



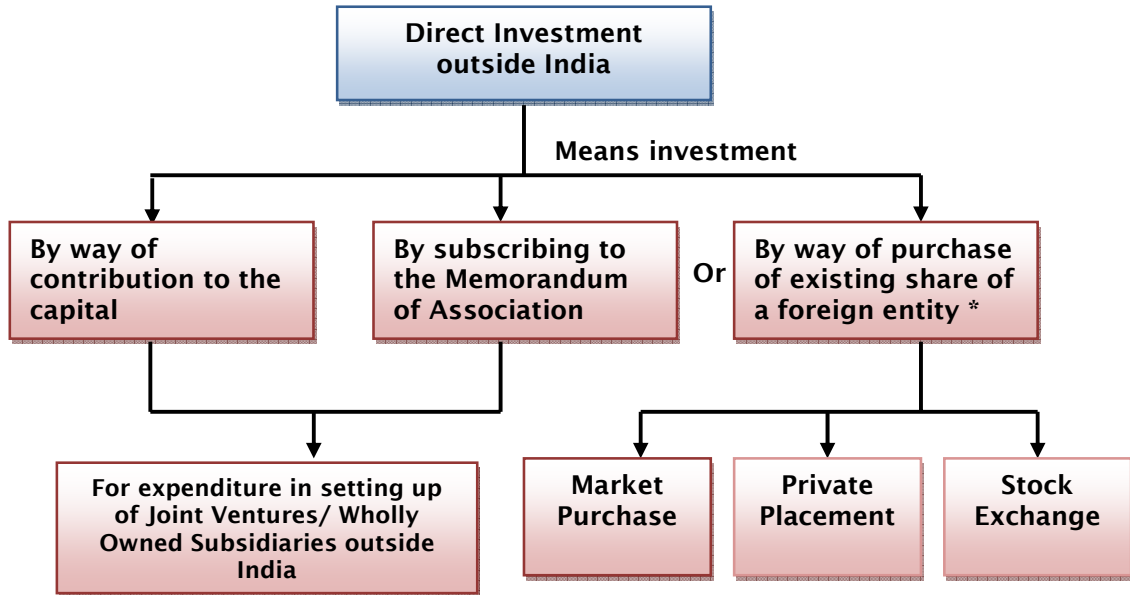
STRUCTURE OF DIRECT INVESTMENT OUTSIDE INDIA



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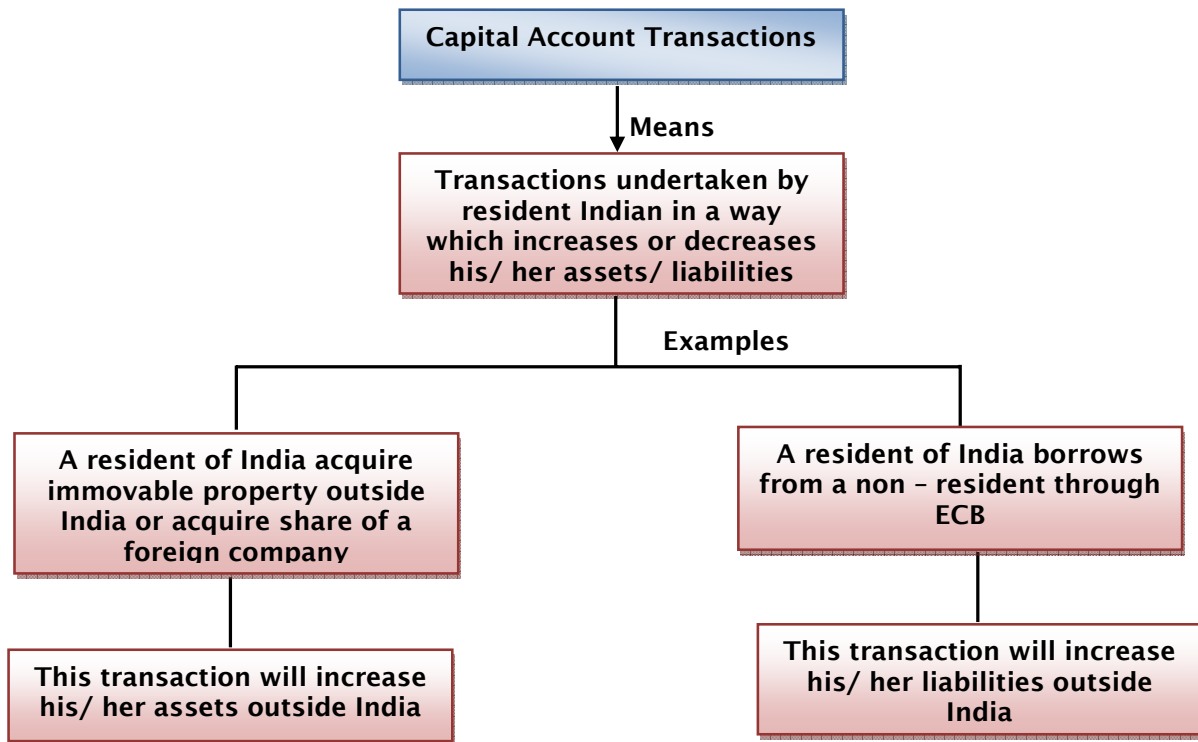
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DIRECT INVESTMENT OUTSIDE INDIA

