India: Market Profile

11 March 2021

Fitch Solutions

1. Overview

India is the world's largest democracy and the third largest economy in terms of purchasing power parity. Economic liberalisation, including reduced controls on foreign trade and investment, began in the early 1990s, and long-term GDP growth has become more stable, diversified and resilient. Over the next few years, India is expected to grow strongly, with progress being buttressed by dynamic reforms in the macroeconomic, fiscal, tax and business environments, as well as by favourable demographics. Although India's economic performance has been strong, development has been uneven, with the gains of economic progress and access to opportunities differing between population groups and geographic areas. Other issues that the Indian government faces include fostering faster job creation, addressing distortions in the agricultural sector and strengthening the implementation of flagship government programmes. India's development trajectory on crucial issues (such as managing scarce water resources, modernising food systems, improving rural livelihoods and ensuring that megacities become engines of sustainable economic growth and inclusion) will have a major influence on the rest of the world. While a banking sector plagued by bad debt and a slowing manufacturing sector hold India back, the economic fallout from the global Covid-19 pandemic presents a significant window of opportunity for India – which has an abundance of skilled and semi-skilled labour, an expanding middle class, democratic institutions and adherence to the rules-based international order – to establish itself as a low-cost manufacturing base for global supply chains to both Western and Asia Pacific markets. However, for India to be able to capitalise on this opportunity, it will require the right economic policies, investment incentives and infrastructure development.

Sources: World Bank, Fitch Solutions

2. Major Economic/Political Events and Upcoming Elections

September 2019
Prime Minister Narendra Modi visited Russia and signed several pacts in the fields of defence, nuclear energy, natural gas, maritime connectivity and trade. India and Russia pledged to triple bilateral trade to USD30 billion by 2025 and also signed a five-year roadmap for cooperation in the hydrocarbon sector. India also pledged a USD1 billion line of credit for the development of Russia's Far East region.

India slashed its basic corporate tax rate from 30% to 22%, bringing the effective tax rate, including surcharges and cesses, down from 34.94% to 25.17%. A new provision set the tax for new manufacturing companies at 15% (or an effective rate of 17.16%), provided they commence production by March 31, 2023. These rates were effective from FY2019/20 onwards.

October 2019
Modi and Mainland China's President Xi Jinping met for their second informal summit in the Indian city of Mamallapuram following their meeting in Wuhan in April 2018. Issues of trade cooperation, including a regional comprehensive economic partnership, were discussed.

India climbed 14 places to 63rd in the World Bank's Ease of Doing Business (2020) rankings out of 190 states globally.

Modi visited Saudi Arabia and attended the Future Investment Initiative forum. Memoranda of understanding were signed relating to areas of defence collaboration, security, air services, renewable energy and medical products regulation. Modi commended Saudi Arabia-based firm Aramco's decision to invest in the West Coast Refinery Project, which would be the largest refinery in Asia.

December 2019
The citizenship amendment bill was signed into law.

Amazon opened its largest building in the world in Hyderabad, India's biggest technology hub after Bangalore. The building is the only Amazon-owned campus outside the United States. India's e-commerce market is small but was predicted to increase more than six fold to around USD200 billion by 2028.

January 2020
The Indian government announced that it plans to sell its stake in the national carrier Air India.

February 2020
The government released its FY2020/21 (April to March) union budget. Expenditure will focus on agriculture, rural development, transport infrastructure and education. As part of the government's continued push towards incentivising local manufacturing under its Make in India campaign, import duties were raised across many categories, including household goods, electronics and electric vehicles, and lowered on raw materials and inputs for domestic manufacturing.

Then-president Donald Trump visited India, but in trade deal talks the two sides remained divided over agricultural products and tariffs.

March 2020
India experienced the largest internal migration since partition as millions of migrant and daily wage workers left the cities for villages in the countryside in response to the Covid-19 pandemic.

April 2020
The Serum Institute of India announced that mass production of an experimental Covid-19 vaccine had begun before the targeted completion date of the human trials by the Oxford Vaccine Group.

The 40-day lockdown in India in response to Covid-19 reduced demand for oil. Tax from the petroleum industry was estimated to contribute around one-fifth of the government's budget revenue.

The Stockholm International Peace Research Institute announced that in 2019 the world's largest military spenders were the United States, Mainland China and India (USD71.1 billion).

May 2020
It was announced that Prime Minister Modi wanted reforms that would enable the private and public sectors to help India become a world leader in the defence and aerospace industries.

June 2020
India and Mainland China were involved in a limited-scale conflict along the 'Line of Actual Control' between the two countries.

July 2020
India received its first batch of five Rafale fighter jet aircrafts from Dassault Aviation as part of the government-to-government deal which was signed with France in 2016 for 36 aircrafts.

October 2020
India and the United States signed the Basic Exchange and Cooperation Agreement for Geospatial Intelligence, which along with two agreements which were signed earlier – the Logistics Exchange Memorandum of Agreement, and the Communications Compatibility and Security Agreement – allows greater military cooperation between the two countries in terms of logistics and real time intelligence sharing.

November 2020
The government approved the extension of its Production Linked Incentive scheme to 10 flagship sectors in a bid to boost India's manufacturing capabilities and enhancing exports. Incentives for the scheme total USD19.5 billion. The scheme had previously benefitted three main sectors, namely mobile manufacturing and electric components, pharmaceuticals, and medical device manufacturing. Production-linked incentives would be offered to sectors such as white goods manufacturing, specialised steel, automobiles, telecom, textile, food products, solar photovoltaic and cell batteries.

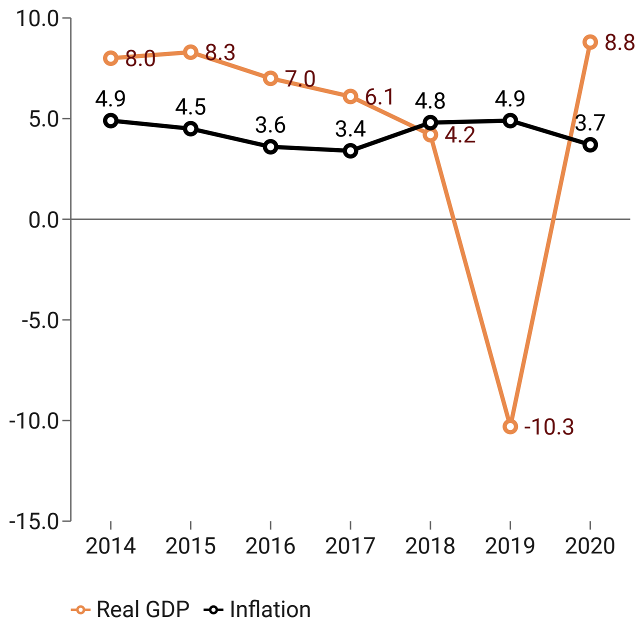
January 2021
Initial public offering listings of Indian Railway Finance Corporation (including shares previously held by the Government of India through the Ministry of Railways), Indigo Pains and Home First Finance took place.

India's first international exchange, India International Exchange, based in the Gujarat International Finance Tec-City, reached a new record on January 14 when single-day trading turnover topped USD24.1 billion.

