

INVEST IN INDIA · SECTOR BRIEF

BFSI & FinTech

FDI caps, licences, GIFT City IFSC tax incentives, state support and the set-up route for foreign banks, NBFCs, insurers, fund managers and payment firms.

100%

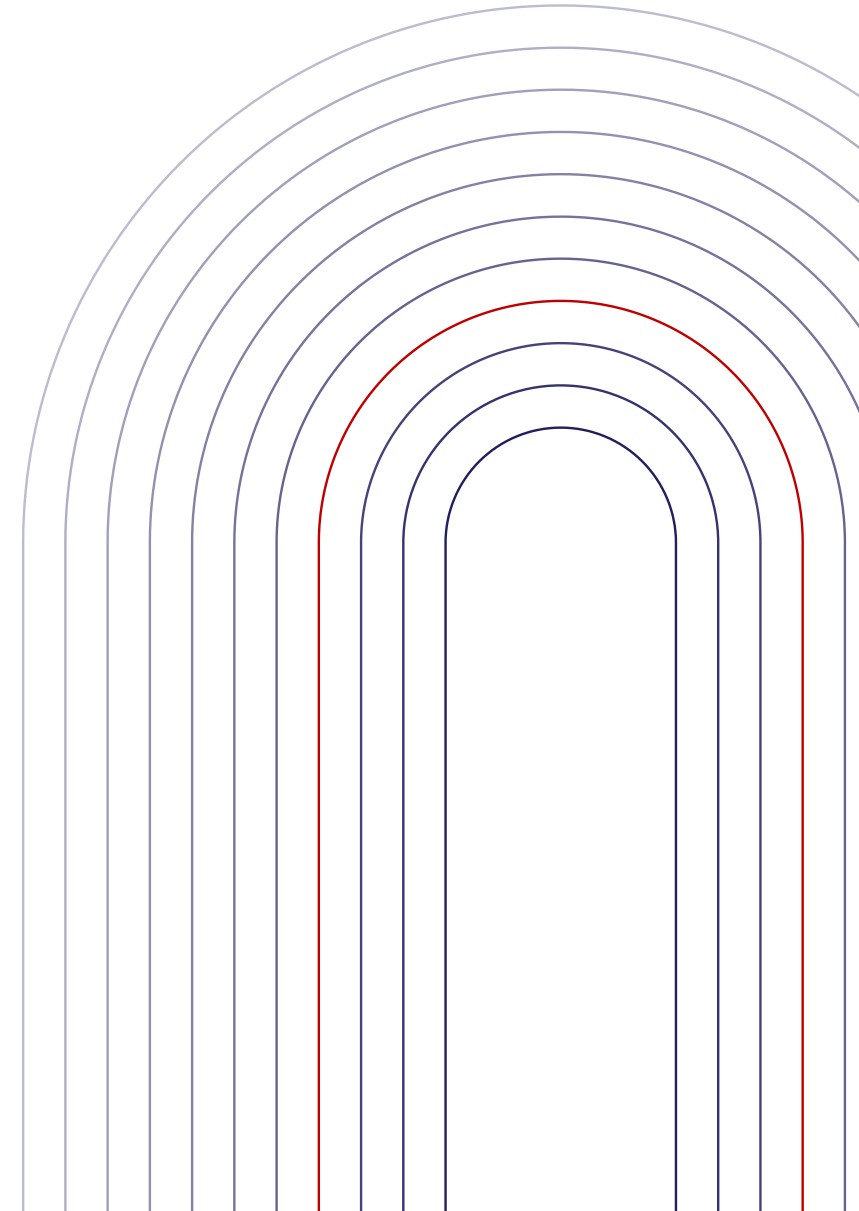
FDI in insurers and insurance intermediaries, automatic route (Press Note 1, 2026)

20 of 25

years of 100% income deduction for GIFT City IFSC units, from tax year 2026-27

241.6 bn

UPI transactions in FY2025-26, worth ₹314 trillion (₹314 lakh crore)



SECTOR SNAPSHOT

Foreign capital is flowing into Indian finance as ownership limits open

India pairs very large digital-payment volumes with low insurance penetration and newly raised foreign-ownership limits. GIFT City adds an offshore financial centre inside India, with its own regulator and tax regime.

