

Doing business in India



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Introduction

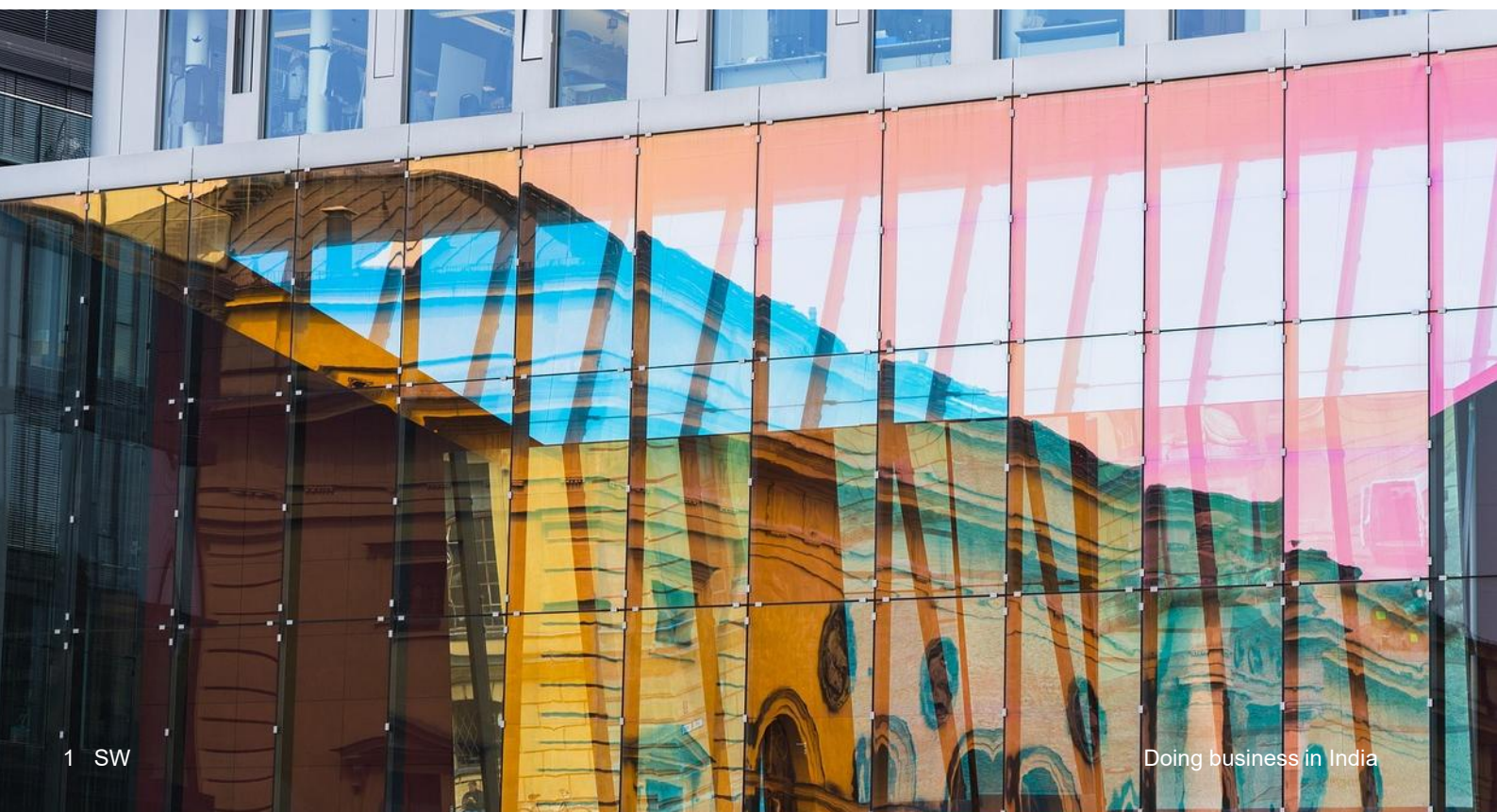
India, officially the Republic of India, is the world's most populous nation and the fourth-largest economy by nominal GDP in 2025. It has become a global hub for manufacturing, technology, and services.

Strong FDI inflows of \$81.04 billion (FY 2024–25) reflect growing investor confidence, supported by reforms such as Make in India, Startup India, and Atmanirbhar Bharat. New frameworks, including the draft Shram Shakti Niti 2025 and the four Labour Codes, aim to formalize employment and strengthen social security. Long-term programs like Viksit Bharat @2047 and PM Gati Shakti emphasize innovation, infrastructure, and sustainability.

This guide provides a clear overview of India's economic landscape, business setup procedures, taxation, labour policies, and key regulatory areas—serving as a roadmap for entrepreneurs, startups, and multinational enterprises entering or expanding in India.

This publication provides an overview and should not be used as a substitute for professional guidance specific to the reader's particular circumstances. The information contained in this Guide is derived from a variety of sources and is accurate, to the best of our knowledge, as of the date of production (June 2026). However, laws and regulations are subject to change at any time.

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Snapshot of India



Key facts and Market Highlights

South Asia (bordered by Pakistan (west), China/Nepal/Bhutan (north), Bangladesh/Myanmar (east); southern peninsula with 7,517 km coastline along Arabian Sea and Bay of Bengal; strategic access to Indo-Pacific trade routes; strategic access to Indo-Pacific trade routes.)

Location

3,287,263 km² (7th largest globally)

Land Area

1.41 billion (Urbanization rate: 36%; youth aged 15-29: ~25%)

Population (2025)

608 million

Labour force (2024 estimate)

~\$4.19 trillion U.S. dollar (with key sectors such as Services, Industry and Agriculture)
GDP (2025 projection)

Indian Rupee

Currency

Hindi & English (Hindi as the official language, and English as the associate official language for business/government)

Language

Sovereign socialist secular democratic republic with a federal parliamentary system

Government

India is the world's fastest-growing major economy, driven by a young demographic (65% under 35), robust domestic consumption, and strategic reforms.