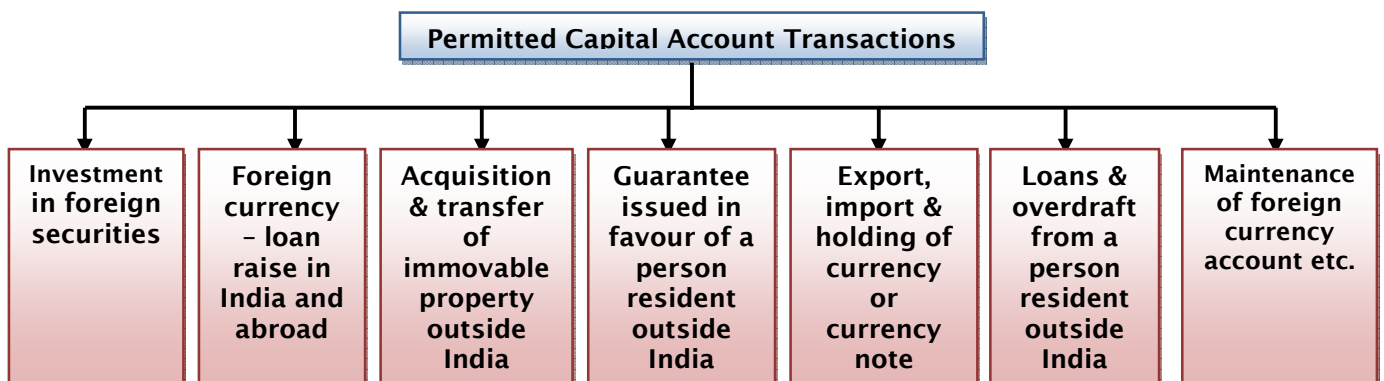


* - Does not include Portfolio investment

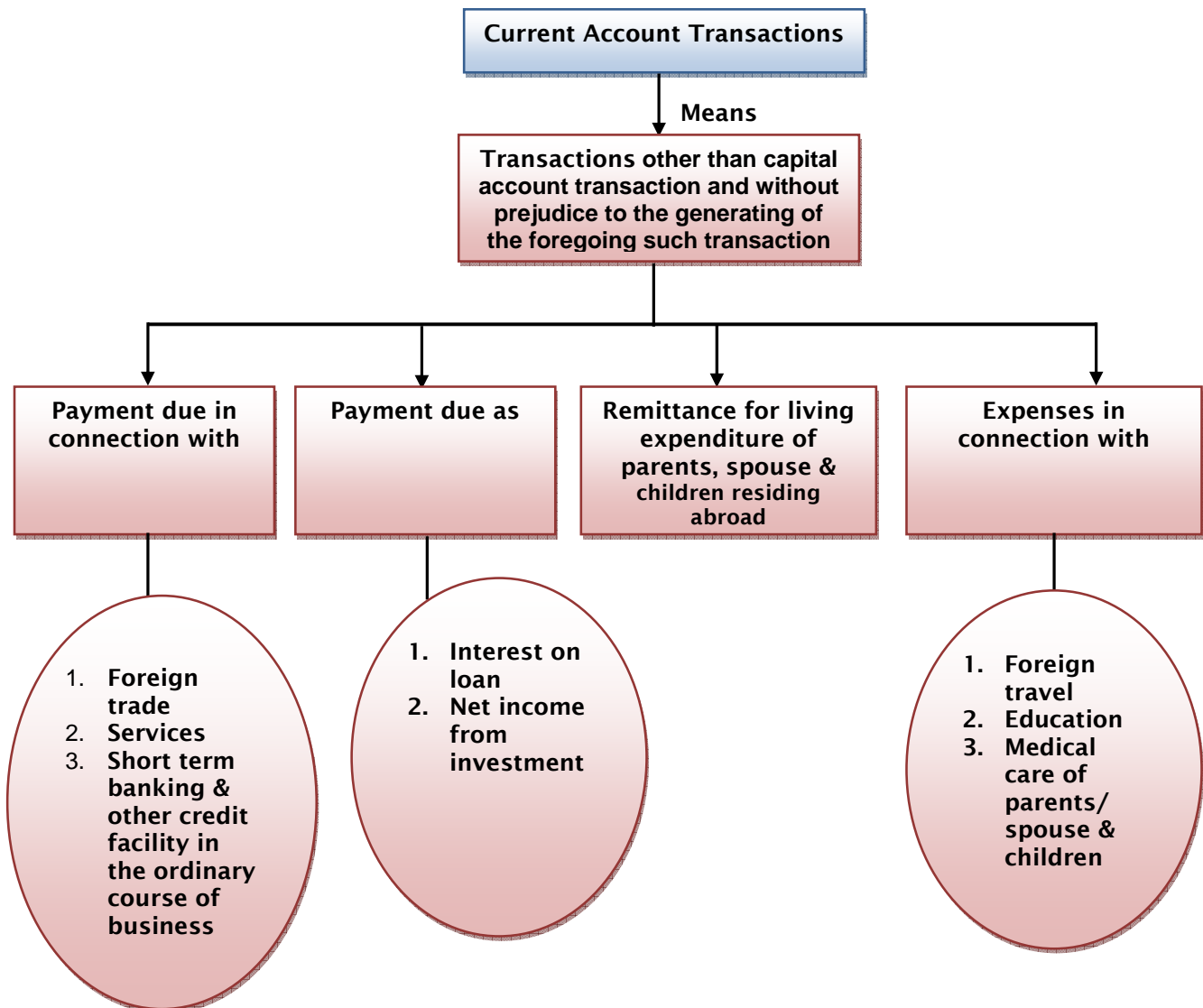
CAPITAL ACCOUNT TRANSACTIONS



PERMITTED CAPITAL ACCOUNT TRANSACTIONS



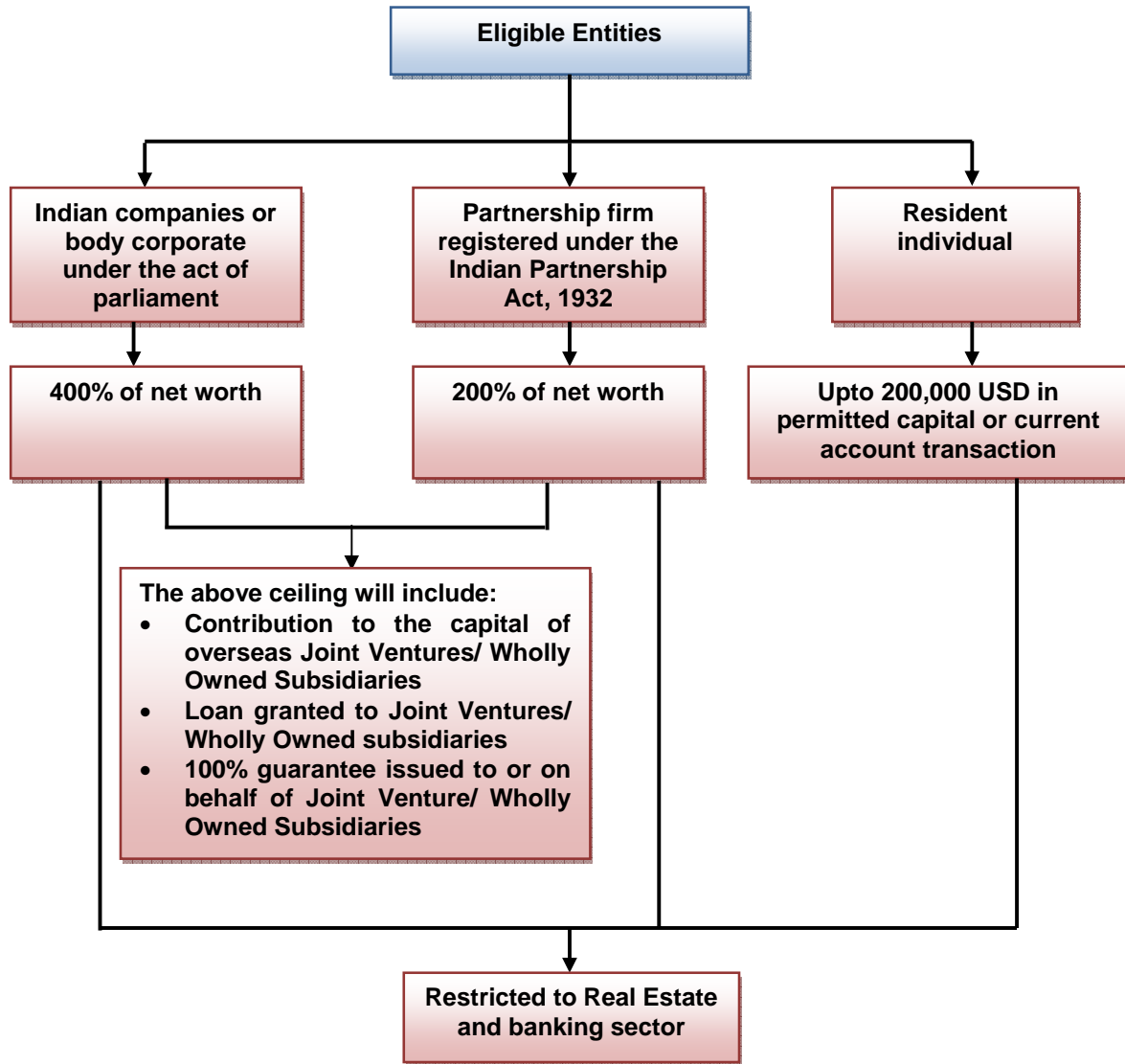
CURRENT ACCOUNT TRANSACTIONS



Without prejudice to the generality of such transaction means that even if the transaction listed above may fit into the capital account transaction, such transaction shall be treated as current account transaction.

For example: Resident of India imports goods from outside India on a short term credit (for a period of 6 months) he is creating a liability outside India and thus it can be treated a capital account transaction. But, it is specifically included in the above definition as a current account transaction

ELIGIBLE ENTITIES



Note:

The ceiling of 400 per cent of net worth will not be applicable where the investment is made out of balances held in Exchange Earners' Foreign Currency account of the Indian party or out of funds raised through ADRs/GDRs.

