

INVEST IN INDIA · SECTOR BRIEF

Healthcare, Pharma & MedTech

FDI rules, licences, central and state incentives, tax and customs measures, and the set-up route for foreign investors in pharmaceuticals, medical devices, biotechnology and hospitals.

100%

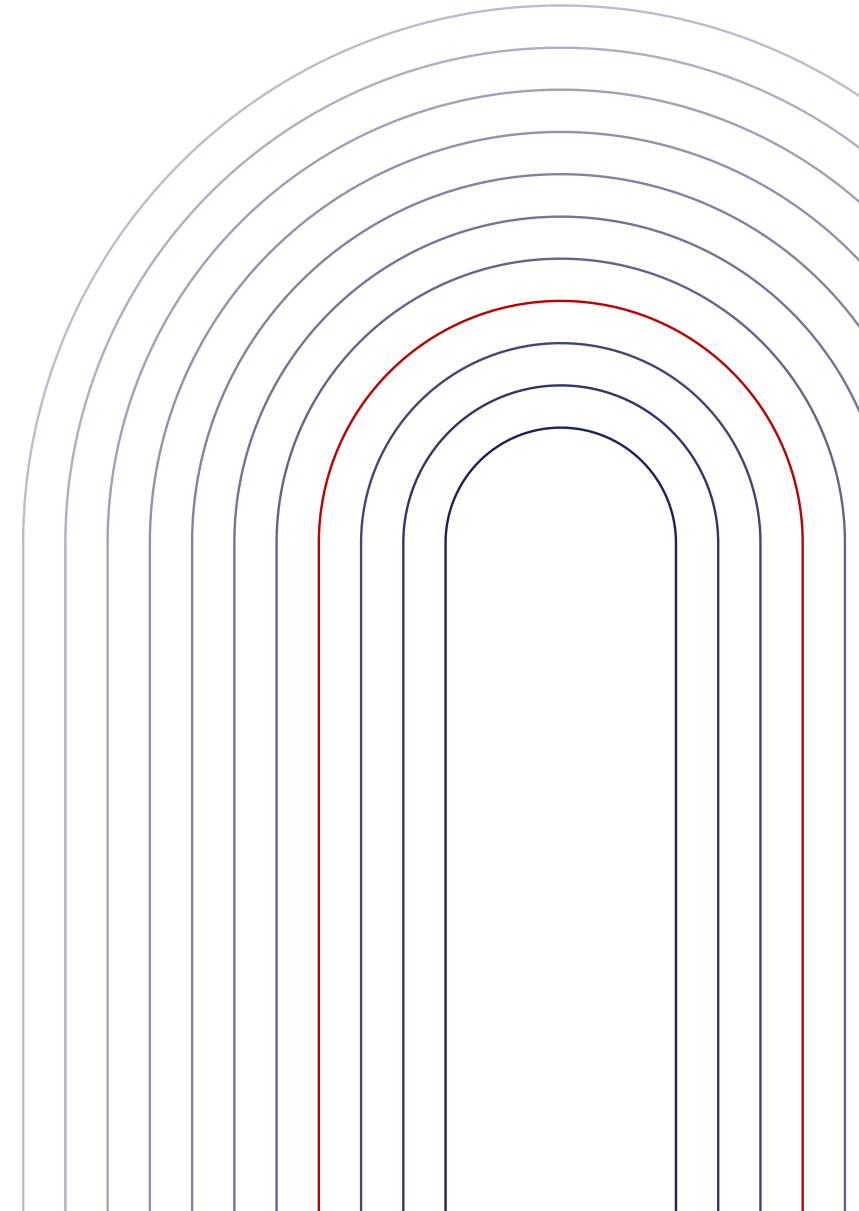
FDI under the automatic route for greenfield pharma and for medical devices

USD 31 bn

pharmaceutical exports in FY2025-26, up from USD 14 bn in FY2014-15

USD 50 bn

medical devices market expected by 2030 (Invest India estimate)



SECTOR SNAPSHOT

Exports, FDI and policy support are rising across pharma and medtech

India is the third-largest producer of medicines by volume and supplies about a fifth of the world's generics. Foreign capital is now going into APIs, biologics, contract manufacturing, devices and hospital chains.