Demographic Dividend and Vast Talent Pool

A 608-million-strong workforce, with 1.5 million annual entrants and low-cost labour (~\$2-5/hour for IT/engineering roles), supports businesses like software services (TCS, Infosys) and R&D. Initiatives like Skill India (40 crore youth skilled by 2025) and the National Career Service (NCS), with AI-driven job matching, ensure a ready talent pipeline, benefiting sectors from startups to large enterprises.

Robust Economic Growth and Market Size

India has a \$4.19 trillion economy with 6.4% growth, which outpaces global averages and is driven by 400 million middle-class consumers. Domestic demand fuels e-commerce (\$100B+ market) and FMCG, benefiting sole proprietorships (retail) and conglomerates (Reliance Retail). Urbanization (36%) boosts real estate and infrastructure investments.

FDI-Friendly Reforms and Ease of Doing Business

Automatic 100% FDI is allowed in most sectors (e.g., manufacturing, telecom, insurance, as per Budget 2025), while the Foreign Investment Facilitation Portal streamlines approvals. Cumulative FDI exceeds \$1 trillion since 2000. Tax incentives (e.g., 100% profit deduction for startups under Section 80-IAC) and Jan Vishwas 2.0 (2025) reduce compliance burdens, enhancing India's 63rd rank in Ease of Doing Business.

Strategic Location and Infrastructure Boom

India's proximity to ASEAN/Middle East markets; along with its 6.6 million km road network (the second largest globally), 70,000 km rail network with freight corridors, 14,500 km waterways, and 157 airports (serving 350 million passengers annually), strengthens connectivity. PM Gati Shakti (\$1 trillion outlay) cuts logistics costs by 10-15%, aiding MSMEs and joint ventures.

Innovation and Digital Ecosystem

As the world's second largest internet user base (900 million), India processes \$2 trillion in UPI transactions yearly. Startup India supports 1 lakh+ startups with tax holidays and the abolition of angel tax. The India AI Mission (\$1.2 billion) fosters AI/cloud hubs, positioning India as a global innovation leader.

Sectoral Incentives and Sustainability Focus

PLI schemes (\$265 billion) offer 4-6% incentives for electronics/pharma, creating 1.5 million jobs. Green Hydrogen Mission targets 5 MMT production by 2030 with 40% depreciation. Stable policies like GST and Labour Codes enhance compliance ease for MSMEs (which contribute ~30% of GDP).

Policy Stability and Judicial Independence

Political stability, strong judiciary, and reforms like four Labour Codes ensure a predictable environment for India, boosting investor confidence for long-term investments.

Setting up a business in India



India Entry Strategy

While India offers vast opportunities, entering its market is not without challenges. Foreign investors face a complex regulatory system, diverse consumer preferences influenced by cultural differences, and strong competition from both established local companies and global players. Therefore, an India Entry Strategy cannot be one-size-fits-all; it must be a carefully designed plan that includes detailed market research, adapting products and services to local needs, setting the right pricing, selecting the right entry route, and ensuring full compliance with regulatory and tax requirements.

We provide a structured, in-depth examination of the essential elements of such a strategy, highlighting both opportunities and challenges, and outlining practical considerations for foreign businesses aiming to build a sustainable presence in India.



Market Assessment and Opportunity Mapping

Sectoral Potential

A robust assessment of India's economic sectors forms the foundation of any market entry strategy. Certain industries have been identified as high-growth areas both by domestic demand drivers and by government policy priorities.

Information Technology and Digital Services: India remains a global leader in IT outsourcing, software services, and business process management. With the rise of artificial intelligence, cybersecurity, and cloud computing, the IT sector continues to expand rapidly.

Renewable Energy: India has committed to ambitious sustainability targets, including achieving 500 GW of renewable capacity by 2030. This makes solar, wind, and related green technologies particularly attractive for foreign investors.

Healthcare and Life Sciences: Driven by increasing healthcare expenditure, medical tourism, and a burgeoning pharmaceutical industry, healthcare is poised for sustained growth.

Advanced Manufacturing: Initiatives such as Make in India and Production-Linked Incentive (PLI) schemes encourage large-scale manufacturing in sectors like electronics, automotive, and semiconductors.

By aligning with these sectors, foreign entrants can not only capitalise on demand but also avail themselves of fiscal incentives, preferential policies, and faster regulatory clearances.

Consumer Demographics

India's consumer base is unique in both its size and diversity. With over 1.4 billion people, the market comprises multiple income segments and distinct regional preferences. The youthful demographic with nearly 65% of the population below the age of 35 translates into a consumption-driven economy that is eager to embrace global products and services.

However, the heterogeneity of preferences cannot be overstated. Urban consumers may gravitate toward premium offerings, whereas semi-urban and rural markets remain extremely price-sensitive. Therefore, foreign businesses must avoid a "one-size-fits-all" approach and instead tailor their products and services to different socio-economic and cultural cohorts.

Competitive Landscape

The Indian market is characterised by the coexistence of strong domestic incumbents and multinational enterprises. A comprehensive competitive analysis should:

- Identify white spaces—unmet demand segments where differentiation can yield significant advantage.
- Benchmark pricing, distribution, and customer engagement models against established players.
- Assess the adaptability and responsiveness of competitors to emerging consumer trends.

Such mapping enables foreign firms to strategically position themselves and create defensible market niche.