NOTE

DOES FEMA ALLOW AN INDIAN INDIVIDUAL TO FORM A COMPANY?

A **Resident individual** is allowed/authorized to make investment upto US 2,00,000 dollar in the permitted capital and current account transaction without the prior approval of Reserve Bank of India.

A Resident individual alone can only make an investment by way of purchase of shares of a foreign entity (already in existence) either by way of market purchase or private placement or through stock exchanges upto the specified amount as prescribed above.

Indian Residents are permitted to make investment in overseas joint venture and wholly owned subsidiary under automatic route and approval route.

Resident individual may be excluded from the definition of Indian Resident because only Indian party can allowed to make investment in o overseas joint venture and wholly owned subsidiary under automatic route and approval route.

Indian Party: means a company incorporated in India or body created under an act of Parliament, making investment in a Joint Venture or Wholly owned subsidiary abroad, and includes any other entity in India as may be notified by Reserve Bank.

Joint Venture : means a foreign entity formed, registered or incorporated in accordance with the laws and regulations of the host country in which the **Indian party** makes a direct investment. It means only body corporate or other approved entity like Partnership firm can make an investment in joint venture outside India.

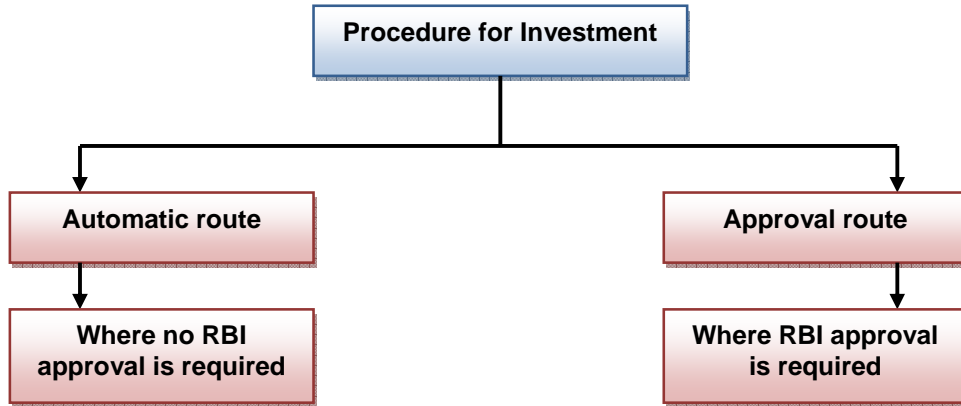
Wholly Owned Subsidiary: means a foreign entity formed, registered or incorporated in accordance with the laws and regulations of the host country, whose entire capital is held by the Indian party. It also means only body corporate or other approved entity like Partnership firm can make an investment in Wholly owned subsidiary outside India, because when individual set up 100% holding company, it will not come under the definition of wholly owned subsidiary.