Sources: BBC Country Profile – Timeline, national sources, the Guardian, Reuters, Al Jazeera, Bloomberg, the Economic Times, Times of India, the Hindu, Xinhuanet, Eurasianet, Fitch Solutions

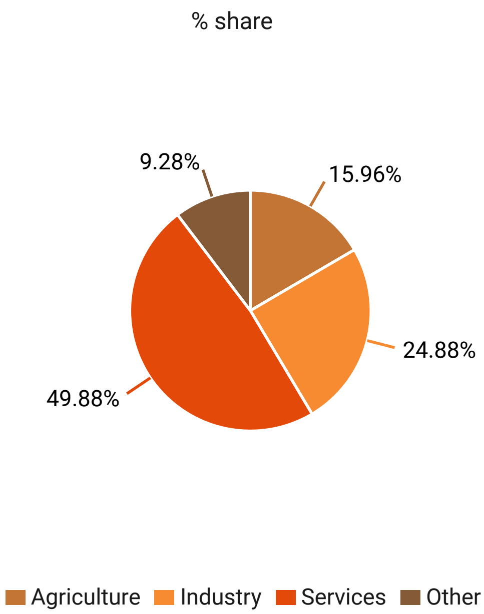
3. Major Economic Indicators

Real GDP and Inflation



2021 (forecast)
Source: IMF
Date last reviewed: February 2, 2021

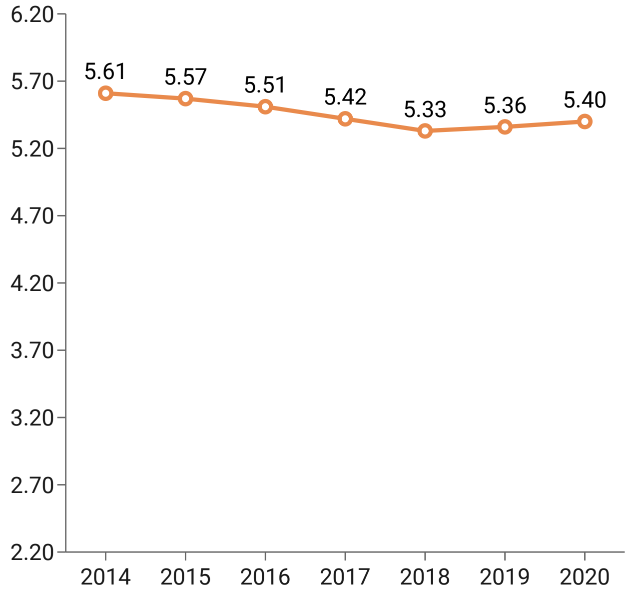
GDP by Sector (2019)



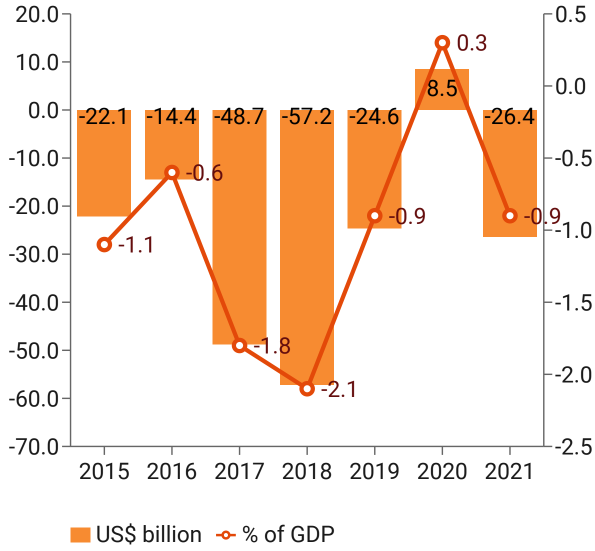
Note: 'Industry' includes construction
Sources: World Bank, Fitch Solutions
Date last reviewed: February 2, 2021

Unemloyment Rate

Current Account Balance



Note: Data not available from the UN or the IMF
Source: World Bank (modelled ILO estimate)
Date last reviewed: February 2, 2021

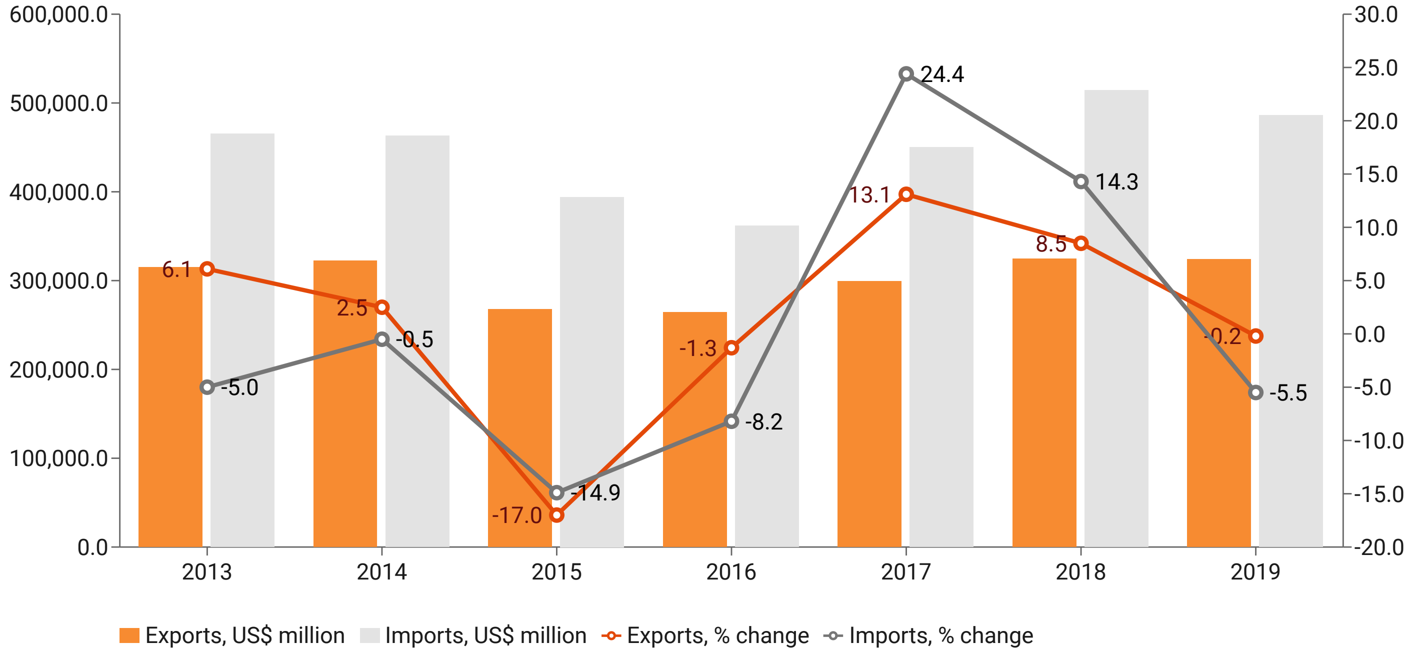


2020 (estimate); 2021 (forecast)
Source: IMF
Date last reviewed: February 2, 2021

4. External Trade

4.1 Merchandise Trade

Merchandise Trade



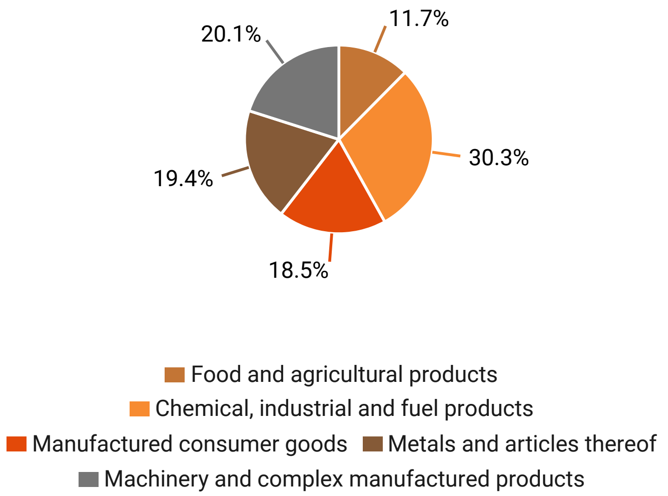
Sources: WTO, Fitch Solutions
Date last reviewed: February 2, 2021

Major Export Commodities (2019)

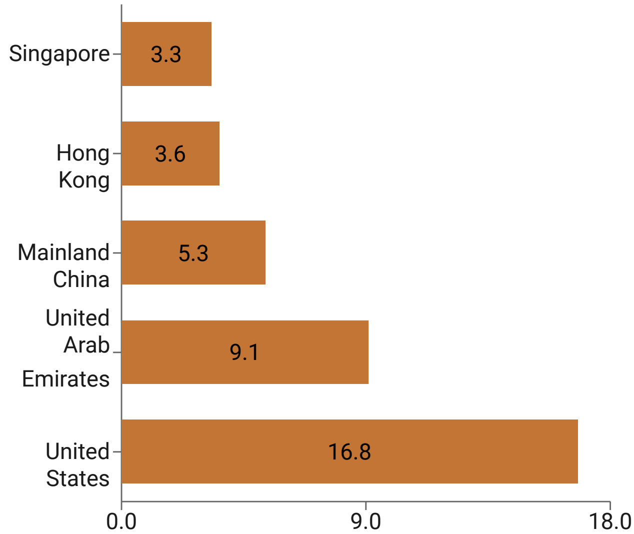
% share

Major Export Markets (2019)