Market Research	Product or Service Optimisation	Sensitivity Towards Price Optimisation
India's diversity demands granular market insights. Regional differences in income, lifestyle, and consumption patterns require detailed segmentation studies. Businesses must analyse: • Consumer behaviour: preferences, purchasing cycles, and loyalty drivers. • Distribution networks: wholesale, retail, and e-commerce penetration. • Logistical bottlenecks: last-mile delivery constraints and warehousing gaps. Moreover, foreign entrants must carefully weigh the choice of entry model such as wholly owned subsidiary, joint venture, or strategic partnership depending on their desired level of control, compliance tolerance, and growth ambitions.	Global offerings often require substantial localisation. Success stories in India consistently demonstrate that companies willing to adapt, whether by modifying flavours in food and beverages, re-engineering product features in consumer durables, or re-pricing subscription models in digital services, are the ones that secure long-term loyalty. Adaptation should also account for linguistic diversity, cultural practices, and affordability thresholds. Importantly, such customisation should not compromise global quality benchmarks, as Indian consumers increasingly associate foreign brands with reliability and aspirational value.	India is recognised globally as one of the most price-sensitive markets. Price elasticity is high, and consumer acceptance is often driven by affordability rather than exclusivity. This makes pricing strategy a critical success factor. Companies must design models that strike a balance between affordability and profitability, considering: • Tiered pricing for different consumer segments. • Smaller pack sizes to increase accessibility. • Subscription-based models for recurring services. Strategically addressing price sensitivity at the outset builds trust, fosters brand loyalty, and positions the business for scale.



Possible Modes of Entry into India

The legal framework under the Foreign Exchange Management Act (FEMA) and the Consolidated FDI Policy provides multiple vehicles for foreign investment. The choice depends on sectoral restrictions, business objectives, and governance preferences.

Wholly Owned Subsidiary (WOS)

A wholly owned subsidiary is one of the most straightforward and widely preferred routes for foreign investors. It allows the establishment of either a private or public limited company in India with 100% foreign ownership in most sectors under the automatic route. Industries such as manufacturing, e-commerce, and technology are particularly open to this model under FEMA and prevailing FDI regulations.

From a taxation standpoint, subsidiaries are treated as domestic companies, making them eligible for the same incentives, deductions, and concessions available to Indian businesses. The government's ongoing digitalisation of corporate registration processes has further simplified incorporation, significantly reducing timelines and administrative hurdles.

Joint Venture

Joint ventures remain a popular option for foreign companies that wish to combine their global expertise with the local knowledge and networks of an Indian partner. Such arrangements provide immediate access to established supply chains, consumer bases, and distribution channels.

In sectors where FDI caps or restrictions are in place, joint ventures also act as a legally compliant entry strategy. When carefully structured with clear governance mechanisms, profit-sharing terms, and exit clauses, joint ventures can generate strong synergies and shorten the time required to establish a sustainable presence in the Indian market.

Branch Office

A branch office provides a limited but recognised presence without creating a separate legal entity. Permitted activities include representation, research, and consultancy. While full-scale commercial operations are prohibited, branch offices are often used for testing the market before committing larger resources.

Project Office

When a foreign entity secures a specific project in India, it may establish a project office for the duration of that contract. This structure is cost-effective, temporary, and administratively straightforward, ensuring compliance while limiting long-term commitments.

Limited Liability Partnership (LLP)

The LLP structure combines operational flexibility with limited liability protection. Recent liberalisations have opened LLPs to greater foreign participation. LLPs are particularly attractive for consulting, professional services, and smaller enterprises that wish to avoid the heavier compliance framework of a company.



Regulatory and Tax Considerations

Although India has steadily liberalised its regulatory regime over the past three decades, the framework still requires rigorous compliance and careful planning by foreign investors. A clear understanding of the key regulatory and tax considerations is essential to ensure a smooth market entry and ongoing operations.

Foreign Direct Investment (FDI)

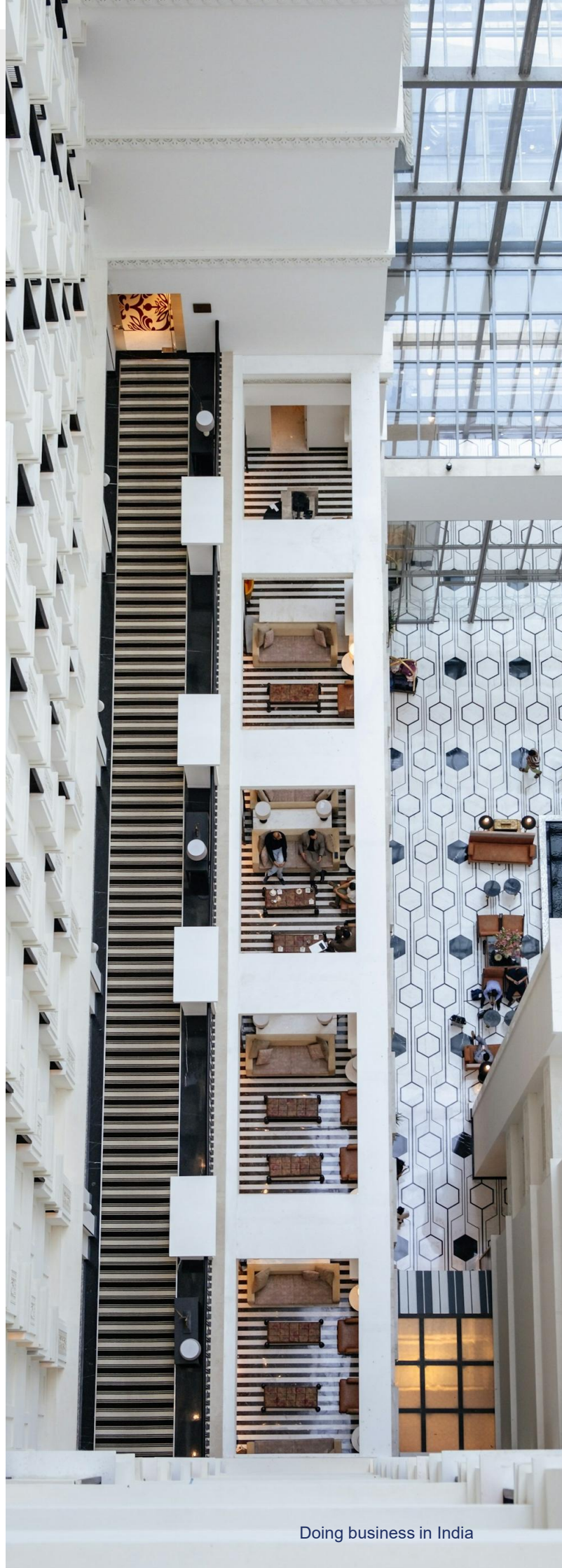
Foreign investments in India remain subject to sector-specific caps and conditions under the Consolidated FDI Policy and the FEMA. While many sectors allow 100% FDI under the automatic route, sensitive sectors such as insurance, defence, and multi-brand retail are still subject to approval requirements and ownership limits. As a result, obtaining regulatory clarity at the outset of an investment is a critical first step for any foreign entrant.