Overseas Investments – Proprietorship concerns/ unregistered Partnership Firms

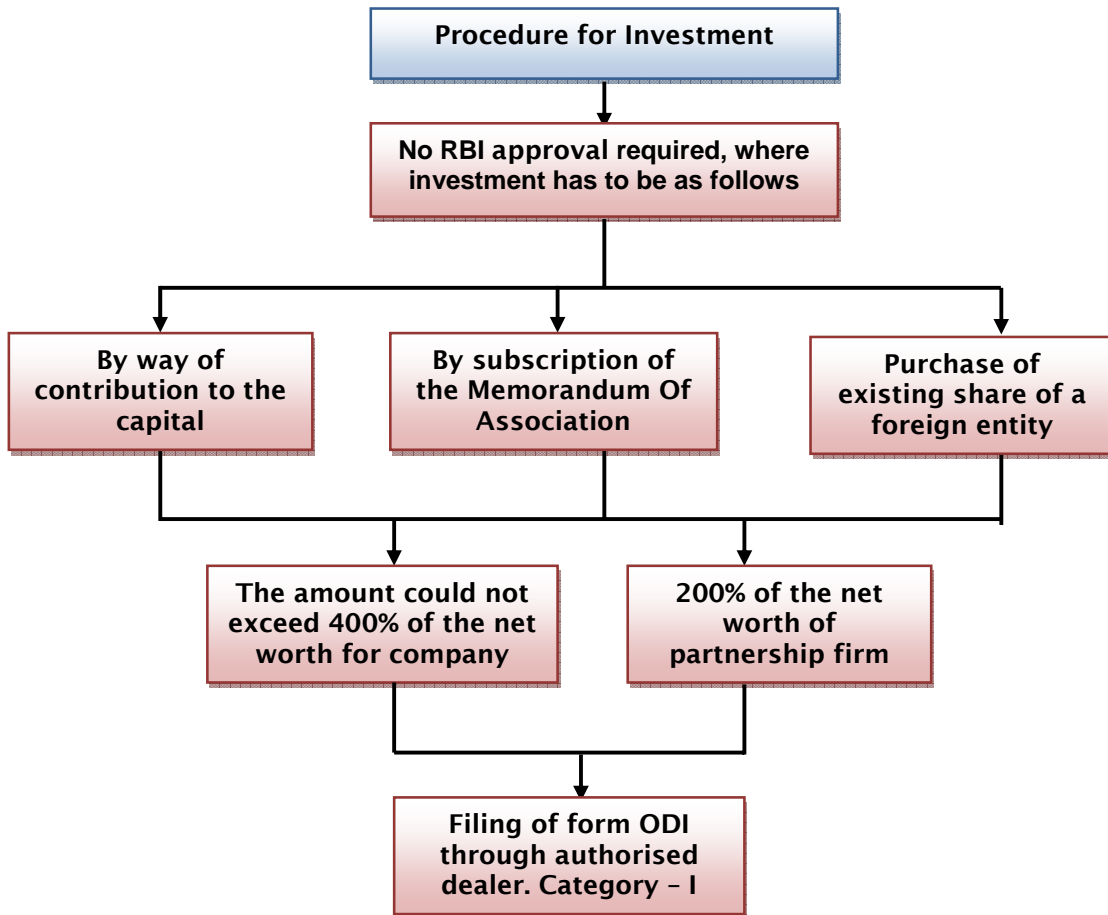
With a view to enabling recognized star exporters with a proven track record and a consistently high export performance to reap the benefits of globalization and liberalization, it has been decided to allow eligible Proprietorship concerns / unregistered Partnership Firms **satisfying the eligibility criteria as detailed in Annexure II** may submit an application in revised Form ODI to the Chief General Manager, Reserve bank of India, Foreign Exchange Department, Overseas Investment Division, Central Office, Amar Building, Fort, Mumbai- 400001 to make investment overseas.

The amount of Investment outside India does not exceed 10% of the average of three year export realization or 200% of net owned funds of the firm, whichever is lower.