% share



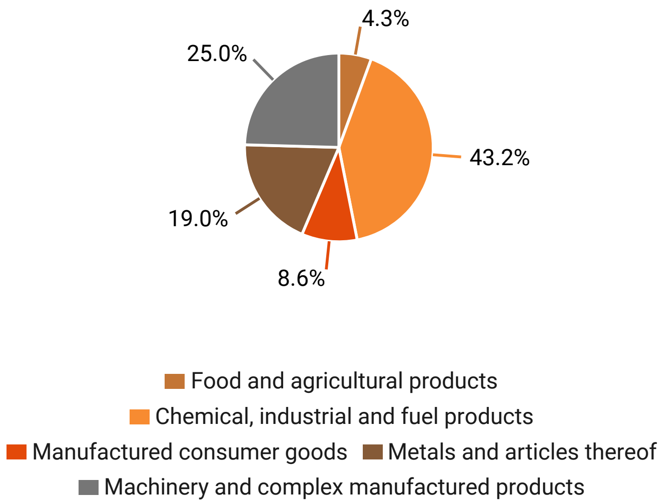
Note: Unclassified products account for less than 1% of total goods exports
Sources: ITC-Trade Map, Fitch Solutions
Date last reviewed: February 2, 2021



Sources: ITC-Trade Map, Fitch Solutions
Date last reviewed: February 2, 2021

Major Import Commodities (2019)

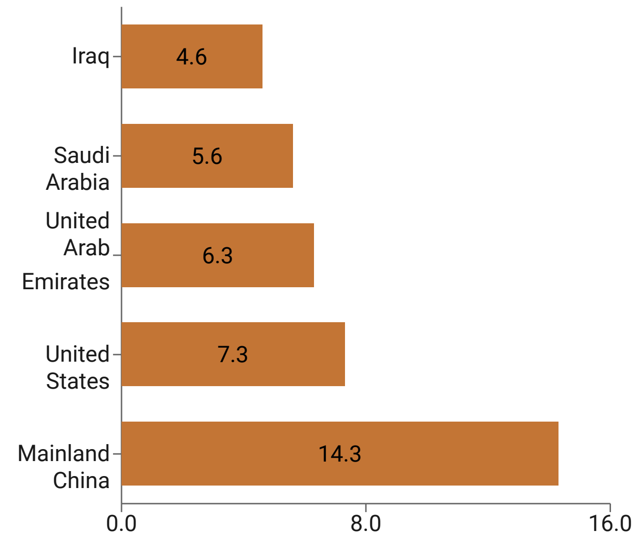
% share



Note: Unclassified products account for less than 1% of total goods imports
Sources: ITC-Trade Map, Fitch Solutions
Date last reviewed: February 2, 2021

Major Import Markets (2019)

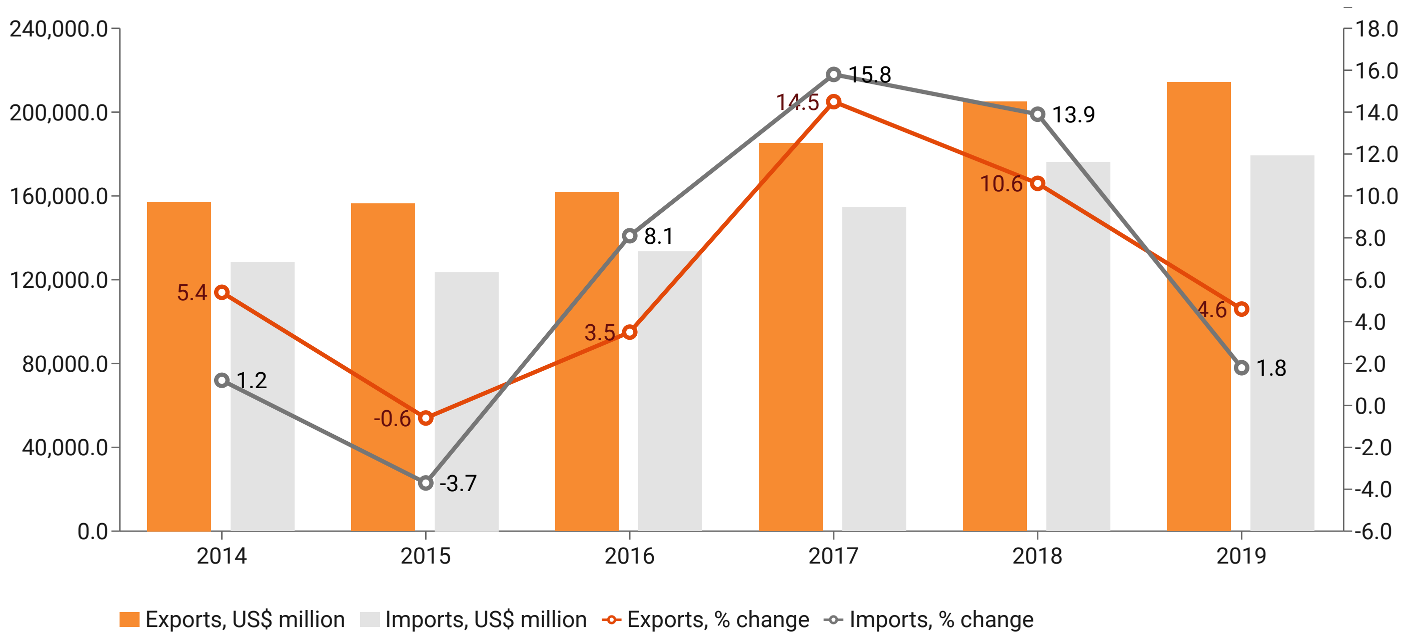
% share



Sources: ITC-Trade Map, Fitch Solutions
Date last reviewed: February 2, 2021

4.2 Trade in Services

Trade in Services



2014-2019 (estimate); Note: All imports are listed as estimated values from WTO, exports are direct confirmed data
Sources: WTO, Fitch Solutions
Date last reviewed: February 2, 2021

5. Trade Policies

- India has been a World Trade Organization (WTO) member since January 1, 1995, and a member of the General Agreement on Tariffs and Trade (GATT) since July 8, 1948.

- India's government has embarked on economic liberalisation since 1991 and continues to work towards a more open trade regime. There has been a progressive elimination of quantitative restrictions, simplification of import licence application and reduction of import tariffs since 1992.

- Trade barriers are likely to continue falling over the medium term as the government continues to sign trade agreements and bring tariffs into line with the standards of other Asian states. In addition, the planned implementation of standardised nationwide duties will improve clarity and reduce costs for businesses importing to India.

- India has preferential access, economic cooperation and free trade agreements (FTAs) with about 54 individual countries. India has signed bilateral trade deals in the form of comprehensive economic partnership agreements (CEPAs), comprehensive economic cooperation agreements, FTAs and preferential trade agreements (PTAs) with approximately 18 groups or countries.

- The average tariff rate of 6.3% on imports remains high on a global comparison, and some domestic industries still enjoy protection which raises the costs of imported goods and partially undermines competitiveness.

- India's tariff and non-tariff barriers are aimed at forcing foreign companies to set up domestic manufacturing operations by making it cost prohibitive to access the Indian market otherwise. India maintains high tariffs on a variety of goods, including automobiles and motorcycles (60-75%), alcoholic beverages (150%), textiles (exceeding 300% in some cases) and an average tariff of 32.7% on agriculture goods.

- The Central Board of Excise and Customs has developed an 'integrated declaration' process leading to the creation of a single window that will provide importers and exporters a single point interface for customs clearance of import and export goods.

- In the mid-term review of the Foreign Trade Policy (FTP) 2015-2020, the Ministry of Commerce and Industry enhanced the scope of Merchandise Exports from India Scheme (MEIS) and Service Exports from India Scheme (SEIS). The ministry increased the MEIS incentive for ready-made garments and made-ups by 2%, raised the SEIS incentive by 2% and increased the validity of duty credit scrips from 18 months to 24 months.