Company Law

The incorporation and governance of companies in India are regulated by the Companies Act, 2013.

The Act sets out comprehensive requirements relating to incorporation procedures, minimum capital, board composition, and ongoing compliance. In addition, companies must ensure timely statutory filings with the Registrar of Companies (RoC) and maintain accurate disclosures in order to avoid penalties.

The governance framework emphasises transparency and accountability, making it imperative for foreign investors to align with local corporate governance standards from the very beginning.





India's tax framework comprises both direct and indirect levies:

Corporate Tax

Every company is obligated to compute its tax liability under both the normal provisions of the Act and the provisions of Minimum Alternate Tax (MAT) under Section 115JB, and is liable to pay the higher of the two amounts.

Tax rates as per normal provisions of the Act applicable on the company which is incorporated in India (i.e. domestic company) are stipulated as under:

Income*	CIT rate for AY 2026-27 (%)			
	Turnover does not exceed INR 4 billion in FY 2023-24		Turnover exceeds INR 4 billion in FY 2023-24	
	Basic	Effective**	Basic	Effective**
Less than 10 million Indian rupees (INR)	25	26	30	31.2
More than INR 10 million but less than INR 100 million	25	27.82	30	33.38
More than INR 100 million	25	29.12	30	34.94

*Surcharge of 7% is payable when total taxable income more than INR 10 million & up to INR 100 million and surcharge of 12% is payable only where total taxable income exceeds INR 10 million.

**Effective tax rates include health and education cess of 4%.

Tax rates as per normal provisions of the Act applicable on the company which is incorporated outside India (i.e. foreign company) on their income which is accrued arise or deemed to be accrued arise in India are stipulated as under:

Income*	CIT rate (%)	
	Basic	Effective**
Less than 10 million Indian rupees (INR)	35	36.4
More than INR 10 million but less than INR 100 million	35	37.128
More than INR 100 million	35	38.22

*Surcharge of 2% is payable when total taxable income more than INR 10 million & up to INR 100 million and surcharge of 5% is payable only where total taxable income exceeds INR 10 million.

**Effective tax rates include health and education cess of 4%.

The tax rate applicable in case of MAT as given under section 115JB of the Act is 15% on book profit* plus applicable surcharge & health & education cess.

*Book profit must be calculated as per the provisions of section 115JB of the Act.

Alternative regime

It must be noted that beneficial income tax rate of 22% (plus surcharge of 10% and applicable health and education cess of 4%), i.e. effective rate of 25.168%, can also be availed of by the domestic companies (i.e. company incorporated in India), subject to satisfaction of certain conditions as stipulated under section 115BAA of the Act. Further, companies exercising this option have been excluded from the provision of MAT as given under section 115JB of the Act.

- Goods and Services Tax (GST): A unified indirect tax covering most goods and services.
- Cross border withholding tax in respect to dividends, royalties and fees for technical services



When a resident (an Indian entity) makes a payment to a non-resident (individual or company) for income that “accrues or arises” or is “deemed to accrue or arise” in India, Indian tax law requires tax to be deducted at source (TDS). The primary purpose is to ensure that income earned in India by non-residents is subject to Indian taxation.

In addition, India has entered into numerous Double Taxation Avoidance Agreements (DTAAs) with other countries. Under these treaties, a non-resident may claim a reduced withholding rate (or other relief) compared to the domestic law, provided treaty conditions are satisfied. The general approach is: whichever is more beneficial for the non-resident (treaty or domestic) may apply.

With respect to dividends, Indian companies must withhold tax when distributing dividends to non-resident shareholders. Under domestic provisions, the withholding rate is 20 % of the gross amount of the dividend (plus applicable surcharge and health & education cess) unless a Double Taxation Avoidance Agreement (DTAA) provides a lower rate.

In relation to royalties and fees for technical services (FTS), the Act defines royalty to include payments for the use of or right to use intellectual property and defines FTS as fee for rendering managerial, technical or consultancy services. Until recently, India’s domestic withholding rate on royalties/FTS was 10 %, but as of 1 April 2023 it was amended (via the Finance Act 2023) to 20 % (plus surcharge/cess) under domestic law. Non-residents may instead claim the treaty rate, which in many treaties is 10 % or 15 %, provided they satisfy documentation and PE-status conditions. Key compliance and planning issues arise in this area. The Indian payer must ensure correct classification (dividend vs royalty vs FTS) because misclassification can trigger higher WHT or challenge treaty benefit. Furthermore, it is essential that the non-resident recipient must furnish a valid Tax Residency Certificate (TRC), Form 10F and “no permanent establishment in India” certificate to avail treaty rates.

