

INVEST IN INDIA · SECTOR BRIEF

Technology & SaaS

FDI rules, central and state incentives, tax measures and the set-up route for foreign companies in IT services, software and SaaS, AI, data centres, start-ups and chip design.

USD 315 bn

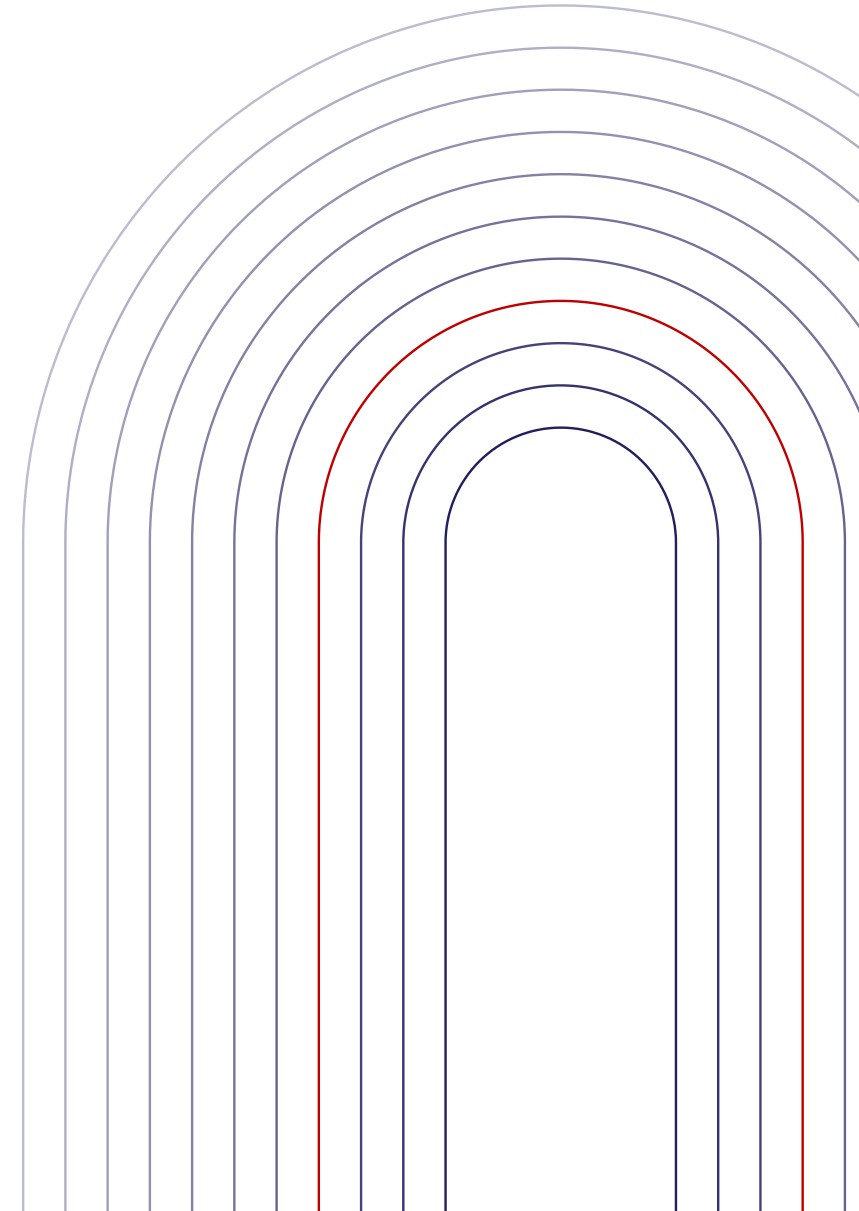
technology industry revenue
estimated for FY2025-26
(NASSCOM)

USD 14 bn

FDI equity into computer
software and hardware in
FY2025-26, up 78%

100%

FDI under the automatic route for
software, IT services and data
centres



SECTOR SNAPSHOT

FDI into software and hardware rose 78% in FY2025-26 to USD 14 bn

NASSCOM expects India's technology industry revenue to cross USD 315 bn in FY2025-26. Foreign capital is moving beyond service delivery into AI compute, cloud and data centres.

USD 315 bn

Technology industry revenue
(NASSCOM estimate)

FY2025-26; growth of 6.1%

USD 14 bn

FDI equity into computer software and
hardware (DPIIT)

FY2025-26: USD 13,946 mn vs 7,814 mn

5.95 mn

People employed by the technology
industry (NASSCOM estimate)

FY2025-26; 5.82 mn in FY2024-25

212,000+

Start-ups recognised by DPIIT

212,283 as on 31 January 2026 (PIB)

Second-largest FDI recipient since 2000

Computer software and hardware drew USD 124.6 bn of FDI equity from April 2000 to March 2026, 16% of the total and second only to the services sector (DPIIT).

Hyperscalers are building AI capacity

Amazon (over USD 35 bn across its businesses to 2030), Microsoft (USD 17.5 bn over four years) and Google (USD 15 bn over five years) have announced India investments; Microsoft's and Google's centre on cloud, AI and data centres.

