

NOVEMBER, 2016

MAHESWARI & CO



Advocates & Legal Consultants



NEWSLETTER

RBI allows trade transactions

The government has liberalized FDI policy on other financial services and Non-Banking Finance Companies (NBFC). Foreign investment in 'Other Financial Services' activities shall be subject to conditionalities, including minimum capitalization norms, as specified by the concerned Regulator/Government Agency.

'Other Financial Services' activities need to be regulated by one of the Financial Sector Regulators. In all such financial services activity which are not regulated by any Financial Sector Regulator or where only part of the financial services activity is regulated or where there is doubt regarding the



regulatory oversight, foreign investment up to 100% will be allowed under Government approval route subject to conditions including minimum capitalization requirement, as may be decided by the Government.

Any activity which is specifically regulated by an Act, the foreign investment limits will be restricted to those levels/limit that may be specified in that Act, if so mentioned.

This has been notified by the Government of India, Ministry of Commerce and Industry in Press Note of 2016.

FDI in Marketplace model of e-Commerce

The government has permitted 100% foreign direct investment (FDI) in the marketplace format of E-commerce retailing with a view to attract more foreign investments. As per the guidelines issued by the Department of Industrial Policy and Promotion (DIPP), on FDI in e-commerce – *'FDI has not been allowed in inventory-based model of e-commerce.'*

At present, global E-retailer giants viz. Amazon and Ebay are operating online marketplaces in India while homegrown players like Flipkart and Snapdeal have foreign investments even as there were no clear FDI guidelines on various online retail models. To bring clarity, the DIPP



has also come out with the definition of **E-commerce, inventory-based model and marketplace model.**

“Marketplace model of e-commerce means providing of an IT platform by an e-commerce entity on a digital and electronic network to act as a facilitator between buyer and seller.”

The inventory-based model of e-commerce means an e-commerce activity where inventory of goods and services is owned by e-commerce entity and is sold to consumers directly, according to the guidelines. A marketplace entity will be permitted to enter into transactions with sellers registered on its platform on business-to-business basis, DIPP said.

New liberalized visa policy for foreigners

The Government of India approved a new liberalized visa policy that include long-term multiple entry comprehensive visa by merging tourist, business, medical and conference visas into one.

The Union Cabinet, also decided to extend the *e-Tourists Visa* to eight (8) more countries, taking the total number of countries which are under cover the scheme to 158.

The acceptance will facilitate entry of foreigners for tourism, business and medical purposes. This is expected to stimulate economic growth, increase earnings from export of services like tourism, medical value travel and travel on account of business and to make '*Skill India*', '*Digital India*', '*Make in India*' and other such flagship initiatives of the government successful.



The long-term, multiple-entry visa will be given up to 10 years but under this category the visitor will not be allowed to work or stay permanently.

The plan is part of the Commerce Ministry's initiatives to boost India's services trade. India is said to be missing out on a huge opportunity worth about USD 80 billion annually in terms of attracting foreigners and foreign exchange. Medical tourism in India alone is estimated at USD 3 billion and projected to grow to USD 7-8 billion by 2020.

Citizens from Pakistan and China will not be covered under the new liberalised visa policy.

The Insolvency and Bankruptcy code, 2016

The Code applies to Companies, Limited liability Partnerships (*LLP*), Partnership firms (other than financial firms), other corporate persons, and individuals, and any other body specified by the Government.

- **It will promote investment** and entrepreneurship in the economy.
- **It will address India's bad debts problems.** Banks will be able to recover their loans from the bankrupt companies in a timely manner.
- Timely resolution of companies will free up bank's resources and also increase credit availability in the economy to promote faster implementation measures.
- Productive resources of the economy will be put to best use by strengthening the systems and bringing stringent reforms such as change in Management.
- Proposes a creation of new professional mechanism for process of insolvency and who will be responsible for managing the process.



It will improve India's ranking in the ease of doing business index. On the parameter of resolving insolvency, India is ranked 136th among 189 countries. The code is expected to improve this ranking.

Corporate Office

B-7/1, Safdarjung Enclave Extn.

New Delhi – 110029, India

T. +91 11 26101906, 41354615

F. +91 11 26171201

E. info@maheshwariandco.com

Mumbai

Level 8, Vibgyor Towers, C-62

Block-G, Bandra Kurla Complex

Mumbai – 400098, India

T. +91 22 40907271

Lucknow

IInd Floor, YMCA Complex

13 Rana Pratap Marg,

Lucknow – 226001

Uttar Pradesh

T. +91 522 2209390

F. +91 522 2209749

Network Offices

Bangalore

Chennai

Hyderabad

Pune

Kolkata

www.maheshwarianco.com