In summary, withholding tax in India on cross-border payments acts as a pre-emptive collection mechanism for Indian tax. For dividends non-residents face a 20 % rate domestically, subject to treaty relief; for royalties/FTS the domestic rate has risen to 20 % from April 2023, making treaty relief increasingly important. Both payor and recipient must ensure correct documentation, tax classification, and timely deposit of tax to avoid exposure.

Transfer pricing is subject to stringent monitoring; requiring arm’s length pricing for related-party transactions and robust documentation.

Failure to comply with tax rules carries significant penalties, making advance planning critical.

Double Taxation Avoidance Agreements (DTAAs)

India has DTAA arrangements with over ninety countries, offering relief from double taxation to the non-resident (including foreign companies) assessee. As per the provision of section 90 of the Income tax Act, the taxability for a non-resident shall be determined as per the provision of the act or as per the provisions of DTAA, whichever is more beneficial to the assessee. However, benefits hinge on procedural compliance, including obtaining a valid Tax Residency Certificate (TRC) and No permanent establishment declaration. Further, if the TRC obtained doesn’t contain all the details prescribed in the rule 10Ab of the Income tax rules, then electronic form 10F is also required along with TRC and No Permanent establishment declaration in order to avail the treaty benefits.



Operational and Strategic Considerations

Strategic decisions on location, talent, infrastructure, and technology play a central role in determining whether a foreign enterprise can scale sustainably and profitably.

Location Planning

Selecting the right base is a determinant of success.

- Metropolitan hubs (Delhi NCR, Mumbai, Bengaluru, Hyderabad): offer global connectivity, skilled workforce, and regulatory proximity.
- Tier-II cities (Pune, Ahmedabad, Jaipur, Coimbatore): provide cost advantages, expanding consumer markets, and supportive state policies.
- An optimal model often combines metro headquarters with tier-II operational or manufacturing facilities.

Talent and Human Capital

India's workforce is large and diverse, but talent strategies must be localised. Effective recruitment, structured training, and retention programmes tailored to cultural expectations are vital. Firms that cultivate aspirational, inclusive work environments enjoy a durable competitive advantage.

Supply Chain and Infrastructure

Infrastructure readiness is uneven across India. While metros boast developed logistics, semi-urban areas face bottlenecks in warehousing and last-mile delivery. Government initiatives such as Bharatmala highways, freight corridors, and smart city projects are steadily improving the landscape. Businesses that design resilient, digitally integrated supply chains will achieve superior responsiveness to demand fluctuations.

Technology and Digitisation

India's rapid digital adoption, epitomised by the success of UPI and e-commerce platforms, underscores the importance of embedding technology in every aspect of operations. From customer acquisition to backend integration, digitalisation accelerates scalability and enhances competitiveness. Collaborating with Indian fintechs and startups can provide agility and innovation to foreign businesses.

India represents both a vast opportunity and a formidable challenge for global enterprises. Success in this market cannot be secured through regulatory compliance alone. Instead, it requires an integrated strategy that blends meticulous market research, cultural and product localisation, thoughtful pricing, and a well-considered choice of entry vehicle. Equally important are operational decisions relating to location, talent, supply chains, and technology adoption.

Foreign companies that align their global expertise with India's unique market dynamics—embracing its diversity, addressing its price sensitivity, and leveraging its digital momentum—will not only establish sustainable businesses but also contribute meaningfully to India's economic growth story. A carefully designed India entry strategy is, therefore, not just an option but a prerequisite for enduring success.

Taxation

India's taxation system, governed by the Central Board of Indirect Taxes and Customs (CBIC), funds government activities while promoting economic growth. The Goods and Services Tax (GST) and Budget 2025 reforms simplify compliance and incentivize businesses.

Indirect Taxes

(Goods and Services Tax Act, 2017)

- Replaced VAT, excise, and service tax. Destination-based tax on goods/services.
- Rates: 0% (exempt, e.g., food grains, stationery), 5% (daily use essentials, e.g., ghee, hair oil), 18% (consumer durables & automobiles, e.g., ACs, projectors), 40% sin rate (for luxury & sin goods, e.g., high-end cars).
- Structure: Central GST (CGST) and State GST (SGST) for Intra-state supplies, Integrated GST (IGST) for inter-state supplies.
- Compliance: Registration mandatory for turnover >₹20 lakh (₹10 lakh in special category states) for service providers and turnover >₹40 lakh (₹20 lakh in special category states) for suppliers of goods.
- Composition Scheme: Flat 1-6% tax for turnover <₹1.5 crore; simplified compliance.

Other Taxes

Other than GST, the central government levies indirect taxes comprising customs duty, stamp duty, profession tax and property tax. Post the implementation of GST, the states continue to levy profession tax and state Value Added Tax only on selected items like petroleum products alcohol, etc. Various other taxes that were hitherto levied by the states like entry tax, octroi, etc. have been subsumed with GST.