- India's goods and services tax (GST) is made up of three categories: central GST, state GST and integrated GST (IGST) under the concept of 'one tax, one nation'. IGST falls under the IGST Act 2016. The import of goods under the GST regime will be subject to IGST and compensation cess (if applicable), along with basic customs duty (BCD) and social welfare surcharge (at 10% levied on the BCD). BCD and social welfare surcharge paid at the time of imports are not available as credit under GST; consequently, they will always be a cost to the importer.

- The export of goods and services is zero rated under the GST. Exporters can claim a refund of input tax credit of inputs/input services used in the export of goods/services, subject to fulfilment of prescribed conditions. As per GST laws, exporters will be provided with a provisional refund within seven days from the date of acknowledgement.

- The Department of Commerce has announced increased support for the export of various products and included some additional items under the MEIS in order to help exporters overcome the challenges they face them.

- The Reserve Bank of India has simplified the rules for credit to exporters through which they can now get long-term advances from banks for up to 10 years to service their contracts. This measure will help exporters get into long-term contracts while aiding overall export performance.

- All export- and import-related activities are governed by the FTP, which is aimed at enhancing the country's exports and using trade expansion as an effective instrument of economic growth and employment generation.

- As part of the FTP strategy of market expansion, India has signed a CEPA with South Korea, which will provide enhanced market access to Indian exports. These trade agreements are in line with India's Look East Policy. To upgrade export sector infrastructure, 'Towns of Export Excellence' and units located therein will be granted additional focused support and incentives.

- There is a wide range of import duties in place to protect domestic production. Domestic taxes also favour cotton-based production rather than production based on man-made fibres and leather footwear rather than non-leather footwear.

- Customs duty is levied by the central government on goods imported into, and exported from, India. The rate of customs duty applicable to a product imported or exported depends on its classification under the Customs Tariff Act of 1975. Regarding exports from India, customs duty is levied only on a very limited list of goods. The customs tariff is aligned with the internationally recognised Harmonized System of Nomenclatur (HSN) provided by the World Customs Organization.

- On August 7, 2018, the Indian Ministry of Finance, through Notification No. 58/2018-Customs, increased the import duty on 328 tariff lines from 10% to 20%. These tariff lines include carpets, apparels and other textile products.

- The e-way bill is an electronic bill that will be required for the movement of goods in case the value of the consignment is above INR50,000. The movement of goods may be in relation to supply, for reasons other than supply or due to inward supply from unregistered persons. The bill can be generated from the GST Tax Network portal and every GST-registered taxpayer is required to comply with the requirement to issue an e-way bill. With effect from April 1, 2018, an e-way bill must be generated for inter-state goods movement. For intra-state goods movement, the e-way bill system has been mandatory since June 3, 2018.

- Various local content requirements exist in the area of infrastructure and solar power provision.

- Export profit from a new undertaking, satisfying prescribed conditions and set up in a special economic zone, is eligible for a tax exemption of 100% for the first five years from the year in which manufacturing commences, followed by a partial tax exemption of 50% for the next five years. A further tax exemption of 50% of the export profit for five years is also available after that, subject to an equal amount of profit being retained and transferred to a special reserve in the books of the account. The exemption is available on the commencement of the eligible business between April 1, 2006 and March 31, 2021. There are various import and anti-dumping duties on manufactured goods,; second-hand goods; jewellery; rubber; plastics and metals (such as aluminium, steel and zinc alloys); and some batteries, solar panels, media products and various machine parts. On the other end of the spectrum, India's mobile tech merchants are challenged with the boosted tariff amount on imported smartphones that began on April 1, 2018. In the first quarter of 2018 the Indian Ministry of Finance increased the import duty from 0% to 5% on 'scientific and technical instruments, apparatus, equipment, accessories, parts, components, spares, tools, mock-ups and modules, raw material and consumables required for launch vehicles and satellites and payloads'. Further tariff measures were introduced in January 2019 concerning smartphone battery packs, and from April 1, 2020, the GST on mobile phones increased from 12% to 18%.

- To help reduce the growing external sector imbalance, the government raised import tariffs on USD12 billion worth of imports on September 26, 2018. In addition, excise duties on gasoline and diesel were cut on October 4, 2018 to lessen the impact of higher fuel prices on consumers.

- India has proposed to buy petroleum products from the United States to help narrow the bilateral trade deficit. The United States has also emerged as a top arms supplier to India and United States companies are bidding for military aircraft deals worth billions of dollars.

- In 2019, India made trading across borders easier by enabling post-clearance audits, integrating trade stakeholders in a single electronic platform, upgrading port infrastructures and enhancing the electronic submission of documents.

- Under the FTP 2015-2020, the Ministry of Commerce and Industry enhanced the scope of the MEIS and SEIS, increased the MEIS incentive for ready-made garments and made-ups by 2%, and the raised SEIS incentive by 2%. In April 2020, the government extended the FTP for one more year, up to March 31, 2021.

Sources: WTO – Trade Policy Review, Global Trade Alert, national sources, World Bank, Fitch Solutions

6. Trade Agreements

6.1 Trade Updates

- On November 15 2020, Asia-Pacific countries including New Zealand, Japan, Mainland China and the 10 members of ASEAN signed the Regional Comprehensive Economic Partnership (RCEP) deal covering nearly a third of the global economy. India is not part of the agreement as the country withdrew from negotiations in November 2019, citing the agreement's incompatibility with its domestic interests. The agreement is expected to become active in 2022.

- The Indian government has become increasingly proactive in pursuing FTAs with major trade blocs and global trade hubs – including the Common Southern Market (Mercosur), the ASEAN and Singapore – while negotiations with the European Union (EU) are under way. This improves the ease of trading with large markets and key trade hubs by lowering tariffs and other barriers to trade. Nevertheless, FTAs have not yet been signed with some major trade partners, including Mainland China and the Gulf Cooperation Council (GCC) states, and tariffs and other barriers remain significant for trade with these countries.

- On June 5, 2019, the United States withdrew export benefits to India under its Generalized System of Preferences programme. The suspension is still in place as at January 2021.

6.2 Multinational Trade Agreements

<u>Active</u>

1. WTO: India has been a member of the WTO since January 1, 1995.

2. South Asian Free Trade Area (SAFTA): SAFTA, comprising Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka, is an agreement on goods and came into force on January 1, 2006. Afghanistan has since joined the original signatories. The Asian Development Bank (ADB) has estimated that inter-regional trade has the potential to ramp up agricultural exports from the existing level of USD8 billion to USD22 billion. India provides maximum scope for realising its potential trade, given the very low actual trade levels with Bangladesh, Pakistan, Bhutan and Nepal. Its actual trade levels with Sri Lanka are much higher than the estimated trade based on the gravity model (largely due to the Indo-Sri Lanka FTA).

3. India-Mercosur PTA: A PTA was signed in New Delhi on January 25, 2004 and came into effect from June 1, 2009. The aim of this PTA is to expand and strengthen the existing relations between Mercosur (Argentina, Brazil, Paraguay and Uruguay) and India, and to promote the expansion of trade by granting reciprocal fixed tariff preferences with the ultimate objective of creating a FTA between the parties.

4. ASEAN-India FTA (AIFTA): AIFTA is a FTA among the 10 member states of ASEAN (Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam) and India. The framework agreement envisages the establishment of an ASEAN-India Regional Trade and Investment Area as a long-term objective. The initial framework agreement was signed in October 2003, while the final agreement was signed in August 2009, with the FTA coming into effect on January 1, 2010. The ASEAN-India Trade in Goods Agreement (TIG) was signed on August 13, 2009, and came into force for India and some member states that ratified it. The signing of the ASEAN-India TIG paved the way for the creation of one of the world's largest FTAs – a market of almost 1.8 billion people with a combined GDP of USD2.8 trillion. The AIFTA will see tariff liberalisation of over 90% of products traded between the two dynamic regions, including the so-called 'special products', such as palm oil (crude and refined), coffee, black tea and pepper. Tariffs on more than 4,000 product lines will be eliminated. The ASEAN-India Trade in Services and Investment Agreements were signed on November 13, 2014, and November 12, 2014, respectively. Both agreements entered into force on July 1, 2015, for ASEAN member states that have notified their ratification of the agreements.