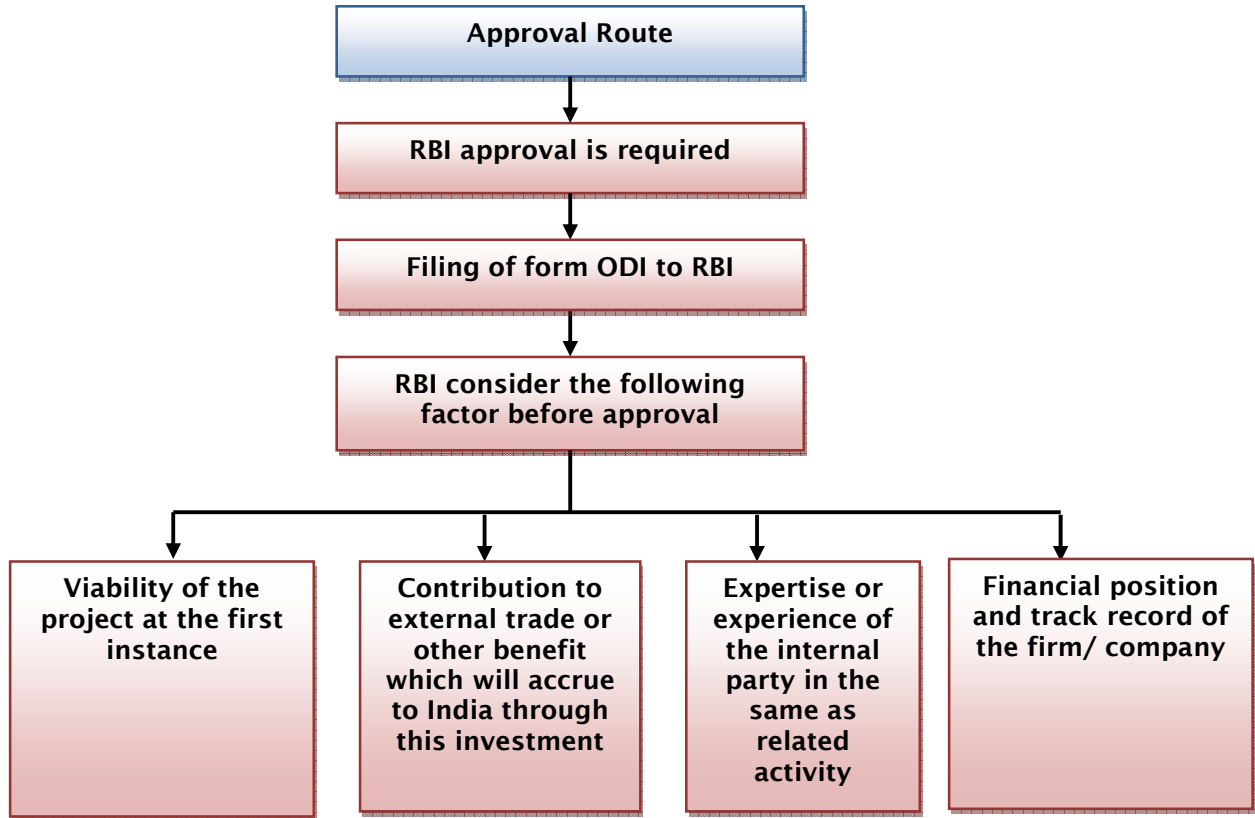
PROCEDURE FOR INVESTMENT



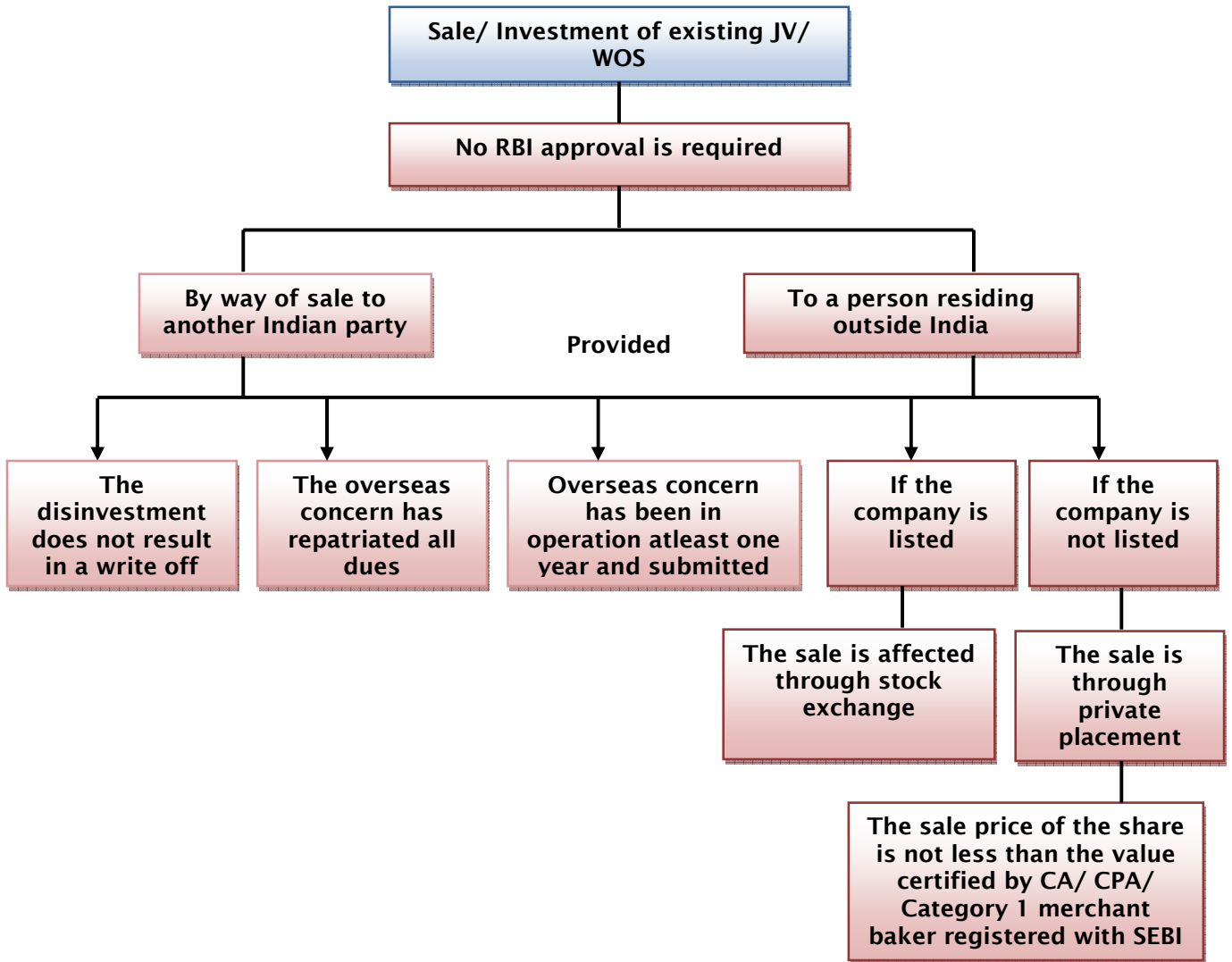
AUTOMATIC ROUTE