Tax	Standard Rate	Applicability
Custom Duty	Rate of customs duty - 37.47% (actual rate varies depending on classification under the customs tariff, which is aligned with the International Harmonized System of Nomenclature)	Customs duty is levied on import of goods into India and is typically payable by the importer. Components of customs duty: • Basic customs duty • Social welfare surcharge • IGST leviable under the Customs Tariff Act, 1975
Stamp Duty	Varies across the states	It is a tax on transactions in the form of stamps on instruments affecting such transactions.
Professional Tax	Varies across the states	It is a state levy on persons engaged in any profession, trade, or employment in a state.
Property Tax	Varies with each municipal authority	It is a municipal tax imposed on the owner of the property (usually real estate) for the maintenance of basic civic services in a city. The amount of tax is calculated on the value of the property that is sought to be taxed (ad valorem basis) as prescribed by each municipal authority.
Entertainment Tax	Varies across the states	Local governments, with the authority of the respective state governments, can levy entertainment tax on various entertainment and amusement activities such as exhibitions, cable or DTH subscriptions, video games, amusement parks and events.

Key Tax Incentives and Schemes

- Startup India (Extended to 2030): 100% profit deduction (3 years, Section 80-IAC) for DPIIT-recognized startups; angel tax abolished (2025).
- Production-Linked Incentive (PLI) Scheme: 4-6% incentives on incremental sales in 14 sectors (e.g., electronics, pharma, textiles).
- MSME Benefits: Credit Guarantee Fund Trust for Micro & Small Enterprises (CGTMSE) expanded to \$65 billion coverage (90% guarantee on collateral-free loans). Simplified GST ITC refunds.
- Make in India: 100% deduction for new manufacturing units in IFSC (GIFT City) till 2030. Reduced customs duties for electronics/auto sectors. SEZ tax exemptions extended to 2030.
- Export Incentives: Remission of Duties and Taxes on Exported Products (RoDTEP, 0.5-4% on FOB value, ₹15,000 crore outlay); Duty Drawback Scheme; Interest Equalization Scheme (3% subvention, extended to March 2026).
- MOOWR (Manufacturing and Other Operations in Warehouse): The MOOWR scheme is a duty deferment initiative by the Indian government to promote manufacturing. It allows businesses to import raw materials and capital goods into a bonded warehouse without immediately paying customs duties. Duties are only paid when the finished products are cleared for sale in the Indian domestic market. If the finished products are exported, the import duties are completely waived.

The India-UAE CEPA adds a layer of benefit to this scheme. While the CEPA offers preferential duties on products imported directly from the UAE into India for domestic consumption, the MOOWR scheme provides a more flexible option for manufacturing and re-export.

Practical Application

- Duty Deferment: A company can import goods from the UAE under the MOOWR scheme and defer customs duties. This is a major cash flow benefit, as the capital is not tied up in upfront duty payments.
- Combined Benefit for Domestic Sales: If the finished goods are sold in India, the company can utilize the CEPA's preferential duties on the imported inputs from the UAE, significantly reducing the final tax liability compared to inputs from a non-FTA country.
- No Export Obligation: Unlike other schemes like SEZ (Special Economic Zone), the MOOWR scheme has no minimum export obligation. This gives companies full flexibility to cater to both the Indian domestic market and export markets. If the goods are re-exported, the duties on the imported inputs from the UAE are waived.
- The framework provided by India's customs and the CEPA agreement is explicitly designed to encourage such manufacturing and investment.



Employment Policy

In India, various aspects of labour and employment such as welfare of labour including conditions of work, workmen compensation, social security, dispute resolution, etc. falls under the concurrent list of the Indian Constitution. Both the central government as well as state governments have the power to make laws regulating labour and employment. The states may regulate labour laws by passing their own laws or making rules under the central laws or amending the central labour laws to be applicable to the specific state. Thus, the labour laws in India can be broadly categorized into ‘central labour laws’ (read with state specific rules / amendments) and state labour laws.

Key Pillars and Targets

Objective	Description	Key Targets/Interventions
Universal Social Security	Benefits for formal/informal workers, including gig/migrant workers.	Universal Social Security Account (USSA) linking EPFO, ESIC, PM-JAY, e-SHRAM; portable benefits.
Occupational Safety & Health	Enhanced workplace protections for green/digital transitions.	AI-based inspections; unified standards under OSH Code 2020.
Employment-Skilling Linkages	Align training with job needs.	Skill India, NAPS, PMKVY convergence; AI-driven credential verification.
Women & Youth Empowerment	Boost participation (women’s LFPR: 37% in 2023-24).	35% women LFPR by 2030; gender-inclusive skilling, childcare, POSH compliance.
Ease of Compliance & Formalisation	Simplify regulations for MSMEs.	Single-window digital portal; 2-year staggered compliance (New Labour Code 2025).
Governance Convergence	Unified data architecture.	National Labour Data Stack; Apex Council, State Missions, District Centres.

Supporting Schemes

- Atmanirbhar Bharat Rojgar Yojana (ABRY): 24% EPF reimbursement.
- National Career Service (NCS) Portal: AI-enabled job matching; 1 crore+ users.
- Skill India (PMKVY 4.0): Targets 40 crore youth skilled by 2025.
- E-Shram Portal: 30 crore+ unorganized workers registered.

Labour Codes (2019-2020, Rules by Q1 2025)

- Code on Wages: Timely payments; minimum wages.
- Industrial Relations Code: Flexible hiring/firing; fixed-term contracts.
- Social Security Code: Gig worker inclusion; gratuity from Day 1.
- Occupational Safety, Health & Working Conditions Code: 48-hour workweek; 15-30 days leave; overtime regulations.
- New Labour Code 2025: 4-day workweek option; enhanced severance; MSME flexibility.

Other Key Policies

India's policies beyond taxation and employment focus on digital transformation, sustainability, education, health, infrastructure, and FDI to support businesses and achieve Viksit Bharat @2047.

India attracted USD 81.04 billion in gross FDI inflows in FY 2024–25 (a 14% rise over FY 2023–24) according to a Press Information Bureau (PIB) release. 320+ foreign companies registered in India during the last three years.