5. India-Singapore Comprehensive Economic Cooperation Agreement (CECA): The CECA between India and Singapore entered into force on August 1, 2005. CECA covers the trade in goods, trade in services and investment. The agreements removes a number of tariff barriers. In 2018 Singapore was the fifth largest buyer of India"s exports and the 11th largest supplier of goods to India. Singapore is a major trade hub, and the removal of tariffs improves access for Indian goods

6. Asian Pacific Trade Agreement (APTA): APTA, comprising Bangladesh, Mainland China, India, Laos, South Korea and Sri Lanka, is an agreement on goods and services that came into force on June 17, 1976, for goods and on September 17, 2013 for services.

7. India-South Korea FTA and Economic Integration Agreement: This agreement, which covers the trade in goods and services, was signed on August 7, 2009, and came into force on January 1, 2010.

8. India-Japan CEPA: This agreement, signed in February 2011 and effective August 1, 2011, aims to liberalise and facilitate trade in goods and services between the two countries and to increase investment opportunities within both countries.

<u>Under Negotiation</u>

1. India-Australia CECA: This agreement is aimed at cementing the growing relationship between the two economies; the two-way trade in goods and services grew from USD13.6 billion in 2007 to USD30.4 billion in 2018. Negotiations were launched in May 2011, and there have since been nine rounds of negotiations.

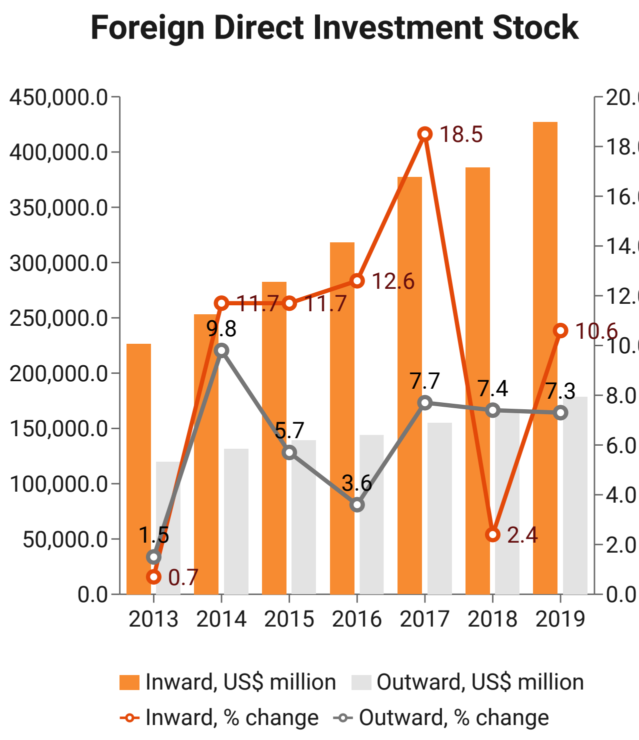
2. Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) FTA: BIMSTEC is a regional organisation comprising Bangladesh, India, Myanmar, Sri Lanka, Thailand, Bhutan and Nepal. The organisation has been active since 2006 and negotiations to establish a tariff free trade zone have been underway since 2014.

3. India is negotiating FTAs with Canada, Egypt, Indonesia, Israel, New Zealand, the GCC, the United States and the EU.

Sources: WTO Regional Trade Agreements database, Indian Department of Commerce, Fitch Solutions

7. Investment Policy

7.1 Foreign Direct Investment



Sources: UNCTAD, Fitch Solutions
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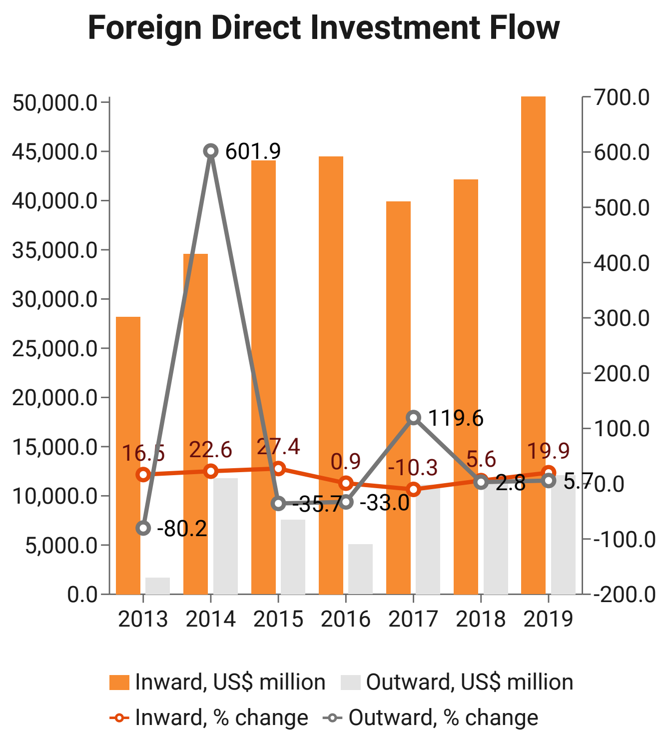


Sources: UNCTAD, Fitch Solutions
Date last reviewed: February 2, 2021

7.2 Foreign Direct Investment Policy

1. The Modi government has undertaken reforms since 2016 to formalise the large informal economy and digitise the economy. In addition to the GST overhaul, which targets greater tax registration and digital tax reporting, the government demonetised its high-value notes. Through de-monetisation, the government aims to better track undeclared earnings for tax purposes and increase the use of digital payments, which lags behind other major emerging economies.

2. Preferential market access (for government procurement) has created substantial challenges for foreign firms operating in India as public sector companies and the government allow a 20% price preference to vendors using more than 50% local content.

3. Public private partnerships (PPPs) will come into focus as they are used to finance and build freight corridors – industrial areas integrated with transport and logistics facilities – and urban transit systems. The three freight corridors – north-south between Delhi and Chennai, east-west between Kharagpur in West Bengal and Mumbai, and on the east coast between Kharagpur and Vijayawada – will improve connectivity between manufacturing centres, cities and ports. Urban transit systems will be essential to achieving the goal of efficient urban mobility and public transport outlined in the 100 Smart Cities initiative. Modi has approved a proposal to build metro rail systems in 50 cities, with PPPs and municipal bonds providing much of the financing and private companies filling the construction and operation roles.

4. India and Mainland China are looking to re-negotiate a bilateral investment agreement after the previous 2006 agreement was terminated in July 2017, with the aim of creating a more stable and transparent environment to enable greater investment in both countries. Firms from Mainland China with a presence in India include Xiaomi, Oppo and Vivo. Improving investment openness could help partially shield firms in the ICT sector from tariff swings.

5. Branches of foreign companies are taxed on income received in India, or which accrues or arises in India, at the rates applicable to foreign companies. There is no withholding tax on remittance of profits by the branch to its head office.

6. To enable foreign investors to ascertain their indirect tax liabilities arising from proposed business ventures in India, the central government constituted the Authority for Advance Rulings (AAR) as a high-level, quasi-judicial body to adjudicate on the taxation of non-residents. The AAR gives advance rulings on a specific set of facts relating to specified matters under customs and GST.

7. Property tax is levied by the governing authority of the jurisdiction in which the property is located. The rate of tax levied varies from city to city in India and is generally related to the prevailing market prices for property in each locality.

8. Since 2011 India has been building a new city in Gujarat, called the Gujarat International Finance-Tech City (GIFT City), to give global investors greater access to its growing economy. Two stock exchanges were established in the smart city in 2017, and government exemptions recently made trading virtually tax free. The city will also have its own financial regulator as part of an effort to reduce red tape and bureaucracy faced by foreign investors. The new exchanges based in the city, including one called India INX launched by the Bombay Stock Exchange, are the only ones in India to allow trading in USD. Government official statements suggest that the tax breaks, low property prices and other incentives mean that moving operations to GIFT City have helped some companies reduce costs by up to 80%. India is hoping that this zone will emulate the growth seen in Hong Kong and Singapore.

9. Reforms introduced by Prime Minister Narendra Modi include foreign direct investment (FDI) cap relaxation and the launch of the 'Make in India' initiative (MII). Modi launched the MII in September 2014, with the aim of transforming India into the world's manufacturing hub through actively courting FDI in the manufacturing sector. India's economic policies are designed to attract significant capital inflows on a sustained basis and encourage technological collaboration. Almost all sectors are open to FDI, except for atomic energy, lottery business, gambling and betting, and some forms of retail trading.