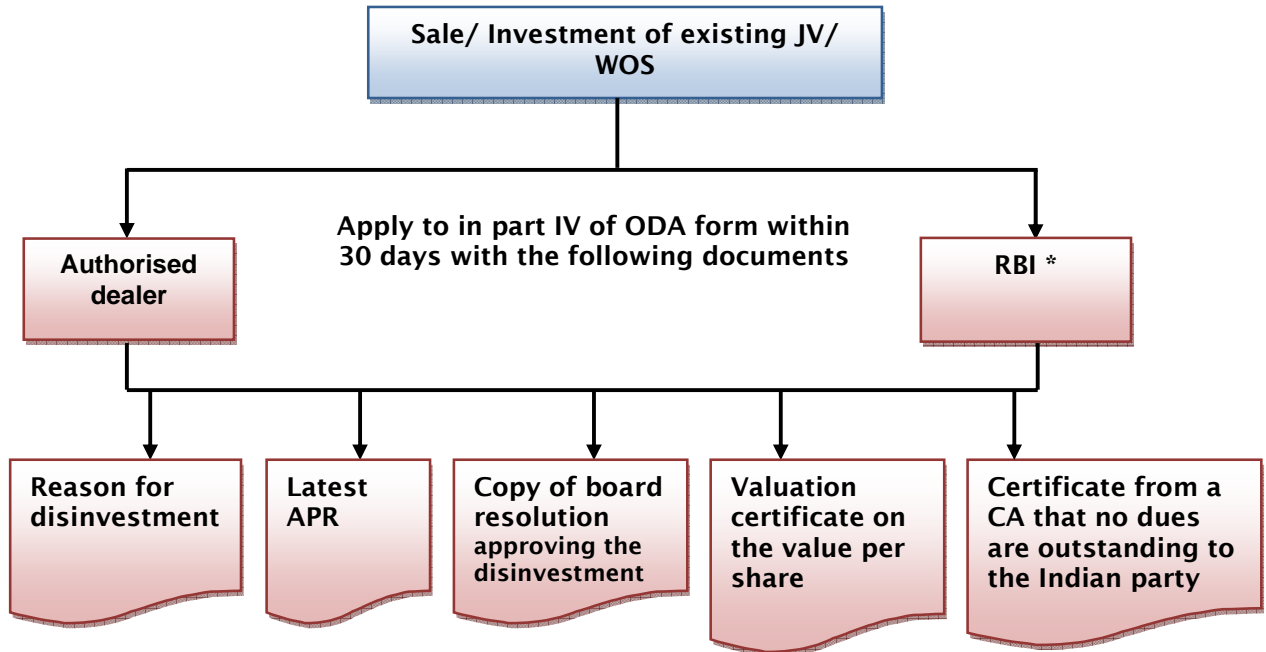
APPROVAL ROUTE



SALE/ DISINVESTMENT OF EXISTING HOLDING IN JOINT VENTURE (JV) OR WHOLLY OWNED SUBSIDIARY (WOS)