Tax rules now address cloud and IT services

The Finance Act 2026 exempts, subject to conditions, notified foreign cloud firms' income from Indian data-centre services to March 2047; the 15.5% IT-services safe harbour from Budget 2026-27 is in the Income-tax Rules 2026.

Public money for compute and R&D

IndiaAI (outlay ₹10,372 crore) has onboarded more than 38,000 GPUs for start-ups and academia, and the ₹1 lakh crore RDI Scheme offers long-term finance at low or nil interest for private R&D.

Sources: NASSCOM Strategic Review 2026; KNN India, Feb 2026; DPIIT FDI Fact Sheet, March 2026; PIB, 25 Mar 2026; PIB start-up data to 31 Jan 2026; Business Standard, 10 Dec 2025; Finance Act 2026.

WHERE THE OPPORTUNITY IS

Foreign investors are active in six parts of the technology sector



100% AUTOMATIC

IT services and BPM exports

Software services account for over 40% of India's services exports, and software services exports grew 7.3% in FY2024-25 (RBI survey cited in the Economic Survey 2025-26). Export units can operate under the STP scheme or in IT/ITeS SEZs.



TAX EXEMPTION TO 2047

Cloud and data centres

Microsoft's USD 17.5 bn plan covers cloud and AI infrastructure; Google plans a gigawatt-scale data-centre campus in Visakhapatnam. Notified foreign cloud firms using Indian data centres are tax-exempt to March 2047, subject to conditions.



INDIAAI

Artificial intelligence

The IndiaAI Mission (outlay ₹10,372 crore) has onboarded more than 38,000 GPUs offered to Indian start-ups and academia at affordable rates; 190 projects had been approved by March 2026.



PARTNER MODEL

Semiconductor design

Under the Design Linked Incentive scheme, 24 chip and SoC design projects were approved and 103 fabless firms given design infrastructure (March 2026). Semicon 2.0 design support needs Indian ownership; global firms can join as partners.



₹10,000 CRORE FOF 2.0

Start-ups and deep tech

212,283 start-ups were DPIIT-recognised by 31 January 2026. Startup India Fund of Funds 2.0, a ₹10,000 crore corpus approved on 14 February 2026, targets deep tech, tech-driven manufacturing and early-growth start-ups.



Engineering R&D and GCCs

Engineering R&D services grew 7.8% in FY2023-24 (Invest India). India hosts more than 1,700 global capability centres employing over 1.9 million professionals (FY2023-24); GCCs are covered in a separate brochure.

Sources: Economic Survey 2025-26; PIB, 25 Mar 2026; PIB start-up data to 31 Jan 2026; PM India, 14 Feb 2026; Business Standard, 10 Dec 2025; Semicon 2.0 eligibility (ANI, 2026); Invest India IT-BPM page (retrieved 1 Oct 2026).

RECENT FOREIGN INVESTMENTS

Amazon, Microsoft and Google have announced about USD 67.5 bn for India

Announced commitments, not completed investments. Amounts and periods are as reported; spending is phased over the periods shown.

INVESTOR (COUNTRY)	WHAT AND WHERE	SIZE	DATE
Amazon (USA)	Investment across all India business lines through 2030, built on AI-driven digitisation, export growth and job creation	Over USD 35 bn	10 Dec 2025
Amazon Web Services (USA)	MoU with the Maharashtra government, signed at Davos, for cloud infrastructure in the AWS Mumbai region by 2030; part of the USD 12.7 bn India plan AWS announced in May 2023	USD 8.3 bn	22 Jan 2025
Microsoft (USA)	Cloud and AI infrastructure, skilling and ongoing operations over four years; its largest investment in Asia	USD 17.5 bn	9 Dec 2025
Microsoft (USA)	Earlier India commitment, to be spent by the end of calendar year 2026	USD 3 bn	Jan 2025
Google (USA)	Dedicated AI hub and gigawatt-scale data-centre campus in Visakhapatnam, Andhra Pradesh, with a subsea cable landing station, over five years	USD 15 bn	Oct 2025

Company announcements as reported by Business Standard on 10 December 2025 (Google's in October 2025; AWS's Maharashtra MoU per About Amazon India, 22 January 2025); Khaleej Times put the three groups' combined commitments at about USD 67.5 bn (Amazon 35, Microsoft 17.5, Google 15); the AWS and earlier Microsoft rows are shown for context.

Sources: Business Standard, 10 Dec 2025 (secondary); Khaleej Times, Dec 2025 (secondary); About Amazon India, 22 Jan 2025; Amazon press release, 18 May 2023.

FDI RULES

Software, IT services and data centres are open to 100% foreign ownership

Activities not listed in the FDI policy are open to 100% FDI under the automatic route. Conditions arise mainly in telecom, e-commerce, digital news and for investors from land-border countries.