USD 31 bn

Pharmaceutical exports in FY2025-26 (approximate)

Commerce Ministry, via Business Standard

USD 1.9 bn

FDI equity into drugs and pharmaceuticals, FY2025-26

DPIIT; USD 891 mn in FY2024-25

USD 11 bn

Medical devices market, about 1.5% of the world market

Invest India estimate (retrieved 1 Oct 2026)

USD 130 bn

Projected domestic pharmaceutical market by 2030

Invest India; about USD 60 bn now (PIB)

PLI capex is more than double the commitment

55 companies selected under the ₹15,000 crore pharma PLI had invested ₹40,890 crore by September 2025 against ₹17,274.96 crore committed; cumulative sales of ₹3.17 lakh crore beat the ₹2.94 lakh crore scheme target.

Generics stay outside US Section 232 tariffs

From 29 September 2026 the US 100% tariff on specified patented medicines covers more companies. Generics and their ingredients are outside it; qualifying speciality medicines from India, one of 20 eligible jurisdictions, may get zero duty.

Biologics and clinical trials are the next push

Budget 2026-27 announced Biopharma SHAKTI: ₹10,000 crore over five years for biologics and biosimilars, three new NIPERs, seven upgraded and over 1,000 accredited clinical-trial sites. Operating guidelines are awaited.

Global capital is consolidating hospital chains

KKR agreed on 6 August 2026 to buy Medcover's India hospital business for €1.2 billion, and Aster DM completed its merger with Blackstone-backed Quality Care India on 2 July 2026, forming a 39-hospital group.

Sources: Business Standard, 10 Jun and 29 Sep 2026; DPIIT FDI Fact Sheet, Mar 2026; Invest India sector pages (retrieved 1 Oct 2026); DoP Annual Report 2025-26; Budget speech 2026-27; Reuters, 6 Aug 2026.

WHERE THE OPPORTUNITY IS

Foreign investors are active in six parts of the health economy



FORMULATIONS

Generic formulations for export

India supplies about 20% of the world's generics and has the second-highest number of USFDA manufacturing plants after the US (Invest India). Output under the pharma PLI made up 26.5% of India's formulation exports in FY2024-25.



APIS

APIs and key starting materials

Under the ₹6,940 crore bulk-drug PLI, 48 projects for 33 products are approved, with incentives of up to 20% of sales for fermentation-based products. Bulk drug parks are being developed in Gujarat, Andhra Pradesh and Himachal Pradesh.



BIOPHARMA

Biologics, biosimilars and vaccines

India meets about 60% of global vaccine demand and has over 200 biosimilars in development (Invest India). Biopharma SHAKTI, announced in Budget 2026-27 with ₹10,000 crore over five years, targets domestic production of biologics and biosimilars.



CDMO, R&D, GCCS

Contract manufacturing and capability centres

Eli Lilly plans over USD 1 billion of contract manufacturing in India and a new manufacturing and quality presence in Hyderabad; Sanofi plans €400 million for its Hyderabad capability centre by 2030. Invest India ranks India the third most preferred clinical-trial destination.



MEDTECH

Medical devices

A market of about USD 11 bn (Invest India), expected to reach USD 50 bn by 2030. Exports rose from USD 2.5 bn in 2020-21 to USD 4.1 bn in 2024-25, and by September 2025, 194 manufacturers had land in the central device parks in Uttar Pradesh, Madhya Pradesh and Tamil Nadu.



HEALTHCARE DELIVERY

Hospitals and medical value travel

India needs an additional 3.6 million hospital beds by 2034, says Invest India, and draws about 2 million foreign patients a year from 78 countries. Budget 2026-27 proposed five regional medical hubs built with private partners.

Sources: Invest India pharmaceuticals, medical devices, healthcare and AYUSH pages (retrieved 1 Oct 2026); DoP Annual Report 2025-26; PIB backgrounder, 2026; ANI, 6 Oct 2025; Sanofi, 17 Jul 2024; Budget speech 2026-27.