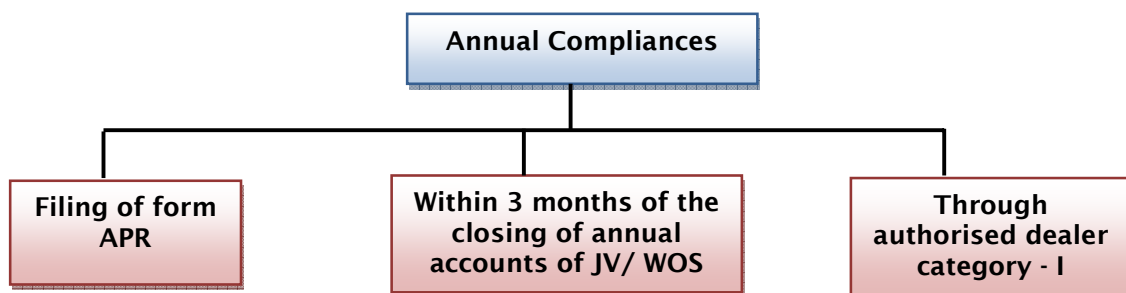


PROCEDURE FOR DISINVESTMENT/ SALE OF EXISTING JV/ WOS

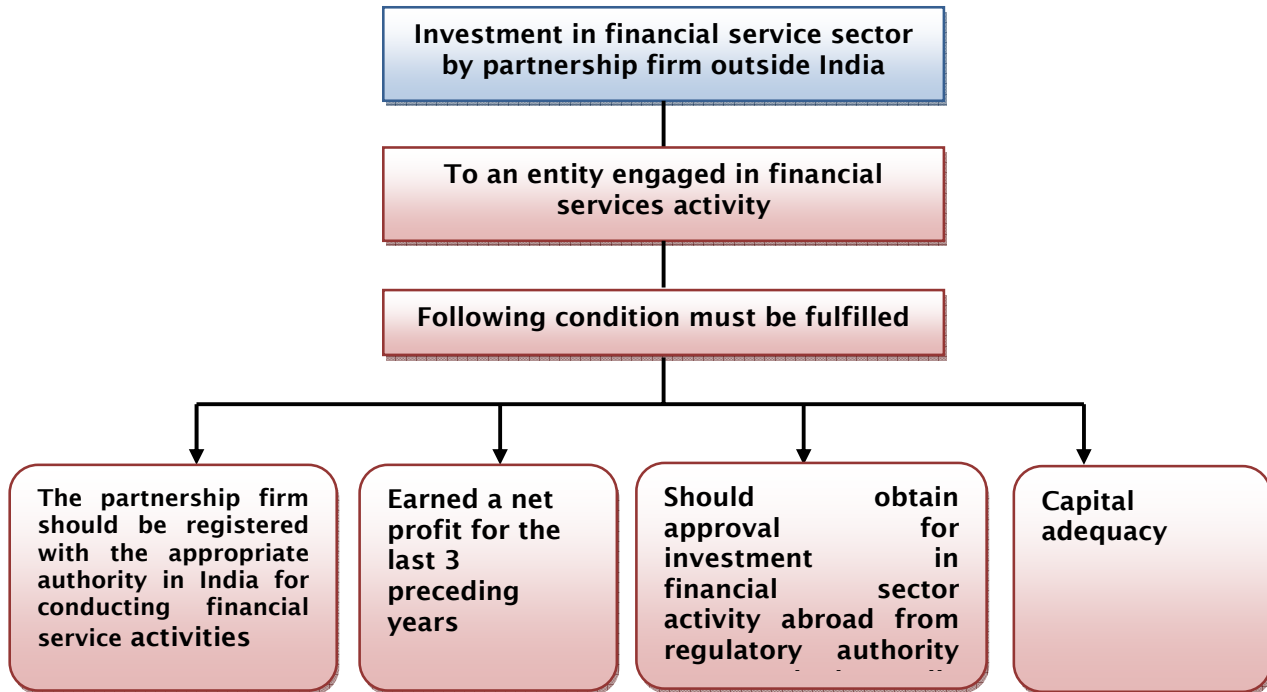


* - In case the proposal is not eligible to be considered by authorised dealer

ANNUAL COMPLIANCES



INVESTMENT IN FINANCIAL SERVICE SECTOR BY PARTNERSHIP FIRM OUTSIDE INDIA



Financial Service Sectors are:

- Insurance sector
- Mutual Fund
- Asset Management

TAXATION ASPECTS:

