

INVEST IN INDIA · SECTOR BRIEF

Automotive & EV

FDI rules, central and state incentives, tax and trade measures, and the set-up route for foreign makers of vehicles, components, EVs and batteries in India.

100%

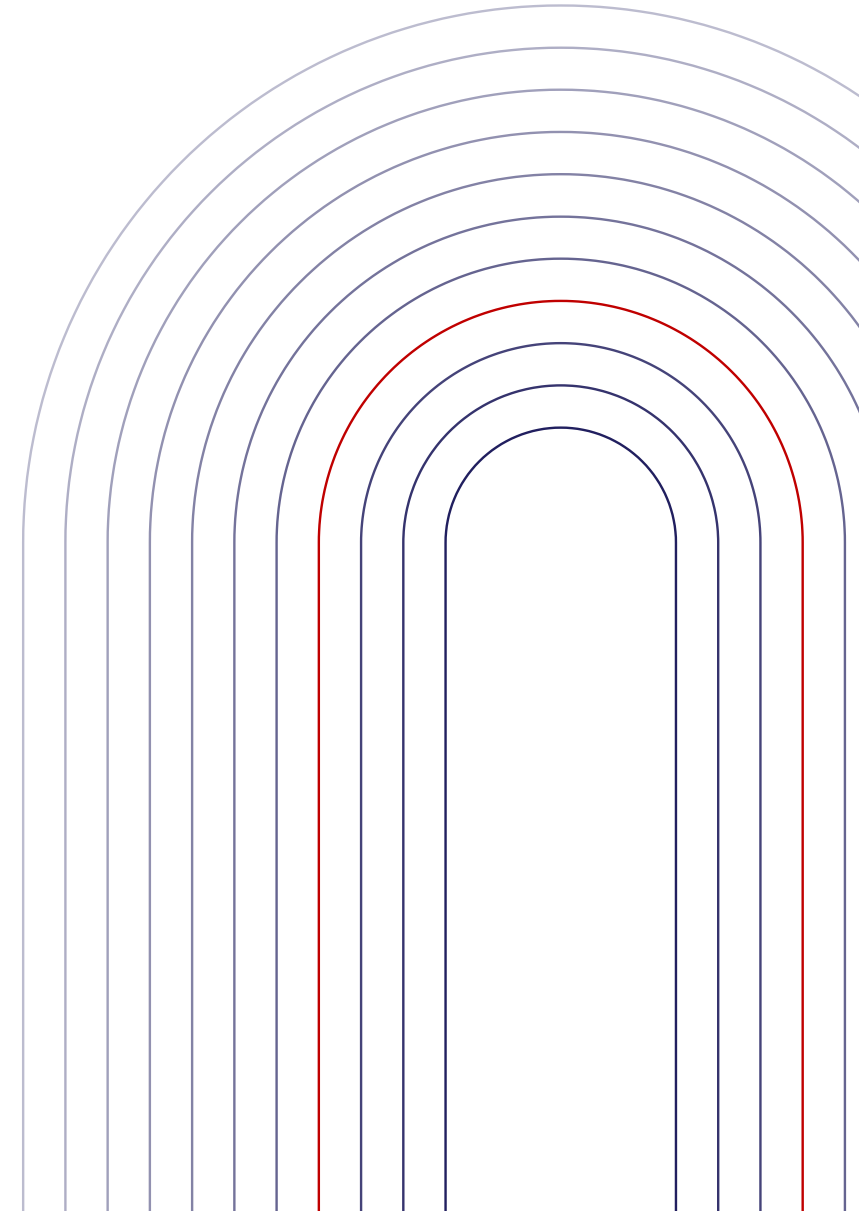
FDI under the automatic route for vehicles and auto components

USD 2.5 bn

FDI equity into the automobile industry in FY2025-26 (DPIIT)

34.7 mn

vehicles produced in India in FY2025-26 (SIAM)



SECTOR SNAPSHOT

Record output, rising exports and USD 2.5 bn of FDI in FY2025-26

Every vehicle segment posted record sales in FY2025-26. Central incentives now target the parts India still imports: battery cells, rare-earth magnets and advanced components.