ACTIVITY	CAP AND ROUTE	KEY CONDITIONS
Software products, SaaS, IT services, BPM, engineering R&D, data processing	100%, automatic route	Not separately listed in the FDI policy, so the general 100% automatic route applies, subject to applicable laws and conditions.
Data centres, cloud and hosting	100%, automatic route	No sector-specific cap. State IT policies, such as Maharashtra's 2023 policy, cover data centres; the data-centre tax exemption has separate conditions (see tax page).
Telecom services, including internet service providers	100%, automatic route	100% automatic since Press Note 4 (2021), per DPIIT's automatic-route list, subject to licensing and security conditions; operators need authorisation under the Telecommunications Act 2023. Land-border investors need government approval.
E-commerce, marketplace model	100%, automatic route	The platform acts as a facilitator between buyer and seller and may not own the inventory it sells to consumers.
E-commerce, inventory model	Not permitted, except for exports	Press Note 3 (2026) of 23 July 2026, in force from 3 September 2026 (FEMA amendment of 2 September 2026): marketplace entities with FDI may hold inventory to export goods made in India; domestic inventory sales stay barred.
Uploading or streaming news and current affairs through digital media	26%, government route	Applies to digital news publishers; other software and platform businesses follow the general rule.
Semiconductor design	100%, automatic route	FDI is open, but Semicon 2.0 design support goes only to companies owned and controlled by Indian citizens (or OCIs, for commercial design).
Any activity, with an investor from a land-border country	Government route; indirect stakes up to 10% without control: automatic	Press Note 2 (2026): beneficial ownership is defined as under the PMLA. Up to 10% non-controlling land-border beneficial ownership can use the automatic route, with prior reporting on the FIF/NSWS portal.

Caps from the Consolidated FDI Policy 2020 as amended by later Press Notes. Sector laws on telecom, data protection and online gaming apply in addition.

Sources: DPIIT Consolidated FDI Policy 2020; Press Notes 2 and 3 (2026) via Vistra, Saraf and EY alerts (secondary); DPIIT automatic-route sector list (retrieved 1 Oct 2026); Semicon 2.0 eligibility (ANI, 2026).

REGULATORS AND LICENCES

Export units register with STPI or an SEZ; data and gaming rules also apply

APPROVAL OR REGISTRATION	AUTHORITY AND PORTAL	WHEN IT IS NEEDED
STP unit approval	Director of the regional Software Technology Parks of India (STPI) centre	For units exporting software or IT-enabled services over data links. Needs an IEC and an export contract; the unit then signs an export obligation agreement. Domestic sales allowed up to 50% of exports.
SEZ unit approvals	Development Commissioner of the SEZ	For IT/ITeS units in an SEZ. Rule 43A (2022) allows work from home for up to 50% of staff for up to one year; the Development Commissioner can extend both.
Importer-Exporter Code (IEC)	Directorate General of Foreign Trade (DGFT)	Needed for STP approval and for imports of equipment; Invest India lists it among standard approvals.
GST registration	GST portal	Before making taxable supplies; Invest India lists it among standard approvals.
Telecom authorisation	Department of Telecommunications	Needed to establish, operate, maintain or expand a telecommunication network or to possess radio equipment, for example as an internet service provider.
Personal data compliance	Data Protection Board of India	No registration, but the DPDP Rules 2025 phase in: Board from 13 November 2025, consent managers from 13 November 2026, core duties from 13 May 2027.
Online game registration	Online Gaming Authority of India	Online money games are prohibited. Registration applies to e-sports and to online social games in categories the government notifies. The Act and its Rules came into force on 1 May 2026.
Notification for the data-centre tax exemption	Central Government (income tax)	A foreign cloud company must be notified, sell to Indian users only through an Indian reseller company and furnish prescribed information.

Timelines vary by authority and case. Incorporation and FDI reporting are covered in the general set-up pages.

Sources: STPI scheme FAQ (Invest India); PIB on SEZ Rule 43A, July 2022 (via Taxguru); Invest India legal guide, Dec 2025; PIB on online gaming, 2025 and Apr 2026; Shardul Amarchand Mangaldas, 25 Apr 2026; Finance Act 2026.

CENTRAL INCENTIVES (1 OF 2)

AI compute, R&D finance and chip-design support are the main central levers

Status as of 1 October 2026. Terms are summarised; notified guidelines govern eligibility and payment.