RECENT FOREIGN INVESTMENTS

Hospital buyouts and pharma capability bets lead recent foreign deals

Selected transactions from 2024 to 2026. Amounts are as stated by each source; announced plans are not completed investments.

INVESTOR (COUNTRY)	WHAT AND WHERE	SIZE	DATE
KKR (United States)	Agreed to buy Swedish group Medcover's India hospital business: 24 hospitals with about 4,800 beds	€1.2 bn (USD 1.39 bn)	6 Aug 2026
Blackstone (United States)	Blackstone-backed Quality Care India (CARE Hospitals, KIMSHEALTH, Evercare) merged with Aster DM Healthcare, creating India's third-largest hospital group by beds	Merger: 39 hospitals, 10,600+ beds	2 Jul 2026
Eli Lilly (United States)	New contract manufacturing in India and a new manufacturing and quality presence in Hyderabad, months after opening its capability centre there	Over USD 1 bn over several years	6 Oct 2025
Sanofi (France)	Expansion of its global capability centre in Hyderabad, creating over 2,600 jobs	€400 mn by 2030 (€100 mn by 2025)	17 Jul 2024
KKR (United States)	Controlling stake (about 70%, per sources) in Baby Memorial Hospital, a 1,000-bed chain in Calicut and Kannur, Kerala	About ₹2,000 crore (reported)	1 Jul 2024

Sources: Reuters via Yahoo Finance, 6 Aug 2026; Medical Buyer, 2026; ANI, 6 Oct 2025; Sanofi India press release, 17 Jul 2024; Business Standard, 1 Jul 2024.

FDI RULES

Greenfield pharma, devices and hospitals are open to 100% foreign ownership

Caps from the Consolidated FDI Policy 2020 as amended by later Press Notes. Sector licences apply separately, and land-border ownership rules apply to every activity.

ACTIVITY	CAP AND ROUTE	KEY CONDITIONS
Pharmaceuticals: greenfield	100%, automatic route	Non-compete clauses are not allowed except in special circumstances with Government approval.
Pharmaceuticals: brownfield (existing companies)	100%: automatic up to 74%, Government route beyond 74%	For five years, keep production of National List of Essential Medicines (NLEM) drugs and R&D spend at the highest level of the three years before the investment; give the ministry technology-transfer details. Non-compete clauses need Government approval.
Medical devices manufacturing	100%, automatic route	Applies to greenfield and brownfield projects; the brownfield pharma conditions do not apply.
Hospitals, diagnostic centres and other health services	Up to 100%, automatic route	Not a listed sector, so the general rule for unlisted activities applies; health and facility regulation applies separately.
Health insurance	100%, automatic route	Subject to IRDAI verification; at least one of the chairperson, managing director and CEO must be a resident Indian citizen (Press Note 1 of 2026).
Online pharmacy (e-commerce)	100%, automatic route (marketplace model)	Marketplace entities with FDI may hold inventory only to export goods made in India (Press Note 3 of 2026); domestic inventory-based e-commerce remains barred.
Investors with a land-border-country owner	Government route	Applies where a beneficial owner (over 10%, or control) is a citizen of a land-border country; later changes into such ownership need approval. Within 10% and without control: automatic route, with prior reporting (Press Note 2 of 2026).

Sources: DPIIT Consolidated FDI Policy 2020, para 5.2.27; DPIIT Press Notes 1, 2 and 3 (2026 series); Invest India medical devices page (retrieved 1 Oct 2026); Trilegal, EY and India Briefing alerts, 2026.

REGULATORS AND LICENCES

Products need CDSCO or state licences, and prices and marketing are regulated

Typical approvals for a manufacturer or importer. Times are statutory targets where a rule states one, not guarantees.