34.7 mn

vehicles produced in FY2025-26

SIAM via Autoguide India, April 2026

USD 24 bn

auto component exports in FY2025-26, up 5%

ACMA via Autocar Professional, Jul 2026

USD 2.5 bn

FDI equity into the automobile industry in FY2025-26

DPIIT; USD 40.3 bn since April 2000

50 GWh

cell capacity targeted under PLI ACC; 40 GWh awarded

MHI (PIB), January 2026

Every vehicle segment set a sales record

FY2025-26 sales: passenger vehicles 4.64 million (+7.9%), two-wheelers 21.7 million (+10.7%), commercial vehicles 1.08 million (+12.6%) and three-wheelers 836,000 (+12.8%). SIAM credits the GST 2.0 reforms and repo rate cuts.

India is becoming an export base

Passenger vehicle exports reached a record 905,000 units (+17.5%) and two-wheeler exports 5.18 million (+23.4%) in FY2025-26. Hyundai expects exports to reach up to 30% of its India production.

Incentives reward local value addition

PLI-Auto (₹25,938 crore) pays only on products with at least 50% domestic value addition. Approved companies had invested ₹35,657 crore by 30 September 2025.

Cells and magnets are the next targets

By January 2026 only Ola's 1 GWh cell plant had been built under PLI ACC, and bidding for the ₹7,280 crore rare-earth magnet scheme closed on 12 August 2026. Both remain supply gaps, though the scheme capacity has been awarded or bid.

Sources: SIAM via Autoguide India (Apr 2026); ACMA via Autocar Professional (Jul 2026); DPIIT FDI Factsheet, March 2026; PIB (MHI Year End Review, 13 Jan 2026); Fiinews, 15 Aug 2026; The Machine Maker, 15 Oct 2025.

WHERE THE OPPORTUNITY IS

Foreign capital is going into cars, components, EVs, cells and magnets

Volumes are at record highs, and central schemes pay for localising the parts India still imports.



100% AUTOMATIC

Passenger vehicles

Sales of 4.64 million in FY2025-26 (+7.9%) and record exports of 905,000. Toyota plans a new plant at Bidkin, Maharashtra (production from the first half of 2029); Hyundai plans ₹45,000 crore of investment by FY2030.



Two- and three-wheelers

India sold 21.7 million two-wheelers and exported 5.18 million in FY2025-26. Three-wheeler exports rose 50.1% to 461,000 units, led by demand from Sri Lanka and Africa.



Auto components

Turnover of ₹7.60 lakh crore (USD 85.9 bn) in FY2025-26, up 12.7%. Exports were USD 24 bn, against imports of USD 25.4 bn, with China, Japan and Germany the largest suppliers.



Electric vehicles and charging

PM E-DRIVE had supported the sale of 2.65 million EVs by 22 July 2026. India has 52,718 public charging stations, of which 16,561 have fast chargers for cars (BHEL portal, July 2026). Invest India cites an aim of 30% EV sales by 2030.



Battery cells

Of the 50 GWh offered under PLI ACC, 40 GWh has been awarded but by January 2026 only Ola's 1 GWh plant was built, in pilot production since March 2024. Advanced battery components are on the 60-day land-border FDI list.



Rare-earth magnets and motors

The REPM scheme funds 6,000 tonnes a year of integrated sintered NdFeB magnet capacity, up to 1,200 tonnes per maker. 20 bids were received by the 12 August 2026 deadline.

Sources: SIAM via Autoguide India (Apr 2026); ACMA via Autocar Professional (Jul 2026); Lok Sabha USQ 453, 21 Jul 2026; ANI, 4 Aug 2026; PIB, 13 Jan 2026; Toyota, 11 May 2026; The Machine Maker, 15 Oct 2025; Fiinews, 15 Aug 2026; DPIIT SOP.

RECENT FOREIGN INVESTMENTS

Japanese, Korean and Vietnamese carmakers are adding Indian capacity

Announcements and plants since 2024, as reported by the companies or the press. Amounts are as stated by the source.