USD 10 bn

FDI equity into the services sector, incl. finance and insurance

FY2025-26; top sector since 2000 (DPIIT)

241.6 bn

UPI transactions, worth ₹314 lakh crore
FY2025-26 (PIB, 30 April 2026)

3.7%

insurance penetration: life 2.7%,
non-life 1%

FY2024-25 (PIB, 23 April 2026)

1,034

entities registered at GIFT City IFSC
30 Nov 2025, incl. provisional

Insurance is open to full foreign ownership

The Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act, 2025 (assent 20 December 2025) raised the FDI limit in insurers from 74% to 100%; Press Note 1 (2026) of 9 February 2026 made it automatic, in legal effect from 2 May 2026.

Foreign lenders are buying significant stakes

Foreign M&A in India's financial sector reached USD 11.7 bn in 2025 (Grant Thornton data, via Reuters), including MUFG's USD 4.4 bn for 20% of Shriram Finance and Emirates NBD's 60% of RBL Bank.

Banks are well capitalised

Scheduled commercial banks' capital adequacy ratio was 17.2% in September 2025, and their gross NPA ratio had reached a multi-decadal low (Economic Survey 2025-26).

GIFT City's tax holiday now runs 20 years

From tax year 2026-27, IFSC units deduct 100% of eligible income for 20 consecutive years out of 25, up from 10 out of 15. In November 2025 GIFT City hosted 38 IFSC banking units with USD 100+ bn of assets.

Sources: DPIIT FDI Fact Sheet, March 2026; PIB, 23 and 30 April 2026; Economic Survey 2025-26; Budget 2026-27 memorandum; Press Note 1 (2026); Reuters, 13 August 2026 (secondary).

WHERE THE OPPORTUNITY IS

Foreign capital is going into six parts of Indian finance

Recent investment has gone to lenders with scale, to insurers now open to full foreign ownership, to payments and to GIFT City's offshore platforms.



74% CAP

Private banks

A foreign bank may enter through branches, a wholly owned subsidiary or a stake of up to 74% in a private bank. SMBC agreed to buy 20% of Yes Bank for USD 1.6 bn in May 2025; Emirates NBD completed a 60% stake in RBL Bank in June 2026.



100% AUTOMATIC

NBFCs and consumer lenders

Regulated NBFCs can be wholly foreign-owned under the automatic route, subject to RBI's conditions. MUFG completed a USD 4.4 bn purchase of 20% of Shriram Finance in April 2026; in August 2026 Bank of America agreed to acquire up to 49.9% of Jio Credit.



100% AUTOMATIC

Insurance

Insurers collected premiums of ₹11.93 lakh crore in FY2024-25 and managed assets of ₹74.44 lakh crore at 31 March 2025, yet penetration was 3.7% in FY2024-25. Full foreign ownership is now allowed, subject to IRDAI verification.



RBI AUTHORISATION

Payments and fintech

UPI processed 241.6 billion transactions worth ₹314 lakh crore in FY2025-26, with volume up 30% on the year. In June 2026 Meta said it would invest USD 900 mn in CRED, valuing it at USD 4.5 bn.



GIFT IFSC

Funds and asset management

194 fund management entities in GIFT City ran 310 schemes with USD 26.30 bn of commitments (Economic Survey 2025-26). An offshore fund can use an India-based fund manager without a business connection if resident participation stays within 5% and other conditions are met.



GIFT IFSC

IFSC banking and leasing

Per the Economic Survey 2025-26, 38 IFSC banking units held USD 100+ bn of assets, and 33 aircraft lessors (303 aviation assets) and 34 ship lessors (28 vessels) operated there. IFSC banking units of foreign banks can finance leasing.