SCHEME	WHAT THE INVESTOR GETS	WHO QUALIFIES	STATUS
IndiaAI Mission (MeitY), outlay ₹10,372 crore	Access at affordable rates to more than 38,000 GPUs through the AI compute portal, plus project funding; 190 projects approved by March 2026.	Indian start-ups, academia, researchers and government entities	● GPUS OFFERED VIA PORTAL (MAR 2026)
Research Development and Innovation (RDI) Scheme, ₹1 lakh crore	Long-term financing or refinancing at low or nil interest for private R&D, through second-level fund managers such as AIFs, DFIs and NBFCs; focus on TRL 4 and above.	Private-sector companies in sunrise and strategic sectors	Approved Jul 2025; fund launched Nov 2025
Semicon 2.0: chip-design support (programme outlay ₹1.275 lakh crore)	Strategic and commercial design support; for commercial design, start-ups and MSMEs get milestone-linked seed funding of 50% of project cost or ₹15 crore, whichever is lower, and VC- or PE-backed firms equity co-investment.	Companies incorporated and headquartered in India, owned and controlled by Indian citizens (or OCIs, for commercial design)	● NOTIFIED 31 AUG 2026; OPEN FOR 3 YEARS
Design Linked Incentive (DLI) Scheme	Product design: up to 50% of eligible cost, capped at ₹15 crore; deployment: 6% falling to 4% of net sales over five years, capped at ₹30 crore; access to EDA tools and IP cores.	Domestic companies, start-ups and MSMEs designing chips, IP cores and SoCs	24 projects approved by Mar 2026
Startup India Fund of Funds 2.0	₹10,000 crore corpus to mobilise venture capital for deep tech, tech-driven innovative manufacturing and early-growth start-ups.	Start-ups, through venture capital funds	● OPERATIONAL GUIDELINES ISSUED APR 2026
Fund of Funds for Startups (FFS), SISFS and Credit Guarantee Scheme for Startups	FFS corpus of ₹10,000 crore committed; SISFS seed funding of about ₹592 crore approved; about ₹925 crore of start-up loans guaranteed (to 31 January 2026).	DPIIT-recognised start-ups, via funds, incubators or lenders	FFS committed; data to 31 Jan 2026

● **OPEN** available or accepting applications
 ● **CLOSING** a stated window or period ends on the date shown
 ○ **CLOSED** no new applicants
 ○ **ANNOUNCED** announced or approved; check operating guidelines

Sources: PIB, 25 Mar 2026; PM India, PIB and PTI (3 Nov 2025) on the RDI Scheme; ISM notification, 31 Aug 2026, and ANI; PM India, 14 Feb 2026; PIB via IBEF, 27 Apr 2026; PIB start-up releases, Jan–Feb 2026.

CENTRAL INCENTIVES (2 OF 2)

Export-unit schemes, a start-up tax holiday and hiring support also apply

SCHEME	WHAT THE INVESTOR GETS	WHO QUALIFIES	STATUS
Software Technology Parks (STP) scheme, STPI	Export-unit status with STPI approvals, customs duty exemption on imports, export certification and domestic sales up to 50% of exports.	Units exporting software or IT-enabled services over data links	Listed by Invest India; run by STPI
Start-up tax holiday (s.140, Income-tax Act 2025)	Deduction of 100% of profits for any three consecutive tax years out of the first ten.	Start-ups incorporated before 1 April 2030, turnover up to ₹300 crore (was ₹100 crore), with an Inter-Ministerial Board certificate	FOR START-UPS INCORPORATED BY 31 MAR 2030
Employment Linked Incentive (PM-VBRY)	Employer support of up to ₹3,000 a month per additional employee, for two years.	Employers adding jobs between 1 August 2025 and 31 July 2027	JOBS CREATED TO 31 JUL 2027

● **OPEN** available or accepting applications
 ● **CLOSING** a stated window or period ends on the date shown
 ○ **CLOSED** no new applicants
 ○ **ANNOUNCED** announced or approved; check operating guidelines

Sources: STPI scheme FAQ (Invest India, retrieved 1 Oct 2026); Income-tax Act 2025 s.140 (text via eztax); Finance Act 2026; PIB on the Employment Linked Incentive, 2025.

TAX, CUSTOMS AND ZONES

A data-centre exemption to 2047 and an IT safe harbour shape tax planning



FINANCE ACT 2026

Data-centre exemption to March 2047

Income of a notified foreign company from procuring services of a specified Indian data centre operated by an Indian company is exempt to the tax year ending 31 March 2047, if it does not own or operate the facility and sells to Indian users only via an Indian reseller.



BUDGET 2026-27

IT-services safe harbour

Announced in Budget 2026-27 and notified with the Income-tax Rules 2026: one category for software, ITeS, KPO and contract R&D at a 15.5% margin on cost, up to ₹2,000 crore (was ₹300 crore), automated approval, five-year option. APAs are to be fast-tracked.



PROPOSED

Related-party data-centre services

Budget 2026-27 proposed a safe harbour of 15% on cost where the company providing data-centre services from India is a related entity of the foreign cloud company. Confirm its notification before relying on it.



S.140

Start-up tax holiday

Start-ups incorporated before 1 April 2020 that hold an Inter-Ministerial Board certificate can deduct 100% of profits for three consecutive tax years out of ten. The Finance Act 2026 raised the turnover limit from ₹100 crore to ₹300 crore.



SINCE 1 APRIL 2025

Digital taxes on non-residents

The 6% equalisation levy on online advertising was withdrawn from 1 April 2025. Significant economic presence can still create a taxable connection above ₹2 crore of payments from India or 300,000 Indian users, unless a tax treaty gives relief.



Zones and Budget 2026-27 measures

STP units may sell in India up to 50% of exports; IT/ITeS SEZ units may allow work from home for up to 50% of staff (Rule 43A). Budget 2026-27 proposed AVGC labs in 15,000 schools and 500 colleges and removal of the ₹10 lakh courier-export cap.

Sources: Finance Act 2026; Budget speech and PIB, 1 Feb 2026; CLC Law on the 2026 rules (secondary); Income-tax Act 2025 s.140 (eztax); Gala and Accorp alerts (secondary); PIB on SEZ Rule 43A, July 2022; STPI scheme FAQ.

STATE INCENTIVES

States offer capital and opex subsidies, EPF refunds and stamp duty waivers

Five states with published IT/ITeS or R&D incentives. Amounts are ceilings; eligibility, zones and disbursal schedules are set by each policy.

STATE	POLICY AND VALIDITY	HEADLINE INCENTIVES
Tamil Nadu	Industrial Policy 2021: incentives for R&D projects (Guidance Tamil Nadu)	For R&D projects with at least ₹50 crore in eligible fixed assets, 50 jobs and DSIR registration: 50% reimbursement of land cost for up to 20 acres; R&D training support of ₹10,000 per person per month for 12 months; 50% of IP-creation costs up to ₹1 crore (₹5 crore for standalone R&D assets).
Maharashtra	IT/ITeS Policy 2023, effective 27 June 2023 for five years or until replaced	Covers IT, ITeS, AVGC, data centres and emerging technology: stamp duty exemption of 100%, 75% or 50% by zone and park type; electricity duty exemption; power at industrial tariff; property tax at residential rates; MSME patent support of 50%, up to ₹5 lakh (Indian) or ₹10 lakh (international).
Uttar Pradesh	IT & ITeS Policy 2022, five years from notification or until replaced	Capital subsidy of 10% of fixed capital (minimum ₹5 crore), up to ₹50 crore, over five years; 10% of operating costs (lease, bandwidth, UP-based cloud) for five years, up to ₹20 crore a year; 7% interest subsidy up to ₹1 crore a year; 100% stamp duty exemption; EPF reimbursement up to ₹1 crore a year, only for UP-domicile women, SC/ST, transgender and Divyangjan staff.
Gujarat	IT/ITeS Policy 2022-27	For projects with gross fixed capital investment below ₹250 crore: capex support of 25% up to ₹50 crore and opex support of 15% up to ₹20 crore; mega projects up to ₹200 crore (capex) and ₹40 crore (opex); employer EPF contribution reimbursed at 100% for women and 75% for men.
Andhra Pradesh	IT & GCC Policy (4.0) 2024-2029, G.O.Ms.No.9 of 12 December 2024; land incentive G.O.Ms.No.32 of 16 August 2025	Land at a nominal price for IT/ITeS firms and GCCs on Fortune or Forbes lists or with USD 1 bn of market capitalisation or annual revenue, and for GCC and IT park developers, subject to performance conditions; IT/ITeS firms must create at least 3,000 jobs within three years and 500 jobs per acre.

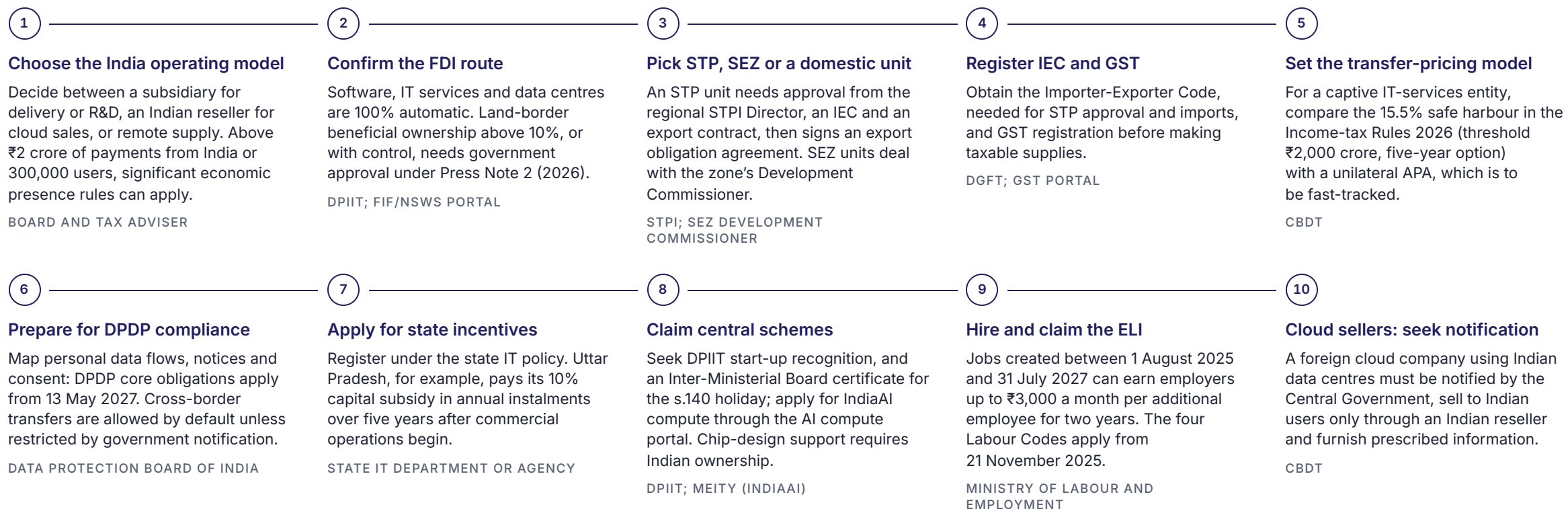
Other states, including Karnataka and Telangana, also offer technology incentives that are not summarised here.

Sources: Guidance Tamil Nadu portal; Maharashtra IT/ITeS Policy 2023 (text via Taxguru); Invest UP, IT & ITeS Policy 2022; Gujarat IT/ITeS Policy 2022-27 (RMPS summary); APIIC, G.O.Ms.No.32, Aug 2025.

SET-UP ROADMAP

From entry decision to first export invoice in ten steps

Steps specific to technology businesses; incorporation and general registrations are covered in the general set-up pages.



Sources: Press Note 2 (2026) alerts; STPI scheme FAQ; PIB, 1 Feb 2026; CLC Law, Jun 2026 (secondary); Invest India legal guide, Dec 2025; Invest UP policy 2022; PIB on ELI and Labour Codes, 2025; Finance Act 2026.

WHAT TO WATCH

Data protection, tax presence and ownership tests drive compliance risk

Compliance watch-outs

DPDP penalties are large

Penalties reach ₹250 crore for failing to take reasonable security safeguards; core duties on notice, consent and breach reporting apply from 13 May 2027.

Tax presence without an entity

Significant economic presence can arise above ₹2 crore of payments from India or 300,000 Indian users, with no office or staff, unless a tax treaty's PE test gives relief.

Data-centre exemption conditions

The foreign company must not own or operate the data centre and must sell to Indian users only through an Indian reseller; the 15% related-party safe harbour was only proposed.

Indian ownership for chip-design support

Semicon 2.0 design support is limited to companies owned and controlled by Indian citizens (or OCIs, for commercial design); foreign groups can take part as partners.

Online money games are banned

The 2025 Act, in force from 1 May 2026, prohibits online money games; e-sports, and social games in notified categories, register with the Online Gaming Authority of India.

Land-border ownership is tested

Beneficial ownership is defined as under the PMLA; land-border ownership above 10%, or with control, keeps an investment on the government route.

What changed since 2025

1 Apr 2025: equalisation levy withdrawn

The 6% levy on online advertising services provided by non-residents ended, following the Finance Act 2025.

13 Nov 2025: DPDP Rules notified

The Data Protection Board started at once; consent managers register from 13 November 2026 and core obligations apply from 13 May 2027.

14 Feb 2026: Startup India FoF 2.0

Cabinet approved a ₹10,000 crore fund of funds for deep tech, tech-driven manufacturing and early-growth start-ups; DPIIT issued operating guidelines in April 2026.

30 Mar 2026: Finance Act 2026

Data-centre exemption to March 2047 enacted; turnover limit for the start-up tax holiday raised from ₹100 crore to ₹300 crore.

1 May 2026: online gaming Act and Rules in force

Notifications of 22 April 2026 brought the 2025 Act and its Rules into force and set up the Online Gaming Authority of India.

23 Jul 2026: Press Note 3 (2026)

Marketplace entities with FDI may hold inventory to export goods made in India; domestic inventory sales stay barred. The FEMA amendment took effect on 3 September 2026.

Sources: Invest India legal guide, Dec 2025; Accorp, Gala and EY alerts (secondary); Finance Act 2026; PM India, 14 Feb 2026; PIB, Apr 2026; Shardul Amarchand Mangaldas, 25 Apr 2026; PIB via IBEF, 27 Apr 2026; ANI.

COMPANY SET-UP · ENTRY VEHICLES

Most investors use a private limited subsidiary; offices serve narrow aims

A company or LLP is an Indian resident entity. Branch, liaison and project offices are extensions of the foreign parent, opened through an authorised dealer bank under RBI rules.