INVESTOR (COUNTRY)	WHAT AND WHERE	SIZE	DATE
VinFast (Vietnam)	EV assembly plant at the SIPCOT Industrial Park, Thoothukudi, Tamil Nadu; starting capacity 50,000 vehicles a year, scalable to 150,000	USD 2 bn, starting with a USD 500 mn phase	Inaugurated 4 Aug 2025
Hyundai Motor (South Korea)	Investment plan for Hyundai Motor India, set out at its first Investor Day; exports to reach up to 30% of production	₹45,000 crore by FY2030	Reported 15 Oct 2025
Suzuki Motor (Japan)	Investment in India over the next five to six years	₹70,000 crore	26 Aug 2025
Toyota Motor (Japan)	New Toyota Kirloskar Motor plant in the Bidkin industrial area, Maharashtra, for 100,000 vehicles a year; production planned from the first half of 2029	₹20,000 crore (MoU with Maharashtra, 31 Jul 2024)	11 May 2026
Toyoda Gosei (Japan)	New plant at Bidkin, Maharashtra, for bumpers, instrument panels and airbags, supporting Toyota's expansion; production from the first half of 2029	About ₹576 crore (JPY 9.3 billion)	24 Sep 2026

Tesla entered through showrooms and imported cars rather than local manufacturing (Sustainable Futures, August 2026).

Sources: VinFast press release, 4 Aug 2025; KNN India, 24 Apr 2025; The Machine Maker, 15 Oct 2025; DD News, 26 Aug 2025; Toyota Motor Corporation, 11 May 2026; Toyoda Gosei, 24 Sep 2026; AIR, 1 Aug 2024; Sustainable Futures, Aug 2026.

FDI RULES

Vehicles, components and EVs are open to 100% foreign ownership

No prior approval is needed unless a beneficial owner is from a country that shares a land border with India, such as China.

ACTIVITY	CAP AND ROUTE	KEY CONDITIONS
Manufacture of vehicles and auto components, including EVs	100%, automatic route	No government approval needed. The land-border rule below applies in every sector.
Battery cells and packs; EV charging	100%, automatic route (manufacturing)	Setting up EV charging stations needs no licence (MHI, July 2026). Advanced battery components are on the list for faster land-border approvals.
Investor with a beneficial owner in a land-border country	Government route; up to 10% non-controlling is automatic	Press Note 2 (2026), in legal effect from 2 May 2026: beneficial ownership is tested as under the anti-money-laundering rules (more than 10%, or control). Holdings up to 10% without control need prior reporting on the FIF portal.
Fast-track list: advanced battery components, magnets, electronic components	Government route with a 60-day decision target	For stakes up to 49% where resident Indians keep majority ownership and control (DPIIT procedure, 4 May 2026). The list also covers capital goods and electronic components such as PCBAs, sensor modules and passive components; vehicles are not listed.
Automotive engineering R&D and other services not separately listed	100%, automatic route	Subject to applicable laws and regulations, security and other conditions.

Caps are from the Consolidated FDI Policy 2020 and later Press Notes; the FEMA (Non-debt Instruments) Rules govern pricing and reporting.

Sources: Invest India, Automobile sector page (retrieved 1 Oct 2026); DPIIT Press Note 2 (2026), 15 Mar 2026; DPIIT SOP, 4 May 2026; Lok Sabha USQ 453 (MHI), 21 Jul 2026.