10. In addition to the MII, the government has implemented a number of key policy tools to encourage stronger private sector participation in the economy. The Start-up India programme created incentives to enable start-ups to commercialise and grow. The smart cities project intends to open up new avenues for industrial technological investment opportunities in selected urban areas. Digital India aims to open up new avenues for the growth of the information technology sector.

11. In the second half of 2019, Finance Minister Nirmala Sitharaman announced a number of steps to revive economic growth and shore up market confidence, including rolling back recent tax hikes on foreign and domestic equity investors and several measures for industries. The government also further liberalised FDI rules in many sectors, in an effort to revitalise growth. The government allowed 100% foreign investment for coal mining, associated infrastructure and sales of fuel.

12. There are several FDI policy reforms to be introduced in the sectors of insurance, pension, asset reconstruction companies and other financial market instruments, as the government attempts to open up the sub-sectors more to foreign participation. In addition, there is greater access for foreign firms to Indian consumers as 100% FDI is to be allowed in the marketing of food products produced and manufactured in India.

13. In 2019, India approved legislation that will simplify the sale of the government's stakes in state-run companies.

14. The Department of Industrial Policy and Promotion has set up a joint venture with the Federation of Indian Chambers of Commerce and Industry and various state governments to promote inward FDI. Invest India is responsible for promoting and facilitating investments to India, acting as the first reference point for overseas investors to offer handholding services.

15. Under India's foreign investment policy, two routes are available for foreign investors, depending on the industry and the levels of investment contemplated. The revision to FDI policy in April 2020 may have an impact on the automatic route.

    - Automatic Route: Foreign investment proposals under the automatic route do not need a prior approval by the government, provided the requisite documents are filed with the RBI within 30 days of receipt of funds. Qualified sectoral investment includes hotels and tourism, and courier services and similar sectors.

    - Government Route: All other proposals for foreign investment which are not covered under the automatic approval route are subject to government approval. The Foreign Investment Facilitation Portal (FIFP) will approve investment proposals below USD750 million, and the Cabinet Committee on Economic Affairs will approve proposals above this amount. More information can be found at the official website of the FIFP.

16. The government has established several foreign trade zone initiatives to encourage export-oriented production. These include special economic zones, export processing zones, software technology parks and export oriented units. The newest category is the national industrial and manufacturing zones, of which 14 are being established across India.

17. Foreign investors are allowed up to 100% ownership of shopping centres, townships and business centres, and the restrictions that existed on the permitted floor area of construction projects have been removed. Foreign equity limits have been raised from 74% to 100% in telecommunications, credit information firms, and chartered air transport and ground handling services. FDI is permitted up to 100% in the construction, operation and maintenance of some rail transport, such as high-speed trains, mass rapid transit, and passenger and freight terminals. Full foreign ownership is now permitted for certain agricultural enterprises producing coffee, rubber, cardamom, palm oil and olive

oil, in addition to tea plantations. Foreign participation in the defence industry has been raised to 49% and may be permitted above this threshold after consideration by the Foreign Investment Promotion Board. FDI is now permitted up to 74% in private banks and since September 2019 up to 100% in insurance intermediaries and pension companies.

18. Stamp duty is a government tax that is levied on all legal property transactions. Stamp duty is a tax that is paid as evidence for any purchase or sale of a property between two or more parties. Stamp papers, which are bought either in the name of the buyer or seller, are valid for six months, provided the stamp duty is paid without any delay. A document that has not been duly stamped cannot be introduced as evidence in any court proceedings. Stamp duty is charged at both central and state levels. State-level stamp duties vary from state to state and according to the document type. Stamp duty should be paid in full without any delay, failing which a penalty is levied. Stamp duty has to be paid prior to execution (signature by an individual's party) of a given document, the next day, or on the day of document execution. Stamp duty is paid by a buyer in most cases. However, both the seller and the buyer have to bear the burden of stamp duty for property exchange cases. Stamp duty rates differ in various states across the country because stamp duty in India is a state-level competence. However, the central government fixes the stamp duty rates of specific instruments.

19. Securities transaction tax (STT) is applicable to transactions involving the purchase or sale of equity shares, derivatives, units of equity-oriented funds through a recognised stock exchange, or the purchase or sale of a unit of an equity-oriented fund to any mutual fund. The STT that can be levied in respect of such transactions varies for each kind of instrument, whether delivery based or non-delivery based. Rates of STT vary from 0.001% to 0.125%, depending on the nature of securities. However, securities transacted by any person on a recognised stock exchange located in an international financial services centre where the consideration for such transaction is paid or payable in foreign currency are not subject to STT.

20. Measures are in place to facilitate the development of the northeastern region of India and of the state of Sikkim. Projects located in these states that began to manufacture or produce any eligible article, undertake substantial expansion or commenced an eligible business (as determined by the government) between April 1, 2007 and April 1, 2017 are eligible for a 100% deduction of profits for 10 consecutive years.

21. Amortisation of capital expenditure incurred and actually paid by the taxpayer for acquiring the right to use spectrum for telecommunication services, in equal instalments over the period of useful life of the spectrum licence, is permitted.

22. In order to encourage companies to locate high-value jobs associated with the development, manufacture and exploitation of patents in India, the government has introduced a concessional taxation regime for income from patents. Accordingly, income by way of royalties in respect of a patent developed and registered in India earned by an eligible taxpayer shall be subject to tax at the rate of 10% on a gross basis.

23. The Securities and Exchange Board of India has enacted regulations relating to two categories of investment vehicles, namely Real Estate Investment Trusts (REITs) or Infrastructure Investment Trusts. Pass-through status is provided to REITs in respect of income earned from renting, leasing or letting out any real estate asset owned directly by the REITs. Thus, rental income is exempt in the hands of REITs. On distribution of rental income, REITs are not required to withhold taxes. Tax is not required to be withheld by tenants on payment of rent to the REITs. The interest paid by special purpose vehicles (SPVs) to business trusts (BTs) is taxable at the investor level (as against the BT itself) when the BT distributes such amounts. Interest income to non-resident investors is taxable at a lower rate of 5% (plus applicable surcharge and cess), whereas residents are taxable at the applicable tax rates. Dividends distributed by SPVs to the BTs are exempt from levy of dividend distribution tax (DDT) in the hands of the SPV. Such dividends are also exempt in the hands of BTs and investors if 100% of the equity shares of the SPV are held by BTs, except in case of shares mandatorily held by another entity as per law, and the dividends are distributed out of profits made after the acquisition of the SPV by BTs. Capital gains (such as on sale of shares of SPVs) are taxable in the hands of BTs at the applicable capital gains tax treaty rates. Any other income (including rental income) is taxable at the maximum marginal rate. Onward distribution of such income is exempt in the hands of the investors.

24. The transfer of units of BTs through stock exchanges is liable to STT, and gains earned by investors on such sale of units are exempt from tax if the units qualify as long-term capital assets. A lower rate of 15% (plus applicable surcharge and cess) is applicable to short-term capital assets. Taxability of capital gains arising to sponsors on exchange of shares in SPVs with units of BTs is deferred to the time of disposal of such units by the sponsor. The applicability of a minimum alternative tax on gains arising from the swap of shares of the SPV for units of BT is deferred to the stage when the units are transferred by the BT. No capital gains tax exemption is available on the swap of other assets with units of BTs.

25. India is party to 14 active bilateral investment treaties with countries or economic unions. An additional five treaties have been signed but are not yet in force.

26. India announced in December 2019 that 26% of FDI is permitted in digital sectors so as to allow investment opportunities in the country's rapidly growing digital market, with significant potential for further penetration.

27. In April 2020, India's Department for Promotion of Industry and Internal Trade revised its FDI policy to curb the possibility of predatory foreign investors exploiting distressed Indian companies, by making it mandatory for any investment from a country that shares a border with India to have received approval from the government.

28. In May 2020, India increased FDI in the defence manufacturing sector under the automatic route from 49% to 74%. The government has also established two defence corridors to encourage defence production.

29. In October 2020, India announced that investments from countries which share a land border with India can invest only under the government approval route.