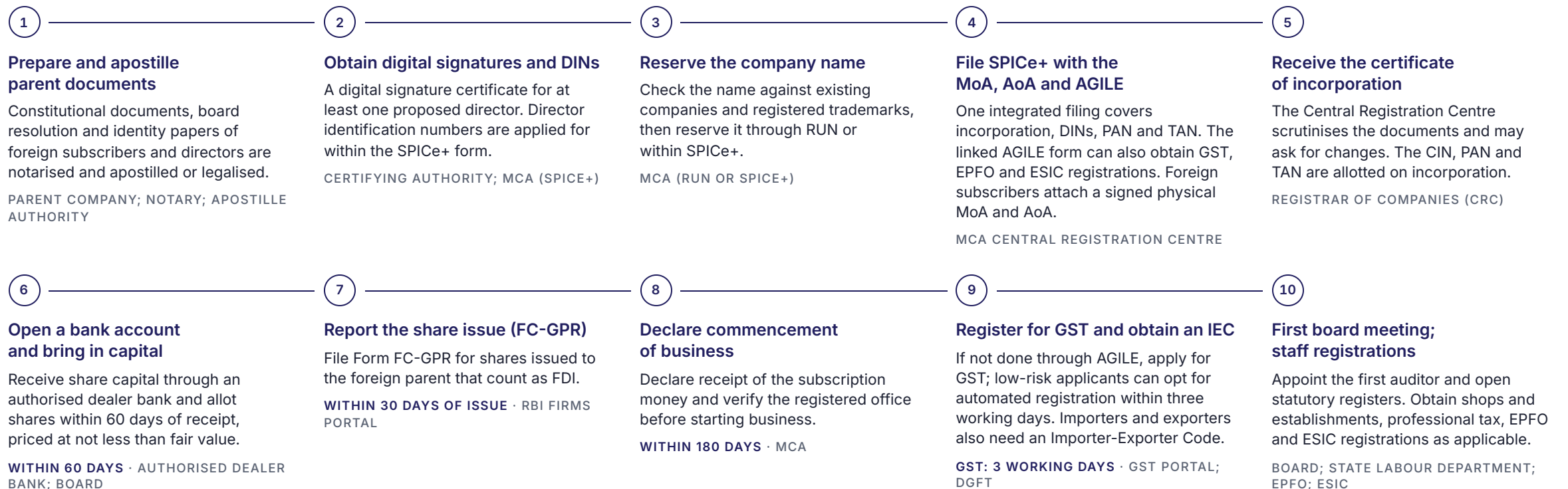
VEHICLE	WHAT IT MAY DO	APPROVAL NEEDED	SUITS
Wholly owned subsidiary (private limited company)	Any lawful business within its objects and the FDI policy. At least 2 shareholders (up to 200) and 2 directors, one meeting the 182-day residence test.	None on the automatic route without a land-border owner; else government route. Incorporated with the Registrar through SPICe+.	Operating businesses that want full control and limited liability.
Joint venture company	As a subsidiary, with an Indian partner; caps and conditions apply to the total foreign stake.	As for the sector. Land-border investors taking up to 49% in a fast-track sector, where resident Indians keep majority ownership and control, have a 60-day decision target.	Capped sectors, or where a partner brings licences, land or customers.
Limited liability partnership (LLP)	Business with partnership-style governance and limited liability; at least 2 designated partners, one resident. LLP agreement filed within 30 days.	Automatic route only in sectors fully open under the automatic route with no FDI-linked performance conditions.	Service businesses in fully open sectors.
Branch office	Activities RBI permits for branches, such as export and import, consultancy and research on behalf of the parent.	Authorised dealer bank; parent needs a sound financial track record. RBI approval in specified cases, such as defence or telecom.	Serving Indian clients directly without a subsidiary.
Liaison office	Represents the parent in India; may not carry on business. Valid generally for three years.	Authorised dealer bank, with the same track-record test and RBI referral cases as a branch.	Market study and relationship building before committing capital.
Project office	Executes a specific contract in India; valid for the tenure of the project.	Authorised dealer bank under RBI's project office rules.	Contractors delivering a defined Indian project.
No entity yet: distributor or employer of record	Sell through an Indian distributor or importer; engage staff through a third-party employer of record.	None for the foreign company itself.	Testing demand; review tax and contract exposure first.

Sources: Invest India, Doing Business in India 2025-26 and Legal and Regulatory Framework (Dec 2025); RBI Master Direction on branch, liaison and project offices; DPIIT SOP, 4 May 2026.

COMPANY SET-UP · INCORPORATION

From decision to first invoice: ten steps for a foreign-owned company

The sequence for a private limited subsidiary in an automatic-route sector. Times are shown only where a rule fixes them; state registrations depend on location and activity.



Sources: Invest India, Doing Business in India 2025-26; RBI FEMA 395 Regulations; RBI Master Direction, Jun 2026; Tribune/ANI and KPMG on GST registration (secondary).

TAX AT A GLANCE (1 OF 2)

A foreign-owned company can pay 25.168%; a branch pays 36.40–38.22%

Rates for tax year 2026-27, the first year under the Income-tax Act 2025, which replaced the 1961 Act from 1 April 2026. Effective rates add surcharge and the 4% health and education cess. Treaty rates can be lower where treaty conditions are met.