REGULATORS AND LICENCES

Vehicle makers need certification, value-addition and EPR registrations

APPROVAL OR REGISTRATION	AUTHORITY AND PORTAL	WHEN IT IS NEEDED AND TYPICAL TIME
FDI approval (land-border owners only)	DPIIT and the administrative ministry, through the Foreign Investment Facilitation Portal	Before investing. 60-day decision target for stakes up to 49% in listed sectors such as advanced battery components.
Industrial Entrepreneur Memorandum (IEM)	DPIIT, on the National Single Window System (NSWS)	IEM Part-A acknowledgement, Part-B filing and amendments are available only on NSWS (PIB, 1 October 2025).
Vehicle and EV certification	Testing agencies ARAI, ICAT, NATRAX and GARC	Models and EV components are certified by these agencies. MHI is funding ₹780 crore of upgrades to their EV certification capacity.
Domestic value addition (DVA) certificate	MHI under the PLI-Auto DVA SOP; portal pliauto.in (agency: IFCI)	Before claiming PLI: only products with at least 50% DVA qualify. By 31 Dec 2025, 8 Champion OEMs held certificates for 94 variants.
SPMEPCI approval	Ministry of Heavy Industries, online application portal	Approval starts the three-year deadline to invest ₹4,150 crore and begin e-4W production. Closed: no applications came in by the October 2025 deadline, and the guidelines let MHI reopen the window only until 15 March 2026.
EPR under the End-of-Life Vehicles Rules 2025	MoEFCC (S.O. 98(E), 6 January 2025)	Producers carry mandatory scrapping targets for vehicles they put on the Indian market, including vehicles put to self-use.
Public EV charging stations	No licence; MHI guidelines of 26 Sep 2025 for PM E-DRIVE support	Setting up charging stations needs no licence. PM E-DRIVE grants follow MHI's charging guidelines.

Sources: DPIIT SOP, 4 May 2026; PIB (IEM on NSWS, 1 Oct 2025; MHI review, 13 Jan 2026; ELV Rules); Lok Sabha replies (MHI), 16 Dec 2025 and 21 Jul 2026; ANI, 4 Aug 2026; Invest India PLI-Auto note; Sustainable Futures.

CENTRAL INCENTIVES (1 OF 2)

PLI pays up to 18% on advanced-technology sales with 50% local value

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

SCHEME	WHAT THE INVESTOR GETS	WHO QUALIFIES	STATUS
PLI for Automobile and Auto Components (₹25,938 crore)	13%–18% of incremental sales of EV and hydrogen fuel-cell components and of Champion OEMs' AAT vehicles; 8%–13% for other AAT components. About ₹2,377.56 crore paid by 31 Dec 2025.	82 approved applicants. Champion OEM: ₹10,000 crore global turnover, ₹3,000 crore fixed assets; Component Champion: ₹500 crore and ₹150 crore.	Approved applicants only; to FY2027-28
PLI for Advanced Chemistry Cell batteries (₹18,100 crore)	Production-linked incentive for giga-scale cell plants: two-year gestation, then five performance years. Target 50 GWh.	Awarded in two rounds: Ola Cell 20 GWh; Reliance entities 5 GWh and 10 GWh; ACC Energy Storage 5 GWh. 10 GWh is earmarked for grid storage.	40 GWh awarded; 1 GWh built (Jan 2026)
SPMEPCI: electric passenger cars	Import e-4W CBUs with a CIF value of USD 35,000 or more at 15% customs duty for 5 years, up to 8,000 a year; duty forgone capped at the lower of ₹6,484 crore or the investment made.	Invest at least ₹4,150 crore and start e-4W production within 3 years; 25% DVA by year 3 and 50% by year 5.	○ CLOSED OCT 2025; NO APPLICATIONS RECEIVED
Rare Earth Permanent Magnet scheme (₹7,280 crore)	Incentives on magnet sales for 5 years after a 2-year build period, for integrated sintered NdFeB plants; 6,000 tonnes a year in total.	Up to five makers chosen by global competitive bidding, each allotted up to 1,200 tonnes a year.	○ BIDS CLOSED 12 AUG 2026; 20 RECEIVED
PM E-DRIVE (₹11,900 crore)	Demand incentives for e-2W, e-3W, e-trucks and e-ambulances; ₹4,391 crore for 14,028 e-buses; ₹2,000 crore for public charging; ₹780 crore for testing agencies.	OEMs meeting the Phased Manufacturing Programme; public transport agencies; charging operators.	● TO 31 MAR 2028; CLAIMS BY 31 DEC 2027
PM e-Bus Sewa Payment Security Mechanism (₹3,435.33 crore)	Payment security for e-bus makers and operators if public transport authorities default, covering 38,000 or more e-buses for up to 12 years.	E-bus OEMs and operators under gross cost contracts with public transport authorities.	Notified 28 Oct 2024; CESL implements

● **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 (MHI review, 13 Jan 2026; PLI, 27 Mar 2026; SPMEPCI guidelines, Jun 2025); Lok Sabha, 16 Dec 2025 and 21 Jul 2026; Invest India; Fiinews, 15 Aug 2026; Autocar India, Mar 2026; Business Standard, Aug 2026; Sustainable Futures.