Sources: WTO – Trade Policy Review, ITA, government websites, national sources, Department for Promotion of Industry and Internal Trade, UNCTAD, Fitch Solutions

7.3 Free Trade Zones and Investment Incentives

Free Trade Zone/Incentive Programme	Main Incentives Available
Location-based incentives (vary according to the industrial policies of individual states, but may include the following)	- Exemption from stamp duty - Exemption from electricity duty - Rebates on utility costs - Industrial promotion subsidies - Subsidised interest payments on loans for the acquisition of fixed assets
SEZs (numerous, located in major cities)	- Exemption from MAT for 10 years - Tax exemption on 100% of export profits for first five years; 50% of export profits for the next five years; and 50% of export profits for a further five years if profits are reinvested. - Exemption from customs duty on imported inputs and capital goods - VAT exemption - Exemption from excise duty on procurement of domestic goods - Exemption from sales tax on interstate purchases of goods
Tax incentive of capital expenditure on certain specified businesses	Deduction of capital expenditure is allowed at 100% in the year when the commercial operations begin in respect of the following specified businesses: - Setting up and operating cold chain facilities - Setting up and operating warehousing facilities for storage of agriculture produce - Setting up and operating an inland container depot, freight station, or warehousing facility for storage of sugar, beekeeping, and honey and beeswax production - Laying and operating a cross-country natural gas or crude or petroleum oil pipeline network for distribution, including storage facilities being an integral part of such a network - Building and operating a hotel of two stars or above in India - Building and operating a hospital with at least 100 beds - Developing and building a housing project under a scheme for slum redevelopment or rehabilitation framed by the government - Developing and building specified housing projects under an affordable scheme of the central/state government - Investing in a new plant or newly installed capacity in an existing plant for production of fertiliser - Developing, or operating and maintaining any infrastructure facility

Tax benefits for northeastern states (Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura)	- Deduction of 100% of profits for 10 years - Refund on excise duty for 10 years
Tax incentives for undertakings other than infrastructure development	If certain conditions are met, a tax holiday is permitted on the profits earned by an undertaking engaged in any of the following: - Integrated business of handling, storing and transporting of food grains - Commercial production or refining of mineral oils - Processing, preserving, and packaging of fruits or vegetables - Operating and maintaining a hospital in a rural area The tax holiday periods range from five-to-10 years and the percentage of the rebate is 30%, 50% or 100% in the initial years and 30% in the later years. The number of years constituting 'initial' and 'later' varies from sector to sector. A relaxation of 100% shall be provided under certain conditions to profit-linked deductions on businesses developing qualifying affordable housing projects.
Research and development (R&D) expenditure	A weighted deduction of 150% of expenditure is available for expenditure incurred on scientific research in an in-house R&D facility approved by the prescribed authority for companies engaged in specified businesses and in research associations and universities. Such weighted deduction will be restricted to 100% of the expenditure from tax year 2019/20 onwards. A payment made to an approved research association undertaking research in the social sciences or in statistical research, or to an Indian company to be used by it for scientific research, is eligible for a deduction of 100% of the payment made. Contributions made to any national laboratory, approved scientific research associations, universities and the Indian Institute of Technology are eligible for a weighted deduction of 150% of the contributions made up to March 31, 2021. Thereafter, the deduction will be restricted to 100% of the contribution.
Tax incentives for certain income relating to offshore banking units and international financial services centres	A scheduled bank, or any bank, that meets the following criteria is eligible for tax exemption: - Incorporated by (or under) the laws of a country outside India - Has an offshore banking unit in a special economic zone - Has an offshore banking unit in an international financial services centre with a specified income that is subject to prescribed conditions These banks are eligible for a tax exemption of 100% of the specified income for five consecutive years beginning from the year in which the permission under the Indian Banking Regulation Act of 1949 was obtained and of 50% of the specified income for five consecutive years. To encourage the location of offshore fund managers in India, a specific regime has been laid down. In the case of an eligible investment fund, fund management activity carried out through an eligible fund manager acting on behalf of such fund will not constitute a business connection in India. An eligible investment fund will not be treated as resident in India merely because the eligible fund manager undertakes fund management activities in India. Offshore funds and fund managers are required to satisfy certain conditions to be eligible for the regime. The conditions are not applicable to funds set up by the government of a foreign state or the central bank of a foreign state, a sovereign fund, or such other funds as may be notified by the government of India and subject to fulfilment of conditions as may be specified. Furthermore, the special regime shall be applied in accordance with guidelines and in such manner as the administrative board may prescribe.

Sources: ITA, national sources, Fitch Solutions

8. Taxation – 2021

- Goods and Services Tax: 5-28%
- Corporate Income Tax: 15-40%

Source: India Income Tax Department

8.1 Important Updates to Taxation Information

- Starting April 1, 2020, payments for any online supply of goods or services or facilitation of such sale or supply by a non-resident e-commerce operator to Indian customers will be subject to a 2% equalisation levy (subject to conditions).
- Tax exemption was announced for sovereign wealth funds with respect to their investment income in the nature of dividend, interest or long-term capital gains at the time of exit, provided that (i) the investment (in infrastructure facility) is made either by a foreign sovereign wealth fund or a foreign pension fund or a wholly owned subsidiary of the Abu Dhabi Investment Authority, (ii) the investment is made between April 1, 2020, and March 31, 2024, (iii) the investment is held for at least 3 years. The exemption is available from assessment year financial year 2020-2021.
- The basic corporate tax rate was reduced from 30% to 22%, bringing the effective tax rate, including surcharges and cesses, down from 34.94% to 25.17%. A new provision sets the tax for new manufacturing companies at 15% (or an effective rate of 17.16%) provided they commence production by March 31, 2023. These rates are effective from FY19-20 onwards.
- The GST is the most significant reform in India's indirect tax structure in over two decades. The GST is a consumption-based tax because it is applicable where consumption takes place. The GST is levied on value-added goods and services at each stage of consumption in the supply chain. GST has taken over all the indirect taxes in India, including VAT, service tax and excise duty. These indirect taxes or VAT were levied on each step of value addition of the product, thus creating a cascading effect. TGST was introduced to bring down unwanted inflation in the economy. The GST rates for goods are 5%, 12%, 18% and 28%. Some goods and services are exempt from tax. GST compensation access at varying rates is levied on supplies of certain specified goods and services.
- The first tax treaty between India and Hong Kong entered into force on November 30, 2018. The new Hong Kong-India tax treaty reduces withholding tax rates for both Indian and Hong Kong residents. Dividend withholding is reduced to 5% and interest, royalties and technical services fees withholding is reduced to 10%. The treaty also provides for source country taxation of capital gain on sales of shares sales. The new treaty also includes modern anti-treaty shopping provisions that aim to check transactions that lack substance. The new treaty entered into effect for Hong Kong for the tax year of assessment beginning on or after April 1, 2019.
- The date for commencement of operation of special economic zone (SEZ) units in order to claim the tax holiday benefit has been extended to 31 March 2021, provided such unit has received a letter of approval from the SEZ authorities on or before March 31, 2020.

8.2 Business Taxes

Type of Tax	Tax Rate and Base
Corporate Income Tax (CIT): domestic firms	- 22% basic rate effective from 2019-2020 provided the company does not avail any exemptions or incentives under different provisions of income tax - 15% basic rate for manufacturing companies incorporated after October 1, 2019, provided that they commence manufacturing by March 31, 2023 - 25% basic rate if turnover is not greater than INR4 billion in financial year 2017/18 - 30% for all other domestic companies. The rates are subject to additional levies (surcharge and cess).
CIT: foreign firms	Less than INR10 million - 40% basic rate - 41.6% effective rate Between INR10 million and INR100 million - 40% basic rate - 42.43% effective rate More than INR100 million - 40% basic rate - 43.68% effective rate (The rates are subject to additional levies (surcharge and cess)

MAT: domestic firms	- 15% on book profits for domestic companies (plus surcharge and cess, which make the effective rates 15.6% for companies where income is INR10 million or less, 16.69% where income is between INR10 million and INR100.0 million, and 17.47% where income is more than INR100 million)
MAT: foreign firms	- 15% on book profits for foreign companies (plus surcharge and cess, which make the effective rates 15.6% for companies where income is INR10 million or less, 15.91% where income is between INR10 million and INR100 million, and 16.38% where income is more than INR100 million)
Withholding Tax	Dividends: - 0% - 10% if recipient of dividends has an annual income of over INR1 million from dividends. Interest: - 10% if paid to domestic companies - 20% if paid to foreign companies Royalties: - 10%
GST	There are multiple tax rates of 5%, 12%, 18% and 28%, while several items are exempted and exports are zero rated (exporters can claim refunds for taxes paid on inputs that go into the production process. From April 1, 2020, GST on mobile phones rose from 12% to 18%).
Social security contributions	A contribution of 12% of gross remuneration is payable by the employer to the Employees' Provident Fund, of which 8.33% goes to the pension scheme. Employees contribute 12% (up to INR15,000), but foreign nationals from one of the 18 countries India has social security agreements with are able to withhold the pension scheme proportion of the deduction.