- The services sector led with a 19% share of equity inflows
- The manufacturing sector saw a notable increase: USD 19.04 billion compared to USD 16.12 billion in the prior year ($\approx 18\%$ growth)
- Among states, Maharashtra captured $\sim 39\%$ of FDI equity inflows, followed by Karnataka ($\sim 13\%$) and Delhi ($\sim 12\%$)

FDI-Specific Policies

100% FDI under Automatic Route

- Automotive, biotechnology (greenfield), broadcast content services, chemicals, education, e-commerce, construction of hospitals, food processing, healthcare (greenfield), IT/BPM, manufacturing, renewable energy, and textiles.
- Infrastructure companies in securities markets, insurance, medical devices, pension funds, petroleum refining (by PSUs), and power exchanges.

100% FDI under Automatic & Government Route

- Banking (private sector), defence manufacturing, biotechnology (brownfield), pharmaceuticals (brownfield), private security agencies, telecom services, and satellites (limited sub-activities).

100% FDI under Government Route

- Banking (public sector), food products retail trading, core investment companies, multi-brand retail trading, and investment by foreign airlines.



India Free Trade Zones

A free trade zone is a designated area within a country where goods can be imported, stored, processed, produced, modified, and re-exported without being subjected to customs tariffs or other customs regulations. Free trade zones are generally located near significant ports, airports, border facilities, or other areas with geographic advantages for trade.

The Indian government has established unique free trade areas around the country with the main objective of attracting foreign direct investment (FDI) to the country and, thus, stimulating the economy.

These unique free trade areas are called Special Economic Zones (SEZ) in India that are treated as a duty-free foreign territory for all trading activities. Foreign investors and business owners who set up in such free trade zones are provided with various fiscal and non-fiscal incentives and free trade zone benefits and relevant support. The SEZs are subjected to the Special Economic Zone Act of 2005 passed by the Indian government.

These can be established by the Central and the State government. Besides this, the Private Sectors can also establish SEZs by submitting a proposal to the Indian Board of Approval as per the SEZ Rules of 2006.

Popular India Free Trade Zones

India Free Trade Zones are called 'Special Economic Zones' (SEZs). Presently, there are 265 SEZs operational in India spread across the country. Approximately 150 more such free trade zones are in the process of being established according to the news.

Kandla Special Economic Zone (KASEZ)

- Established in 1965, the Kandla Special Economic Zone was the first SEZ set up in India and in Asia.
- Spread across 400 hectares, KASEZ is located on the Gulf of Kutch in Gujarat.
- Businesses are provided with well-developed infrastructure, facilities, and more for their office.
- It is well-connected to the world through its seaports namely the Kandla Port and the Adani Port Mundhra.
- It is a multi-product type of SEZ which means that any business can be established in this region.

Noida Special Economic Zone (NSEZ)

- Spread across 125 hectares, the Noida Special Economic Zone was established in 1985.
- This Zone offers businesses with well-developed infrastructures and facilities, strong telecommunication network, efficient transportation system, and more.
- Located in Noida, NSEZ is one of the only landlocked SEZ area in India as opposed to others which are usually located on the ports. For this reason, it is ideal for low volume and skill-intensive commerce products such as those found in the Accessories and Electronics Industry.

Falta Special Economic Zone

- Established in 1984 as an Export Processing Zone, the Falta Economic Zone now falls under the policy of the SEZ Act of 2005.
- It is well-connected to the world with access to an extensive network of roads, two ports in Kolkata and Haldia, and an international airport at Dumdum.
- It also has well-established infrastructures with industrial sheds, factory buildings, trade and export incentives, telecommunication networks, and utilities.

Benefits of free trade zones

The key benefits of FTZs are as follows:

Deferral and elimination of duty

Free trade zones are exempt from customs regulations. This means that goods entering these zones are not subject to customs duties until they leave the FTZ. This interval between import and export allows companies to defer or eliminate duty expenses while assembling or manufacturing goods for entry into the market or for re-exportation.

Exemption from duties on re-exports

Re-exported goods are not subject to duties or quotas in an FTZ. By utilizing FTZs, companies can bypass lengthy customs duty drawback processes. Additionally, no taxes are levied on products destroyed within the zone, which can benefit companies dealing with fragile imports or industrial operations generating substantial waste.

Export distribution centre

An FTZ eliminates import duties when finished goods are brought into the country for potential export. Therefore, using an FTZ as an export distribution centre can offer numerous advantages when selling goods in international markets.

Streamlined logistics

The relaxed customs processes within FTZs facilitate quicker turnarounds for airplanes and ships, leading to quicker processing times. In certain FTZs, imports can also be directly delivered to the zone upon customs approval, and permission to break and attach customs seals can be requested. Additionally, a single entry may be utilized to file multiple entries and exports, simplifying logistics processes.

International markets and optimizing their operations: for more support on compliance, shipping, or other aspects of e-commerce exports, Indian exporters can avail of the tools and services offered by e-commerce export programs like Amazon Global Selling.

One of the significant benefits of free trade zones is the duty exemption on imported raw materials, machinery, and components used for the production of goods meant for export. This has made Indian free trade zones attractive for manufacturing and assembly operations, particularly for industries such as textiles, electronics, automobiles, and pharmaceuticals. By allowing duty-free imports, companies can reduce their production costs and become more competitive in the global market. This benefit has helped India become a manufacturing hub for various international brands.

Others Benefits

Another advantage of free trade zones is the ease of doing business. The government has taken steps to simplify customs procedures and reduce bureaucratic hurdles for businesses operating in these zones. This includes providing a single-window clearance mechanism for obtaining various permits and licenses required for setting up and operating a business. These streamlined processes have significantly reduced the time and effort required for companies to start their operations and have contributed to the overall ease of doing business in India.