APPROVAL OR REGISTRATION	AUTHORITY AND PORTAL	WHEN IT IS NEEDED AND TYPICAL TIME
Medical device import licence	CDSCO; the Drugs Controller General (India) is the Central Licensing Authority	Before importing for sale. Apply in Form MD - 14 through an authorised agent appointed by the overseas maker under a power of attorney. Licences stay valid until suspended or cancelled, subject to fees.
Medical device manufacturing licence	Class A and B: State Licensing Authority. Class C and D: CDSCO	Before production. Devices are classed by risk from A (low) to D (high). For Class C and D, inspection is due within 60 days of application if the data is satisfactory.
Clinical trials and test licences	CDSCO, under the New Drugs and Clinical Trials Rules 2019	Before trials or test batches. Amendments notified on 20 January 2026 (G.S.R. 46(E)) cut the statutory timeline for test licences from 90 to 45 days.
Good manufacturing practice (revised Schedule M)	State drug regulators, with CDSCO	Applies to every drug plant. The extended deadline for MSMEs with turnover below ₹250 crore ended on 31 December 2025; CDSCO has asked states to inspect and act against non-compliant units.
Price control	National Pharmaceutical Pricing Authority (NPPA), Department of Pharmaceuticals	From launch. Under DPCO 2013, ceiling prices apply to scheduled formulations, drawn from the National List of Essential Medicines 2022; device trade margins are also rationalised.
Marketing code	Department of Pharmaceuticals	From launch. The Uniform Code for Pharmaceutical Marketing Practices 2024, notified on 12 March 2024, sets ethical norms for dealings with healthcare practitioners.
Government-route FDI approval	Competent ministry (Department of Pharmaceuticals for pharma), via the Foreign Investment Facilitation Portal	Before closing, for brownfield pharma above 74% or where a land-border-country beneficial owner holds over 10% or control.

Sources: CDSCO, Medical Devices FAQs; Akashvani, 28 Jan 2026; CliniExperts, 2026; India Briefing, 2025; Business Standard, 8 Nov 2025; DoP Annual Report 2025-26; DPIIT FDI Policy 2020.

CENTRAL INCENTIVES (1 OF 2)

Production incentives are allocated; device and drug parks are being built

Status as of 1 October 2026. The PLI schemes have selected their beneficiaries, so new entrants gain mainly through the parks, the device sub-schemes and state policies. Notified guidelines govern eligibility.

SCHEME	WHAT THE INVESTOR GETS	WHO QUALIFIES	STATUS
PLI for pharmaceuticals (₹15,000 crore)	Incentive on incremental sales, 2022-23 to 2027-28: 10% (years 1-4), 8% and 6% for categories 1 and 2; 5%, 4% and 3% for category 3. Ceiling ₹1,000 crore per Group A applicant; ₹5,433 crore paid by October 2025.	55 selected applicants, including 20 MSMEs	○ 55 SELECTED; INCENTIVES END FY2027-28
PLI for bulk drugs: KSMs, intermediates, APIs (₹6,940 crore)	Incentive on sales of notified products for six years: fermentation-based 20% (FY2023-24 to FY2026-27), then 15% and 5%; chemical synthesis 10% (FY2022-23 to FY2027-28).	48 approved projects covering 33 products	○ 48 APPROVED; INCENTIVES END FY2028-29
PLI for medical devices (₹3,420 crore)	5% of incremental sales of target-segment devices made in India for five years, capped at ₹121 crore (Category A) or ₹40 crore (Category B) per applicant.	Selected greenfield projects only	○ SELECTION DONE; INCENTIVES TO FY2026-27
Bulk Drug Parks (₹3,000 crore)	Plots in parks at Jambusar (Gujarat), Nakkapalli (Andhra Pradesh) and in Himachal Pradesh, with shared infrastructure built with a central grant to the state agency of 70% of cost (90% in specified states), up to ₹1,000 crore a park.	API makers locating in the three parks	Extended to FY2026-27 on 23 Jun 2025
Medical Device Parks (₹400 crore)	Plots with shared infrastructure and testing, built with a central grant to the state agency of 70% of cost (90% in specified states), up to ₹100 crore a park. By Sep 2025, 194 makers had land in the UP, MP and TN parks.	Device makers taking plots in the approved parks	Budget 2026-27: ₹50 crore; extension sought
Strengthening of the Medical Device Industry (₹500 crore)	Five sub-schemes: components and raw materials (₹180 crore), common facilities and test labs (₹110 crore), clinical studies (₹100 crore), skills (₹100 crore) and promotion (₹10 crore).	Device makers, clusters and institutions, by sub-scheme	Launched 8 Nov 2024; 10 component projects approved

● **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: Department of Pharmaceuticals Annual Report 2025-26; DoP Guidelines, Promotion of Medical Device Parks; Invest India pharmaceuticals and medical devices pages (retrieved 1 Oct 2026).