Sources: Consolidated FDI Policy 2020; PIB, 23 and 30 April 2026; Economic Survey 2025-26; Taxation and Other Laws (Amendment) Act 2026; GIFT City guide 2024; Reuters, 13 Aug 2026; Business Standard, 8 Apr and 18 Jun 2026 (secondary).

RECENT FOREIGN INVESTMENTS

Japanese, Gulf and US investors are taking large stakes in Indian lenders

Foreign M&A into India's financial sector totalled USD 11.7 bn in 2025, according to Grant Thornton data reported by Reuters. Amounts are as reported.

INVESTOR (COUNTRY)	WHAT AND WHERE	SIZE	DATE
Bank of America (US)	Agreed to acquire up to 49.9% of Jio Credit, the non-bank lending arm of Jio Financial Services, as joint venture partner	USD 1.92 bn (₹18,268 crore)	Aug 2026
Meta Platforms (US)	Announced investment in CRED, a members-only platform for consumers with high credit scores, valuing CRED at USD 4.5 bn	USD 900 mn	Jun 2026
MUFG (Japan)	20% of Shriram Finance (₹39,618 crore), the largest cross-border investment in India's financial sector; agreed December 2025, completed 8 April 2026	USD 4.4 bn	Dec 2025
Emirates NBD (UAE)	60% of RBL Bank, a private lender, via new shares and an open offer; agreed October 2025, completed 18 June 2026. It intends to merge the branch network with its Indian subsidiary	About USD 2.75 bn (₹26,000 crore) at completion; USD 3 bn as announced	Oct 2025
International Holding Company (UAE)	43.5% of Sammaan Capital, a non-bank lender focused on housing loans	Close to USD 1 bn	Oct 2025
Blackstone (US), via a Singapore affiliate	9.9% of Federal Bank, a private bank	USD 705 mn (₹6,197 crore)	Oct 2025
SMBC (Japan)	20% of Yes Bank, bought from the Indian banks that rescued it in 2020; a further 4.99% in September 2025	USD 1.6 bn for 20%	May 2025

Amounts as reported by Reuters (13 August 2026). Completion dates for MUFG and Emirates NBD are from Business Standard (8 April and 18 June 2026).

Sources: Reuters factbox, 13 August 2026; Business Standard, 20 October 2025, 8 April and 18 June 2026 (all secondary).

FDI RULES (1 OF 2)

Most financial services allow 100% foreign ownership; banks stay capped

Caps come from the Consolidated FDI Policy 2020 as amended by later Press Notes. Financial activities not regulated by a financial-sector regulator need government approval.

ACTIVITY	CAP AND ROUTE	KEY CONDITIONS
Private - sector banks	74%: automatic up to 49%, government route above 49%	Limit includes portfolio investment by FPIs and NRIs. Residents must hold at least 26% of paid-up capital at all times, except in a wholly owned subsidiary of a foreign bank.
Public - sector banks	20%, government route	Subject to the Banking Companies (Acquisition and Transfer of Undertakings) Acts 1970/80.
Insurance companies	100%, automatic (LIC: 20%, automatic)	Press Note 1 (2026), in legal effect from 2 May 2026: subject to IRDAI verification and licence; at least one of the chairperson, managing director and CEO must be a resident Indian citizen.
Insurance intermediaries	100%, automatic	Brokers, reinsurance brokers, corporate agents, TPAs, surveyors, MGAs and repositories. Majority foreign-owned intermediaries must be limited companies; a bank acting as intermediary keeps its banking cap.

Sources: Consolidated FDI Policy 2020; DPIIT Press Notes 1 and 2 (2026); Invest India, Navigating India's Legal and Regulatory Framework, December 2025; RBI Master Direction on foreign investment, updated 15 June 2026.

FDI RULES (2 OF 2)

NBFCs, pension funds and exchanges: open, with regulator conditions

Financial activities regulated by RBI, SEBI, IRDAI or PFRDA follow that regulator's conditions; the land-border test applies to every activity.