Furthermore, free trade zones offer a range of infrastructure facilities and services to businesses. These include well-developed industrial parks, dedicated power supply, transportation networks, and ready-to-use factory spaces. These infrastructure provisions not only help businesses reduce their setup costs but also ensure a conducive environment for production and operations. Additionally, free trade zones often have specialized training facilities and research centres, which further enhance the skill levels of the workforce and promote innovation. A key objective of establishing free trade zones is to attract foreign direct investment (FDI). India has been successful in attracting FDI inflows, particularly in sectors such as information technology, pharmaceuticals, and automotive industries. The incentives and benefits offered within the free trade zones, coupled with the country's large domestic market, skilled labour force, and growing economy, make India an attractive investment destination for foreign companies. This inflow of FDI not only brings in much-needed capital but also facilitates technology transfers and knowledge sharing, contributing to the overall development of Indian industries.

Furthermore, the growth of industries in these zones stimulates economic activities in nearby regions, leading to the development of ancillary industries, trade, and services. This creates a multiplier effect, generating additional employment opportunities and income streams for the local population.

In recent years, India has also leveraged its free trade zones to promote various export-oriented sectors. For example, the government has set up special economic zones dedicated specifically to sectors such as textiles, gems and jewellery, pharmaceuticals, and electronics. Such targeted approaches not only boost exports but also help in promoting the growth of these specific industries, fostering innovation and technological advancements.

Summary

- The Indian government allows foreigners to have complete ownership of their company in most sectors in India as well as India Free Trade Zones. However, businesses should have at least one local resident director.
- New businesses are completely exempted from paying income tax for the first five years.
- They are exempted from goods and service tax, minimum alternative tax, import duties on customs, and more.
- As per the Doing Business Report of 2020 by the World Bank, India had a rank of 63rd out of 189 countries in terms of Ease of Doing Business.
- Cost of labour is relatively low compared to in other states which can be advantageous for labour-intensive businesses.
- Besides this, the other operational costs in terms of infrastructure, utilities, and more are relatively low.
- With a large population comprising many states, the consumer market in India is large. Businesses can take advantage of the large demand for goods and services in the region.
- Since India is a developing country, its economy is in a growing stage which may be advantageous for businesses to grow.
- The government has issued various business-friendly policies and initiatives to attract foreign investment into India. There is a large consumer market, owing to India's vast population.

How SW can support you

SW India is a globally recognized firm that specializes in offering a wide range of tax and non-tax services to clients across multiple countries. With a steadfast commitment to quality, innovation, and integrity, we deliver tailored solutions that address the unique needs of businesses operating in an ever-evolving global landscape.

Our Service Offerings in India

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Accounting services provide the technical expertise and practical support needed to address complex accounting and financial reporting requirements. Our experienced team works closely with clients to ensure compliance with applicable standards and timely completion of financial reporting obligations. With access to a broad network of subject-matter experts and global expertise, we collaborate seamlessly with internal finance teams as well as tax, legal, and regulatory professionals to deliver tailored, integrated solutions.

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We have deep expertise in GST and FTP laws, including cross-border structuring and State and Central Government incentive planning, while maintaining a strong focus on aligning tax advice with commercial substance and regulatory expectations. We also offer end-to-end assistance in tax return filings, GST/SEZ/STP compliance, and reporting.

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Our advisory services are built on a client-centric, value-driven approach that integrates deep domain expertise with strategic insight. Core of our service offering is understanding the client's business model, industry dynamics, and long-term goals. Through collaborative diagnostics and workshops, we tailor solutions across internal audit, risk management, cybersecurity, ITGC, and operational consulting. Our methodology emphasizes transparency, agility, and measurable impact. We leverage advanced analytics, automation, and regulatory intelligence to deliver actionable recommendations. By combining innovation with trusted advisory practices, we empower organizations to enhance performance, ensure compliance, and achieve long-term success.

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22 regions

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USD 793.8 million
revenues of the year of 2025*

*Statistics according to the World Survey 2026 of International Accounting Bulletin (IAB).

Abbreviations

Abbreviation	Full Form	Description / Context
USSA	Universal Social Security Account	A digital account linking workers' social security benefits (EPFO, ESIC, PM-JAY, e-SHRAM).
EPFO	Employees' Provident Fund Organisation	Manages retirement savings (Provident Fund) for formal sector employees in India.
ESIC	Employees' State Insurance Corporation	Provides health insurance and benefits for workers in the formal sector.
PM-JAY	Pradhan Mantri Jan Arogya Yojana	Government health insurance scheme under Ayushman Bharat for low-income families.
e-SHRAM	Electronic Shram (Labour) Portal	National database for unorganised/informal sector workers to ensure welfare coverage.
OSH	Occupational Safety and Health	Standards and practices ensuring safe, healthy workplaces.
OSH Code 2020	Occupational Safety, Health and Working Conditions Code, 2020	Consolidated labour law regulating workplace safety and employee welfare.
AI	Artificial Intelligence	Used for inspections, data analysis, and credential verification.
Skill India	—	Government initiative to train youth in employable skills.
NAPS	National Apprenticeship Promotion Scheme	Promotes apprenticeship training and incentivises employers to hire apprentices.
PMKVY	Pradhan Mantri Kaushal Vikas Yojana	Flagship skill development programme providing training aligned with industry needs.
LFPR	Labour Force Participation Rate	The percentage of the working-age population that is either employed or actively seeking employment.
POSH	Prevention of Sexual Harassment (at Workplace)	Legal framework ensuring safe workplaces for women.
MSMEs	Micro, Small and Medium Enterprises	Small-scale businesses vital to India's employment and economic growth.

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