CENTRAL INCENTIVES (2 OF 2)

R&D and upgrade calls have run in windows; biopharma money awaits guidelines

Status as of 1 October 2026. Budget announcements need operating guidelines before applications open.

SCHEME	WHAT THE INVESTOR GETS	WHO QUALIFIES	STATUS
Revamped Pharmaceutical Technology Upgradation Assistance Scheme (RPTUAS)	Subsidy of 20%, 15% or 10% of investment in upgrading to revised Schedule M or WHO-GMP, by turnover band (₹1–50 crore, ₹50–250 crore, ₹250–500 crore), up to ₹2 crore a unit.	Existing pharma units with turnover up to ₹500 crore	Period FY2024–25 to FY2025–26; 255 approved
Promotion of Research and Innovation in Pharma–MedTech (PRIP, ₹5,000 crore)	Early-stage projects of start-ups and MSMEs: up to ₹5 crore, fully funded up to ₹1 crore. Later-stage projects: milestone-based support of up to 35% of project cost or ₹100 crore, whichever is lower.	Industry, MSMEs and start-ups in priority areas	Call closed 19 Nov 2025; 710 applications
Biopharma SHAKTI (₹10,000 crore over five years)	Ecosystem for domestic production of biologics and biosimilars: three new NIPERs, seven upgraded, over 1,000 accredited clinical-trial sites and a scientific review cadre at CDSCO.	To be set out in operating guidelines	○ BUDGET 1 FEB 2026; GUIDELINES AWAITED
Research, Development and Innovation (RDI) Scheme (₹1 lakh crore)	Long-term finance or refinancing at low or nil interest for private R&D, routed through second-level fund managers such as AIFs; also a Deep-Tech Fund of Funds.	Companies investing in R&D, through the fund managers	Approved Jul 2025; fund launched Nov 2025
BioE3 policy and Bio-RIDE (Department of Biotechnology)	BioE3 supports biomanufacturing, Bio-AI hubs and biofoundries; Bio-RIDE merged two DBT umbrella schemes to fund research, innovation and entrepreneurship.	Biotech companies, start-ups and research bodies	BioE3 approved Aug 2024; Bio-RIDE Sep 2024
Regional medical value tourism hubs	A scheme to support states in setting up five regional medical hubs with the private sector, combining care, education and research with AYUSH centres, diagnostics and rehabilitation.	States, with private partners	○ BUDGET 1 FEB 2026

● **OPEN** available or accepting applications
 ● **CLOSING** a stated window or period ends on the date shown
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 ○ **ANNOUNCED** announced or approved; check operating guidelines

Sources: DoP Annual Report 2025–26; Budget speech 2026–27, paras 16 and 55; PIB Budget note on biopharma, Feb 2026; India Pharma Outlook, 2026; PIB, RDI Scheme, Jul 2025.

TAX, CUSTOMS AND ZONES

GST on most medicines and many devices fell to 5% in September 2025

Sector-specific measures only; general corporate tax is covered in the tax section.



GST

Medicines: GST cut to 5% or nil

From 22 September 2025, GST on most drugs and medicines fell from 12% to 5%. Thirty-three life-saving drugs moved from 12% to nil, and three used for cancer, rare and severe chronic diseases from 5% to nil.



GST

Devices and diagnostics: GST at 5%

Various medical, surgical and dental apparatus and devices moved from 18% to 5%; diagnostic kits and reagents, glucometers, gauze and bandages from 12% to 5%, also from 22 September 2025.



GST EXEMPT

Health insurance

Individual health insurance policies, including family floater and senior-citizen policies, are exempt from GST from 22 September 2025. Foreign investment in insurers is 100% under the automatic route (Press Note 1 of 2026).