ACTIVITY	CAP AND ROUTE	KEY CONDITIONS
NBFCs and other regulated financial services	100%, automatic	Activities regulated by RBI, SEBI, IRDAI, PFRDA, NHB or another notified regulator, subject to that regulator's conditions. Unregulated financial activities need prior government approval.
Pension funds	49%, automatic	Investors must obtain registration from PFRDA and comply with the PFRDA Act, 2013.
Asset reconstruction and credit information companies	100%, automatic	Credit information companies need RBI regulatory clearance; a single FPI must hold below 10%, and acquisitions above 1% must be reported to RBI.
Stock and commodity exchanges, depositories, clearing corporations	49%, automatic	Subject to SEBI's regulations for exchanges, clearing corporations and depositories.
Any activity: land-border investors	Government route	Applies where the investor is an entity or citizen of a country sharing a land border with India, or a beneficial owner (more than 10% or control) is a citizen of one (Press Note 2 of 2026); file on the FIF/NSWS portal. Indirect land-border ownership up to 10% without control: automatic, with prior reporting.

White-label ATM operators: 100% automatic. Since 12 June 2026 any non-resident individual may also buy listed shares through a designated bank branch, each below 10% and all such individuals together up to 24% (FEMA Non-debt Instruments Rules).

Sources: Consolidated FDI Policy 2020; DPIIT Press Notes 1 and 2 (2026); Invest India, Navigating India's Legal and Regulatory Framework, December 2025; RBI Master Direction on foreign investment, updated 15 June 2026.

REGULATORS AND LICENCES

Each financial activity needs its own licence before business starts

Clearing the FDI cap does not license the business: each activity needs registration or authorisation from its regulator before it starts.

APPROVAL OR REGISTRATION	AUTHORITY AND PORTAL	WHEN IT IS NEEDED
Banking presence: branch, wholly owned subsidiary or stake in a private bank	Reserve Bank of India (RBI)	Before accepting deposits or lending as a bank. A foreign bank may use only one of the three channels.
NBFC certificate of registration (s.45-IA, RBI Act)	RBI	Before starting non-banking financial business. Most new applicants need net owned funds of ₹10 crore from the outset (existing NBFCs by 31 March 2027); P2P lenders and account aggregators need ₹2 crore, housing finance companies ₹20 crore, infrastructure finance companies ₹300 crore.
Payment aggregator authorisation (physical, online, cross-border)	RBI	Non-bank aggregators need authorisation under RBI's directions of 15 September 2025, with net worth of ₹15 crore at application and ₹25 crore over the next three years. Banks need none.
Insurer or reinsurer registration	Insurance Regulatory and Development Authority of India (IRDAI)	Before writing business; IRDAI also verifies FDI in insurers. Foreign reinsurers need net owned funds of ₹1,000 crore, reduced from ₹5,000 crore.
Pension fund registration	Pension Fund Regulatory and Development Authority (PFRDA)	Before managing pension funds under the PFRDA Act, 2013.
Foreign portfolio investor registration	SEBI (FPI Regulations, 2019)	Before investing in listed securities through the portfolio route.
IFSC unit approval	SEZ authorities (Form-F) and IFSCA	File Form-F with the SEZ authorities and apply to IFSCA; the SEZ authority issues the final Letter of Approval and business starts after the regulator's approval.
Land-border investment approval	Government route via the FIF/NSWS portal	Before investing where the investor, or a beneficial owner, is from a land-border country; the Ministry of External Affairs comments on such proposals.

Sources: Consolidated FDI Policy 2020; RBI, FAQs on NBFCs, April 2025; Medianama, September 2025 (secondary); Press Note 1 (2026); Skadden, February 2026; PIB, 23 April 2026; GIFT City guide 2024; DPIIT FIF SOP.

CENTRAL INCENTIVES (1 OF 2)

GIFT City IFSC units get a 20-year income deduction and a lower MAT

Status as of 1 October 2026. GIFT City's International Financial Services Centre is the main central incentive for financial services; conditions and filings apply.

SCHEME	WHAT THE INVESTOR GETS	WHO QUALIFIES	STATUS
IFSC unit deduction (s.147, Income-tax Act 2025)	100% deduction of eligible income for 20 consecutive years out of 25, up from 10 out of 15, from tax year 2026-27	IFSC units; units starting from 1 April 2026 must not be formed by splitting or reconstructing a business in India	● ENACTED, FINANCE ACT 2026
Offshore banking unit deduction (s.147)	100% deduction of eligible income for 20 consecutive years, up from 10	Offshore banking units (same condition for units starting from 1 April 2026)	● ENACTED, FINANCE ACT 2026
Rate after the deduction period	Proposed: business income from the IFSC taxed at 15% once the deduction period ends	IFSC units and offshore banking units	○ PROPOSED 1 FEB 2026; NOT IN FINANCE ACT 2026
Minimum Alternate Tax for IFSC units	MAT at 9% of book profit, plus surcharge and cess, for IFSC units deriving income solely in convertible foreign exchange; other old-regime companies pay a final 14%	IFSC companies that stay in the old regime	● IN FORCE: S.206, INCOME-TAX ACT 2025
Treasury centres: deemed dividend	Loans between a group entity and an IFSC finance company or finance unit are not deemed dividends where the parent is listed abroad; Budget 2026-27 proposed notified-jurisdiction conditions	Group treasury centres in an IFSC	In force; change proposed 1 Feb 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: Budget 2026-27 memorandum and speech; Finance Act 2026; Income-tax Act 2025, s.206; GIFT City, Doing Business in GIFT City 2024.

CENTRAL INCENTIVES (2 OF 2)

Foreign funds gain new tax exemptions and wider access to Indian markets

Status as of 1 October 2026. Budget items are announcements until notified; the 2026 amending Act is in force.

SCHEME	WHAT THE INVESTOR GETS	WHO QUALIFIES	STATUS
FII income on government securities	Interest on government securities and capital gains on their transfer are exempt, subject to furnishing prescribed information	Foreign Institutional Investors	● IN FORCE FROM 1 APR 2026 (ACT 21 OF 2026)
Offshore fund manager safe harbour (s.9(12))	An eligible Indian fund manager does not create a business connection; residents' direct participation capped at 5% of corpus, ignoring manager contributions up to ₹25 crore in the first three years; four months to cure	Non-resident funds from treaty or notified jurisdictions	● IN FORCE, ACT 21 OF 2026
Corporate bond market	Market-making framework with access to funds, derivatives on corporate bond indices and total return swaps on corporate bonds	Investors and market intermediaries	○ BUDGET 2026-27, 1 FEB 2026
Municipal bond incentive	₹100 crore incentive for a single bond issue of more than ₹1,000 crore by a large city; AMRUT support for issues up to ₹200 crore continues	Large cities issuing municipal bonds	○ BUDGET 2026-27, 1 FEB 2026
Banking and FEMA reviews	A High Level Committee on Banking for Viksit Bharat, and a comprehensive review of the FEMA (Non-debt Instruments) Rules for a more user-friendly framework	Banks and foreign investors	○ BUDGET 2026-27, 1 FEB 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: Taxation and Other Laws (Amendment) Act 2026 (No. 21 of 2026); Budget speech 2026-27; Invest India, Union Budget 2026-27 page (retrieved 1 Oct 2026).

TAX, CUSTOMS AND ZONES

GIFT City pairs its tax holiday with exemptions on trades, GST and leasing

These measures sit on top of India's general corporate tax rules. Each exemption carries conditions and reporting.



S.147

Income deduction for 20 of 25 years

IFSC units deduct 100% of eligible income for 20 consecutive years out of 25 from tax year 2026-27 (previously 10 of 15); offshore banking units for 20 consecutive years. Budget 2026-27 proposed a 15% rate afterwards; it is not in the Finance Act 2026.



IFSC UNITS

MAT and AMT at 9%

Under s.206 of the Income-tax Act 2025, IFSC units deriving income solely in convertible foreign exchange pay MAT (companies) or AMT (others) at 9%, plus surcharge and cess. Other companies in the old regime pay a final 14% MAT.



EXCHANGES AND SERVICES

No STT, CTT, stamp duty or GST

Transactions on GIFT IFSC exchanges are exempt from securities and commodities transaction taxes and stamp duty. No GST applies to services received by IFSC units or supplied to IFSC units or offshore clients.



EXEMPTIONS

Non-resident investors

Exempt: non-residents' interest on money borrowed by an IFSC unit; their income from NDFs and offshore or OTC derivatives with an IFSC banking unit; and, not only in the IFSC, FIIs' interest and gains on government securities from 1 April 2026.



LEASING

Aircraft and ship leasing

Per the Economic Survey 2025-26, 33 aircraft lessors (303 aviation assets) and 34 ship lessors (28 vessels) operated from GIFT IFSC. Foreign banks with an IFSC banking unit can finance aircraft and ship leasing.



IFSCA

Treasury centres, GICs and one regulator

IFSCA, set up in April 2020, regulates IFSC business in place of RBI, SEBI, IRDAI and PFRDA. Finance companies may run global or regional corporate treasury centres; GIFT IFSC also admits Global In-house Centres.

Sources: Budget 2026-27 memorandum; Finance Act 2026; Income-tax Act 2025, s.206; Taxation and Other Laws (Amendment) Act 2026; Economic Survey 2025-26; GIFT City, Doing Business in GIFT City 2024.

STATE INCENTIVES

Gujarat's GIFT City package is the main state incentive for finance

Gujarat supports IFSC units through its IT/ITeS policy and stamp duty relief. Tamil Nadu's fintech policy ran to 31 December 2025; Chennai's Fintech City offers dedicated space.

STATE	POLICY AND VALIDITY	HEADLINE INCENTIVES
Gujarat (GIFT City)	Gujarat IT/ITeS Policy 2022-27, for prescribed eligible activities of IFSC units; state exemption from stamp duty and registration charges	One-time capital subsidy of 25% of capex (cap ₹200 crore above ₹250 crore of fixed investment; ₹50 crore below); operating-expense subsidy of 15% for five years (cap ₹40 crore or ₹20 crore); 100% electricity duty reimbursement for five years.
Gujarat (GIFT City), continued	Gujarat IT/ITeS Policy 2022-27	Employer EPF contribution reimbursed up to 12% of salary (100% for women, 75% for men); interest subsidy of up to 7% on term loans for five years, capped at ₹1 crore a year.
Tamil Nadu	Tamil Nadu FinTech Policy 2021, expired 31 December 2025, when its incentives ended; TIDCO Fintech City, Chennai	The policy offered 75% of operating expenses up to ₹5 lakh a year and 100% net SGST reimbursement up to ₹5 lakh a year, for at most three years. Fintech City covers 110 acres.

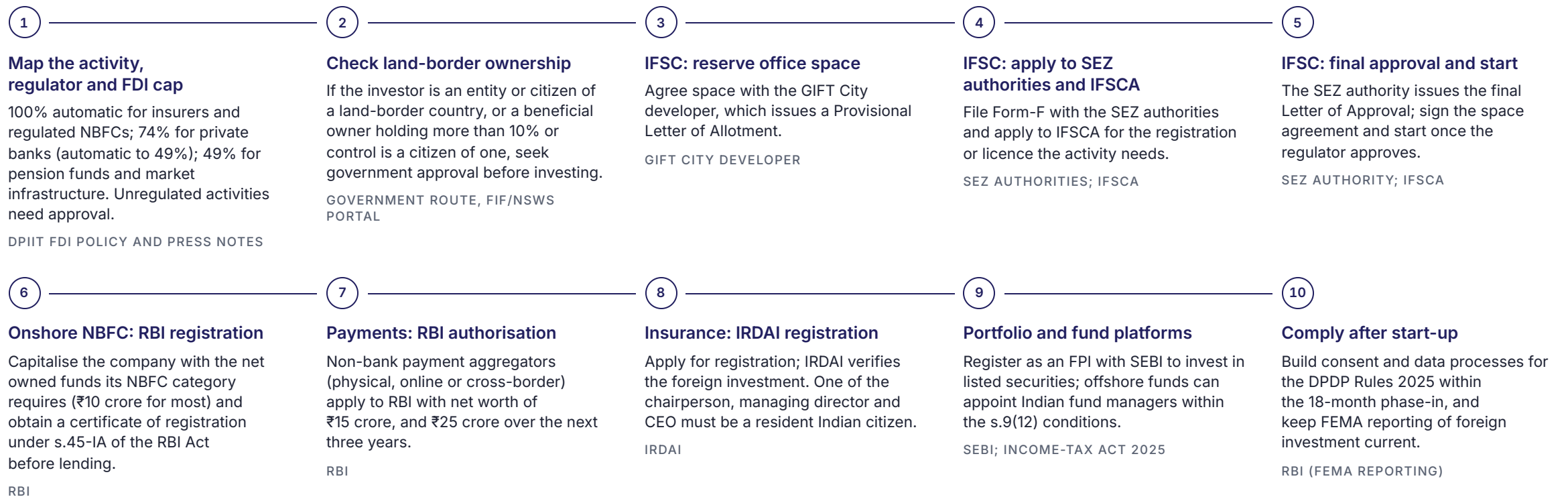
Gujarat amounts are converted from the million-rupee figures published by GIFT City. Confirm current terms with the state agency before committing.

Sources: GIFT City, Doing Business in GIFT City 2024; India Briefing (secondary); Tamil Nadu FinTech Policy 2021 (via Invest India); TIDCO, Fintech City brochure.

SET-UP ROADMAP

Two routes in: a GIFT City IFSC unit or a licensed onshore entity

A foreign entrant can serve offshore clients from a GIFT City IFSC unit, Indian customers through a regulated onshore entity, or both. Licences come before commencement.



Sources: GIFT City, Doing Business in GIFT City 2024; RBI, FAQs on NBFCs, April 2025; Medianama, September 2025 (secondary); Press Notes 1 and 2 (2026); PIB, 17 November 2025.

WHAT TO WATCH

Ownership tests, licence capital and data rules drive compliance risk

Compliance watch-outs

Land-border beneficial owners

An investor from a land-border country, or a beneficial owner (more than 10% or control) who is a citizen of one, needs the government route (Press Note 2 (2026)).

Downstream investment

Investment by a foreign-owned Indian company counts as indirect foreign investment; a bank's strategic downstream investment counts for the investee.

Resident control requirements

Insurers need a resident Indian citizen as chairperson, MD or CEO; private banks need at least 26% resident shareholding, except a foreign bank's wholly owned subsidiary.

Unregulated activities

Financial activities outside RBI, SEBI, IRDAI, PFRDA or NHB regulation need prior government approval for foreign investment.

Capital to be maintained

Most NBFCs need net owned funds of ₹10 crore; non-bank payment aggregators ₹15 crore at application and ₹25 crore later. In credit information companies, one FPI stays below 10%.

Personal data

The DPDP Rules 2025 were notified on 13 November 2025 with an 18-month phase-in; consent notices and processing must be ready by 13 May 2027.

What changed since 2025

15 Sep 2025: payment aggregator rules

RBI issued directions covering physical, online and cross-border payment aggregators, with net-worth and escrow requirements.

28 Nov 2025: NBFC directions consolidated

RBI issued the NBFC Registration, Exemptions and Framework for Scale Based Regulation Directions, 2025.

20 Dec 2025: insurance laws amended

The 2025 amending Act raised the insurance FDI limit from 74% to 100% and cut the net owned fund required of foreign reinsurers from ₹5,000 crore to ₹1,000 crore.

9 Feb 2026: Press Note 1 (2026)

Insurers and intermediaries moved to 100% automatic, subject to IRDAI verification; LIC stays at 20%. In legal effect from the FEMA rules amendment of 2 May 2026.

1 Apr 2026: IFSC deduction extended

IFSC units' 100% deduction now runs for 20 consecutive years out of 25, from tax year 2026-27 (Finance Act 2026).

17 Aug 2026: fund and FII tax changes

Act 21 of 2026 exempted FIIs' income on government securities and reset the offshore-fund safe harbour, deemed effective from 1 April 2026.

Sources: Press Notes 1 and 2 (2026); RBI Master Direction on foreign investment; RBI, 28 November 2025; PIB, 17 November 2025; PIB, 23 April 2026; Skadden, February 2026; Medianama, September 2025 (secondary).

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.

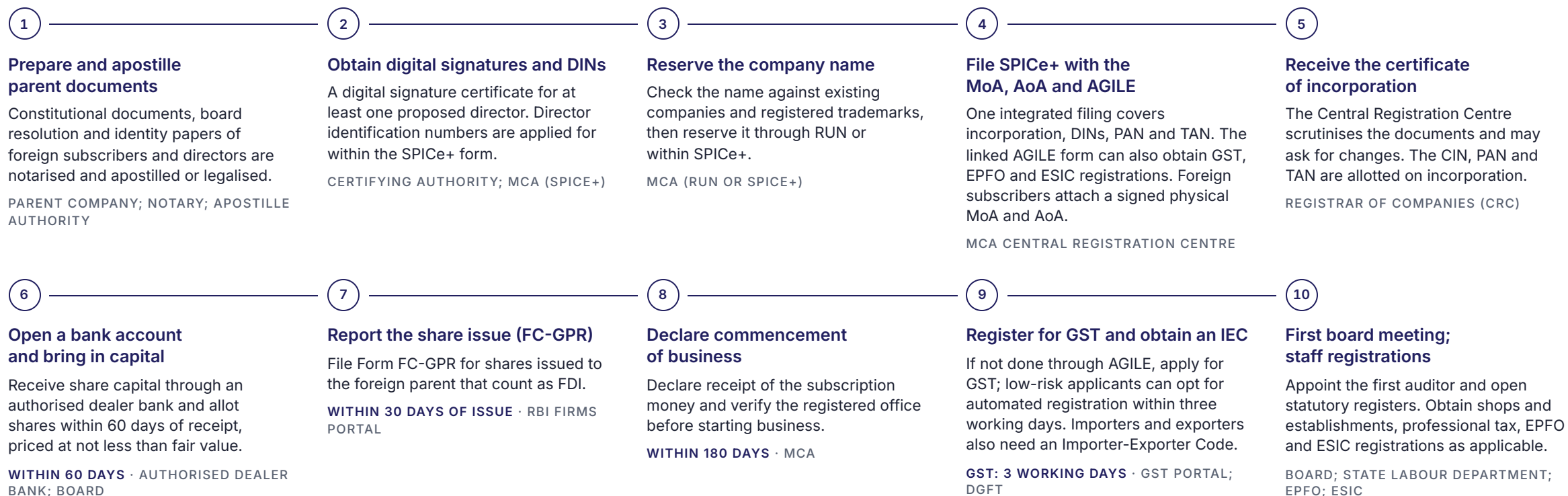
VEHICLE	WHAT IT MAY DO	APPROVAL NEEDED	SUITS
Wholly owned subsidiary (private limited company)	Any lawful business within its objects and the FDI policy. At least 2 shareholders (up to 200) and 2 directors, one meeting the 182-day residence test.	None on the automatic route without a land-border owner; 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 financial-services firms, 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 financial services

GIFT IFSC set-up

GIFT IFSC entity set-up: banking units, fund management and leasing.

Caps and routes

Sectoral-cap and route triage across banking, insurance and NBFCs.

Licensing

IRDAI, RBI and SEBI licensing and regulatory liaison.

Funds

AIF and fund structuring, and FPI onboarding support.

Ongoing compliance

FEMA, transfer pricing and tax compliance.

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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