CENTRAL INCENTIVES (2 OF 2)

Older EV subsidies have closed; jobs, R&D and export support continue

Status as of 1 October 2026.

SCHEME	WHAT THE INVESTOR GETS	WHO QUALIFIES	STATUS
FAME-II and EMPS 2024	Demand incentives for EVs. FAME-II supported 1.67 million EVs from 2019 to 2024; EMPS 2024 was subsumed into PM E-DRIVE.	No new claims.	○ REPLACED BY PM E-DRIVE
Employment Linked Incentive (₹99,446 crore)	Employers get up to ₹3,000 a month for each additional job sustained for at least six months.	Employers adding jobs between 1 August 2025 and 31 July 2027.	● JOBS CREATED UP TO 31 JUL 2027
Research, Development and Innovation Scheme (₹1 lakh crore corpus)	Long-term financing or refinancing at low or nil interest for private R&D, through second-level fund managers such as AIFs and DFIs.	Private-sector R&D in strategic and sunrise domains, through the fund managers.	Approved 1 Jul 2025
RoDTEP export remission	Remission of duties and taxes on exported products, at notified rates.	Exporters of eligible products.	● EXTENDED TO 31 DEC 2026
Rare Earth Corridors	Dedicated corridors to promote rare-earth mining, processing, research and manufacturing in Odisha, Kerala, Andhra Pradesh and Tamil Nadu.	States hosting the corridors; operating details awaited.	○ ANNOUNCED IN BUDGET 2026-27

● **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: Lok Sabha SQ 238 (MHI), 16 Dec 2025; PIB (MHI review, 13 Jan 2026; ELI; RDI); DGFT Notification 41/2026-27 (secondary summary); Budget Speech 2026-27, para 19; Invest India sector pages.

TAX, CUSTOMS AND ZONES

GST fell to 18% on small cars and parts; EVs pay 5%

GST

GST since 22 September 2025

Small cars, motorcycles up to 350cc and three-wheelers moved from 28% to 18%; all auto parts pay a uniform 18%. EVs pay 5%, against 18% or 40% for conventional vehicles.

CUSTOMS

Duty on imported cars

Press reports put duty on imported cars at 70%, or 110% where the price exceeds USD 40,000 (Autocar India, January 2026). SPMEPCI offered 15% duty on e-4W imports to makers investing ₹4,150 crore but drew no applications by its October 2025 deadline.

FTA

UK and EU trade agreements

India–UK CETA, in force 15 July 2026: in-quota duty on UK petrol and diesel cars starts at 30–50% (against up to 110% outside the quota) and falls to 10% by year five; EVs get no cut for five years. India–EU FTA, agreed 27 January 2026 and not yet in force: 10% for 250,000 cars a year; EVs only after five years.

BUDGET 2026-27

Battery and cell inputs

The customs exemption on capital goods for lithium-ion cell plants now also covers cells for energy storage (from 2 February 2026). Exemptions for lithium-ion cells for EV and hybrid battery packs, and for cell-making inputs, run to 31 March 2028.

BUDGET 2026-27

Critical minerals and rare earths

Budget 2026-27 announced a customs duty exemption on capital goods for processing critical minerals in India, and dedicated Rare Earth Corridors in Odisha, Kerala, Andhra Pradesh and Tamil Nadu.

EXPORTS

Export access

Under the UK CETA, India-built electric, hybrid and hydrogen vehicles priced GBP 20,000–80,000 enter the UK duty-free within a quota from year six; the quota rises to 88,000 vehicles by year 15.

Sources: PIB (56th GST Council, Sep 2025); Invest India EV page; Budget Speech and Memorandum 2026-27; PIB SPMEPCI guidelines, Jun 2025; Business Standard, Jul 2026; Autocar Professional, 17 Jun 2026; Autocar India, 27 Jan 2026.