CUSTOMS

Customs relief on life-saving drugs

Budget 2025-26 proposed adding 36 life-saving drugs to the list fully exempt from basic customs duty and six to the 5% list, with the same relief for bulk drugs used to make them, and 37 medicines to the patient-assistance exemption.



ZONES

Drug and device parks

Bulk drug parks at Jambusar, Gujarat (2,015.02 acres) and Nakkapalli, Andhra Pradesh (2,001.80 acres) get central grants of up to ₹1,000 crore each for shared infrastructure; device parks get up to ₹100 crore.



BUDGET 2026-27

Budget 2026-27 for the sector

Announced on 1 February 2026: Biopharma SHAKTI (₹10,000 crore over five years), a scheme for five regional medical hubs, three new All India Institutes of Ayurveda and a scientific review cadre at CDSCO.

Sources: PIB, 56th GST Council decisions, Sep 2025; PIB, Budget 2025-26 customs proposals, 1 Feb 2025; Budget speech 2026-27; DoP Annual Report 2025-26; DPIIT Press Note 1 (2026).

STATE INCENTIVES

States add SGST refunds, capital subsidies and land support to central aid

Five leading states for pharma, biotech and devices. Incentives summarised from policy texts; eligibility thresholds, caps and sector lists apply.

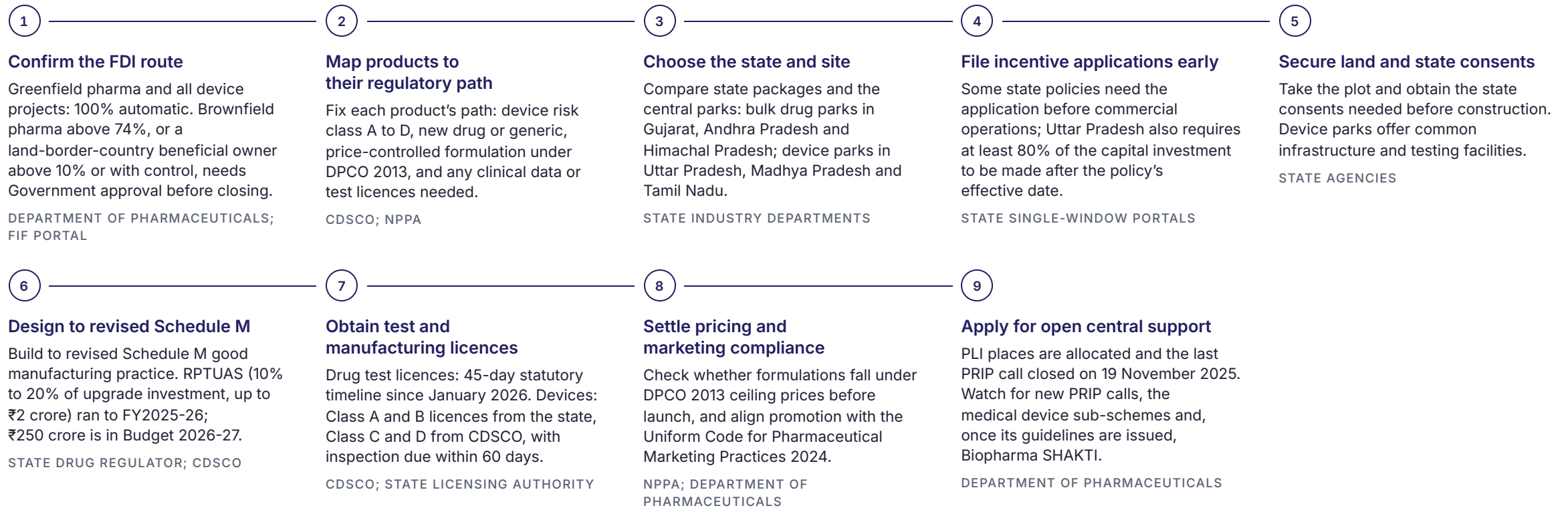
STATE	POLICY AND VALIDITY	HEADLINE INCENTIVES
Telangana	Next-Gen Life Sciences Policy 2026-30, unveiled at Davos in January 2026 and approved by the state Cabinet in May 2026; targets USD 25 bn and 500,000 jobs by 2030	As reported at the January 2026 launch: 100% net SGST reimbursement for five years from commercial production; 100% stamp and transfer duty reimbursement; 25% of land cost reimbursed (capped at ₹10 lakh) in state parks; Innovation Fund of ₹100 crore, scalable to ₹1,000 crore. Telangana makes about 40% of India's drugs (Invest India).
Tamil Nadu	Tamil Nadu Industrial Policy 2021 (issued to run to 31 March 2025, since extended); pharmaceuticals and bulk drugs are a listed sector; central device park approved	100% SGST reimbursement for 15 years, or a capital subsidy of up to 25% paid over up to 15 years; training subsidy of ₹4,000 a worker a month for six months (₹6,000 for women and specified groups). Ranked 4th nationally in device manufacturing (Invest India).
Karnataka	Karnataka Industrial Policy 2025-30, valid five years from 8 February 2025	Large, mega and ultra-mega projects: capital subsidy of 10% to 25% of fixed capital investment by zone, or a production-linked incentive of 1.0% to 2.5% of net sales for 7 years; 100% stamp duty exemption for eligible projects.
Maharashtra	Industry, Investment and Services Policy 2025, in effect for five years from notification	Investment Promotion Subsidy based on 100% of gross SGST on first sales in the state for eligible MSMEs and Special LSI units; six Ultra Mega Industrial Parks of at least 5,000 acres each; Invest Maharashtra budget of ₹3,000 crore.
Uttar Pradesh	Industrial Investment & Employment Promotion Policy 2022, in force for five years; central device park with 101 units allotted land by Sep 2025	Capital subsidy of 10% to 30% of eligible capital investment by region and size, paid over 10 to 20 years, or 100% net SGST reimbursement; stamp duty exemption of 50% to 100% by region. Apply before commercial operations begin.

Sources: Business Standard, 21 Jan 2026; Deccan Chronicle, 24 May 2026; Akashvani, 22 Jan 2026; Invest India state pages (1 Oct 2026); TN Single Window Portal; Karnataka, Maharashtra and UP policy texts; DoP Annual Report 2025-26.

SET-UP ROADMAP

From entry decision to commercial production in nine steps

Written for a manufacturer. An importer skips the plant steps but needs a CDSCO import licence held through an authorised Indian agent. A hospital operator needs no manufacturing licence, but state health and facility rules apply.



Sources: DPIIT FDI Policy 2020 and Press Note 2 (2026); CDSCO Medical Devices FAQs; Akashvani, 28 Jan 2026; DoP Annual Report 2025-26; UP IIEPP 2022; Invest India medical devices page (retrieved 1 Oct 2026).

WHAT TO WATCH

Quality inspections, price rules and US tariffs drive most of the risk

Compliance watch-outs

Brownfield pharma conditions

Deals in existing pharma companies must keep NLEM drug output and R&D spend at the highest level of the three years before the deal, for five years; non-compete clauses need Government approval.

Land-border ownership

A beneficial owner from a land-border country (over 10%, or control) moves a deal to the Government route; later changes into such ownership need prior approval.

Schedule M enforcement

The MSME grace period ended on 31 December 2025, and CDSCO has asked states to inspect units and act against non-compliance.

Price control

Ceiling prices under DPCO 2013 apply to scheduled formulations from the National List of Essential Medicines 2022; check portfolio exposure before launch.

Marketing to doctors

UCPMP 2024 sets ethical norms for interactions between pharma companies and healthcare practitioners; industry associations handle complaints.

Scheme end dates

Budget 2026-27 funds bulk drug parks (₹700 crore; extended to FY2026-27) and device parks (₹50 crore; extension to March 2028 sought). RPTUAS's approved period ended in FY2025-26.

What changed since 2025

22 Sep 2025: GST cut for health

Most medicines and many medical devices moved to 5% GST; individual health insurance became exempt.

20 Jan 2026: NDCT Rules amended

Test-licence timeline cut from 90 to 45 days; the health ministry expects at least 90 days saved in drug development.

1 Feb 2026: Budget 2026-27

Biopharma SHAKTI (₹10,000 crore over five years) and a scheme for five regional medical hubs announced.

2 May 2026: Land-border rule eased

Press Note 2 (2026) took legal effect: land-border stakes within 10% and without control can use the automatic route, with prior reporting.

15 Jul 2026: India-UK CETA in force

Zero-duty access for about 99% of India's exports to the UK, with a social security agreement in force the same day.

29 Sep 2026: US pharma tariff widened

The 100% US tariff on specified patented medicines now covers more companies; qualifying speciality medicines from India may get zero duty, and generics stay outside.

Sources: DPIIT FDI Policy 2020 and Press Note 2 (2026); Business Standard, 8 Nov 2025 and 29 Sep 2026; DoP Annual Report 2025-26; PIB, Sep 2025 and 17 Jun 2026; Akashvani, 28 Jan 2026; Budget speech 2026-27.

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.

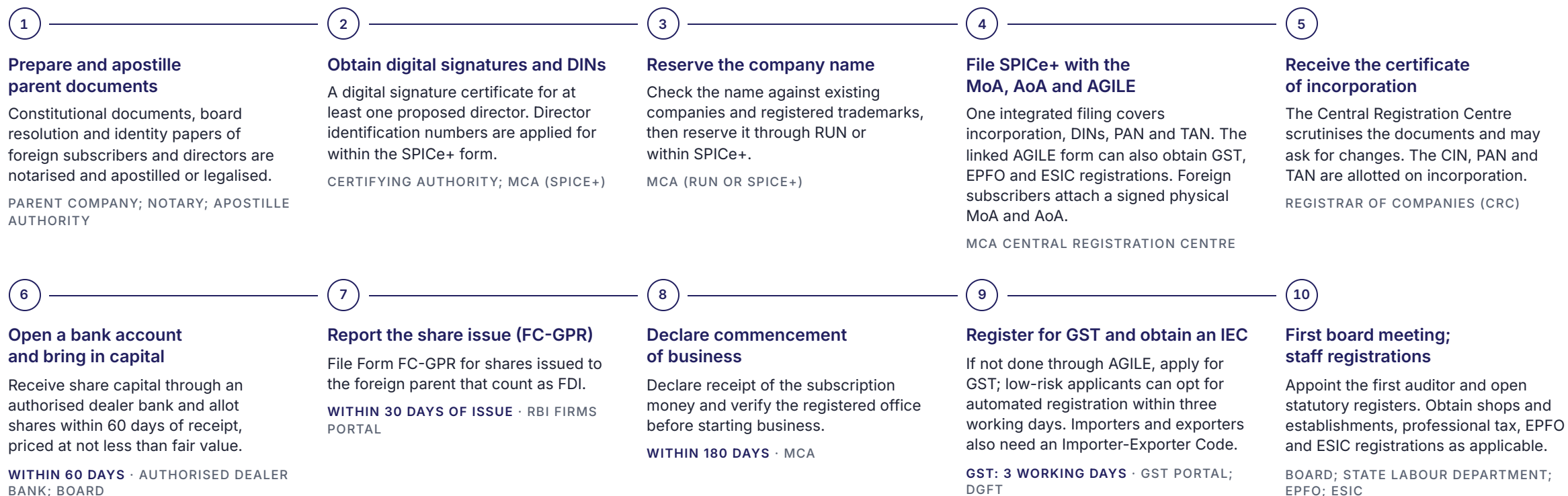
VEHICLE	WHAT IT MAY DO	APPROVAL NEEDED	SUITS
Wholly owned subsidiary (private limited company)	Any lawful business within its objects and the FDI policy. At least 2 shareholders (up to 200) and 2 directors, one meeting the 182-day residence test.	None on the automatic route without a land-border owner;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

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FDI structuring

Greenfield versus brownfield FDI structuring and the approval route.

CDSCO registration

CDSCO registration and Authorised Indian Representative set-up.

Incentive applications

Device sub-schemes, R&D calls and state incentives: applications; PLI claims for approved companies.

Regulatory advisory

Clinical-trial, licensing and joint-venture regulatory advisory.

Tax and compliance

Transfer pricing, GST and ongoing statutory 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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