

WHAT'S INSIDE

- 01 Which entity type is right for you?**
Pvt Ltd, Branch, Liaison Office, LLP
- 02 FDI routes — Auto vs Govt Approval**
Sector caps, process, first steps
- 03 Incorporation checklist**
6 items to prepare before you file
- 04 First-year compliance calendar**
Key deadlines and penalties
- 05 DTAA basics**
Avoiding double tax, TRC, PE risk
- 06 Legal disclaimer**
Terms of use and limitation of liability

FREE RESOURCE GUIDE

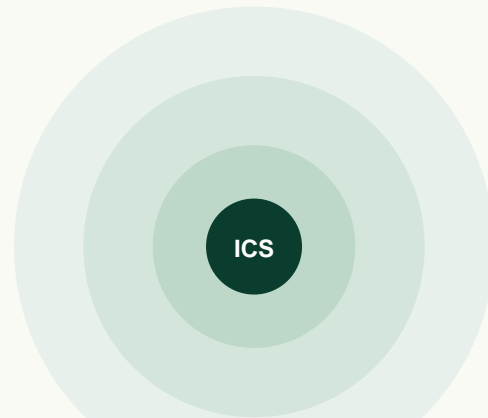
India Entry Starter Guide

Entity types · FDI routes · Incorporation checklist · Compliance calendar · DTAA basics

Plain English

5 pages

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SECTION 1

Which entity type is right for you?

India offers four main structures for foreign companies. The right choice depends on your activity, FDI eligibility, headcount, and long-term plans.

| Structure | Best For | Tax Rate | FDI Route | Key Point |
|------------------------------|-----------------------------------------|-----------------------|----------------------------|--------------------------------------------------------------------------------|
| Private Limited (WOS) | Most foreign companies entering India | 25.17% (base) | Automatic in most sectors | Full repatriation of profits. Requires resident director + registered address. |
| Branch Office | Banks, insurance, limited activities | 40% (foreign co rate) | RBI approval required | Only for specific RBI-permitted activities. High compliance burden. |
| Liaison Office | Market research, pre-entry scouting | NIL (no revenue) | RBI approval required | Cannot earn income in India. Max 3 years with renewal. |
| LLP | Professional services, small operations | 30% (flat) | Automatic (select sectors) | Simpler compliance than Pvt Ltd. FDI restricted in some sectors. |

Recommendation:

For most foreign companies — Private Limited Company (WOS) via the Automatic Route. 25.17% corporate tax rate, full profit repatriation, and the lowest ongoing compliance burden.

SECTION 2

FDI routes — Automatic vs Government Approval

India allows 100% FDI in most sectors. The route determines whether you need prior government approval before investing.

Automatic Route (most sectors)

- No prior RBI or Government approval needed.
- File FCGPR within 30 days of share allotment.
- IT / Software · Manufacturing · Consulting
- E-commerce · Infrastructure · Most services
- First step: Confirm NIC code not in restricted list at dpiit.gov.in

Government Approval Route

- Prior approval from DPIIT / Ministry required.
- Typically takes 4–12 weeks.
- Defence (>49%) · Insurance (>74%)
- Media · Multi-brand retail · Banking
- First step: File application with DPIIT with business plan and financial projections

SECTION 3

Incorporation checklist — what to prepare

Having these documents and decisions ready reduces the incorporation timeline from 30 to 14–21 working days.

- 1 Parent company documents**
 Certificate of Incorporation, Memorandum & Articles of Association, Board Resolution authorising India incorporation — all apostilled for India use.
- 2 Director KYC**
 Passport copy + address proof (utility bill or bank statement) for all proposed directors. Foreign directors need apostilled copies. One director must be India-resident.
- 3 Company name**
 Prepare 2–3 name options in order of preference. Names must not conflict with existing MCA registrations or registered trademarks. We check before filing.
- 4 Registered office address**
 A physical India address is mandatory. Can be a virtual/registered address initially. We can assist with registered address if needed.
- 5 Share capital & FDI structure**
 Decide authorised share capital (affects MCA fees), initial paid-up capital (min Rs. 1 lakh recommended), and shareholding structure. Must match FCGPR filing.
- 6 Object clause**
 The MOA objects clause defines what your company can do. Getting it right at incorporation avoids costly amendments later. We draft this based on your business plan.

SECTION 4

First-year compliance calendar

Once incorporated, your India entity has statutory deadlines from day one. Missing these attracts penalties — some are automatic and compound daily.

| Deadline | Obligation | Penalty for Delay |
|----------------------------------------|-----------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| Within 30 days of FDI receipt | File FCGPR with RBI (FDI reporting) | Compounding fee + possible RBI notice. Mandatory — no waiver. |
| Within 60 days of incorporation | Open Indian bank account and complete KYC with authorised dealer bank | Delays all subsequent compliance. Practical necessity. |
| 30 Sept (Annual) | File Annual Return (MGT-7) with MCA | Rs. 100 per day of delay. No upper cap. |
| 30 Sept (Annual) | File Financial Statements (AOC-4) with MCA | Rs. 100 per day of delay. No upper cap. |
| 30 Nov (Annual) | File Income Tax Return (ITR-6) | Rs. 5,000 late filing fee. Loss of carry-forward benefits. |
| 15 July (Annual) | File FLA return with RBI (Annual foreign liabilities & assets) | Rs. 1 lakh penalty. Overseen by RBI directly. |
| Monthly — 15th | TDS deposit and quarterly return (26Q / 27Q) | 1.5% per month interest + 1% p.m. on short deduction. 27Q applies to foreign payments. |
| Monthly | GST returns (GSTR-1 + GSTR-3B) if registered for GST | Rs. 50–200 per day late fee. Input credit blocked on delayed filing. |

SECTION 5

DTAA basics — avoiding double taxation

India has Double Taxation Avoidance Agreements (DTAAs) with 90+ countries. A DTAA ensures income earned in India is not taxed twice. Key concepts every foreign company must understand:

| | |
|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Tax Residency Certificate (TRC) | Your foreign company must obtain a TRC from its home country tax authority to claim DTAA benefits. Without it, Indian withholding tax rates (20–40%) apply in full. |
| Withholding Tax (TDS) | Payments from India to the parent — dividends, royalties, service fees — attract TDS. DTAA rates are usually significantly lower than standard domestic rates. |
| Permanent Establishment (PE) | If your India operations cross the PE threshold, the parent company is taxed in India on India-attributed profits at 40%. PE risk must be assessed before setting up. |
| Principal Purpose Test (PPT) | Post-BEPS, Indian tax authorities can deny DTAA benefits if the arrangement was principally set up to obtain treaty benefits. Substance in both countries matters. |
| Transfer Pricing (TP) | All transactions between the Indian subsidiary and the foreign parent must be priced at arm's length. Annual TP documentation is mandatory. Form 3CEB must be filed by 30 Nov. |

Important:

DTAA benefits are not automatic. Your company must obtain a Tax Residency Certificate (TRC) from its home country tax authority and submit it to the Indian entity before each payment. Failure to do so results in full domestic withholding tax rates.

Ready to set up your India entity?

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Book a free 30-minute consultation. We review your structure, flag risks and give you a clear action plan — no commitment.

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