STATE INCENTIVES

States add SGST refunds and capital subsidies of up to 30% for EV projects

STATE	POLICY AND VALIDITY	HEADLINE INCENTIVES
Tamil Nadu	Industrial Policy 2021 (validity extended); Electric Vehicles Policy 2023	Choice of 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 per worker a month for 6 months; electricity tax exemption for 5 years. VinFast's plant is at SIPCOT Thoothukudi.
Uttar Pradesh	EV Manufacturing and Mobility Policy 2022; Industrial Investment & Employment Promotion Policy 2022 (5 years)	Capital subsidy of 30% of eligible fixed capital investment, capped at ₹1,000 crore and paid over 20 years, for the first two integrated EV and first two ultra-mega battery projects; 20%, capped at ₹500 crore over 10 years, for the first five mega EV and mega battery projects; MSMEs 10%, up to ₹5 crore.
Maharashtra	Industry, Investment and Services Policy 2025 (five years from notification)	Investment Promotion Subsidy 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. Toyota plans a plant at Bidkin.
Karnataka	Industrial Policy 2025-30 (five years from 8 February 2025); Clean Mobility Policy 2025-30	Large to 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.
Haryana	Electric Vehicle Policy 2022 (five years from 10 July 2022)	Capital subsidy of 20% of FCI, capped at ₹20 crore, for the first three mega units, or 50% net SGST reimbursement for 10 years; 100% stamp duty reimbursement; 100% electricity duty exemption for 20 years.

Incentives are summarised; eligibility, caps and the order of applications are set by each policy and its operational guidelines.

Sources: Tamil Nadu Single Window Portal; Guidance Tamil Nadu; Invest UP (EV Policy 2022; IIEPP 2022); Maharashtra IISP 2025; Karnataka Industrial Policy 2025-30; Haryana EV Policy 2022; Invest India Karnataka page.

SET-UP ROADMAP

From imported cars to local manufacturing in eight steps

Written for a vehicle maker moving from imports to assembly to full manufacturing. A component or battery maker skips the import step and applies for the state package before investing (PLI-Auto is limited to its approved applicants). A maker with a land-border owner may use the 60-day route for advanced battery components.



Sources: DPIIT Press Note 2 (2026) and SOP (4 May 2026); PIB (SPMEPCI guidelines, Jun 2025; MHI review, 13 Jan 2026); UP IIEPP 2022; ELV Rules 2025 (PIB); Autocar India, Jan 2026; Business Standard, Jul 2026.

WHAT TO WATCH

Value-addition tests, ownership checks and scheme dates drive the risk

Compliance watch-outs

Value addition is tested variant by variant

PLI pays only on products with at least 50% DVA. By 31 Dec 2025, 8 Champion OEMs held DVA certificates for 94 variants and 10 Component Champions for 37.

Land-border owners anywhere in the chain

A beneficial owner from a land-border country above 10%, or with control, brings the investment under the government route; up to 10% without control needs prior reporting.

UK quota imports need DGFT certificates

CETA rates need a DGFT TRQ certificate (valid 12 months, not transferable) and a UK certificate of origin; only OEMs and their authorised dealers may apply.

EPR for end-of-life vehicles

The End-of-Life Vehicles Rules 2025 set mandatory scrapping targets for producers, covering vehicles sold in India and those put to self-use.

PM E-DRIVE is fund-limited

Support for e-2W, e-3W, e-trucks, e-buses and e-ambulances runs to 31 March 2028, but a component closes early if its funds run out; all claims must be filed by 31 December 2027.

Rare-earth magnet supply

Carmakers have raised concern that import controls on rare-earth magnets make localisation conditions hard to meet (Sustainable Futures, August 2026).

What changed since 2025

22 Sep 2025: GST cut on vehicles

Small cars, motorcycles up to 350cc and three-wheelers moved to 18% from 28%; auto parts unified at 18%.

27 Jan 2026: India–EU FTA agreed

Duty on EU cars to fall from 110% to 10% for 250,000 vehicles a year; EV cuts start after five years. Not yet in force.

2 Feb 2026: Budget customs changes

Capital-goods exemption for lithium-ion cell plants extended to storage cells; lithium-ion cell exemptions run to 31 March 2028.

