS industry

1.1.1 Banking

1. The key regulations governing the Indian banking industry

   The Banking Regulation Act, 1949

   The Reserve Bank of India Act, 1934

   The Companies Act, 2013

2. Subject to adherence to stringent guidelines shared by the Reserve Bank of India (RBI) for the licensing of new banks, investment in banks is permitted as follows:

   Automatic route
   Investments up to 49 percent of the total equity in private banks is permitted.

   Government approval
   Up to 74 percent of additional investment is permitted. However, this is subject to at least 26 percent of the paid-up capital held by residents at any given point of time, except in case of a wholly- owned subsidiary of a foreign bank.

3. Recent key government initiatives taken to promote the banking industry include the following:
   - Constitution of a national financial information registry
   - Streamlining the KYC process using a "risk-based" strategy rather than a "one-size fits all" approach

4. The time limit for foreign banks looking to set up an investment division in an offshore banking unit in IFSC-GIFT City7 has been extended until 31 March 2030 (per Finance Act 2025). Under the Finance Act, 2024, the basic corporate tax rate applicable to foreign banks operating in India through branch offices is reduced from 40 percent to 35 percent.

5. With the objective of modernising and consolidating the regulatory framework governing banks' investment activities, the RBI has issued the Commercial Banks–Classification, Valuation and Operation of Investment Portfolio Directions, 2025. These Directions seek to establish a comprehensive and robust framework for the classification and valuation of investment portfolios, promote sound governance practices, enhance transparency and risk management, align regulatory norms with global standards and reinforce market discipline within the Indian banking system.

6. The growth of new technologies and the confluence of multiple trends are influencing how banks operate and serve customer needs. The impact of generative AI, industry convergence, embedded finance, open data, digitisation of money, decarbonisation, digital identity and fraud will expand over time. This, in turn, will pose new tax and regulatory challenges.

7. A High Level Committee on Banking for Viksit Bharat has been proposed to be set up in the Union Budget 2026 to align with India's next phase of growth.

8. TP trends

   Prominent TP issues during audits for the banking industry:

   - Intra-group transactions, such as business support/ back-office services by captive banking GCCs/ central service providers, HO cost allocations, purchase/sale of guarantee, debt instruments, derivative products, foreign exchange transactions, central treasury and brand royalty
   - Field-level authorities resort to profit/revenue splits over traditional profit-based methods for intra- group transactions, such as origination/marketing/ referral of banking products/services albeit relief is attained at the appellate level in many cases
   - High-value complex banking transactions

   Measures for alleviating TP risk/exposure:

   - Ensure adequate documentation and alternate dispute resolution mechanisms, such as APA/MAP
   - Corporate governance for related party transaction under the SEBI LODR/Companies Act

1.1.2. Investment/asset management

1. The Indian capital markets are mature and evolved. They are well regulated by SEBI, the primary governing body and regulator for Indian capital markets. SEBI issues guidelines and policies to ensure appropriate governance, transparency, disclosures, etc., for investment and asset managers, and related intermediaries.

2. The Indian asset management industry is witnessing brisk growth in AUM. This is driven by the financialisation of savings, and the funds directed by retail investors into the capital market rather than traditional saving instruments (such as property and bank deposits). At present, 54 registered mutual funds in India offer different schemes tailored to meet investors' growth, safety and income requirements, with several applications in the pipeline.

Indian MF/VC/private equity and AIF growth trajectory

The emergence of the VC/private equity industry in India has paved the way for entrepreneurs/family offices to raise capital. Earlier, they primarily depended on private placements, public offerings and financial institutions.

Under the SEBI (AIF Regulations), 2012, the Indian AIF industry has also been active, with funds raised to the tune of approx. US$72 billion and investments of approximately US$69 billion made as on September 2025. Moreover, about 93 new AIF applications are in the pipeline, as on 31 October 2025.

As on 31 October 2025, the Indian mutual fund industry has grown from US$0.15 trillion to US$0.90 trillion, which is more than a six-fold expansion in just 10 years. The AUM to-GDP ratio in India has reached an all-time high of 19.9 percent of GDP as of March 2025. This is significantly lower than that of many developed economies, which indicates there is considerable scope for growth of the domestic MF industry.

India's PE/VC investment environment is also scaling new heights, with an increase in deal size, deal activity and fundraising. About 593 deals were recorded, more than US$ 26.4 billion of PE–VC investments in first half of the year 2025

3. India's remarkable ascent as a global powerhouse is also bolstered by the invaluable contributions of sovereign wealth funds and pension capital. The government of India's commendable efforts to facilitate seamless access to lucrative opportunities for foreign investors have been a significant catalyst behind the success and growth of the Indian asset management industry.
4. India has introduced a specific regime to encourage offshore fund managers to move their fund management activities to India. This initiative is aimed at promoting the Indian fund management industry by providing a clear set of rules under which offshore fund managers will not constitute a business connection (akin to PE) in India. These conditions are further relaxed to undertake fund management activity in the International Financial Services Centre (IFSC) at GIFT City.[1] This, along with tax and regulatory relaxations/exemptions, has paved the way for an unprecedented growth of investment managers/funds in the IFSC-GIFT City.
5. The Finance Act, 2025, has extended the tax exemption window for notified SWFs and FPFs to make qualifying infrastructure investments for long-term capital gains and income from such investments to be exempt from tax from 31 March 2025 to 31 March 2030.
6. India's capital gains tax regime has always been perceived as complex with:

   Multiple tax rates for different types of financial securities

   Differentiated outcomes linked to holding periods for different financial securities (i.e., short term vs. long term)

   Complicated surcharge regime that has become a permanent tax levy

   Different taxing outcomes for different types of investors on investments in the same financial assets (e.g., FPI investors, FDI investors, domestic AIFs, etc.)

   However, the capital gains regime has been rationalised and simplified, with only two holding periods of 12 months and 24 months, based on the nature of assets and one uniform rate of 12.5 percent for LTCG and two rates for STCGs of 20 percent (for certain financial assets) or applicable slab rates.
7. The Finance Act, 2025 provides certainty whereby securities held by Category I and Category II AIFs shall be classified as capital assets and hence, taxable as capital gains.

[1] Kindly refer IFSC chapter for deta

8. The government has also introduced a VCC regime to enable the pooling of private equity funds and provide a flexible and efficient mode to finance the leasing of aircraft and ships.

Over the years, a gap has emerged between Mutual Funds and Portfolio Management Services (PMS) in terms of portfolio flexibility, creating an opportunity for a new investment product. To bridge this gap, the SEBI (Mutual Funds) Regulations, 1996 have been amended to introduce the broad regulatory framework for the new investment product, i.e., Specialised Investment Fund, providing additional investment strategies for investors such as equity/debt/hybrid long-short fund, investment in permissible exchange traded derivatives instruments, etc.

9. GST cost magnifies foreign investment pooled in a domestic AIF set-up, which ultimately weighs on the rate of return from Indian investments. Therefore, a tax parity for foreign investors is a key concern to reduce the cost of investment for foreign investors. GST laws are proposed to be amended to contain a deemed value for such guarantees i.e., 1 percent of the guaranteed amount (in cases where there is no consideration or the actual consideration is lower than such deemed value derived).

TP trends

Prominent TP issues

- During audits, TP authorities determined cost plus mark-up (as high as cost plus 60 percent or AUM- based revenue splits) based on functional and risk analysis. Cost-based computation has also been under scrutiny during audits
- Considerations/valuation aspects for M&A deals, capital investments/divestments and portfolio debt funding

Measures to alleviate TP risk/exposure

- Ensure a robust TP policy for Indian GCCs of investment funds with detailed functional and economic analysis.
- Follow the APA/MAP route to attain tax certainty and mitigate TP risk/exposure.

Insurance

1. The Indian insurance sector stands out as an industry witnessing remarkable growth. This upward trajectory can primarily be attributed to rising disposable income and heightened consumer awareness. India is the world's tenth largest market and the fifth-largest among emerging markets for insurance services.

   The IRDAI is the regulatory authority supervising the Indian insurance industry and operates under the IRDA Act and the Insurance Act, 1938. IRDAI has issued various rules/regulations to regulate insurance companies and intermediaries.
2. At present, there are 26 life insurance companies, 34 non-life insurance companies, 14 reinsurance companies in India, with several applications in the pipeline. The IRDAI has been vigilant and steadfast in achieving its mission of “insurance for all by 2047”, with aggressive plans to address the industry’s challenges. The Indian insurance market is expected to reach US$222 billion by 2026.
3. The basic corporate tax rate applicable to foreign reinsurance companies operating in India through branch offices has been reduced from 40 percent to 35 percent vide the Finance Act, 2024.
4. Per the IRDAI Annual report, in FY 2023–24, India’s insurance market penetration was at 3.7 per cent as compared to 4 per cent in FY 2022–23.

- **Life insurance**

  Reported a premium income of INR 83,00,000 million (about US$95,402 million) representing a substantial growth rate of 6.06 percent compared with the preceding financial year.

- **Non-life insurance**

  Reported a significant increase in premium income of INR 29,00,000 million (about US$33,333 million) representing a substantial growth rate of 12.76 percent compared with the preceding financial year.

5. This impressive growth rate is primarily driven by overall growth in the financial industry, greater private-sector participation, strong competition among players and improved capabilities in distribution, operation, innovation and efficiency.
6. Recently, India has opened its insurance sector to private companies, enhancing the initial capping of 26 percent to 74 percent on FDI. Now the limit has been further raised to 100 percent. In addition, FDI of up to 100 percent is allowed in insurance intermediaries through the automatic route.
7. The Union Budget 2026 proposes to exempt the interest awarded to a natural person by the Motor Accident Claims Tribunal from income tax. Consequently, any requirement to deduct tax at source (TDS) on such interest will be eliminated.
8. The IRDAI initiated a pilot in July 2023 to transition from a factor-based solvency regime to a risk-based capital regime, which aligns with the new IND-AS standards, separating insurance outcomes from financial transactions. This should also augment the government's plan to implement IndAS 117, replacing Ind AS 104 and insurance contracts based on recommendations from the NFRA and ICAI. IRDAI is also re-examining old policies and issuing new policies around expense management, investment regulations, etc., to make them more business-friendly and forward-looking.
9. IRDAI, with the objectives to empower and protect the interests of policyholders, to increase penetration of insurance in India and to enhance accessibility, issued the IRDAI (Bima Sugam- Insurance Electronic Marketplace) Regulations 2024 for allowing the establishment of a Digital Public Infrastructure called Bima Sugam- Insurance Electronic Marketplace. This shall be a one-stop solution for all insurance stakeholders, such as consumers, insurers, intermediaries and insurance agents. The main objective of BSIF therefore is to establish, facilitate, develop, operate and maintain the "Insurance Electronic Marketplace" as a robust Digital Public Infrastructure.
10. With the objective of modernising India's insurance sector, enhancing insurance penetration, and aligning the industry with global standards, the government has notified the Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act, 2025 in February 2026. The key reforms include permitting up to 100 percent FDI in Indian insurance companies, reducing the net owned fund requirement for foreign reinsurers, increased threshold for share transfer approval and streamlining as well as modernising definitions and operational norms.
11. Cyber insurance is becoming one of the fastest- growing insurance products in India, and IPR insurance products are also gaining attention.
12. The IFSCA is continuously introducing new liberal regulatory regimes to facilitate the formation of insurance businesses in IFSC-GIFT City[2] to augment the government's target to make it a global insurance hub. The idea is to compete with offshore financial centres, such as Singapore, Malaysia, Dubai and Hong Kong, which currently dominate the insurance business in Asia. This has attracted several insurance companies to set up operations in IFSC-GIFT City.
13. The Indian domestic tax law provides for a special tax regime for the taxation of profits of any insurance business in India. Life insurance companies are taxed on the annual average of the surplus arrived at by adjusting the surplus or deficit disclosed by the actuarial valuation, and non-life insurance companies are taxed on the profits derived by making specific adjustments to profits disclosed in the profit and loss

[2] Kindly refer IFSC chapter for details

account. The legislation also offers a reduced tax rate of 12.5 percent on income generated from life insurance. While there is a specific code for taxing insurance, several complex tax considerations and litigious issues still need to be addressed.

14. TP trends

Prominent TP issues during audits in the insurance Industry

- Liberalised inbound cross-border investments, stringent corporate governance norms and attribution of profits to PE, profit split method for the integrated transaction, the role of intangibles, etc., per the guidelines prescribed by the OECD and UN TP manual on complex issues.
- Remuneration for services provided by GCCs of insurance players, payments by JVs towards management charges, cost allocations, royalty, sharing of reinsurance premium, claim settlements, ceding commission, etc.

Measures to alleviate TP risk/exposure

- Adapted TP considerations/analysis based on the best global practices to keep pace with the emerging trends and complexities in the reinsurance business, InsureTech, captive insurance, etc.
- Robust corporate governance for related party transactions per the SEBI LODR/Companies Act

D.1.2. Other segments of the FS industry

The establishment of a world-class financial services centre in Gujarat offers many opportunities for the financial sector.

1.2.1. IFSC GIFT City

1. As India seeks to expand its economic activities globally, IFSC-GIFT City has been set up in Gandhinagar, Gujarat as a dedicated IFSC to provide a platform to undertake financial sector services efficiently and compete with other international markets. IFSC-GIFT City provides a strategic location to develop an efficient platform for inbound and outbound foreign currency transactions. It is already ranked third by the Global Financial Centres Index and is one of the 15 centres expected to become more significant soon.
2. The IFSCA is the unified financial regulator established under the IFSCA Act, 2019, to act as a single window. It has a statutory mandate to develop and regulate financial institutions/services/products in India.
3. The IFSCA has issued several regulations and guidelines providing the framework for services such as banking, capital markets, fund management, insurance, bullion, finance companies, aircraft leasing, ship leasing, GICs, FinTech, foreign universities and ancillary services. Banks have already been established and the following businesses are now picking up the pace in IFSC-GIFT City:

Fund management activity

In line with global trends, the FME Regulations streamline the regulatory framework around the registration of pooling vehicles (as financial products), such as mutual funds, venture capital schemes, and AIFs in the IFSC-GIFT City. The fund manager operating such products obtain registration with IFSCA rather than registering the funds/products each time with IFSCA.

Insurance

Insurance is another sector that requires attention in the IFSC-GIFT City. IFSCA has been issuing requisite guidelines/framework to make it an insurance/reinsurance hub to compete with other global centres in the future.

GIC

Considering India's GCC capabilities, setting up financial services focued GICs at the IFSC-GIFT City (to provide support services to entities within its financial services group) is also picking up speed; a few large players have already set-up operations.

Aircraft & Ship leasing

There has been unprecedented growth in the Indian aviation sector over the past decade, with exponential acceleration in the past five years. This acceleration is leading to a significant growth in aircraft financing and leasing activity in the IFSC GIFT City. In addition to tax exemption provided to specified incomes, the time limit for aircraft leasing operations has been extended from 31 March 2025 to 31 March 2030 per the Finance Act, 2025. Likewise, the IFSC has introduced a framework to facilitate ship finance and operating leases. The tax exemptions as well as extension of the aforesaid sunset clause provided to aircraft leasing has been provided even to ship leasing activities.

GIFT IFSC enables the establishment of finance companies to undertake the permissible core and non-core activities in financial services, including core activity of being Global/Regional Corporate Treasury Centers. IFSCA has issued a separate framework for Treasury Centers to undertake permissible activities for its Group Entities. This framework is particularly beneficial for multinational groups seeking to centralize their treasury operations and enhance liquidity management.

4. The supplies to SEZ units are now treated as zero- rated only if used for authorised operations.

5. Several fiscal incentives have been announced by the government to draw investment into IFSC- GIFT City. Some of the key incentives include the following:

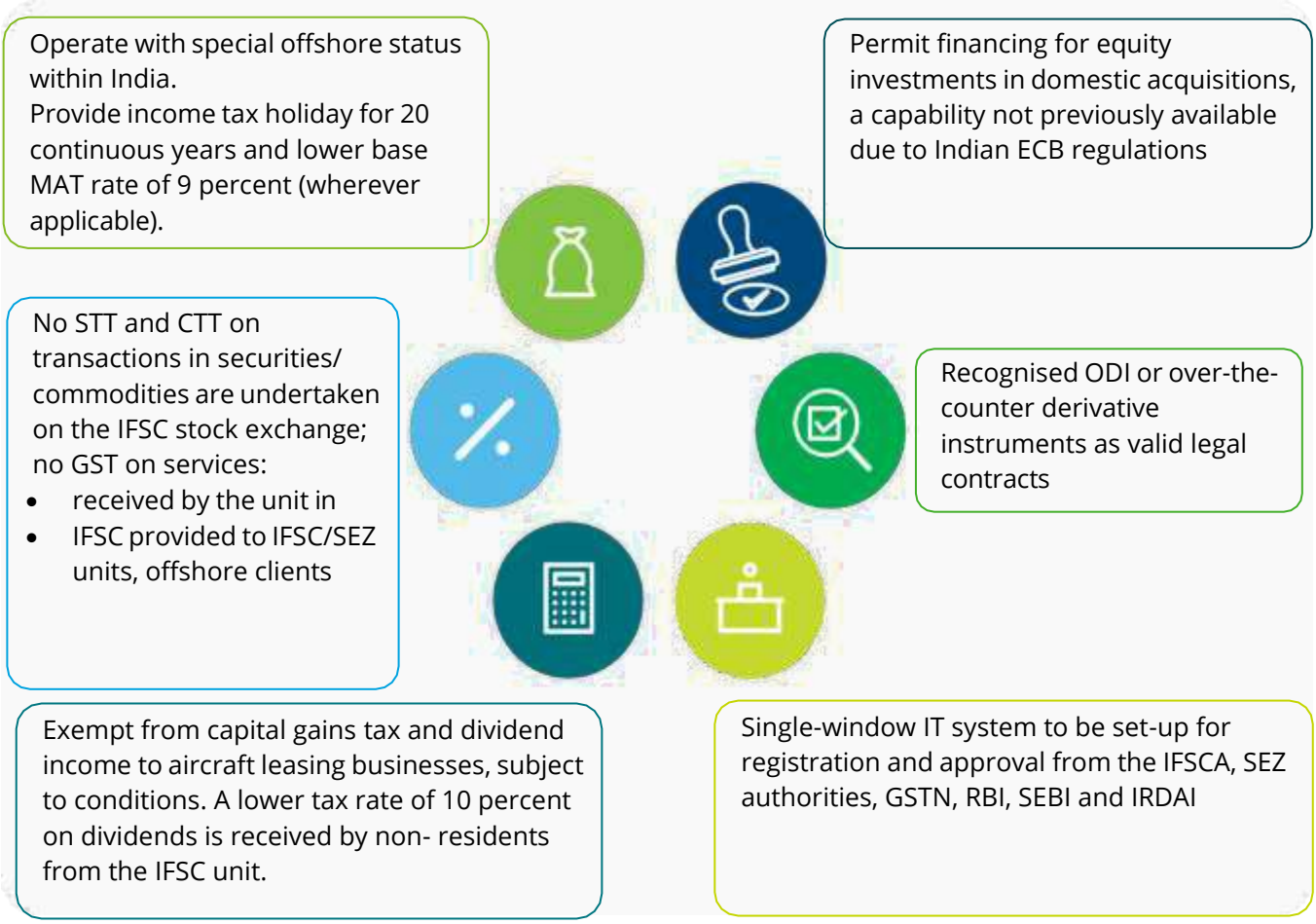
   The Finance Act 2024 has paved the way for mutual funds to set up retail schemes and ETFs in IFSC-GIFT City, including them as part of "specified funds" (which included Category III AIFs set up in the IFSC-GIFT City) and extending similar tax benefits to such schemes. Moreover, IFSC-regulated venture capital funds will be granted tax parity with SEBI-registered VCCs.

6. The Finance Act 2025 has provided the following key incentives:
   i. Exemption from the proceeds received from life insurance policies issued by the IFSC insurance office without the condition related to the maximum premium payable on such policy.
   ii. Tax-neutral relocation for retail schemes and ETFs regulated by the IFSCA.
   iii. The sunset date for fund managers to set up operations in IFSC, to be eligible for any relaxations of the conditions, is extended to 31 March 2030. Further, the existing condition of the aggregate participation or investment in the fund by persons resident in India should not exceed 5 percent, to be tested as on 1 April and 1 October of the financial year with a grace of four months.

7. To increase the competitiveness of IFSC, it is proposed to extend the period of deduction to 20 consecutive years out of 25 years for units in IFSC, and 20 years for OBUs.

   Moreover, after the expiry of the tax holiday period, such IFSC units to be taxed at a concessional rate of 15 percent.

8. Indian TP regulations could apply for intra-group transactions amongst entities located in IFSC-GIFT City and HO/other entities, depending on the case. Therefore, making robust functional and economic analysis is necessary to determine the arm's length nature of such transactions.



D.2. Technology, media and telecommunications

Since the onset of the digital age, technology has been a key catalyst in reshaping the global landscape, fostering significant transformation. India, known for its adaptability to cutting-edge technologies, has consistently demonstrated a dynamic approach, leading to ground-breaking innovations.

During her Union Budget 2026 speech, the Finance Minister said, "The 21st Century is technology-driven. Adoption of technology is for the benefit of all people - farmers in the field, women in STEM, youth keen to upskill and Divyangjan to access newer opportunities. The Government has taken several steps to support new technologies through AI Mission, National Quantum Mission, Anusandhan National Research Fund, and Research, Development and Innovation Fund."

This highlights the government's continued focus on fostering a strong innovation ecosystem and advancing India's digital capabilities.

NASSCOM estimates IT&ITeS industry revenues at US$283 billion in FY25, (including hardware) implying a year-on-year growth of 5.1 percent as against 3.9 per cent in FY24, underscoring resilience amid currency depreciation and subdued global tech spending. IT services exports, a key stabiliser of the external sector, are estimated to grow by 3.7 per cent in FY25. Further, the WTO estimates that AI will boost global trade by 34–37 percent and

digitally deliverable services by ~42 percent by 2040, driven by lower trade costs and higher productivity. India is therefore well positioned to benefit from these trends, supported by a strong IT-BPM ecosystem and a rapidly expanding AI talent base. According to Stanford University's Artificial Intelligence Index Report 2025, India recorded the largest increase in AI talent among major economies between 2016 and 2024. Global Capability Centres (GCCs) also have emerged as a key growth engine, with India hosting one of the world's largest GCC ecosystems, expanding rapidly into AI, design, cybersecurity, fintech, and R&D. As of FY24, India hosts over 1,700+ GCCs, employing over 19 lakh professionals.

D.2.1. Emerging business trends

The gradual evolution of IT and the existing systems and investments represent three foundational forces: the business of technology, cyber and trust and core modernisation.

2.1.1. Emerging trends and business



5G technology

5G networks have been rolled out in all States/UTs across the country and presently its services are available in 99.9 per cent districts in the country, supported by 5.18 lakh 5G Base Transceiver Stations (BTS). 100 5G Use Case Labs have been set up to promote research, skill development and start-up collaboration. Further, the Bharat 6G Vision (launched in 2023) and Bharat 6G Alliance (a collaborative platform) guide India's pathway toward global 6G leadership, focusing on research, development and standardisation of 6G technology.



OTT platforms

Over the past few years, the number of video streaming platforms have sharply risen. Within the past five years, online searches for Amazon Prime Video increased by 231 percent. Video streaming revenue is anticipated to rise by over US$5.3 billion annually by 2027. Budget 2026 also provides a strong push to India's AVGC or the *orange economy*, including setting up AVGC Creator Labs across 15,000 secondary schools and 500 colleges to build a large talent pipeline for animation, gaming and OTT.



Supercloud

Many businesses are adopting multi-cloud approaches for tailored features and cost-effectiveness but face challenges with diverse platforms and services. In the Indian market, specialised superclouds cater to those desiring dynamic environments. Surveys show that 84 percent of Indian enterprises prefer hybrid multi-cloud models, with 58 percent planning implementation within three years.



Semiconductor

India is seeing a rise in investments in the semiconductor sector as numerous companies plan to manufacture units in Southern India. India's semiconductor demand, currently at US$45-50 billion, is projected to increase to US$100-110 billion by 2030.

ISM 2.0 aims to expand into semiconductor equipment, materials and full-stack Indian IP while building resilient supply chains and promoting advanced training.

D.2.2. Tax landscape in India (incentives and trends)

2.2.1. Corporate income tax

1. Income tax incentives and regimes

The government of India has introduced certain tax incentives and regimes, including a lower rate of taxation for corporates for some time to attract foreign investment in India. A few of such incentives are as follows:



Incentives for start-ups

- Domestic tax law offers eligible start-ups a 100 percent tax holiday for three consecutive years within 10 years provided they are incorporated before 1 April 2030.
- Distinct conditions are outlined for carrying forward losses for eligible start-ups.
- Exemption from capital gains tax is provided on the sale of residential property when invested in eligible start-ups.
- The law allows the deferment of tax payments on the exercise of ESOPs in eligible start-ups.



Patent box regime

- Royalty income earned by an Indian resident patentee from a patent developed and registered in India is subject to taxation on a gross basis.
- The applicable tax rate for such income is a concessional 10 percent, with an additional surcharge and cess.



Incentives for FinTech

- FinTech firms establishing offices in IFSC can benefit from incentives, such as a 100 percent tax holiday for 10 consecutive years out of 15 years.
- In addition, these firms may enjoy a reduced MAT rate of 9 percent.

2. Other amendments in provisions relevant to the technology, media and telecommunications industry

- The scope of withholding tax provisions has been expanded to bring within its ambit the payments made by e-commerce operators to Indian resident e-commerce participants.
- Customs tariffs have been revised for the import of interactive flat panel displays and parts thereof. The tariff on finished products has increased but decreased for the parts thereof to boost local production.
- A presumptive taxation regime has been announced for non-residents engaged in the business of providing services or technology to a resident company establishing or operating an electronics manufacturing facility or a connected facility to manufacture or produce electronic goods, articles or things in India.
- Imports of ground installations for satellites and payloads and spares and consumables of such installations are now exempt from duty.
- A specialised tax structure for online game winnings is implemented, featuring a flat 30 percent tax rate (plus applicable surcharge and cess). In addition, a withholding tax provision is introduced for tax collection by the payer during payment or year-end.

2.2.2. Indirect tax

1. GST and customs

Goods and Services Tax

- Export of services are zero-rated under GST and companies are entitled to claim refund of GST paid on procurement of inputs and input services. Budget 2026–27 proposes for omission of intermediary provisions. This budget proposal is highly critical and beneficial for the FS space which was plagued with litigations on account of denial of export benefits.
- SEZ units are entitled for upfront exemption from GST on all procurements meant for use in authorised operations.
- Most of the IT hardware, networking products and input services are taxable at 18 percent, except for specified monitors and televisions, which are taxable at 28 percent.

Basic Customs Duty

- The customs duty on furniture, printers, and networking equipment (largely imported by companies in this sector) ranges from 7.5 percent to 25 percent. It is interesting to note that the customs duty in case of IT goods such as, laptops and servers continue to remain NIL despite the PLI scheme launched for IT products as part of Make in India initiative.
- There have been complexities in claiming duty exemption in respect of specific networking products.

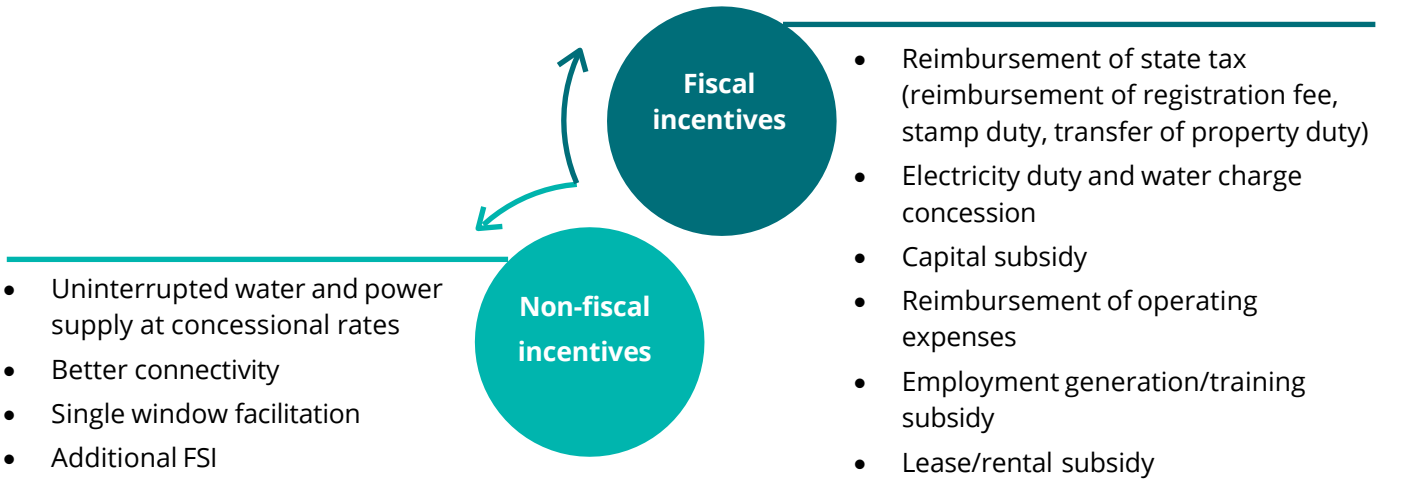
2. Production linked incentive scheme

Various PLI schemes were launched by the government to boost domestic manufacturing and exports from India in the electronics and IT hardware manufacturing and telecom sectors for an outlay of approximately US$3.6 billion. A few such schemes are as follows:

PLI scheme was announced for manufacturing mobile phones in the past and attracted investment from large players as part of a phased manufacturing programme. These companies are now applying for the incentive under the PLI scheme, which has become a flagship scheme under the Make in India initiative of the government.

3. Other incentives

To encourage investments from the TMT sector, various state-specific policies/schemes are notified by various State Governments in India (Telangana, Maharashtra, Karnataka, Tamil Nadu, Madhya Pradesh, Gujarat, Andhra Pradesh, Meghalaya, etc.) providing both fiscal and non-fiscal incentives, such as:



Such incentives are subject to various factors, such as investment size, employment generation, zones and business activity. There has been a special emphasis on recent emerging areas, such as data centres, semiconductors, electronics system design and manufacturing and telecom infrastructure. The focus has also been to retain IP within the country, offering opportunities for its commercialisation and additional benefits.

4. **A few emerging trends**



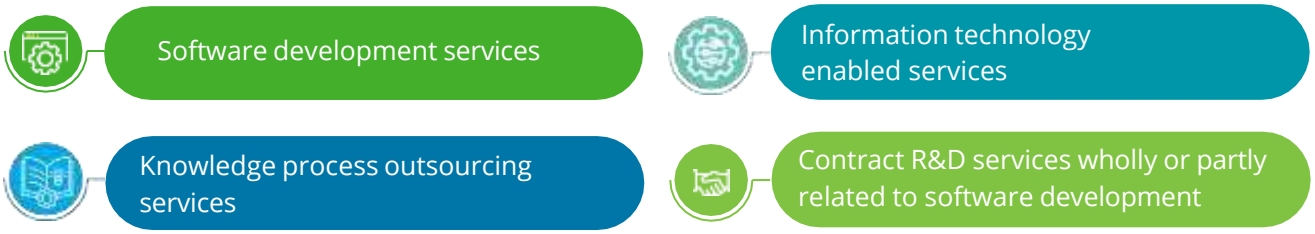
2.2.3. Transfer pricing

Indian tax authorities have taken significant steps to provide taxpayers with certainty regarding their TP arrangements. Below is a snapshot of these arrangements:

1. **Advance pricing agreement**
   - The Indian APA programme in the TMT sector, launched in 2012, has achieved notable success.
   - APA applications and agreements focus on the service sector, particularly in software development and business process outsourcing.
   - The IT industry stands out as a key participant in the APA programme, leading the way with 21 bilateral APAs and 47 unilateral APAs signed from FY2019–20 to FY2021–22.
   - Over the decade, companies in the TMT sector have accounted for about 50 percent of total bilateral APAs and 34 percent of total unilateral APAs.

2. **Safe harbour**

   Companies engaged in the following services can be covered under the Indian Safe Harbour regime:



   Companies undertaking the above international transactions up to US$24 million and earning an operating profit margin in the range of 17–24 percent may apply for safe harbour with the Indian tax authorities.

   A safe harbour provision will be introduced to ensure tax certainty for non-residents storing components for supply to designated electronics manufacturing units.

3. **Mutual agreement procedure**
    - Indian tax authorities actively engage in resolving TP disputes through MAP.
    - Regular meetings with treaty partners are conducted to address these disputes effectively, and a framework agreement on software development and IT-enabled services has been established between the Indian and US tax authorities.
    - This framework agreement facilitates the resolution of numerous TP disputes within the IT industry.
    - Frequent meetings with various treaty partners have allowed Indian tax authorities to resolve double taxation disputes across multiple jurisdictions successfully.

D.2.3. Outlook

India's TMT sector holds immense promise as the country's robust technological growth and strategic initiatives indicate a growing landscape. With the TMT sector gaining momentum, India is positioned as a global technology hub, with substantial investments in 5G and hybrid multi-cloud systems.

India's large pool of technology and creative talent will continue to evolve in the age of AI and maintain its position as a global technology hub. Notably, the nation's proactive steps in expanding digital infrastructure, such as plans to set up 4G towers in rural areas, reflect a commitment to bridging the digital divide and ensuring widespread connectivity. Such developments highlight India's potential for significant advancements and economic opportunities, making it an attractive investment destination.

With its trajectory of innovation and market potential, investing in India's TMT sector presents a compelling opportunity for global investors seeking long-term growth and active participation in digital transformation.

D.3. Consumer industry

The consumer industry in India is a diverse and rapidly evolving sector that encompasses a wide range of products and services, including FMCG, retail, e-commerce, consumer electronics, automotive, tourism and hospitality. India has been one of the world's fastest-growing consumer markets, driven by its large population, rising middle class and increasing disposable income. The Union Budget 2025 has implemented measures to boost consumption by increasing disposable income, easing inflationary pressure and generating employment to reinvigorate the slowing economy. Budget 2026 offers to examine safe harbour rules and unilateral APAs to achieve transfer pricing certainty and avoid litigation for India IT centres of automotive companies.

D.3.1. Automotive sector

India's automotive sector is the fourth-largest automobile producer globally. The automotive sector's contribution to India's GDP has increased by more than 2.5 times in the past 3 decades to 7.1 percent as on April 2024 with an FDI of US$35.4 billion between April 2000 and September 2023. The sector has transitioned from producing 2 million vehicles in FY1991–92 to roughly 28 million units in FY2023–24. The industry is witnessing significant shifts, presenting various new opportunities:

Electric mobility | India has registered 56.75 lakh electric vehicles by February 2025 reflecting rapid adoption of clean mobility.

- Sustained focus on boosting EVs through reforms and incentives programmes, encouraging green mobility and development of EV charging infrastructure.
- Shift in consumer preference attributable to lower fuel costs, better driving experience, less maintenance and financial incentives available to EV buyers.

- Central PLI programmes - PLI for EVs and AAT components; ACC Battery; Technical Textiles (Airbags); LEDs (Displays) | Semiconductor package of US$10 billion has been extended up to September 2024.
- State incentive programmes – Waiver of road tax | Buyer subsidy linked to FAME-II| Interest subvention on loans for purchase of EVs | Capital subsidy or GST- linked programmes.
- Scheme for promotion and manufacturing of electric passenger cars in India (SPMEPCI)- Blends incentives with localisation to drive clean-mobility growth along with the 'Make in India' and 'Aatmanirbhar Bharat' initiatives.

PM-eBus Sewa Scheme and PM e-Bus Sewa-Payment Security Mechanism (PSM) Scheme:

- Reshapes public transport by putting thousands of electric buses on India's roads. It also aims to support deployment of electric buses across India.
- Government focus on increasing methanol percent in fuel as cleaner alternative | Objective - make all commercial and passenger vehicle driven by fuel which is 20 percent methanol mix.
- Setting up a unit – Eligibility to avail lower tax rate of 15 percent, subject to specified conditions | 100 percent FDI in the automobile sector.
- OEMs focusing on localisation of their vehicles to remain competitive.
- Exemption of Customs duties on critical minerals | Help make EVs affordable, drive mass adoption and reduce emissions.
- Allocation of INR 2,818 crore for PLI scheme for automobile and auto components (Budget 2025-26).

Budget 2026 announced the following policy updates:

Sustainable mobility | High importance towards sustainable mobility

- Given the rise of crude oil prices, increasing vehicle pollution and consumer acceptance, many OEMs focus their R&D efforts on alternative fuel options, such as natural gas, propane and biodiesel, to maximise their market share.
  - India Semiconductor Mission (ISM) 2.0 to build domestic capabilities in semiconductor equipment, full-stack Indian IP and secure an indigenous supply chain for automotive electronics.

Localisation | Giant steps taken towards localisation of vehicles

  - Electronics Components Manufacturing Scheme: Increase in budgetary outlay from INR229 billion to INR400 billion to support capacity expansion for automotive electronics.

New business models and opportunities

- Rise of electric mobility, such as battery swapping, e-waste recycling, and charging services.
- Changing consumer preferences is giving rise to new business models such as D2C (Direct to consumer) sales, last mile delivery, and leasing and subscription.

Connected mobility | Value generation from ecosystem play

- Growth of connected vehicles | Giving rise to various subscription-based services | Examples enhanced infotainment experience, safety, vehicle health, etc. (50 percent customers who are willing to pay for connected services would prefer paying for connected services as part of the vehicle purchase price)
- The use of telematics in vehicles - Paving way for new business models and services such as fleet management, predictive diagnostics and use-based insurance.

Source: Deloitte's GACS 2023 survey

D.3.2. Tourism and Hospitality

Tourism is elevated to a national growth engine, with a clear US$3trillion ambition under Viksit Bharat@2047. India's tourism and hospitality sector, the eighth largest globally, is a significant contributor to the Indian economy. The sector has bounced back from the effects of the COVID-19 pandemic. It reported foreign exchange earnings of about US$30 billion in FY2024, Tourism supported 46.5 million jobs in 2024, accounting for 9.1 percent of India's employment, and is projected to reach nearly 64 million jobs by 2035. According to the World Travel & Tourism Council (WTTC), the sector's contribution to GDP is projected to rise from US$ 256 billion in CY24 to US$ 523 billion in CY34.

Government initiatives: India's rich geographical, cultural and historical diversity makes tourism a focal point for the government

- Government opened doors for 100 percent FDI
- To enhance infrastructure, skill development and travel facilitation, the budget 2025-26 allocates INR 2541.06 crore
- Government initiatives: Swadesh Darshan 2.0 scheme | Provisional approval for incorporating 28 additional tourism air routes | 100 percent deduction on capex incurred for the process of establishing new hotels (2- star to 7-star category) | Mudra loans for homestays

Digital initiatives: Changing consumer habits and preferences, and advancement in technology are leading to implementation of various digital initiatives.

- Government initiatives for tourist needs: 24x7 multilingual helpline | e-visa | online ticket booking facilities (50 percent of sales of the tourism sector are happening on digital platforms & online booking services) | NIDHI 2.0 (National Integrated Database of Hospitality Industry)
- Reputed hotel chains and travel agencies are implementing various technological based initiatives to enhance and personalise customer experience.

Increasing foreign tourists (9.24 million in 2023): Foreign travellers are drawn to India for its rich cultural heritage, diverse landscapes, spiritual attractions, unique cuisine and warm hospitality

- Developing tourist centres through projects focusing on port connectivity, tourism infrastructure and amenities.
- Budget 2024-25 streamlined tax regime to promote employment through cruise tourism.
- Budget 2025-26 enhanced e-visa facilities and introduce visa-free waivers for select tourist groups.
- Simplifying tax procedures for foreign shipping companies operating domestic cruises
  - Introducing a presumptive tax framework with 20 percent of revenue deemed as taxable profits
  - Tax exemption on lease rental paid by an NR company to a foreign company with a common parent operating cruises in India

Medical and cultural tourism (India ranked 10th out of top 46 countries | 7.3 million medical tourists): Cost-effective treatment and cultural diversity mix makes India a favourable destination.

- Government is expanding the e-medical visa facility to citizens of 156 countries, facilitating medical visits for specific purposes.
- Focus on Eastern India's scenic beauty, temples, monuments, craftsmanship, wildlife sanctuaries, natural landscapes and pristine beaches, making it an ultimate tourism destination. (Budget 2024-25)
- Heal in India" initiative to be promoted in partnership with the private sector, enhancing India's position as a premier global healthcare destination (Budget 2025-26).

Budget 2026 also provides for Medical Value Tourism (MVT) hubs ensuring support to states to set up **five integrated MVT hubs (PPP mode)** combining healthcare delivery, education, research, diagnostics, rehabilitation and **AYUSH centres**, along with facilitation infrastructure.

To propel the industry further, the budget also focuses on institutional capacity and skilling through establishment of a National Institute of Hospitality for strengthening professional education and sector standards. The government has also stressed the structured upskilling of tourist guides and hospitality professionals to improve service quality and global competitiveness.

D.3.3. Consumer products and retail

India is expected to be the third-largest consumer market by 2030 with the retail market contributing 10 percent to India's GDP and having an 8 percent share in employment. The sector has grown at 26 percent CAGR in the past three years. Per an Economic Times Retail report, the Indian retail industry is set to grow from US$1.2 trillion to US$2.5 trillion by 2035, driven by rising disposable incomes, urbanisation, digital adoption and policy support, with e-commerce playing a significant role and tier II and tier III cities as emerging new retail hubs.

Disruptive technologies, such as Generative AI, IoT, AR/VR and evolving consumer experiences through omnichannel, have been catalysing the growth in scale and size. Budget 2025 offers significant tax relief through rebates, which is anticipated to boost domestic consumption and invigorate the retail sector. This increased disposable income will enable consumers to spend. Some of these measures are mentioned below:

- Reduction in customs duty on motor vehicles and motorcycles, luminaries and light fittings, parts of electronic toys, furniture, interactive flat panel display and knitted fabrics
- Duty-free inputs for the handicraft and leather sectors to boost export promotion
- Focus on developing clusters, enhancing skills and strengthening the manufacturing ecosystem to create high-quality, unique, innovative and sustainable toys that represent the "Made in India" brand
- Schemes for rural development, development of rental dormitory-style housing for industries, PM Awaas Yojna and other initiatives to boost the growth of entry-level large consumer durables and stimulate future demand for home appliances
- Launch of a comprehensive "Rural Prosperity and Resilience" programme, integrating skill development, investment and technology to generate sustainable rural employment opportunities, with a focus on rural women and small-scale farmers
- Digitalisation of the agriculture sector to boost agricultural value chain and enhance efficiency
- R&D initiatives to enhance the production, storage and marketing of pulses and oilseeds to achieve self-sufficiency and encourage growth
- The National Manufacturing Mission to drive the "Make in India" initiative by integrating small, medium and large industries into the global value chain, with a focus on making India a global hub. The mission also focuses on clean-tech manufacturing for climate-friendly development and facilitates a future-ready workforce for in-demand jobs.

Budget 2026 allocation of INR15,000 million towards the Integrated Textile Programme aimed at achieving self-reliance across the fibre spectrum, modernisation of textile clusters through technological and machinery upgradation and establishment of common testing and certification centres, targeted support to the handloom and handicraft sector, strong push towards sustainable manufacturing and upgraded skilling under Samarth 2.0 to boost competitiveness.

The Budget 2026 strengthens liquidity for textile MSMEs by mandating TReDS use by CPSEs, providing credit guarantees, linking GeM with TReDS and enabling securitisation of receivables to improve access to timely and affordable finance.

Budget 2026 announced a dedicated initiative for the manufacturing of affordable sports goods to position India as as a global hub for high-quality, affordable sports goods. This includes allocation of INR5000 million towards promotion of sports goods manufacturing and launch of the Khelo India Mission, emphasizing structured talent development, infrastructure expansion and sports innovation.

D.3.4. Emerging business trends

Rise of new commerce

- New commerce - D2C, social, quick and live commerce
- New commerce channels to constitute ~40 percent of the e-commerce market by 2030



Omnichannel: Riding the experiential trend

- Advent of multiple touchpoints across various sales channels is transforming retail sales operations
- Growing preference for omnichannel fulfilment option such as BOPIS/BORIS/ROPS, ~60 percent



Unlocking latent demand in rural market

- Rural markets expected to drive consumer growth with increasing access to technology and infrastructure development
- Rapid growth of e-comm in tier-2/3 cities (5–6 X of tier-1) with significant e-comm orders coming from these cities



Growth of luxury market

- Luxury market to grow at ~20 percent CAGR to reach US$30 billion by 2030
- Young millennials catalysing sale of aspirational luxury products with the help of new-age digital payments (including EMI offers, buy-now-pay-later, etc.)



Private label growth

- Private Label sales expected to grow at a 20 percent CAGR and constitute ~30 percent of supermarket sales by 2030
- Expansion into a wider category base and foray into hyper-market formats



Rise of kirana tech

Rapid penetration of tech solutions in Kirana stores for digital payments and mobile application-based procurement. Inclusion of Kirana stores in digital retail ecosystem could potentially enhance discoverability, margins and customer relations



The government of India has implemented a range of policies and initiatives to encourage investment and boost this sector. These initiatives include relaxation in the FDI norms and other schemes.

100 percent FDI is allowed under automatic route

- Wholesale trading
- Single-brand retail trading
- Production of automobiles
- Tourism construction projects, development of hotels, resorts and recreational facilities, food

100 percent FDI is under government route

Retail trading through e-commerce (pure online marketplace models) in respect of food products manufactured or produced in India

51 percent FDI is under government route

- Multi-brand retail

India offers a promising outlook for the growth of consumer-focused businesses, driven by favourable tax reforms and an improving business environment. The government is constantly working on streamlining and simplifying tax compliance mechanisms. Initiatives such as the reduced corporate tax rate of 22 percent and exemptions from the Minimum Alternate Tax (MAT) for new manufacturing companies leave businesses with more funds for expansion and reinvestment.

Additionally, the implementation of the Goods and Services Tax (GST) has simplified the indirect tax regime, improved supply chain efficiency and reduced the overall tax burden. These reforms, along with the abolition of the dividend distribution tax, lower compliance costs and support long-term growth.

Budget 2025 encourages states and the private sector to invest in infrastructure and boost capital expenditure to create assets and employment, ensuring long-term sustainable growth. The focus on developing urban infrastructure and regional connectivity creates more growth centres and ensures broad-based and inclusive growth. Building AI capabilities through investments in education, R&D for innovation and cybersecurity will build the ecosystem and infrastructure to remain ahead in the technology race. Initiatives such as the ”National Manufacturing Mission” supporting “Make in India” and “Ease of Doing Business,” along with India’s large consumer base, young workforce, and strategic location, make the country an attractive destination for business expansion. Such initiatives shall position India as a global manufacturing hub. The budget also focuses on boosting exports by empowering MSMEs, expanding domestic manufacturing, and upgrading logistics and warehousing infrastructure. Further, the formation of Special Economic Zones (SEZs) further enhances business operations by providing tax benefits and duty-free procurement. With these factors in place, India presents a strong foundation for consumer-focused businesses to thrive and capitalise on growing market opportunities.

Additionally, Budget 2026 provides for the current value cap of INR10 lakh per consignment to be completely removed on courier exports to support aspirations of India’s small businesses, artisans and start-ups to access global markets through e-commerce. Further, the handling of rejected and returned consignments will be improved with effective use of technology for identifying such consignments.

D.4. Energy, resources and industrials

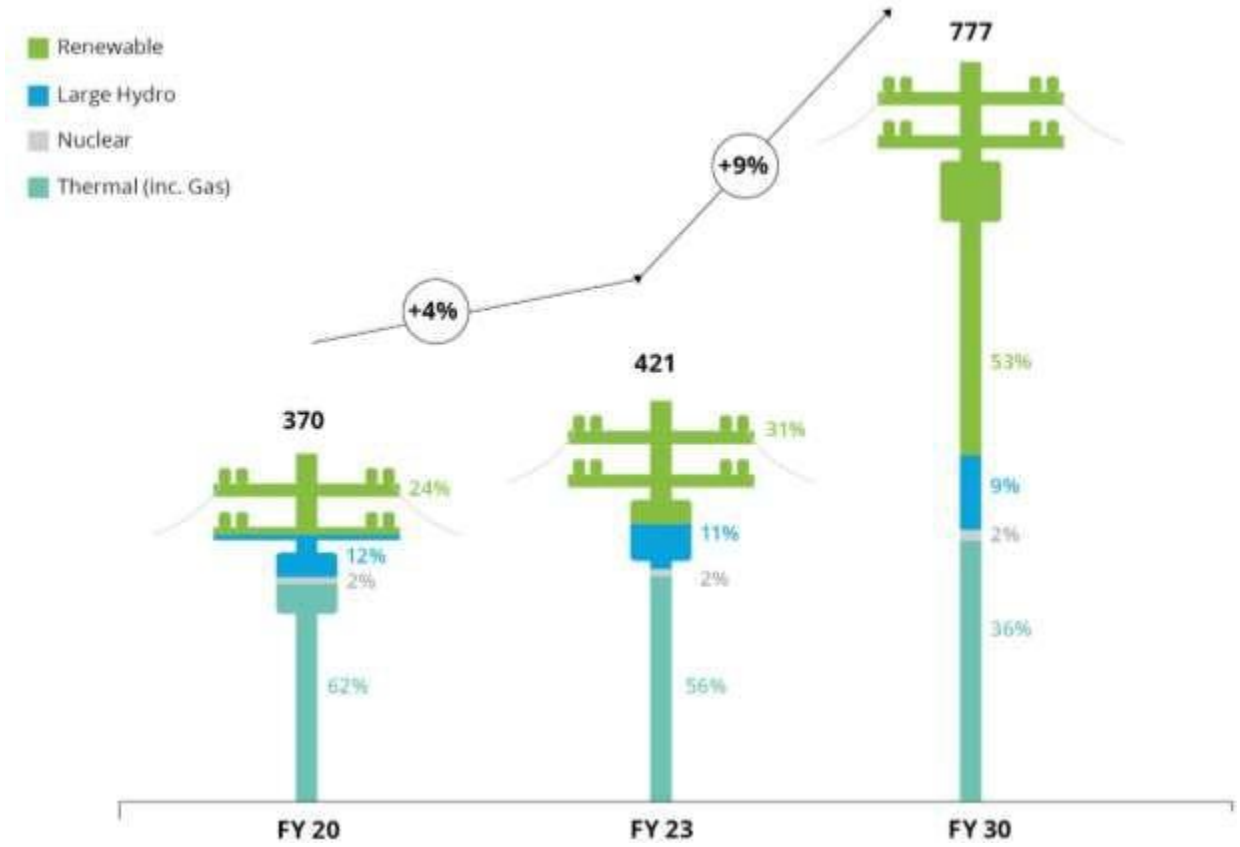
India has transitioned from being a power-deficit nation to a country that meets its demand with large capacity additions in renewables.

D.4.1. Renewables

The government of India has targeted to reach 500 GW in RE by 2030 (450 GW from solar and wind, 70-100 GW from large hydro). Renewable sources of energy are expected to lead the green transition, with a 53 percent share of installed capacity and a 32 percent share of gross generation in India by 2030. India stands committed to reducing emissions with the long-term goal of reaching net-zero by 2070 with major contributions from renewables.[3]

Factors boosting RE capacity addition include favourable policies, technological advancements, foreign investments and incentives for the domestic production of solar modules and battery storage. Transitioning to clean energy is a huge economic opportunity for India.

Installed Electricity Capacity (GW) Growth



[3] Source: https://pib.gov.in/PressReleasePage.aspx?PRID=1847813

Sub-technology sectors

Solar: India has 5,000 trillion kWh of solar energy incidents per year in the land area. This huge potential, coupled with a favourable regulatory landscape, has driven solar to achieve the highest growth rate in installed capacity. A similar growth trend is expected to continue in the future as well. The Union Government is steadily progressing on its path of expansion of RE. With flagship schemes, such as PM Surya Ghar Muft Bijli Yojana, being currently implemented on a wide scale, solar installed capacity, particularly through rooftops, is set to witness unprecedented growth.

The GST reforms introduced in September 2025 rationalised GST rates for the Solar Sector, including a reduction of the GST rate from 12 percent to 5 percent for various renewable energy devices and parts for their manufacture, including solar power-based devices, solar power generators, photo voltaic cells and solar lanterns. Additionally, the GST rates were reduced from 12 percent to 5 percent for solar cookers, solar water heaters and systems, Silicon Wafer etc.

To strengthen domestic manufacturing and reduce import cost, the Union Budget 2026–27 has exempted the levy of basic customs duty on import of sodium antimonate (used in manufacture of solar glass).

Additionally, the Union Budget 2026–27 has extended validity of concessional duty rates for various goods from 31 March 2026 to 31March 2028 including specified goods used in manufacture of sheets of Ethylene Vinyl Acetate (used in manufacture of solar photovoltaic cells), inputs and raw materials for Lithium-ion cell manufacturing, Lithium-ion cells for used in manufacturing of battery or battery pack.

To boost local manufacturing, developing an indigenous supply chain, including capital goods, will be crucial.

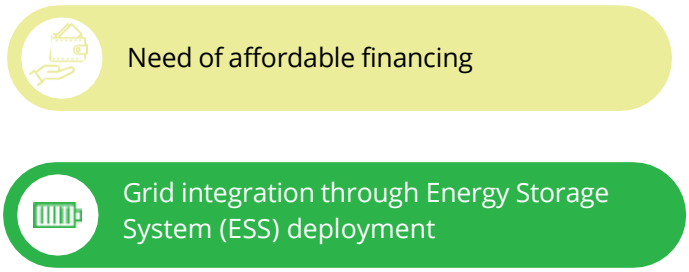
Wind: Solar-installed capacity overshadowed wind- installed capacity in the past. With technologies such as Round-the-Clock (RTC) and offshore wind development, wind is expected to contribute significantly to the total energy mix. The GST reforms introduced in September 2025 rationalized GST rates for Wind Sector through reduction of GST rates from 12% to 5% for renewable energy devices, i.e., Windmills and Wind Operated Electricity Generator and parts for their manufacture. Additionally, the Union Budget 2026-27 has extended the validity of concessional duty rates for specified goods used in manufacture or maintenance of Wind Operated Electricity Generator components from 31st March 2026 to 31st March 2028.

Energy storage systems: To address the intermittent nature of renewable energy technologies, ESS is looked at as the next major technology in the power sector over the next decade. With the increasing demand for RTC power, ESS as a service is expected to be used across many project designs in the future. The Union Budget 2026-27 has exempted the levy of basic customs duty on import of specified capital goods used in manufacture of lithium-ion cells for batteries of Battery Energy Storage System (BESS).

Key enablers to support large-scale renewable integration

The transition to clean energy is a huge economic opportunity for India. To promote holistic development, the GOI has introduced a series of regulatory initiatives focussing on improving price parity, bulk production, domestic manufacturing and grid parity.

- Expediting deployment of offshore wind
- Proposing solar cities and parks
- Creating a domestic supply chain
- Green Hydrogen Mission



Source: Deloitte Analysis

Driven by their ESG agenda, Commercial and Industrial (C&I) consumers have a significant role to play in realising India's clean energy targets.

The C&I segment dominates the electricity consumption mix, contributing ~50 percent to India's overall consumption mix. In the past two decades, their consumption has grown at ~7 percent (CAGR) (Source CEA). Globally, C&I consumers are proactively, voluntarily and consciously attempting to increase their share of RE consumption. C&I is expected to majorly contribute to reaching the national clean energy target of 450 GW by 2030.

Key drivers for C&I consumers transitioning to clean energy
Factors motivating decision makers to shift to renewable energy sources from IPPs include the following:

Cost saving

Affordability
RE is a cheaper variant compared with its brown energy counterparts, leading to savings and an improved bottom line.

Changing regulatory landscape
The government is offering several incentives and subsidies to promote RE adoption.

Feasibility
Procuring green energy from the grid is a time-consuming process, a reason why C&I players are procuring from IPPs.

Sustainability

Changing IPP landscape
Most of the IPPs had captive generation, which tends to be in thermal. But since thermal energy is becoming obsolete, this is not picking up pace. Hence, they are moving towards RE.

Energy security
RE sources are often domestically available. Relying on RE sources can enhance energy security by reducing dependency on imported fossil fuels and volatile energy markets.

Long-term stability and sustainability
Investing in RE lets organisations lock in fixed/predictable prices for a long period, allowing stability. They can also achieve their sustainability targets through this.

Source: Deloitte Analysis

Government initiatives towards promoting green power sale to C&I consumers via open access
The growth of RE in the Indian market is highly dependent on the policy and regulatory environment. The Indian government has taken several measures to accelerate RE adoption by C&I consumers. RE power is available to consumers at a much more affordable price vis-à-vis grid tariff. The government has taken appropriate measures to enable RE power achieve grid parity.

Government thrust towards green transition of C&I customers

Bilateral trade of REC

Bilateral trade of RECs has opened avenues for VPPA contracts for Indian electricity market.

Green OA

Green OA is formulated to promote RE via Green OA with OA allowed for 100 kw load and restricted increase in OA charges.

ISTS waive off

ISTS charge waive off for RE transactions is extended to C&I consumers.

Transmission planning and GNA

GNA Regulations brought in feasibility for bulk consumers to get connected to ISTS grid.

A key bottleneck to decreasing MSMEs is financing and their access to finance. To address this bottleneck, the government had introduced a credit guarantee scheme and to prevent MSMEs from becoming non- performing assets, a government-promoted fund supports a guarantee of credit availability. Union Budget 2025 has enhanced access to credit under the credit guarantee cover. The budget has highlighted the “National Manufacturing Mission,” focusing on MSMEs engaged in manufacturing.

The government emphasised the transition of MSMEs, as well as other large corporations, from the current “Perform, Achieve and Trade” mode to the “Indian Carbon Market”. MSMEs will also get financial support for deploying clean energy and energy efficiency measures.

With an intent to give an impetus to Clean tech and industrial decarbonisation, INR20,000 crore Carbon Capture, Utilization, and Storage (CCUS) roadmap has been announced over five years in the Budget 2026. CCUS technologies at scale will achieve higher readiness levels in end use applications covering power, steel, cement, refineries and chemicals. CCUS is explicitly positioned as a national-scale decarbonisation tool, signalling support for coal-based generation with a decarbonisation overlay.

Battery Energy Storage System (BESS)

The BESS has a distinctive ability to stabilise intermittent renewable energy generation and plays a crucial role in India’s clean energy ambitions. The utilities' increased inclination towards procuring RTC and peak power solutions has implications for bundling BESS with renewable supply. The uptake of BESS is largely dependent on the projected price reduction and establishment of a global supply chain.

The country anticipates a cumulative BESS demand of 47 GW/236 GWh by FY2032, enabling the integration of approximately 596 GW of renewable capacity.

Three key trends propelling growth in Indian BESS industry

Continuous policy and regulatory support to foster domestic BESS industry

- Approval of Viability Gap Funding (VGF) for development of Battery Energy Storage Systems (BESS) (September 2023)
- National Framework for promoting Energy Storage Systems (August 2023)
- Notification of Energy Storage Obligation Trajectory until 2029–30 (July 2022)
- Issuance of standard bidding guidelines for BESS (March 2022)
- Notification of Ancillary Services Regulations, 2022 (January 2022)

New investment announcements in battery manufacturing

- The Government of India approved PLI scheme for manufacturing of Advanced Chemistry Cells (ACCs) of capacity 50 GWh with overall outlay of INR 181 billion in May 2021
- Of the total 50 GWh PLI capacity, 30 GWh is currently under construction and 20 GWh is in process of allocation
- In addition to the PLI scheme capacity, around 100 GWh capacity deployment is announced by industry players

Increase in demand for BESS in the domestic market

- Distribution utilities are increasingly looking to procure dispatchable power to match their demand patterns (in FY23 out of 9,900 MW bids announced or in process, 5200 MW (52 percent) is dispatchable in nature)
- The Government of India successfully concluded a tender for deployment of GWh scale standalone BESS (in 2022, SECI successfully concluded tendering of 500 MW/ 1,000 MWh standalone BESS capacity)
- 47 GW/236 GWh is the overall BESS demand projected by 2031-32 (per the National Electricity Plan for the period of 2022-32)

Source: Ministry of Power notifications and press releases, National Electricity Plan (2022-32), Ministry of Heavy Industries (MHI), Deloitte analysis

- Union Budget 2025 has also given a boost to the BESS industry. To boost the manufacturing of lithium-ion batteries in the country, 35 additional capital goods for EV battery manufacturing and 28 additional capital goods for mobile phone battery manufacturing were added to the list of exempted capital goods.
- The budget also reduced BCD from 20 percent to 10 percent on carrier-grade ethernet switches to make them comparable to non-carrier-grade ethernet switches.

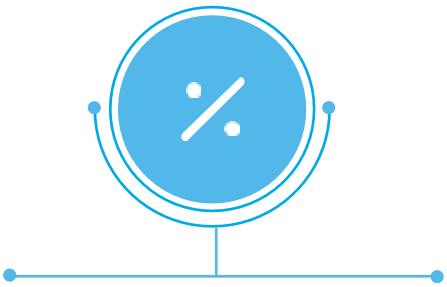
  Union Budget 2026 has extended the Customs duty exemptions extended for battery energy storage manufacturing including exemptions on capital goods for lithium-ion BESS, solar glass inputs (sodium antimonate) and critical mineral processing.

Tax considerations

Wind, solar and hybrid (including round-the-clock project)



Thin capitalisation rules Interest (paid to non-resident associate enterprise) up to 30 percent of EBITDA is deductible. Third-party interest payments are also covered (if guaranteed by parent).



Stamp duty value of land considered for share transfer Agricultural lands are converted into non-agricultural lands for industrial use. Though market value could be lower, considering stamp duty rates for industrial land, there could be a potential exposure of deemed income in the hands of buyer as well as seller.



Concessional tax rate
15 percent concessional tax rate available for power generating companies set up on or after 1 October 2019 and which commenced generating electricity by 31 March 2024.

- NIL BCD under ASEAN FTA, subject to value-add addition, for modules and lithium-ion battery
- imports Policy announced for viability gap funding for BESS
- Import duties deferment/exemption benefits under various schemes, such as MOOWR, EPCG, EOU and advance authorisation for BESS manufacturers
- GST rate on:
  - Supply of solar and wind energy power projects comes to about 8.9 percent consequent to GST reforms in September 2025.
  - Supply for BESS is 18 percent
- State incentives, such as GST reimbursement, exemption from stamp duty, land tax and electricity duty

D.4.2 Green hydrogen in India

Green hydrogen is expected to play an important role in this energy transition, particularly in decarbonising the "hard-to-abate" sectors that cannot be electrified easily. It can be applied in fertilisers, refineries, steel production, and transport.

Indian Hydrogen market is poised for investment



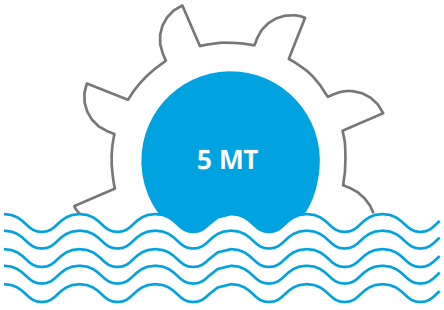
Budgetary allocation towards hydrogen supply & electrolyser manufacturing



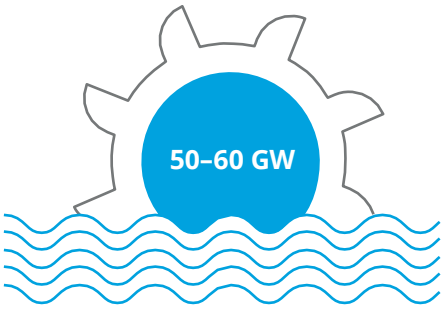
Allocation towards green hydrogen pilot projects



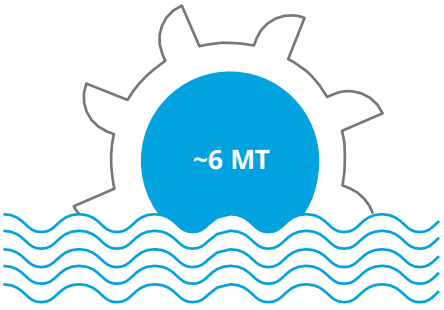
Allocation towards R&D and other components



Green hydrogen production target for domestic consumption



Electrolyzer deployment target by 2030



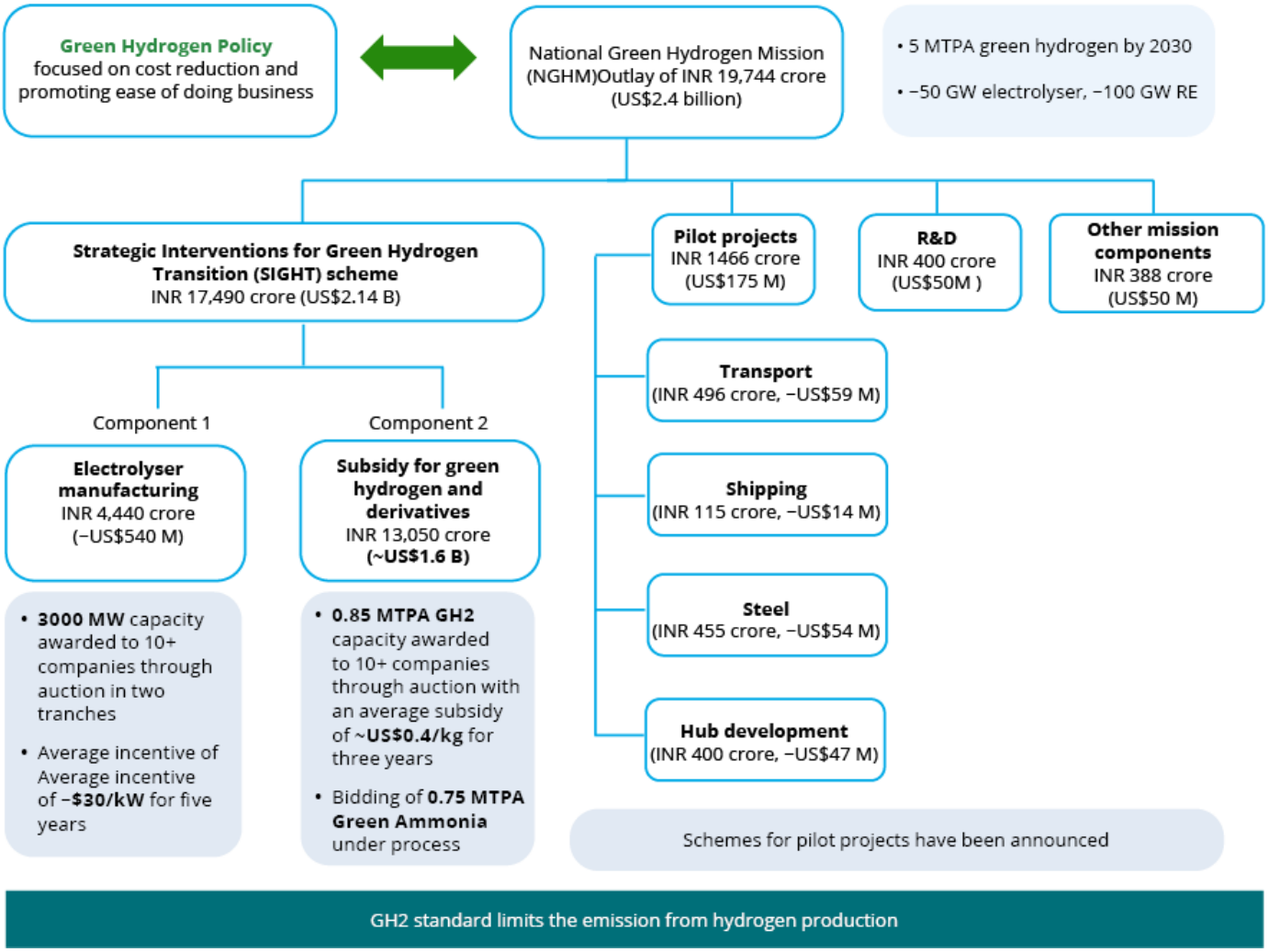
Domestic grey H2 production and consumption

Key drivers for the hydrogen economy in India

- Ambitious emission reduction target and commitment to achieve net-zero by 2070
- Favorable RE policy, including faster grant of open access, transmission charge waiver and provision of banking of electricity; dedicated hydrogen policy being implemented by States
- Availability of low-cost RE and ongoing one of the largest RE addition program in the world
- Sizeable substitutable domestic demand and availability of export ready infrastructure

In 2021, the government of India launched the National Green Hydrogen Mission (NGHM), laying its vision, intent and direction for harnessing hydrogen energy. It was followed by the introduction of the National Green Hydrogen Policy. This policy intends to facilitate green hydrogen adoption by bringing down the costs of green hydrogen and easing the setting up of green hydrogen projects. The government's hydrogen vision was further cemented in January 2023 when the Union Cabinet approved the provisions of NGHM by sanctioning INR 197.44 billion outlay to make India a global hub for green hydrogen. The mission aims to reach an annual green hydrogen production of a minimum 5 MMTPA by 2030 and sets an aspirational target to capture 10 percent of the global demand.[4] The announcement of incentives along with the aspirational production target, positions India as one of the attractive destinations for green hydrogen production globally.

Initiatives by the Government of India to drive a hydrogen economy
Various government initiatives have been instrumental in developing a foundation for low carbon hydrogen



India's green hydrogen journey has gathered remarkable momentum. Recently, under the NGHM, the government has concluded auctions for green hydrogen, green ammonia (for the fertiliser industry) and Production- Linked Incentive (PLI) for electrolyser manufacturing. In parallel, leading refinery players, such as IOCL, BPCL, HPCL, and NRL, have also completed auctions to set up green hydrogen plants for captive consumption. Notably, the discovered prices are among the lowest globally, underscoring strong market confidence in India's green hydrogen ecosystem.

[4] Source: India National Hydrogen Mission document

The announcement of the “National Manufacturing Mission” presents an opportunity to establish a robust ecosystem for components such as electrolysers. While the industry believes in the green hydrogen-led long-term transition, the current economics is not yet favourable. A cost difference (calculated based oncost curves applicable in the Indian market) of about ~US$1.5 - 2.0/kg of hydrogen compared with fossil fuel-based hydrogen (or other energy alternatives) is considered a major deterrent for Indian industries to adopt green hydrogen.

To bridge the cost gap between green hydrogen and other alternatives, such as grey hydrogen, natural gas, and coal, it is critical to focus on policy initiatives, ecosystem development, and innovative financing. While several export hubs are emerging across the globe, India has the unique opportunity to become a world leader in green hydrogen production and emerge as a major exporter with the distinct advantage of low- cost renewable.

Tax considerations

National Green Hydrogen Mission – Setting a target of 5 MMT of GH2 per year by 2030 for India.

The incentive scheme “SIGHT”, with an outlay of INR 175 billion, was provided to incentivise the manufacturing of GH and electrolysers.

State-specific incentives are also available in the form of duty and tax exemptions

- Employment generation subsidy
- Customised package scheme



Import duties on electrolyser and other products can be saved under various schemes, such as EOU, SEZ.

Eligibility of green hydrogen and other derivatives (such as ammonia) for 15 percent concessional tax rate if company is set-up on or after 1 October 2019 and production commences by 31 March 2024.

Investment structures to be evaluated (for single vs. multiple entity, FVCI investments, etc.)

- Inorganic chemicals used in GH production are typically subject to 18 percent GST rate.
- Supply of GH is subject to 18 percent GST rate.
- GST rate on Electrolysers reduced from 18 percent to 5 percent.

D.4.3. Oil and gas sector

India is the third-largest global consumer of crude oil. Over the past decade, its demand has grown from 232.8 MT (FY2016) to 268.6 MT (FY25) at a CAGR of ~1.5 percent. In FY25, the crude imports were ~91 percent of the total crude oil requirement. The government has taken steps to enhance production and substitute demand for crude oil products. These included the introduction of the Discovered Small Field Policy, the operationalization of the National Data Repository, the launch of the Open Acreage Licensing Programme, the launch of the Special CBM Bid Round, pricing guidelines for natural gas and a single license for conventional and unconventional hydrocarbons. The government has set a vision of reducing crude imports by 10 percent. Natural gas constituted 6 percent of the primary energy mix for India in FY2025 There are targets of increasing it to ~15 percent of the energy mix by 2030, reinforcing the push on LNG, pipelines and CGD expansion. The overall gas consumption in FY2025 was about 71,314 MMSCM. To strengthen energy security, India has allocated ₹55.97 billion (US$646.78 million) to procure crude oil for its Strategic Petroleum Reserves. The government intends to expand SPR capacity to strengthen energy security, with new storage facilities planned in Karnataka and Odisha.

The Union budget 2026 proposed an outlay of INR20,000 crore over five years for CCUS scale up to improve technology readiness and scale deployments in hard to abate sectors such as refineries and chemicals. Also, it proposed for three Chemical Parks via challenge route on a cluster-based plug-and-play model to reduce import dependence and scale domestic manufacturing. The government is also pushing to broaden freight and maritime corridors, waterways, coastal cargo and green shipping/ LNG terminals to benefit end-to-end logistics for refinery chemical corridors.

Upstream

Upstream companies are investing in E&P assets independently and through partnerships to secure energy supplies: For example, ONGC and OIL is investing in deep water exploration activities to increase oil and gas production in India to increase energy security. OIL has roped in TotalEnergies for exploration of oil and gas in offshore blocks.

Energy transition and net zero initiatives are driving future strategies for upstream companies. Refining decarbonisation is increasingly framed around green hydrogen, with targets being discussed for meeting a meaningful share of refiners' hydrogen demand via green hydrogen by 2030, supported by early project awards. India has set a target for refiners to meet half of their hydrogen demand through green hydrogen by 2030.[31] For example, OIL has launched OIL Green Energy – a wholly owned subsidiary focused on renewable energy solutions.

Upstream companies are venturing into trading and related businesses to build their oil and gas portfolio. For example, ONGC has announced plans for setting up a trading desk in collaboration with a global player.

Digitalisation with AI and reskilling expected to be areas for companies to remain competitive: For example, Shell has been using digital twins and AI-assisted seismic interpretation for well location optimisation while Exxon has multiple reskilling initiatives in emerging areas and technology. ONGC has successfully drilled wells using autonomous drilling technology, reducing downtime and costs with increased rate of penetration.

Upstream companies have also been evaluating diversification initiatives beyond oil and gas into critical minerals exploration. For instance, OIL has been actively working on developing the critical minerals exploration business.

Midstream

Investments in strategic petroleum reserves for energy security: There has been investment in building strategic petroleum reserves to absorb supply shocks. For example, ISPRL in India is planning to increase SPR capacities by 6.5 MT.

Midstream operators are investing in low-carbon technologies, electrification of compressor stations, and carbon capture, For example, PNGRB has been pushing for low carbon technologies to reduce internal gas consumption and low carbon emission in midstream operations.

Midstream players are adopting AI/ML, and digital twins to improve efficiency, while reducing emissions and integrating renewables to align with India's low-carbon goals. With strategic moves like green hydrogen and CBG - CGD integrations, players are positioning infrastructure for India's low-carbon energy transition.

The tariff structure has moved from three zones to two, with Zone 1 rates extended to CNG and PNG to keep prices affordable. Revenue earned beyond 75% pipeline utilization is shared equally, with half reducing future tariffs and half funding infrastructure. For instance, on the HVJ–DVPL system, higher winter throughput activated this sharing mechanism and supported network upgrades.

Downstream

Investment in petrochemicals: Companies are developing and implementing technologies to extract more petrochemicals from crude oil. India's petrochemical capacity is projected to expand from ~30 MTPA to 46 MTPA by 2030, supported by committed investments exceeding US$50 billion across the value chain. India's refining capacity is set to approach ~310 MMTPA by 2030, supported by the near-commissioning of the HPCL Barmer refinery and a few other refinery augmentations. At the same time, OMCs are accelerating the integration of refining with petrochemicals, repositioning assets towards higher-margin, demand-resilient value chains.

Biofuels as a substitute of crude oil/natural gas products: Indian companies are adding biofuels, such as bioethanol, biodiesel, SAF and CBG in their portfolio to reduce import bill as well as support energy transition goals. For SAF specifically, policymakers have begun signalling phased blending targets, indicating a shift from pilots toward demand-creation instruments. India achieved the 20 percent ethanol blending target in 2025, five years ahead of the original 2030 timeline, positioning itself as a global leader. India has set a phased SAF roadmap of 1 percent blending by 2027, 2 percent by 2028 and 5 percent by 2030.

Transformation from oil to energy companies: Oil and gas companies are evolving into energy companies by adding energy from renewables, biofuels and other sources.

Non-fuel and multifuel retail: Fuel retailers are evolving into integrated "energy stations,"" that offer CNG, hydrogen, CBG, EV charging and conventional fuels alongside convenience retail and enhanced customer experiences. Strategic partnerships such as the co-retailing agreement between Jio-BP and Adani Total reflect a similar shift toward shared infrastructure and multi-energy offerings.

CGD infrastructure scaling: CGD has emerged as a core pillar of India's energy transition, expanding to 307 geographical areas in FY25 and now covering ~99 percent of the population. As of January 2026, infrastructure includes 8,538+ CNG stations, 21,197 industrial, 47,327 commercial and 1.6 crore domestic PNG connections. The sector targets 5 percent CBG blending in CNG and PNG by FY29, while LCNG, small-scale LNG and LNG retail are being scaled to strengthen last-mile access and accelerate heavy-duty vehicle adoption.

Tax considerations

1. Investment-linked incentives for companies engaged in laying and operating cross-country natural gas pipeline networks for distribution, including storage facilities, are subject to certain conditions.

   Excise and VAT on petroleum crude, diesel, and natural gas with different VAT rates across states lead to price differentiation.

2. GST @ 18 percent on petroleum oils and oils obtained from bituminous minerals, specified

3. Presumptive taxation for non-resident service providers who are engaged in the business of providing services or facilities or supplying plant and machinery on hire in connection with prospecting/extraction/production of mineral oils.

   Make-specific provision for allowance of expenditure in the business of prospecting, etc., of mineral oils.

   Restrictions on availing GST credit on purchases by Oil and Gas companies – petroleum products may be brought under GST (expected GST rate of 28 percent along with cess).

4. Concessional duty rate is available on import from specific countries under bilateral/multilateral

   Also, subsidies are available for manufacturing segment under states' industrial policies.

5. Customs duty and GST levied on import of machinery for setting-up refineries, duty deferment/ exemption under schemes, such as EPCG and MOOWR.

Typically, MNCs operating in these segments would require an offshore presence in India for execution of the contracts with the government to provide the on-ground support. The offshore arm could be in the form of project office/liaison office/branch/legal entity. Such offshore arm of the MNC will be treated as a separate taxable entity. Typically, such offshore arm enters into various transactions with HO/group companies to such business operations.

D.4.4. Engineering, procurement and construction sector

- EPC contract involves the supply of goods as well as the provision of services at the offshore and onshore levels. The supply of goods and provision of services are both critical to the successful completion of the project.
- EPC contract(s) may be either a single composite contract or separate contracts. The tax implications vary based on the nature of the EPC contract(s) and the facts of each case.

Project owner

Contractual structure

Single composite contract

- Single contract is awarded for various scopes of work.
- One needs to evaluate if offshore supply and services would be subject to tax in India.
- There is potentially higher effective GST rate on account of deemed valuation for setting up solar and wind power projects.

Separate contract

- Distinct contracts are executed for various scopes of work.
- Each scope of work is expected to be taxed differently.
- Arm's length attribution between onsite and offshore contracts is based on value contribution by each party.

Consortium contract

- Contract is awarded to the consortium.
- One needs to evaluate if consortium constitutes an AOP.

Taxability – Revenue streams

Offshore supply

- Typically, not taxed in India subject to fulfilment of certain conditions (based on tax treaty and judicial precedents).
- Taxable @ 35 percent* on a net basis, if PE exists and supply is connected to PE.
- Attribution of profits to PE is required to be carried out by applying the arm's length principle.

Offshore services

- It is expected to be taxed as "royalty" or "fees for technical services" @ 20 percent* on a gross basis, subject to tax treaty benefits.
- Taxable @ 35 percent* on a net basis, if PE exists and services are connected to PE.
- Taxability would vary if drawings and designs form an integral part of supplies.
- Technical/engineering services with cost plus mark-up arrangement often challenged by tax authorities on comparable companies selected.

Offshore supply and services

- By foreign company – Taxable @ 35 percent* on a net basis, if PE exists and supply/services are connected to PE.
- By Indian company – Profits of Indian entity are taxable as business income at applicable corporate tax rates (15/22/25/30).* plus tax on repatriation of profits as dividends, etc.

EPC Contract

- Taxability of EPC contracts (especially, offshore supply and services) has been a subject of litigation. It is imperative to examine the nature and terms of contract/agreement, facts of each case and conduct of the parties is crucial.
- It is important to analyse duty deferment for high sea sales by EPC contractors and the valuation of works contract services, especially when selling goods to MOOWR licence holders. This is because EPC contractors face restrictions on duty deferment.

D.4.5. Metals and mining

TCS — Mining and quarrying (other than mineral oil) is subject to tax collection at source at 2 percent.

RoDTEP — Export of certain minerals/metals is eligible for benefit under the RoDTEP scheme, in the form of electronic scrip, which can be utilised for payment of import duty.

SAFTA Benefit — Benefits are available on import of mining and metal products from certain countries under the SAFTA, resulting in lower customs duties.

D.4.6. Industrial products/manufacturing

The government has been working to transform India from a service economy to becoming a manufacturing powerhouse and diligently position itself as an attractive destination for manufacturing.

Accelerated depreciation

Accelerated depreciation at the rate of 20 percent is available for new plant and machinery used in manufacturing.

Corporate tax regime

Eligibility for 15 percent concessional tax rate if a company is set up on or after 1 October 2019 and production commences by 31 March 2024.

Incentivefor employment generation

To generate employment in the economy, additional deduction of 30 percent of the incremental employee cost for each of three years is provided, subject to certain conditions.

Royalty payment on licencing of intangible

This is one of the most litigative issues from a TP perspective. The tax authorities scrutinise the payment of royalty from two perspectives – need or commercial benefit perspective on the part of the licensor. Taxpayers need to have robust documentation in place to demonstrate the commercial benefit and the need for such licence from an arm's length perspective.

Tax-free exports

Input GST used in exported goods/services is available as refund. Under duty drawback, exporters can claim refund on customs duties paid on imported inputs used in manufacturing.

Concessional Customs duty

On import of capital goods and other specified goods under the project import scheme.

Government grants and incentives

Dependent on the policy prevailing in centre/state and location and/or the sector. The central government offers incentives to certain manufacturing sectors, such as electronics, semi-conductors and textiles. These incentives include PLIs, capital subsidies and certain focussed programmes. State governments may provide incentives for certain sectors, such as food processing, aerospace and defence, renewable and medical devices through state industrial policies and sector-specific policies.

D.5. Life sciences and healthcare

The Indian pharmaceutical industry is currently valued at about US$50 billion and expected to grow at a CAGR of 10.7 percent by 2030. The pharmaceutical market is expected to reach US$65 billion by 2024 and US$130 billion by 2030. FDI into this sector has steadily increased in over two decades and LSHC continues to be an attractive sector to invest in.

Table 1: FDI in India's healthcare sector (2000-2020)

Sub-sectors	Health-related FDI (US$ million)
Drugs and pharmaceuticals	16,501
Hospitals and diagnostic centres	6,727
Medical and surgical appliances	2,130
Total	**25,357**

In addition to organic growth and investment, this industry has always witnessed heightened merger and acquisition activity and attracted interest from PE investors.

The following are some key policy initiatives to promote the growth of India’s healthcare sector:

a) PLI schemes have been introduced for medical devices, pharmaceuticals, and bulk drugs with a cumulative outlay of ~INR 2,53,400 million to attract investments and encourage the production of domestically manufactured medical products.
b) Schemes were issued to promote medical device parks and bulk drug parks with financial grants across different Indian states.
c) Digitisation of health has been emphasised with several initiatives, such as Ayushmaan Bharat Digital Mission (ADBDM), CoWIN (a digital vaccine delivery platform), health registry and telemedicine.
d) The national policy on R&D and innovation in the Pharma-MedTech sector has been notified to streamline the regulatory processes, incentivise investment in innovation, and enable an ecosystem for medical research.

e) The National Medical Devices Policy 2023 was introduced to boost production by establishing cluster infrastructure, providing R&D support, reaching out to investors and building capacity.
f) FDI for hospitals and medical devices is allowed up to 100 percent under the automatic route. For brownfield projects, FDI beyond 74 percent requires approval and is subject to conditions.
g) Budget 2026 has reinforced healthcare as a **strategic pillar of Viksit Bharat, backed by a Healthcare allocation of ~INR1,124.6 billion (US$12.3 billion),** with a clear shift from volume-led growth to innovation-driven, globally competitive healthcare and biopharma ecosystems.
h) Biopharma SHAKTI (Strategy for Healthcare Advancement through Knowledge, Technology and Innovation): INR100 billion (US$1.09 billion) over five years to position India as a global biopharma manufacturing hub, with a focus on biologics and biosimilars.

Ecosystem build-out: **Three new NIPERs** and **upgradation of seven existing** institutes; **1,000+accredited clinical trial sites**; and strengthening of the **Central Drugs Standard Control Organisation** (**CDSCO)** to meet global standards and approval timelines.

D.5.1. Regulatory overview

The Indian healthcare sector can be broadly divided into the following sub-sectors:



An overview of key regulatory compliances is covered in the figure below:

Drugs and pharmaceuticals
- Obtain licences – Manufacturing/sale/loan/import
- Maintain manufacturing records
- Maintain control sample
- Maintain inspection book
- Disclose information as and when required
- Obtain price approvals and ensure pricing compliance per NPPA norms
- Adhere to packaging norms

Medical devices and diagnostics
- Obtain manufacture/sale licence per product category and product standards
- Test licence for clinical investigations
- Obtain import licence, as applicable
- Maintain inspection book
- Comply with labelling requirements considering the latest Notification of Legal Metrology (Packaged Commodities) Amendment Rules, 2025 allowing for Harmonisation with Medical Device Rules 2017

Hospitals
- Obtain registration under the Clinical Establishments Act
- Set up a legal entity and register a trademark
- Obtain land, construction, electricity, and water approvals
- Adhere to bio-medical waste management norms
- Obtain fire and health licence

- Comply with the FSSAI standards for in-house kitchen
- Adhere to labour laws
- Register medical shop/pharmacy
- Register ambulances

Clinical trials
- Obtain DCGI approval
- Register trials with the clinical trials registry
- Obtain ethics committee approval
- Register trial site
- Notification-based system via an online prior-intimation introduced for specific categories

Digital health
- Comply with the IT Act, 2000
- Comply with Intermediary Rules, 2021
- Adhere to the Digital Personal Data Protection Act, 2023
- Comply with telecom guidelines, as applicable

Nutraceuticals
- Obtain FSSAI licencing
- Comply with various labelling/packaging requirements (approved colors/additives, the addition of flavours on labels, recommended daily allowances, nutritional information, etc.)

Others – Sector agnostic
- Labelling and packaging requirements under the Legal Metrology Act
- Medical Council Ethics Code
- The National Medical Commission Act
- Medical Advertisement regulations
- The Consumer Protection Act
- The FSSAI Act
- Customs approvals, wherever applicable
- Bio-medical Waste Management/Hazardous Waste Management Rules, 2016

Policy initiatives

Budget 2026 has reinforced healthcare as a strategic pillar of Viksit Bharat, with a clear shift from volume-led growth to innovation-driven, globally competitive healthcare and biopharma ecosystems. Outcomes hinge on the speed of implementation, regulatory effectiveness and affordability passed through to patients.

- Healthcare allocation of ~INR1,124.6 billion (US$12.3 billion)
- **Biopharma SHAKT**I, a Strategy for Healthcare Advancement through Knowledge, Technology and Innovation:
  - INR100 billion (US$1.09 billion) over five years to position India as a global biopharma manufacturing hub, with a focus on biologics and biosimilars.
  - Ecosystem build-out: **3 new NIPERs** and **upgradation of 7 existing** institutes; **1,000+ accredited clinical trial sites**; and strengthening the **Central Drugs Standard Control Organisation** (**CDSCO)** to meet global standards and approval timelines.

- Skilled career pathways in healthcare:
  - Expansion/upgradation of institutions for **Allied Health Professionals** across 10 disciplines (optometry, radiology, anaesthesia, OT tech, applied psychology, etc.).
  - Launch of **multiskilled caregiver programmes** integrating wellness, yoga and assistive-device handling.

- Medical Value Tourism (MVT) hubs
  - Support to states to set up **five integrated MVT hubs (PPP mode)** combining healthcare delivery, education, research, diagnostics, rehabilitation and **AYUSH centres**, along with facilitation infrastructure.

- Indian traditional medicine/AYUSH
  - Establishment of **three new All-India Institutes of Ayurveda** and **upgradation of AYUSH** pharmacies and drug-testing labs.
  - Strengthening **WHO Global Traditional Medicine Centre** to promote evidence-based research and training.
  - Assistive devices
  - Launch of **Divyang Sahara Yojana** to improve access to quality assistive devices; setting up **Assistive Technology Marts**.
  - Scale-up of Artificial Limbs Manufacturing Corporation of India with emphasis on R&D and AI integration.
- Mental health and trauma care: Setting up NIMHANS-2 and upgrading select National Mental Health Institutes as regional apex centres; establishing Emergency and Trauma Care Centres in district hospitals
- Animal health
  - Loan-linked capital subsidy to promote **private veterinary and para-vet colleges, hospitals, diagnostics and breeding facilities**, including foreign collaboration.
  - Addition of **20,000+ veterinary professionals**, recognising livestock's role in farm incomes.

D.5.2. Tax incentives related to LSHC in India

The government of India has also provided some tax incentives through lower rates or additional deductions for the sector.

Overview of corporate tax benefits

Companies may be able to avail concessional tax regimes (discussed under the segment "general tax rates for corporate/non-corporate entities"). In addition, specific benefits for this sector are as follows:

Other incentives/deductions
A special 30 percent deduction on the cost of hiring additional employees, subject to certain conditions

Deduction of 100 percent of expenditure (whether revenue or capital, except expenditure on land) incurred on scientific research related to business

Other incentives, if concessional tax

For start-ups: 100 percent tax holiday on profits for any three consecutive years within 10 years of incorporation before 1 April 2030 (extended from 1 April 2024 by Union Budget 2025), subject to conditions

100 percent of expenditure of capital nature incurred for the purposes of building and operating a new hospital with at least 100 beds for patients

Patent box regime

Royalty income earned by a resident registered patentee being the true and first inventor of an invention, in respect of patent developed and registered in India, taxable at a concessional rate of 10 percent on a gross basis

Overview of indirect tax incentives
Concessional GST rate

- While the GST rate on Active Pharmaceutical Ingredients (API) is 18 percent, most of the other pharmaceutical products such as formulations subject to the tariff/HSN and conditions specified therein are eligible for a lower GST rate of 5 percent or 12 percent
- Most of the medical equipment/devices continue to attract a GST rate of 18 percent

Overview of Indirect tax incentives ("BCD") (Proposals in Union Budget 2026)

- With effect from 2 February 2026:
  - BCD exempted on 17 new cancer drugs/medicines (List 3).
  - Customs duty exemption extended to drugs and medicines for the treatment of seven rare diseases included in the National Policy for Rare Diseases 2021 (List 22)

Research-linked incentive schemes

To streamline the regulatory processes, incentivise investment in innovation, and enable an ecosystem for innovation and research, a scheme for the Promotion of Research and Innovation in the Pharma and MedTech Sector (PRIP), 2023 has been introduced. Under the Operational Guidelines, the details of implementation and the following key provisions have been made:

- CoEs will be established at seven existing National Institutes of Pharmaceutical Education & Research (NIPERs) at a tentative cost of INR 7 billion over five years.
- Six priority areas have been identified under which funding shall be given, further divided into three categories.

- RDI scheme: The Union Cabinet also approved the Research, Development and Innovation (RDI) Scheme on 1 July 2025 to promote enhanced participation of the private sector in research and development. The Scheme envisages a corpus of INR1 lakh crore over a period of six years.

Recent tax and regulatory judgements/regulations

I. Technology regulations and impact on the LSHC sector
The emerging regulations under the technology sector, such as the Digital Personal Data Protection Act, 2023, and Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2022, will apply to the sector. Similarly, introducing import licensing requirements for certain electronics products will also impact the import and usage of medical devices and diagnostics equipment. In addition, with increasing obligations for "Make in India" through Public Procurement Order is critical for the industry to enable the supply of products to government customers.

II. Marketing expenses and engagement with medical practitioners
Typically, pharmaceutical and medical device companies incur various marketing expenses to maintain an ongoing engagement with medical practitioners. The indicative list of expenses is mentioned hereunder:



The National Medical Commission Registered Medical Practitioner (Professional Conduct) Regulations, 2023 were issued on 2 August 2023, obligating medical practitioners to mandatorily prescribe generic drugs and not endorse any drug brands. Further, medical practitioners were not allowed to be involved in any third- party educational activity, such as CPD, seminars, workshops, symposia and conferences, which involves direct or indirect sponsorships from pharmaceutical companies or the allied health sector. However, vide 23 August 2023 notification, the circular is in abeyance, and earlier regulations, i.e., the Indian Medical Council (Professional Conduct, Etiquette and Ethics) Regulations, 2002 (MCI Regulations) continue to be effective.

These prohibit medical practitioners from accepting gifts from pharmaceutical and allied health sector industries. The prohibition on distributing samples of infant milk substitutes, feeding bottles, and infant foods, and offering inducements to promote their sale or use is a key regulatory measure. Tax authorities have challenged the deductibility of such restricted expenses and the eligibility of Input Tax Credit (ITC) availed on such payments.

There appears to be a strong intent to insist on ethical practices considering the importance of this industry. From an income tax perspective, the Apex court has not granted tax deductions of expenses for gifts to medical practitioners, for being a party to an act that leads to an offence followed by various lower tax authorities. Similarly, the income tax law now provides that expenses are not allowed as deduction if these result in any benefit or perquisite for the recipient and where acceptance thereof violates any law, regulations, etc., governing the recipient.

Some withholding tax provisions require a person responsible for providing any benefits or perquisites to a resident during business or exercise of a profession to withhold tax at 10 percent where the benefit or perquisite exceeds INR 20,000 during the financial year.

Outlook

India is in her “tech-ade”, and with evolving regulations in the technology sector, it is set to observe four interesting health sector trends soon (with a common digital theme). First, there will be a growing acceptance of telemedicine and e-pharmacy. The use of AI and machine learning for medical consultations online is set to improve patient outcomes, reduce costs and increase access to healthcare. Second, remote monitoring tools are also picking up pace in India and are expected to grow at a CAGR of 9.39 percent over the next few years. Third, transformational diagnostics, including genomic sequencing, next-generation sequencing, whole-genome sequencing, and RNA-based tests, can improve healthcare in India. Fourth, healthcare SaaS-based solutions can store and monitor health data, which is becoming a trend amongst most stakeholders.

Indian pharma companies will continue to strengthen their speciality molecule portfolio through acquisitions. The industry is expected to witness accelerated growth in the near future led by various factors, such as policy interventions, infrastructure development, FDI, improved manufacturing capabilities, and access to a cost-effective talent pool.

E. Futuristic trends in India



E.1. Environmental, social and governance

Over the past few years, India has witnessed a paradigm shift in the way businesses approach matters of the "environment", the "social" and the "governance". Much in line with global trends, Indian businesses now give greater importance to ESG considerations. What was only a matter of compliance in the past has now become a crucial part of business strategies. Emphasis on factors such as environmental consciousness, ethical practices, and labour protection have fuelled this imperative.

Deloitte India's ESG preparedness survey report indicates that Indian businesses see significant value in sustainability and are actively building ESG capabilities.



Regulatory efforts are also pushing businesses to become future-ready via ESG practices. SEBI has made it mandatory for the top 1,000 listed companies in India by market capitalisation to make ESG disclosures under the BRSR guidelines. The BRSR integrates the nine NGRBC principles and incorporates multiple key performance indicators from international frameworks to bring non-financial reporting by Indian organisations at par with global sustainability and ESG reporting trends. The BRSR disclosures include information on a company's ESG policies and performance and are reported as part of annual reports.

Further, the RBI now allows the acceptance of green deposits and has issued a disclosure framework on climate-related financial risks. India also mandates companies to contribute at least 2 percent of their average net profits from preceding financial years to CSR activities. Under India's 2023 G20 presidency, ESG was identified as a key priority for businesses to become more sustainable. Driven by this regulatory support, investors are also slowly unleashing the potential of ESG investing, making ESG-compliant businesses more attractive and profitable.

The government's relentless drive for the adoption of renewable energy sources is expected to continue until the foreseeable future. The ambitious goals announced in COP26 will pave the way to address climate change mitigation. These objectives include installing 500 GW of renewable energy capacity by 2030, reducing the economy's carbon intensity by 45 percent from 2005 levels by 2030, and achieving the target of net zero emissions by 2070.

Major Indian corporates have too pledged their net-zero commitments by 2050 through adoption of renewable energy and energy efficient technologies. To complement the adoption of renewable energy sources, the National Green Hydrogen Mission aims to make India a leading producer and supplier of green hydrogen in the world, with a target to set up at least 5 MMT per annum of green hydrogen capacity. Fiscal benefits, such as PLIs and other state incentives would create a conducive ecosystem to enable large-scale capacity building to mitigate carbon emissions in a sustainable way over time. In May 2025, the Ministry of Finance issued a draft framework of climate finance taxonomy to notify the objectives, design, principles and approach to classification of the activities, projects and measures contributing towards India's climate commitments. The paper is slated to a living-document intended to bring in clarity for investors and reduce greenwashing. Also, vide Union Budget 2026 proposals –a capital outlay of INR200 billion over next 5 years has been allocated towards adoption of Carbon Capture, Utilisation and Storage (CCUS) technologies to achieve higher readiness levels in end-use applications across 5 industrial sectors - power, steel, cement, refineries, and chemicals. This will enable emissions reduction in these industries and support the sustainability commitments of large manufacturing facilities. Also, tax incentives such as critical minerals will help foster domestic supply chains and advance clean energy goals.

ESG narrative has a significant bearing on tax policy considerations for organisations – whether it is about building trust in tax reporting, or steering courses to address new environmental taxes. Key areas of tax considerations are:

TTR: In addition to the BRSR, a more voluntary form of reporting emanates through TTR from a governance standpoint. TTR carries quantitative and qualitative disclosures around direct and indirect tax contributions, payroll tax, tax governance and strategy, approach to tax risk management, control, and compliance. It helps organisations interact with stakeholders, including customers, regulators, and investors, improving credit ratings and making themselves more attractive for M&A.

CBAM: It is a carbon tax/tariff on carbon-intensive products, such as steel, cement, fertilisers imported into the EU. It initially focuses on hard-to-abate industries, such as cement, steel, aluminium, fertilisers and electricity generation. These sectors are considered at a higher risk of carbon footprint due to their significant greenhouse gas emissions. While implementing CBAM is proposed in a phased process, it could potentially lead to a 20–35 percent tax/tariff on specific imports that have not been produced through environmentally friendly processes from 2026 onwards.

Supply chain restructuring: There is an increase in supply chain restructuring amongst corporates as they progress towards their ESG goals, especially in the current geo-political environment. This restructuring is mainly driven by the need to enhance efficiency, reduce costs, green their supply chain network, lower carbon footprints, and ensure efficient resource consumption. For instance, a group might consider decentralising manufacturing functions to reduce carbon emissions from transport. A shift in energy procurements from renewable sources, as well as the centralization of logistics and fleet management, could be other examples. These aspects typically entail nuanced tax considerations, especially around availing incentives and mitigating tax and TP risks.

Carbon credits: These help organisations offset emissions to achieve net-zero goals. It is an effective way for companies to meet their sustainability goals. There are specific tax rules for the taxation of carbon credits which require careful planning and compliance with regulations and industry best practices.

Across organisational functions (finance, tax, HR, and supply chain), business decisions are being evaluated from the prism of ESG. An optimal approach to ESG can well be a tremendous business opportunity, and any compromise could potentially be an existential threat to organisations.

While India is still in its nascent stages to become a leader in ESG practices, it is a consideration fast picking up pace and garnering greater importance by all stakeholders in the Indian ecosystem. Business strategies would need to be adept as ESG-led transformation unfolds.

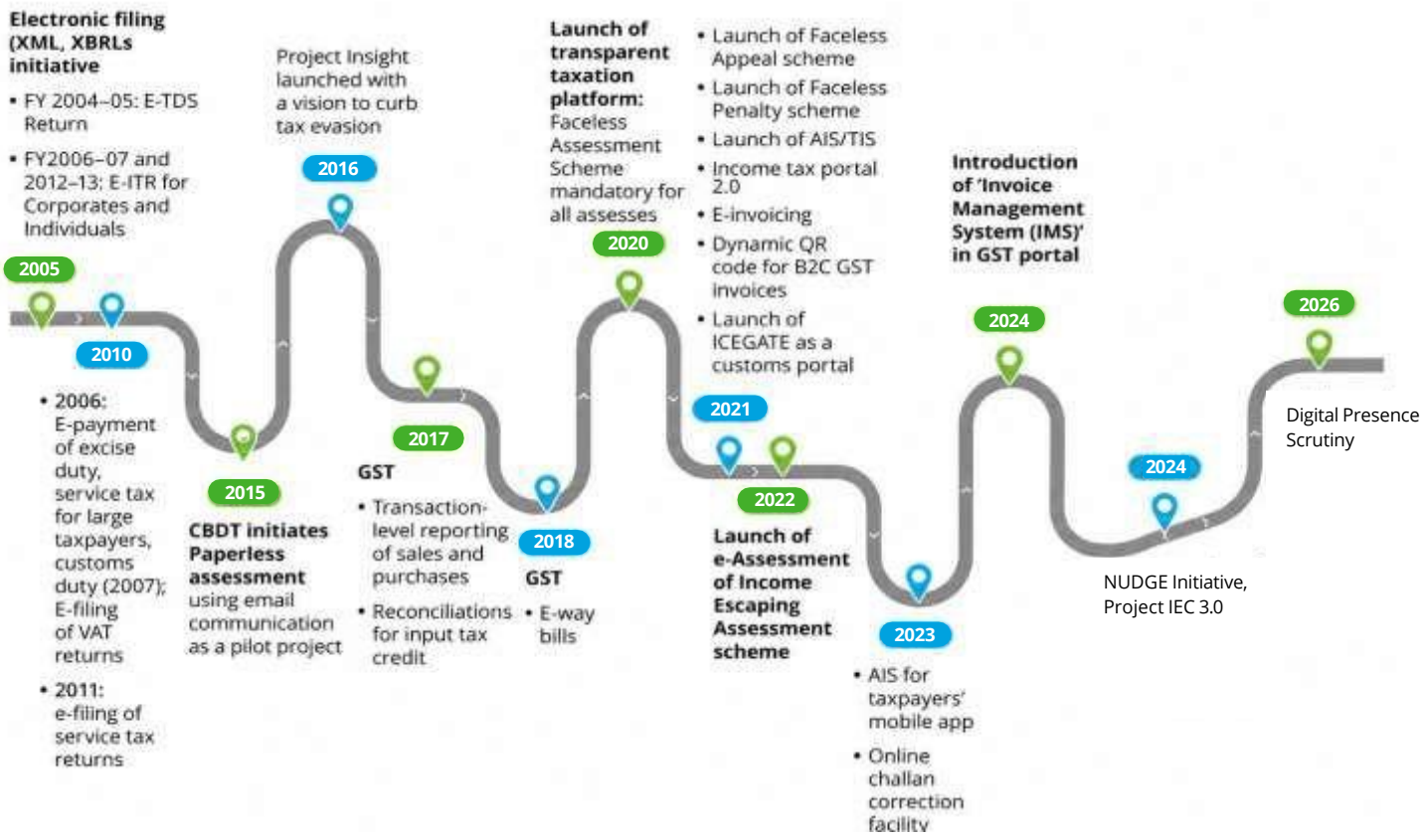
E.2. Extensive use of technology in tax reporting and administration

Business operations are witnessing technology-driven transformations. Advanced technologies, such as AI, blockchain, Generative AI and now Agentic AI, have opened newer and innovative ways of managing operations.

Technology plays a key role in tax compliance, with many processes now managed through digital solutions. Tax authorities also encourage taxpayers to adopt technology and automation for smoother compliance. The chart below gives a broad perspective on the journey of tax technology adoption by the tax administration.

Tax authorities are making tax digital

A Timeline of Tax Transformation Advancements



The introduction of GST in 2017 revolutionised the way transaction-level reporting can be achieved. Likewise, the introduction of e-way bills in 2018 and e-invoicing in late 2020 changed the way real-time reporting can be carried out without interrupting business operations. The Indian e-invoicing model, adapted from a five-corner Peppol model, has been a resounding success for both the government and the taxpayers. The gradual reduction of the eligibility threshold for e-invoicing (currently INR 50 million/ US$625,000 has ensured high acceptability amongst taxpayers. The thrust on technology by the tax administration has ensured that automated extraction

of data from ERP/source systems and its processing using predefined rules/logics, including reconciliations has become a norm for most large and medium-sized organisations. The use of technology by taxpayers has helped in transaction-level reporting to the tax administrators, which has brought efficiencies for the tax administrators in audits and assessments.

The use of technology and automation reduces the chances of human errors and increases accuracy and efficiency. For example, the data for GST and tax deduction at source compliance could run into millions of line items for large organisations, which is unmanageable without the significant use of technology. Similarly, compliance under the Pillar 2 GloBE rules for multinational enterprises is another key area where technology can play a significant role in data mapping, extraction, wrangling and reporting.

In addition to compliance process automation, tax data analytics plays a crucial role in providing intelligent insights into the tax function. Technology can help identify tax leakages, detect overpayment of taxes, manage vendor payments for GST non-compliant vendors, monitor refunds, optimise the supply chain, monitor compliance/litigation status and mitigate risks. Over the past few years, tax technology professionals have been exploring additional use cases of predictive and prescriptive analytics, including the use of machine learning, Gen AI and Agentic AI in tax.

It is interesting to note that while the tax has been a late starter in adopting technology, it is moving rapidly towards embracing new-age technologies in a big way. The use of technology for compliance processes is already established, and companies are looking at off- the-shelf automation to streamline internal processes and provide specific and customised solutions to address their pain points. The ultimate objective is to transform the tax function, to reduce the time spent on compliance so that tax teams can focus on strategy and implementation and partner with the business and operations.

Technology is a boon for tax teams, and it is increasingly helping them to manage compliance efficiently. However, since tax automation started later than other areas, much work needs to be done. Organisations must focus on the entire data lifecycle (extraction, wrangling, reconciliation, etc.) and identify the right tax technology solutions to support their tax compliance needs. The use of new-age technologies, such as AI/machine learning, Generative AI and Agentic AI, in tax processes is being explored, which will change how tax operates.

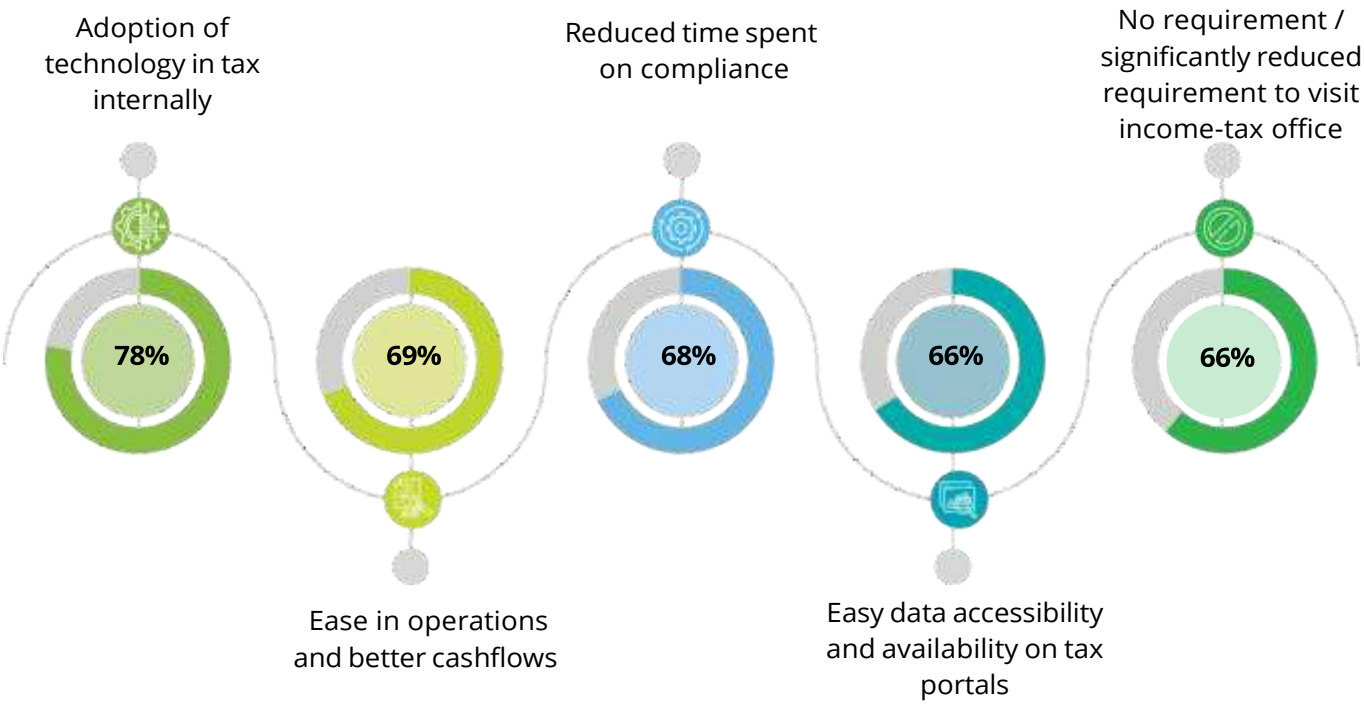
Apart from the taxpayers, the tax authorities have adopted a proactive approach in the adoption and use of technology for tax administration, which includes identification of non-compliant taxpayers, audits and assessments and policy making. Establishment of business intelligence units, use of data analytics and adoption of artificial intelligence for tax administration are some of the leading practices adopted by the tax authorities.

E.3. Results of tech surveys

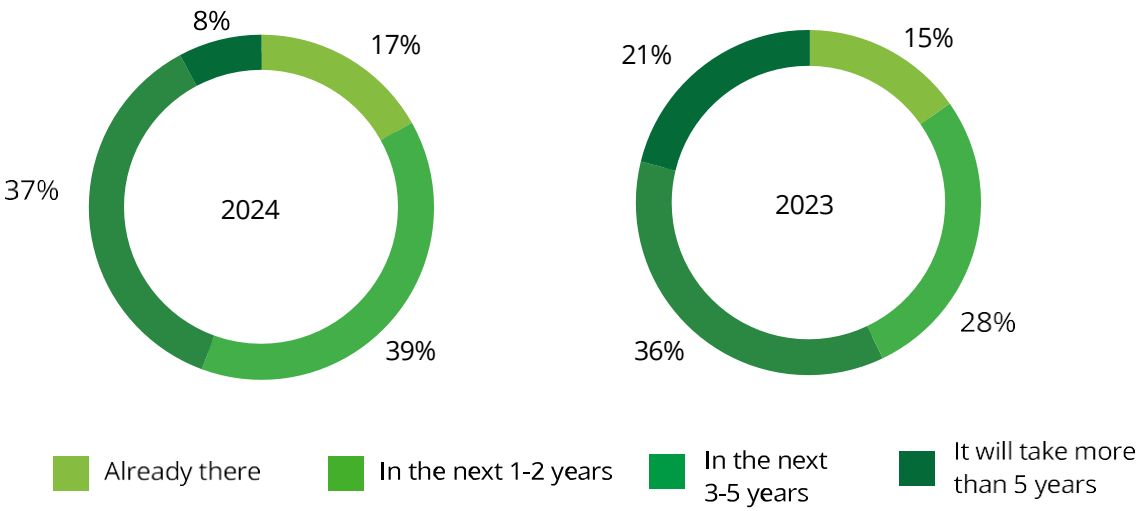
a) Survey on income-tax digitalisation in India

To assess the impact of digitalisation of income tax in India, Deloitte India released a survey titled "Survey on income-tax digitalisation in India 2.0". The following are some key themes from the survey:

Benefits of digital tax administration on business



Timeline for transitioning to a technology-driven tax function



b) GST survey

In Deloitte India's annual flagship survey GST @ 8 conducted on the completion of 8 years of GST, more than 960 respondents shared their views on various areas, including technology and automation. Some of the interesting outcomes are presented below, including how the adoption of robust technology has aided in improved compliances:

Top performance areas: Tax compliance automation such as auto-population of GST returns, easy retrieval of information from the GST portal and live and updated status of GST registration and other details of the taxpayers are some of the key user-friendly features of the GST portal as per the respondents.

User-friendly features of the GST portal

01	Auto-population of returns based on e-invoicing data
02	Easy retrieval of information from the GSTN portal
03	Live and updated status of GST registrations and associated details of the taxpayers
04	GST registration and amendment application process
05	Central system for notices and submission of responses to the notices

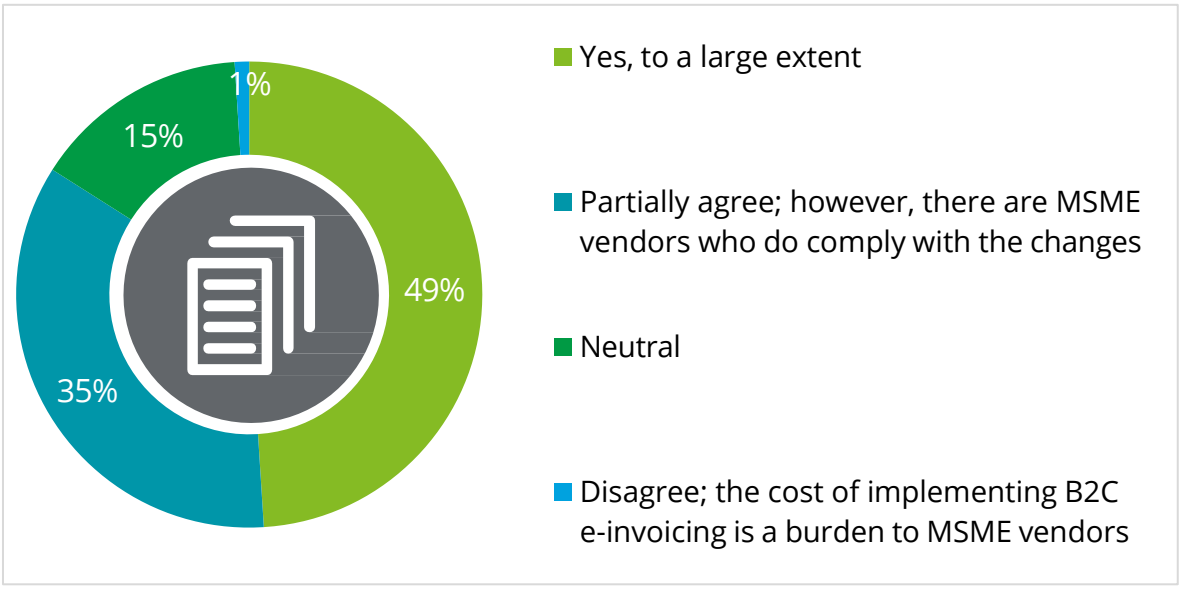
With the GST law attaining maturity, about 99 percent of the respondents of the survey have their IT systems fully / partially ready for GST audits and notices, demonstrating a strong digital resilience. However, MSMEs still lack IT preparedness and digital maturity.

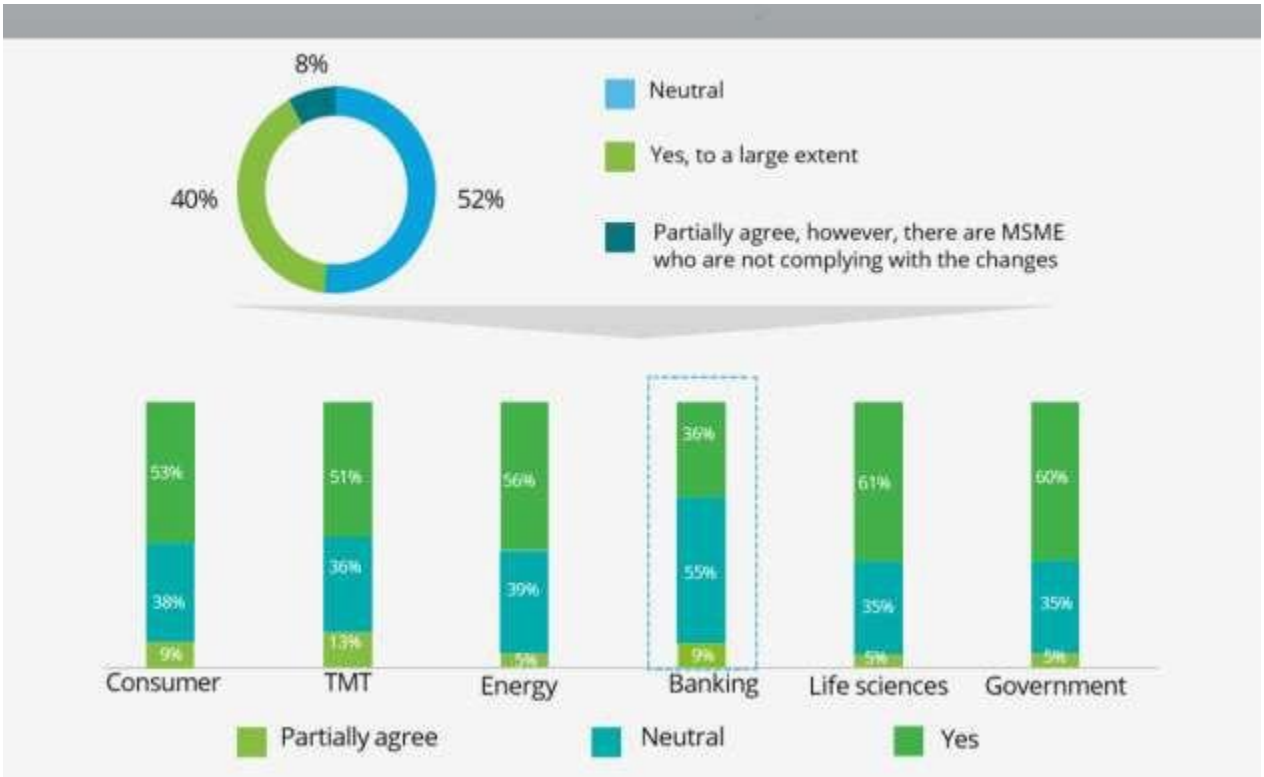
Need to prioritise AI-driven tax administration: With the GST law attaining maturity, a large number of respondents to the survey emphasized the need to prioritise AI-driven approach to identify discrepancies in the GST returns and filings on the GST portal. The respondents also emphasized a need to enhance several features on the GST portal for an efficient retrieval of data, as well as a unified taxpayer dashboard to monitor notices, input tax credit mismatches and taxpayer compliance rating. Under GST 2.0, majority of the respondents expect auto-population of the tax liability based on the place of supply, automation of interest computation, as well as removal of e-way bill-related compliances where e-invoices are already raised. At the same time, a majority of MSME respondents agreed that B2C e-invoicing is crucial in streamlining vendor compliance and enhancing transparency.

Ideas to shape next phase of GST portal, i.e., GSTN 2.0

Rank 1	Integration of tax-type payment, i.e., auto-population of CGST, SGST, IGST and UTGST liability based on the place of supply reported	61%
Rank 2	Automation of interest computation on the GST portal towards output liability and refunds receivable	58%
Rank 3	Removal of separate reporting requirements for e-way bills where e-invoices are applicable, by integrating the two documents	54%
Rank 4	Dedicated grievance redressal module by introducing 24/7 dedicated technological support	52%
Rank 5	A single unified return combining GSTR-1, GSTR-3B and GSTR-6 to reduce the cost of compliances	51%
Rank 6	Integrate the IRP, SEZ online system and GST system for seamless, real-time data transfer	25%

Enabling B2C e-invoicing for streamlining vendor compliance





E.4. Digital Personal Data Protection Act 2023

On 11 August 2023, India enacted the Digital Personal Data Protection Act (DPDP). The DPDP is the first unified law in India on data protection and will override the existing Sensitive Personal Data and Information Rules (2011) under the Information Technology Act, 2000. On November 2025, the Digital Personal Data Protection Rules, 2025 were published, and the provisions of the act were notified, with three phases of enforcement. All provisions of the DPDP Act will be enforced on 12 May 2027, with provisions relating to setting up of the regulatory authority (Data Protection Board of India) enforced on 13 November 2025, and provisions relating to Consent Manager to be implemented on 12 November 2026.

- The DPDP applies to all persons (companies and other forms of entities) processing the digital personal data of individuals in India. It also has extra-territorial applicability as it applies to foreign entities processing the digital personal data of individuals in India as part of offering goods or services to them. Indian entities processing data of foreign citizens are also affected even though some exemption applies.
- The DPDP applies to personal data collected in digital form, or personal data collected in nondigital form but subsequently digitised. Under the DPDP, personal data can be processed under the following two grounds:
  - Consent: Where an individual has given free, unambiguous, specific, informed consent indicative of clear affirmative action for a specified purpose of processing.
  - Legitimate uses: Such as voluntary sharing of personal data, passing subsidies, and benefits to individuals, processing under interest related to sovereignty/security of India, fulfilling the obligation under law, compliance with judgment or order under law, medical emergency, medical treatment, the safety of individuals, during disaster/breakdown of public order or employment purposes.
- Entities processing digital personal data are required to engage data processors under valid contracts, be liable for acts of data processors, ensure completeness, accuracy, and consistency of personal data, and implement technical/organisational measures to ensure data security.
- If an entity is notified as a “Significant Data Fiduciary” based on the volume and sensitivity of personal data processed, such entity is to appoint a resident data protection officer, conduct a data protection impact

assessment, and be subject to periodic audits of its data privacy practices. Such an entity is also required to submit its audit report/DPIA report before the regulatory authorities.

- A new authority, i.e., the Data Protection Board of India is to be constituted, functioning as an independent regulatory body in this domain. Entities are required to notify the DPB, in the event of a breach. The DPB has the power to impose a monetary penalty that can exceed up to INR 2,500 million per breach, and even send representation to the Ministry of Electronics and Information Technology to take down its content. As mentioned above, the DPB is being set up as of date.

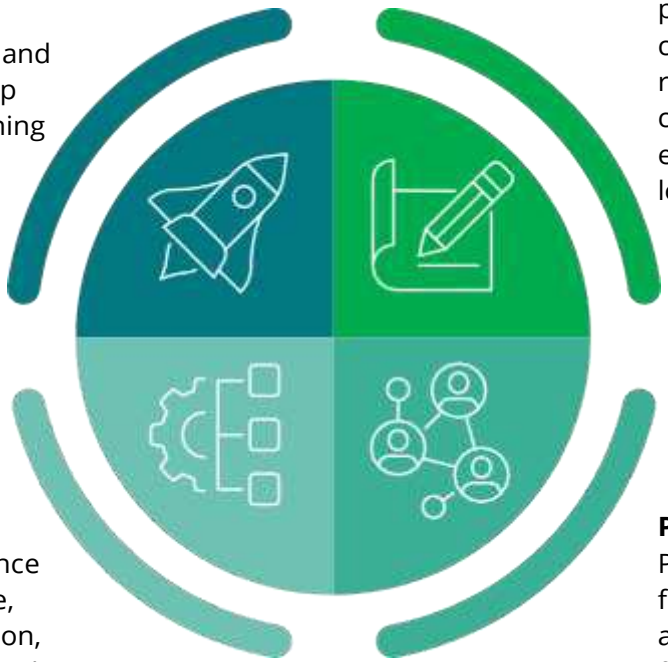
E.5. Start-ups

India's startup culture is booming, emerging as the world's third-largest ecosystem, fueled by a young, tech-savvy population, government initiatives, and a growing entrepreneurial spirit, with sectors like fintech, edtech, and e-commerce leading the charge.

In India, start-ups are eligible to claim 100 percent tax holiday on profits (for any 3 consecutive years within 10 years of their incorporation) if they fulfil prescribed conditions and are incorporated before 1 April 2030, as per the Union Budget 2025.

Cash optimisation
Lean startups optimise cash by tightening unit economics, cutting discretionary spend and using AI automation to keep teams small while maintaining service quality daily.

Revisiting decisions
Founders revisit big decisions, phase expansion, shift fixed costs to variable partners, renegotiate contracts and choose capital only when it extends the runway materially longer.



Due diligence
Investors run stricter diligence on governance, compliance, retention and cash conversion, funding fewer companies and demanding clear paths to profitability early and often visible.

Portfolio networks
Portfolio networks deepen as funds co-invest, share hiring and GTM playbooks, support follow-ons, and plan earlier exits through IPOs strategically each cycle.

Key drivers
Large market potential | Fast-growing economy | Government support | Innovative start-up culture

E.6. Global Capability Centres

Global In-House Centres, also known as GIC or GCC, have grown through the value chain in India and are continuing to grow. While they were primarily established to offshore back-office processes, they have become centres of operational excellence, product development and innovation hubs.

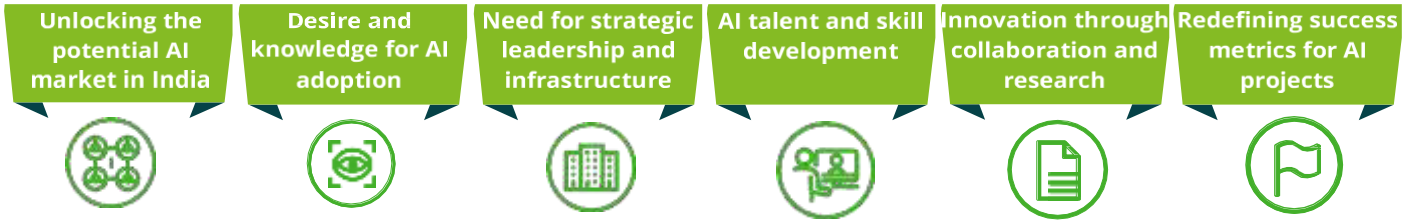


Technical education	Start-up ecosystem	Leadership development	R&D
India's engineering pipeline is still one of the largest in the world, and it is expanding again—AICTE data shows BTech seat capacity rising to ~14.9 lakh in 2024–25, led by CS/AI demand.	India's ecosystem is now "at scale". The Government reports 2 lakh+ DPIIT-recognised startups (as of December 2025). GCCs increasingly partner with startups for faster prototyping, niche AI tools and domain products—especially in fintech, SaaS, and deep-tech	India GCCs have moved beyond delivery management to building enterprise leadership benches	GCCs are now R&D and product engineering hubs, not just support centres. India has 1,700+ GCCs, employing 1.9M+ professionals, and they are moving from cost play to capability play

Young workforce	Government initiatives	Diverse work environment	Cost-effectiveness
India continues to have a deep talent pool. UN-linked demographic references put India's median age around ~28–29 years and a large working-age share—supporting long runway for GCC scaling.	The 2026 Budget narrative and announcements point to greater certainty in transfer pricing through safe-harbour measures, designed to reduce disputes and encourage more GCC setups and expansions.	The diversity advantage is increasingly about cross-domain collaboration (engineering/ operations/risk/ compliance) rather than only geography.	Reports highlight the move from cost arbitrage to capability arbitrage, as India GCCs deliver complex work comparable to global standards.

E.7. Artificial intelligence

AI adoption in India is accelerating and entering its execution phase. Current enterprise maturity shows meaningful headroom, spanning strategy, data foundations, governance, and deployment, before AI becomes a consistent, repeatable capability across the organisation.



AI maturity	Survey findings	Vision and AI strategy	AI talent	Incubation and in-house labs	Legacy frameworks
NASSCOM's AI Adoption Index continues to place India in the "enthusiast / mid-maturity" band (around ~2.45–2.47 on a 4-point scale), meaning value exists, but "AI at scale" is still concentrated in fewer firms and functions.	AI usage is now mainstream, with government summaries citing ~8percent of enterprises actively using AI solutions, while only a smaller slice has reached scaled maturity across the organisation (often quoted at ~26 percent at scale in industry survey references).	The shift since 2023 is from "AI experimentation" to AI operating models: clear value themes, prioritised use-case portfolios, AI product owners, reusable components and governance that enables faster deployment without losing control.	Leading organisations are bridging the gap through internal academies, GCC capability pods and role-based learning paths (builders, validators, operators).	Enterprises are moving from innovation labs to AI factories, which entail central platforms (data, model, tooling) with business-led squads that ship, measure and iterate.	Success metrics are changing. Instead of only ROI and "project completion," firms are adopting product-style metrics (adoption, cycle-time reduction, defect leakage, conversion uplift, risk avoidance) and putting governance around model drift, bias and auditability.
Market opportunity	**Acknowledging challenges**	**Data standards**	**Project management**	**Academic collaboration**	**New metrics**
The macro opportunity narrative has broadened beyond a single 2026 number: AI is viewed as a multi-year productivity and growth lever, with current commentary pointing to hundreds of billions of dollars of potential value unlocked if diffusion becomes broad-based.	The constraints are now well understood: Data quality and access, fragmented processes, unclear ownership, skills and responsible AI risks (privacy, IP, hallucinations).	The practical need is clean, governed, shareable data: Common definitions, lineage, access controls and strong master data. Teams are standardising data contracts and building "golden datasets" for high-value domains to reduce model rework.	AI delivery is increasingly run like product delivery: Short cycles, measurable outcomes, controlled rollouts and lifecycle management (monitoring, retraining, model risk review).	Collaboration is becoming more structured: Internships, joint applied research and targeted skilling. Budget 2026–27 also signalled education-to-employment intent in adjacent digital talent areas, reinforcing the broader "talent pipeline" push.	Enterprises are formalising new KPIs: Time saved per user, decision accuracy, automation rate, cost-to-serve reduction, compliance risk avoided, plus model health metrics (latency, drift, safety incidents).

E.8. Automation

India's automation journey in 2026 is moving from isolated line-level upgrades to scaled, end-to-end modernisation across operations. Public investment in infrastructure and manufacturing, combined with policy support for MSMEs and domestic production, is creating a steady pull for automation adoption. On the private side, companies are modernising plants and supply chains with a practical mix of industrial automation, machine vision, robotics and AI-enabled decision support to improve throughput, quality, safety and cost-to-serve. The emphasis is increasingly on deployable solutions that integrate with existing ERP and shopfloor systems and deliver measurable outcomes, rather than pilots that stay confined to a single site or function.

Industrial automation	Smart manufacturing	Industrial robots	Automation in Supply Chain	Industry 4.0 and Internet of Things	Smart facility and utility monitoring
Make in India	**Government incentives**	**Increase Exports**	**E-commerce expansion**	**Government-sponsored CoE**	**Smart grid**
Automation is increasingly being deployed as a capacity and quality enabler for domestic manufacturing, especially in electronics, pharma, auto/EV components and capital goods, so plants can meet global consistency, traceability and compliance expectations.	PLI remains a major demand-pull for modern factories: Economic Survey references 806 applications approved across 14 sectors and INR23,946 crore cumulative incentives disbursed (across 12 sectors)	Automation is being justified not just on cost, but on export readiness (quality, lead time, traceability). Economic Survey commentary notes PLI-linked exports surpassing INR8.20 lakh crore, led by electronics, pharma and telecom/ networking products.	E-commerce scale and competition are pushing high-throughput fulfilment: more automation in sorting, picking, packing, routing and returns. India's e-commerce growth and platform scaling is visible in large user bases and logistics investments by major players.	Industry 4.0 support is more structured now: initiatives such as SAMARTH Udyog Bharat 4.0 have sanctioned Industry 4.0 demonstration/ experience centres to accelerate adoption, training and solution showcasing for manufacturers (including MSMEs).	Grid modernisation has moved from pilots to scale. Government updates note 5.28 crore smart meters installed in India as of 31 Dec 2025, enabling better billing efficiency, demand visibility and consumer transparency.
Start-up incubation	**Industrial shift**	**Warehouse automation**	**Integrated logistics**	**Atmanirbhar Bharat**	**Smart City Mission**
Incubation is increasingly aligned to "industrial outcomes" (automation, robotics, AI, IIoT, cybersecurity). MeitY's TIDE 2.0 continues to support tech startups through incubators and ecosystem linkages.	Companies are moving from "automation for productivity" to "automation for resilience", reducing process variation, improving safety, cutting energy intensity, and creating stable output under labour/material volatility.	Market trackers forecast strong growth in India's warehouse automation market through the second half of the decade.	Under National Logistics Policy, ULIP has integrated 30+ digital systems and enabled 160+ crore digital transactions (as of August 2025), improving visibility and coordination across the logistics chain.	The self-reliance theme is now more "componentised": stronger push on electronics/equipme nt supply chains, semicon ecosystem and manufacturing depth.	The Smart Cities Mission funding window has effectively reached closure timelines (extended to 31 March 2025 for completion of balance projects). The focus in 2026 is on operationalising and scaling what was built, i.e., integrated command centres, urban mobility, utilities digitisation, into day-to-day service delivery.

F. Seize the India moment



India's future landscape promises a potent amalgamation of ingenuity and opportunity that draws the attention of investors and visionaries globally. The forthcoming decade will stand as a testament to India's relentless pursuit of the technological forefront, displayed through the rapidly increasing AI capabilities at urban centres and at the grassroots level. This will instil a new wave of innovation – that is both inclusive and transformative. India has become a nurturing habitat for start-ups, where dreams transform into substantial realities.

GCCs in India demonstrate strong reliability and expertise, highlighting India's role as a global hub for quality and cost-effective services. This synergy boosts corporate efficiency and positions India as a key market and valuable partner in global growth. With supportive policies and a skilled workforce, India is well-prepared for future opportunities, paving the way for collaborative success.

Now is the perfect time to build alliances and create new success stories, as India enters a period of rapid growth driven by innovation, inclusivity, and prosperity. The opportunity to invest in India is an invitation to partake in the country's growth story and sculpt a legacy of transformative success.

Glossary

AA	Advance Authorsiization
AD Bank	Authorised Dealer Bank
AE	Associated Enterprise
AEO	Authorised Economic Operator
AI	Artificial Intelligence
AICTE	All India Council for Technical Education
AIF	Alternative Investment Fund
ALP	Arm's length price
AMT	Alternate Minimum Tax
AOP	Association of Persons
APA	Advance Pricing Agreement
ASEAN	The Association of Southeast Asian Nations
AUM	Assets under management
AVGC	Animation, Visual Effects, Gaming, and Comics
BCD	Basic Custom Duty
BEPS	Base Erosion and Profit Shifting
BESS	Battery Energy Storage Systems
BFAR	Board for Advance Rulings
BO	Branch Office
BOPIS	Buy Online Pick In Store
BORIS	Buy Online Return In Store
BPCL	Bharat Petroleum Corporation Ltd
BRSR	Business Responsibility and Sustainability Report
C&I	Commercial And Industrial
CA	Competent Authority
CAD	Current Account Deficit
CAGR	Compound Annual Growth Rate
CB	Corporate Bond
CBG	Compressed Bio Gas
CBAM	Carbon Border Adjustment Mechanism
CbCR	Country-by-country Reporting
CBDT	Central Board of Direct Taxes
CBIC	Central Board of Indirect Taxes and Customs
CCDs	Compulsory Convertible Debentures
CCI	Competition Commission of India
CCPS	Compulsory Convertible Preference Shares
CCUS	Carbon Capture, Utilization, and Storage
CDP	Carbon Discloure Project
CDSCO	Central Drugs Standard Control Organisation
CECA	Comprehensive Economic Cooperation Agreement
CEPA	Comprehensive Economic Partnership Agreement
CFC	Controlled Foreign Corporation
CGD	City Gas Distribution

CGTMSE	Credit Guarantee Fund Trust for Micro and Small Enterprises
CPSEs	Central Public Sector Enterprises
CIT	Commissioner of Income Tax
CNG	Compressed Natural Gas
COC	Certificate of Coverage
COP	Conference of the Parties
CPE	Customer Premise Equipment
CPI	Consumer Price Index
CS	Computer Science
CSR	Corporate Social Responsibility
CTT	Commodities Transaction Tax
DESH Bill	Development of (Enterprise and Service) Hubs Bill
DGIT	Directorate General of Income Tax
DISCOM	Distribution Company
DPB	Data Protection Board
DPIIT	Department for Promotion of Industry and Internal Trade
DTAA	Double Taxation Avoidance Agreement
E&P	Exploration & Production
EBITDA	Earnings Before Interest, Taxes, Depreciation, And Amortization
ECB	External Commercial Borrowings
ECMS	Electronics Components Manufacturing Scheme
EOU	Export Oriented Unit
EPC	Engineering, Procurement and Construction
EPCG	Export Promotion Capital Goods
EPF Act	Employees Provident Funds and Miscellaneous Provisions Act, 1952
ER&D	Engineering Research and Development
ERP	Enterprise Resource Planning
ESG	Environmental, Social and Governance
ESS	Energy Storage System
EU	European Union
EUR	Euro
EV	Electric Vehicles
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999
Firm	Partnership firm
FMCG	Fast-moving consumer goods
FME	Fund Management Entity
FMV	Fair Market Value
FPF	Foreign Pension Funds
FPI	Foreign Portfolio Investment
FRO	Foreigners Registration Office
FRRO	Foreign Regional Registration Offices
FS	Financial services
FSI	Floor Space Index
FTA	Free Trade Agreement
FTP	Foreign Trade Policy
FVCI	Foreign Venture Capital Investor
FY	Fiscal Year / Financial Year

GAAR	General Anti-Avoidance Rule
GATT	General Agreement on Tariff and Trade
GBP	Great Britain Pound
GCC	Global Capability Centres
GDP	Gross Domestic Product
GeM	Government e-Marketplace
GH	Green Hydrogen
GHG	Green House Gas
GIC	Global In-house Centre
GIFT	Gujarat International Finance Tec-City
GIR	Global Information Return
GNA	General Network Access
GNPA	Gross Non-Performing Asset
Green OA	Green Open Access
GST	Goods and Services Tax
GSTN	Goods and Services Tax Network
GTM	Go-To-Market
GW	Gigawatt
GWh	Gigawatt Hour
HO	Head Office
HPCL	Hindustan Petroleum Corporation Ltd
HR	Human Resource
HTM	Held-to-maturity
ICAI	The Institute of Chartered Accountants of India
IFSC	International Financial Services Centre
IFSCA	International Financial Services Centres Authority
IG	International Group
IHC	Intermediate Holding Company
IMF	International Monetary Fund
Indian TP Regulations	Section 92 of the Income-tax Act, 1961 (“the Act”) read along with Rules 10A to 10E of the Income-tax Rules, 1962 (“the Rules”) [collectively referred to as the “transfer pricing regulations” or “the Regulations.
INR	Indian Rupee
IOCL	Indian Oil Corporation Ltd
IoT	Internet of Things
IPP	Independent Power Producers
IPRs	Intellectual Property Rights
IRA	Indian Revenue Authorities
IRDA Act	Insurance Regulatory Development Authority Act, 1999
IRDAI	Insurance Regulatory and Development Authority of India
I-REC	International Renewable Energy Certificate
ISTS	Inter State Transmission System
ISM	India Semiconductor Mission
IP	Intellectual property
IPO	Initial Public Offering
IT	Information Technology
IIoT	Industrial Internet of Things

ITA	Income-tax Act
ITC	Input Tax Credit
ITES	Information Technology Enabled Services
IW	International Worker
JV	Joint Venture
KPIs	Key Performance Indicators
KM	Kilometre
kWh	Kilowatt Hour
KYC	Know-Your Client
LIBOR	London Inter-Bank Offer Rate
LLP	Limited Liability Partnership
LNG	Liquefied Natural Gas
LO	Liaison Office
LOB	Limitation of Benefits
LODR	Listing Obligations and Disclosure Requirements
M&A	Merger and Acquisition
MAP	Mutual Agreement Procedure
MAT	Minimum Alternate Tax
MF	Mutual Fund
MFN	Most Favoured Nation
MLI	Multilateral convention to implement tax treaty-related measures to prevent BEPS
MMT	Million Metric Tonnes
MMTPA	Million Metric Tonnes Per Annum
MNC	Multinational Corporation
MOOWR	Manufacturing And Other Operations in Warehouse Regulations
MoRTH	Ministry of Road Transport and Highways
MOSPI	Ministry of Statistics and Programme Implementation
MRO	Maintenance, Repair and Operations
MSME	Micro, Small & Medium Enterprises
MT	Metric Ton
MTPA	Million Tonnes Per Annum
MVT	Medical Value Tourism
MW	Megawatt
NASSCOM	National Association of Software Companies
NBFC	Non-Banking Financial Company
NCD	Non-convertible Debentures
NCLT	National Company Law Tribunal
NFRA	National Financial Reporting Authority
NGHM	National Green Hydrogen Mission
NGRBC	National Guidelines on Responsible Business Conduct
NHM	National Hydrogen Mission
NIIP	National Infrastructure Pipeline
NIPERS	National Institutes of Pharmaceutical Education and Research
NLP	National Logistics Policy
NMP	National Monetaisation Plan
NOC	No Objection Certificate
NPA	Non-Performing Asset

NPPA	National Pharmaceutical Pricing Authority
NRL	Numaligarh Refinery Limited
OBUs	Offshore Banking Units
OCI	Overseas Citizen of India
ODI	Offshore Derivative Instruments
OECD	The Organisation for Economic Cooperation and Development
OEM	Original Equipment Manufacturer
OIDAR	Online Information and Database Access or Retrieval
OMC	Oil Marketing Companies
ONGC	Oil And Natural Gas Corporation
OT	Operation Theatre
OTT	Over-the-Top
PAN	Permanent Account Number
PCIT	Principal Commissioner of Income Tax
PE	Permanent Establishment
PF	Provident Fund
PIB	Press Information Bureau
PLI	Production Linked Incentive
PNG	Piped Natural Gas
PNGRB	Petroleum and Natural Gas Regulatory Board
PPP	Public-Private Partnership
PRIP	Promotion of Research and Innovation in Pharma MedTech Sector
PSM	Payment Security Mechanism
PO	Project Office
PoEM	Place of Effective Management
POGA	Payment of Gratuity Act, 1972
PPT	Principal Purpose Test
PRS	Permanent Residency Status
PSE	Public Sector Enterprise
PTA	Preferential Trade Agreement
QDMTT	Qualified Domestic Minimum Top-up Tax
QRMP	Quarterly Return Monthly Payment
R&D	Research And Development
RBI	Reserve Bank of India
RDI	Research, Development and Innovation
RE	Renewable Energy
REC	Renewable Energy Certificate
RNOR	Resident but not ordinarily resident
RoDTEP	Remission Of Duties and Taxes on Export Products
ROI	Return on investment
ROO	Rules of Origin
ROPIS	Reserve Online Pick In Store
RTC	Round-The-Clock
SAF	Sustainable Aviation Fuel
SAFTA	South Asian Free Trade Area
SDTs	Specified Domestic Transactions
SEBI	Securities and Exchange Board of India
SECI	Solar Energy Corporation of India Limited

SEP	Significant Economic Presence
SEZ	Special Economic Zone
SGST	State Goods and Services Tax
SHR	Safe Harbour Rules
SIDBI	Small Industries Development Bank of India
SIGHT	Strategic Interventions for Green Hydrogen Transition Programme
SLR	Statutory Liquidity Ratio
SPECS	Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors
SPMEPCL	Scheme to Promote Manufacturing of Electric Passenger Cars in India
SPR	Strategic Petroleum Reserve
SPV	Special Purpose Vehicle
SSA	Social Security Agreement
STEM	Science, Technology, Engineering, and Mathematics
STT	Securities Transaction Tax
SWF	Sovereign Wealth Funds
TCS	Tax Collected at Source
TDS	Tax Deducted at Source
The Act	Income Tax Act, 1961
TP	Transfer Pricing
TRC	Tax Residence Certificate
TReDS	Trade Receivables Discounting System
TTR	Tax Transparency Report
TY	Tax year
UAD	Unabsorbed depreciation
UAE	United Arab Emirates
UAPA	Unilateral Advance Pricing Agreement
UK	United Kingdom
ULIP	Unified Logistics Interface Platform
UN	United Nation
US	United States
US$	United States Dollar
UTs	Union Territories
VAT	Value-Added Tax
VC	Venture Capital
VDA	Virtual Digital Asset
VGF	Viability Gap Funding
VPPA	Virtual Power Purchase Agreement
WCO	World Customs Organisation
WDV	Written Down Value
WHT	Withholding Tax
WOS	Wholly Owned Subsidiary
WTO	World Trade Organization
YTM	Yield-to-maturity

Endnotes

- https://www.investindia.gov.in/sector/retail-E-commerce https://www2.deloitte.com/in/en/pages/about-deloitte/articles/future-of-retail.html, Deloitte analysis
- https://www.livemint.com/companies/news/tier-2-3-regions-grab-a-larger-pie-of-e-com-market-11671380417276.htm
- https://foodprocessingindia.gov.in/information/details/foreign-direct-investment
- https://pib.gov.in/newsite/PrintRelease.aspx?relid=191486
- https://www.cnbctv18.com/lifestyle/india-luxury-market-worth-200-billion-dollars-by-2030-16619841.htm
- https://www.makeinindia.com/sector/tourism-and-hospitality
- https://ficci.in/api/sector_details/40
- https://tourism.gov.in/sites/default/files/2023-02/MOT percent20Annual percent20Report_2022-23_English.pdf
- https://www.investindia.gov.in/sector/tourism-hospitality#:~:text=Tourism
- https://economictimes.indiatimes.com/industry/services/hotels-/-restaurants/hotel-industrys-contribution-to- indias-gdp-to-hit-1-trillion-by-2047-hai/articleshow/102870459.cms?from=mdr
- https://tourism.gov.in/about-us/divisions/infrastructure-development-division-idd
- https://www.ibef.org/industry/tourism-hospitality-india
- https://www.investindia.gov.in/sector/automobile
- https://www.autopunditz.com/post/indian-passenger-vehicle-export-analysis-fy2023
- https://www.grandviewresearch.com/industry-analysis/india-automotive-market
- https://www.methanol.org/wp-content/uploads/2020/04/EconomicAnalysis-of-Methanol_020929021.pdf
- https://www.makeinindia.com/sector/automobiles
- https://enterslice.com/learning/gst-on-hospitality-industry/
- Deloitte Newsletter on India Global Trade Advisory Newsletter (January–March 2021)
- Deloitte Newsletter on India Global Trade Advisory Newsletter (April to June, 2022)
- Deloitte Newsletter on India Global Trade Advisory Newsletter (Jan to March, 2022)
- https://www2.deloitte.com/in/en/pages/tax/articles/deloitte-india-tax-publications.html
- https://www.indiabudget.gov.in/doc/memo.pdf
- https://www.businesstoday.in/union-budget/story/union-budget-2024-govt-allocates-over-rs2400-cr-for-tourism-in- fy25-438393-2024-07-23)
- https://www.hindustantimes.com/htcity/wellness/india-is-slowly-but-surely-climbing-its-way-to-the-top-as-a- medical-tourist-destination-say-experts-101719759824977.html)
- https://data.tourism.gov.in/annualreport
- https://cleanmobilityshift.com/policy-regulation/union-budget-2024-key-highlights-for-indias-electric-vehicle-industry/

- https://cleanmobilityshift.com/policy-regulation/union-budget-2024-key-highlights-for-indias-electric-vehicle- industry/#:~:text=While
- https://www.business-standard.com/economy/news/india-s-fdi-inflows-drop-3-to-44-b-in-fy24-manufacturing- sector-down-18-124053001043_1.html
- https://www.pib.gov.in/PressReleasePage.aspx?PRID=2114919&reg=3&lang=2
- https://www.businesstoday.in/auto/story/auto-pli-gets-boost-of-rs-2818-crore-in-union-budget-2025-2...
- https://www.pib.gov.in/PressReleasePage.aspx?PRID=2121826&reg=3&lang=2
- https://www.pib.gov.in/PressNoteDetails.aspx?NoteId=155094&ModuleId=3&reg=3&lang=2
- https://www.ibef.org/industry/tourism-hospitality-india
- https://www.incometaxindia.gov.in/history-of-direct-taxation
- Deloitte survey report dated 19 May 2023 - Income-tax digitalisation in India
- Press release PIB1954913 dated 5 September 2023
- https://pib.gov.in/PressReleasePage.aspx?PRID=2018085
- https://www.taxsutra.com/sites/default/files/sftp/CBDT_APA_Annual_Report___2023_24.pdf
- https://incometaxindia.gov.in/Lists/Press%20Releases/Attachments/1225/Press-Release-CBDT-Signs-174-Advance-Pricing-Agreements-in-FY-2024-25-dated-01-04-2025.pdf
- https://www.pib.gov.in/PressReleasePage.aspx?PRID=2230621&lang=1&reg=3&utm
- https://www.sebi.gov.in
- https://www.ibef.org/economy/investments
- https://www.amfiindia.com/indian-mutual
- https://www.investindia.gov.in/sector/bfsi-insurance
- https://policyholder.gov.in/indian-insurance-market#:~:text=1
- Redseer Strategy Consultants report
- https://irdai.gov.in/life-insurers1
- World Trade Organisation. (2025). World Trade Report 2025: Making Trade and AI Work Together to Benefit All. Geneva: WTO
- Economic Survey 2025-26
- https://www.business-standard.com/article/companies/bsnl-s-125-000-new-4g-towers-to-come-up-in-rural-hinterland-122111800813_1.html
- Mobile subscribers report by swedish telecom gear maker Ericsson
- Fourth annual Enterprise Cloud Index (ECI) report findings
- India’s semiconductor demand to hit $100-110 billion by 2030: MeitY Secretary - The Hindu Business Line
- https://www.pib.gov.in/PressReleasePage.aspx?PRID=2114919&reg=3&lang=2
- https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=1928750&reg=48&lang=2
- https://ppac.gov.in/
- Press Information Bureau, MoPNG
- News reports
- PNGRB reports
- https://www.business-standard.com/companies/news/oil-india-ropes-in-france-s-totalenergies-for-deepsea-oil-gas-hunt-125111900664_1.html
- https://energy.economictimes.indiatimes.com/news/oil-and-gas/pngrb-promotes-electric-motor-driven-compressors-to-reduce-emissions-in-gas-pipelines/121637544
- https://www.pib.gov.in/PressReleasePage.aspx?PRID=2168488&reg=3&lang=2

- https://www.pib.gov.in/PressReleseDetailm.aspx?PRID=2072749&reg=3&lang=2
- https://www.pib.gov.in/PressReleasePage.aspx?PRID=2154355&reg=3&lang=2
- https://www.pib.gov.in/PressReleasePage.aspx?PRID=2163273&reg=3&lang=2
- https://www.pib.gov.in/
- https://www.niti.gov.in/sites/default/files/202302/InvestmentOpportunities_HealthcareSector.pdf
- https://pharmaceuticals.gov.in/sites/default/files/Approvedpercent20Operational percent20Guidelines percent20percent20percent28PRIPpercent29.pdf
- https://www2.deloitte.com/content/dam/Deloitte/in/Documents/tax/Globalpercent20Businesspercent20Tax percent20Alert/in-tax-gbt-National-Policy-on-Research-Linked-Incentives-in-Pharma-Med-Tech-Sectornoexp.pdf
- https://www.mordorintelligence.com/industry-reports/india-patient-monitoring-market-industry

Connect with us

Gokul Chaudhri
President – Tax
Deloitte India
gchaudhri@deloitte.com

Debasish Mishra
Chief Growth Officer
Deloitte India
debmishra@deloitte.com

Anil Talreja
Trade Corridor Leader
Deloitte India
atalreja@deloitte.com

Jimit Devani
Client Program Leader, Tax
Deloitte India
jdevani@deloitte.com

Contributors

Alpa Shah
Tarun Chanchlani

Acknowledgements

Akriti Bahl
Anasuya Pal
Anil V Kadam
Ankita Vaiude
Ankit Kedia
Ankit Shah
Anoushka Roy
Anuj Agarwal
Anupama Agrawal
Arti Sharma
Ayush Dedhia
Bhavik Timbadia
Chandra Boreddy
Chhavi Poddar
Debdatta Ghatak
Dilip Sutar
Farheen Butt
Goldie Dhama
Hemali Thakkar
Himadri Singha
Himanshi Narang
Hiren Shah
Jasvinder Singh
Khyati Saini
Kritika Tewani
M.S. Mani
Madhava Yathigiri
Madhu Agarwal
Manasi Kajabaje
Meena Khivasara
Moumita Paul
Naga Mounika Vemula
Neha Aggarwal
Neha Gupta
Neha Saraf
Nidhi Agarwal
Nijeesh Padmanabhan
Nitesh Kumar
Pallavi Dhamecha
Parasrampuria Ruchita
Payal Goel
Prashant Verma
Pratik Sharma
Pritin Kumar
Punita Bhuchar
Rahul Dhuria
Ramsurya Mamidenna
Ravi Pratap Singh
Reena Garg
Rishab Gandhi
Rohan Chipra
Rumki Majumdar
Russell Gaitonde
Sanjay Sah
Sambhav Jain
Samir S Shah
Shailvi Singhal
Shivali Valecha
Shivam Chugh
Shrenik Shah
Shreya Rajopadhye
Shubhi Kalra
Shuchi Ray
Siddhi Maru
Smita Parulkar
Suchint Majmudar
Swati Kedia
Sweta Tibrewala
Tejasvi Anand
Tina Thakur
Tridev Agarwal
Utkarsh Trivedi
Vikas Saluja
Vineet Chhabra
Vishal Shrivasta

Deloitte.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which is a separate and independent legal entity, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Bengaluru, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Mumbai, New Delhi, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

This communication contains general information only, and none of DTTL, its global network of member firms or their related entities is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication.

© 2026 Deloitte Touche Tohmatsu India LLP. Member of Deloitte Touche Tohmatsu Limited