TAX	RATE OR RULE	NOTE
Corporate tax: concessional regime (s.200)	22% + 10% surcharge + 4% cess = 25.168% effective, whatever the level of income	Optional for any Indian company, including a foreign-owned subsidiary. Most deductions and exemptions are given up; MAT does not apply.
Corporate tax: normal regime	30%, or 25% if turnover in FY2024-25 was up to ₹400 crore. Surcharge 7% on income above ₹1 crore, 12% above ₹10 crore; 4% cess	Top effective rate 34.944% (30% band). Deductions and incentives remain available, but MAT applies.
Foreign company: branch or permanent establishment	35% on income other than special-rate income. Surcharge 2% on income above ₹1 crore, 5% above ₹10 crore; 4% cess	Effective 36.40% (income up to ₹1 crore), 37.128% (₹1–10 crore), 38.22% (above ₹10 crore).
Minimum alternate tax (MAT, s.206)	14% of book profit (was 15%) from tax year 2026-27; a final tax for companies in the old regime, with no new MAT credit	Credit built up to 31 March 2026 is usable only after moving to the new regime, up to 25% of the year's tax (domestic companies).
15% regime for new manufacturing companies (s.201)	Closed to new entrants: only companies that began manufacturing or production by 31 March 2024 qualify	Budget 2026-27 left corporate tax rates unchanged (only the MAT rate was cut) and added no replacement regime; new manufacturers compare s.200 with the normal regime.
Dividends paid to a non-resident parent	20% withholding under domestic law, plus surcharge and cess	Taxed in the shareholder's hands. Treaties can reduce withholding on dividends, interest, royalties and technical fees, subject to treaty conditions.

Effective rate = base rate × (1 + surcharge) × 1.04.

Sources: Finance Act 2026 (No. 4 of 2026); Budget 2026-27 speech and memorandum (1 Feb 2026); BDO and RSM on the Finance Act 2026; PIB, 56th GST Council (3 Sep 2025) and safe harbour (1 Feb 2026); CLC Law and Aurtus on the 2026 rules.

TAX AT A GLANCE (2 OF 2)

Withholding, capital gains, buy-backs, GST and transfer pricing in brief

Domestic-law rates for tax year 2026-27, before surcharge and cess unless stated. The applicable treaty may reduce withholding where its conditions are met.

TAX	RATE OR RULE	NOTE
Royalties and fees for technical services	20% on payments to a foreign company, plus surcharge and cess	A lower treaty rate may apply, subject to treaty conditions.
Capital gains of non-residents: listed shares	Short-term (s.196): 20%. Long-term (s.198): 12.5% on gains above ₹1.25 lakh	Plus surcharge and cess. Treaty exemptions are open to challenge under GAAR (Tiger Global, January 2026).
Capital gains of non-residents: unlisted shares	Long-term: 12.5%. Short-term: at the rate for other income, 35% for a foreign company	Plus surcharge and cess; treaty relief subject to treaty conditions.
Share buy-backs	Taxed as capital gains in the shareholder's hands from 1 April 2026, no longer as dividend	Promoters pay an additional tax on buy-backs under s.68 of the Companies Act 2013. It takes long-term gains, and short-term gains on listed shares, to 22% where the promoter is an Indian company and 30% for any other promoter, including a foreign parent (before surcharge and cess).
GST (from 22 September 2025)	Two main rates, 5% (merit) and 18% (standard), plus 40% for a select few goods and services	Approved by the 56th GST Council on 3 September 2025. Tobacco products were initially kept on earlier rates and compensation cess.
Transfer-pricing safe harbour: IT services	15.5% operating margin on cost for software, ITeS, KPO and contract R&D, for taxpayers within the ₹2,000 crore eligibility threshold (raised from ₹300 crore)	Budget 2026-27; notified with the 2026 rules. Approval is automated and the option can run for five years.

Withholding rates are domestic-law rates for tax year 2026-27; the applicable treaty may reduce them.

Sources: Finance Act 2026 (No. 4 of 2026); Budget 2026-27 speech and memorandum (1 Feb 2026); BDO and RSM on the Finance Act 2026; PIB, 56th GST Council (3 Sep 2025) and safe harbour (1 Feb 2026); CLC Law and Aurtus on the 2026 rules.

HOW IMC GROUP HELPS

One team for technology companies, from the entry decision to steady state

IMC Group works from Chennai, Dubai and Singapore as a member firm of Andersen Global. The same team structures the investment, sets up the entity and keeps it compliant.

What we do in technology

Entity and export structure

Entity set-up, STPI and SEZ registration, and structuring for software exports.

FEMA and ownership screening

FEMA and FC-GPR filings, and land-border ownership screening.

Transfer pricing

Transfer pricing for R&D and captive development centres.

Data protection and IP

DPDP Act data-protection readiness and IP assignment.

Capability centres

GCC build-operate-transfer for engineering and product teams.

How an engagement runs

Assess

Market-entry strategy and business case, entry vehicle and holding structure, incentive and location screening.

Establish

Entity incorporation and registrations, FDI structuring, FEMA and RBI filings, licences and incentive applications.

Operate

Accounting, tax and transfer pricing, payroll and labour-law compliance, company secretarial and FEMA reporting.

Scale

Global capability centres, M&A and joint ventures, new locations, global mobility and expatriate tax.

Source: IMC Group.

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