2 May 2026: Land-border rule eased

Press Note 2 (2026) took legal effect: up to 10% non-controlling land-border ownership is automatic, with prior reporting.

15 Jul 2026: India–UK CETA in force

In-quota duty on UK cars starts at 30–50% and falls to 10% by year five; India-built EVs and hybrids gain duty-free UK access within quota from year six.

12 Aug 2026: Magnet scheme bids closed

20 bids received for the ₹7,280 crore REPM scheme; technical bids were opened on 13 August 2026.

Sources: PIB (GST Council, Sep 2025; MHI review, 13 Jan 2026; ELV Rules); Budget Memorandum 2026-27; DPIIT Press Note 2 (2026); Autocar India, 27 Jan and 30 Mar 2026; Business Standard, Jul and Aug 2026; Fiinews, 15 Aug 2026.

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.

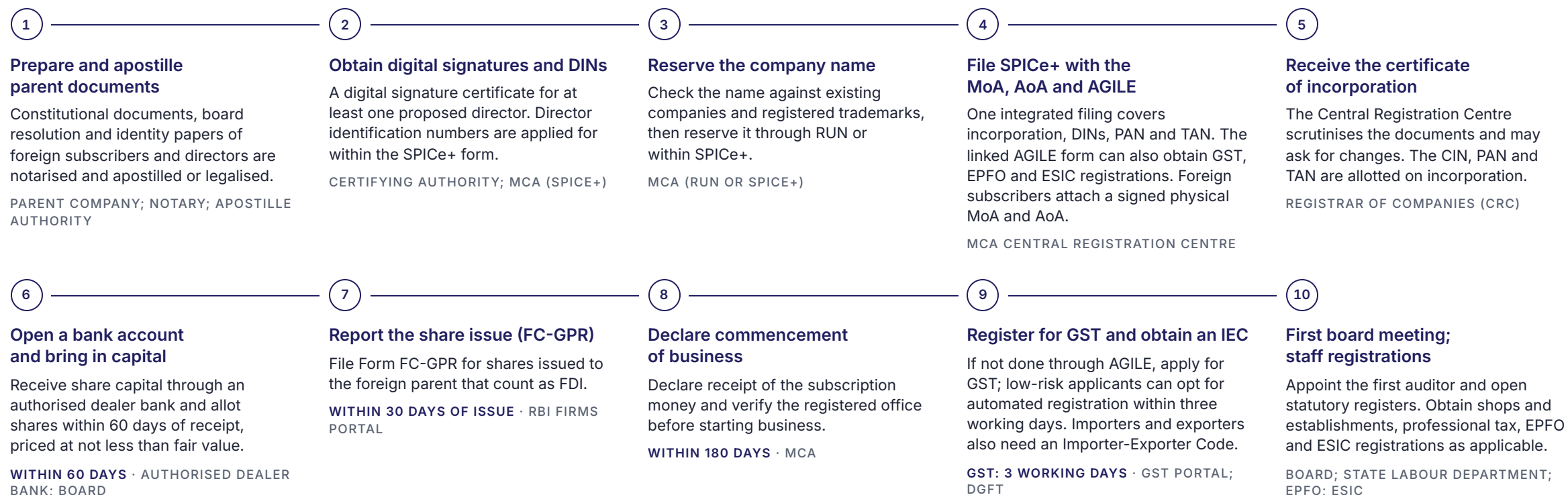
VEHICLE	WHAT IT MAY DO	APPROVAL NEEDED	SUITS
Wholly owned subsidiary (private limited company)	Any lawful business within its objects and the FDI policy. At least 2 shareholders (up to 200) and 2 directors, one meeting the 182-day residence test.	None on the automatic route without a land-border owner;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

Incentive claims

PLI-Auto and battery-cell claims and value-addition certification for approved companies; state incentive applications.

Vehicle imports

Customs duty and UK and EU trade-agreement structuring for imported vehicles.

Entity and joint ventures

Manufacturing entity, joint-venture and technology-transfer set-up.

Localisation

Localisation and domestic value-addition compliance.

Tax and compliance

Customs, 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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