Sources: India Income Tax Department, Fitch Solutions
Date last reviewed: February 2, 2021

9. Foreign Worker Requirements

9.1 Localisation Requirements

Private sector industrial enterprises wanting to employ foreign nationals are required to apply for permission in advance. The employment of foreign nationals is normally only considered for (skilled) jobs that local personnel are unable to fill.

9.2 Visa/Travel Restrictions

Work permits are required and there are two types of work-related visa: the employment visa and the business visa. The employment visa is required for employment purposes, including the execution of a project in India. The employment visa is issued to highly skilled and qualified professionals who are taking up assignment or employment with companies registered in India and should not be granted for jobs for which qualified Indians are available. An authenticated copy of the employment contract and proof of registration of the employing organisation are to be furnished. An employment visa is initially granted for a period of six months or for the duration of the employment contract but can be granted for a period of five years with multiple-entry facilities. Eligibility conditions include a minimum annual salary of USD25,000 in a highly skilled role.

The business visa for establishing industrial or business ventures, or for exploring business possibilities or activities, is comparatively easier to obtain. Foreign nationals entering India on a long-term visa (more than 180 days) must register with the Foreign Registration Office within 14 days of their arrival in India. Immediate family members are permitted to join the main applicant in India, although if family members wish to work they will have to apply for their own visa. A business visa with a multiple-entry facility can be granted for a period up to five years, with a stay stipulation of a maximum of six months for each visit.

9.3 Payroll Taxes and Social Security Payments

A foreign worker is required to contribute 12% of their salary to the social security system. There is a similar 12% salary contribution by employees who are Indian nationals for the Employees' Provident Fund and the Employees' Pension Fund. However, foreign workers from a country with which India has signed a social security agreement can detach themselves from the pension scheme under a special provision on obtaining a detachment/coverage certificate issued by an appropriate social security institution if the period of employment in India is less than the maximum period of detachment in the agreement.

Sources: Government websites, Fitch Solutions

10. Risks

10.1 Sovereign Credit Ratings

	Rating (Outlook)	Rating Date
Moody's	Baa3 (Negative)	01/06/2020
Standard & Poor's	BBB- (Stable)	26/09/2014
Fitch Ratings	BBB- (Negative)	18/06/2020

Sources: Moody's, Standard & Poor's, Fitch Ratings

10.2 Competitiveness and Efficiency Indicators

	World Ranking		
	2018	**2019**	**2020**
Ease of Doing Business Index	100/190	77/190	63/190
Ease of Paying Taxes Index	119/190	121/190	115/190
Logistics Performance Index	44/160	N/A	N/A
Corruption Perception Index	78/180	80/180	86/180
IMD World Competitiveness	44/63	43/63	43/63

Sources: World Bank, IMD, Transparency International

10.3 Fitch Solutions Risk Indices

	World Ranking		
	2019	**2020**	**2021**
Economic Risk Index	**45/201**	**53/201**	**51/201**
Short-Term Economic Risk Score	67.7	57.3	70.4
Long-Term Economic Risk Score	67.0	61.0	61.5
Political Risk Index	**51/201**	**86/201**	**85/201**
Short-Term Political Risk Score	67.6	62.0	63.6
Long-Term Political Risk Score	73.4	64.7	64.7
Operational Risk Index	**81/201**	**82/201**	**80/201**
Operational Risk Score	53.3	52.6	52.9

Source: Fitch Solutions
Date last reviewed: February 2, 2021

10.4 Fitch Solutions Risk Summary

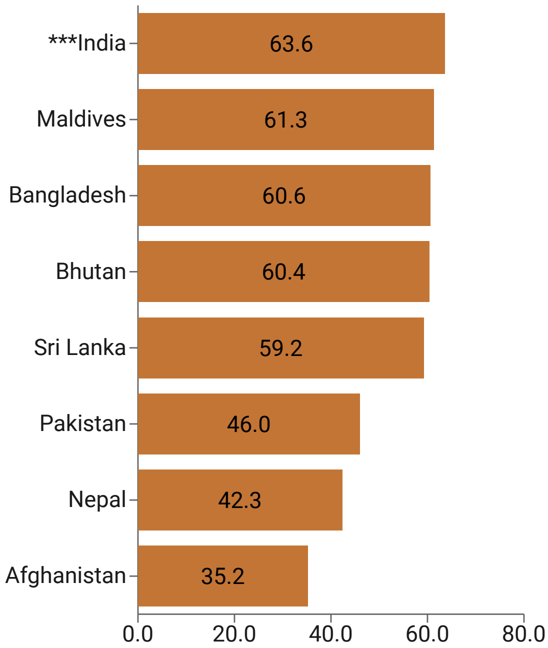
ECONOMIC RISK
India will remain one of the fastest-growing major economies in the near term, supported by a rising domestic market and investment growth. The Indian economy has broadly benefitted from the reforms undertaken by the government under Prime Minister Narendra Modi. The government continues to enact incremental reforms in the fields of labour law, agriculture and land acquisition, among other, that are positive for the economy, as corroborated by high-foreign direct investment (FDI) inflows. Favourable demographics and trade integration should maintain strong tailwinds. The Covid-19 pandemic and associated supply chain shifts presents India with a window of opportunity to attract investment from regional manufacturers given its pool of skilled and unskilled labour. However, the fiscal deficit will remain an issue due to higher government spending to sponsor welfare programmes. While the Covid-19 pandemic caused a fall in economic activity, India's economy began to rebound towards the festive season (mid-August to mid-November), with the recovery expected to continue in 2021. Exports, gross fixed capital formation and private consumption will lead growth, but the pace of the private consumption recovery is likely to slow as the festive boost eases in the second half of FY2020/21. A lending sector prone to bad debts poses a challenge as it limits lenders' capabilities to finance economic expansion and new businesses.

OPERATIONAL RISK
India's main appeal lies in its large market and high growth potential as the country benefits from significant human and natural resources, diverse service sectors, and an expanding industrial base. India is moving towards becoming a larger global manufacturing powerhouse because its wages are much more competitive than those of conventional manufacturing hubs. The government has been moving towards simplifying labour laws by reducing compliances and classifying them under four broad codes. Additional structural reforms targeting export incentivisation, greater flexibility in labour market regulations, education sector development and infrastructure capacity enhancement will enable India to benefit more from its strategic location and demographic dividend. However, the country needs to fast-track structural reforms and improve the general business environment as bureaucratic red tape still remains a major hindrance to businesses.

Source: Fitch Solutions
Date last reviewed: February 15, 2021

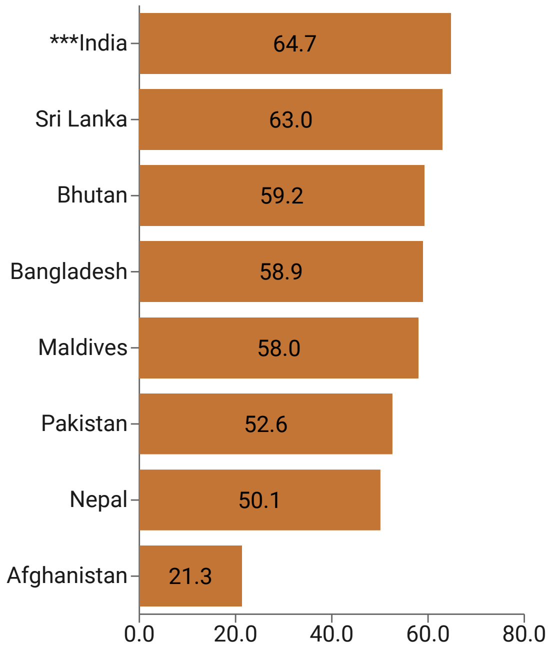
10.5 Fitch Solutions Political and Economic Risk Indices

Short Term Political Risk Index



100 = Lowest risk; 0 = Highest risk
Source: Fitch Solutions Political and Economic Risk Indices
Date last reviewed: February 2, 2021

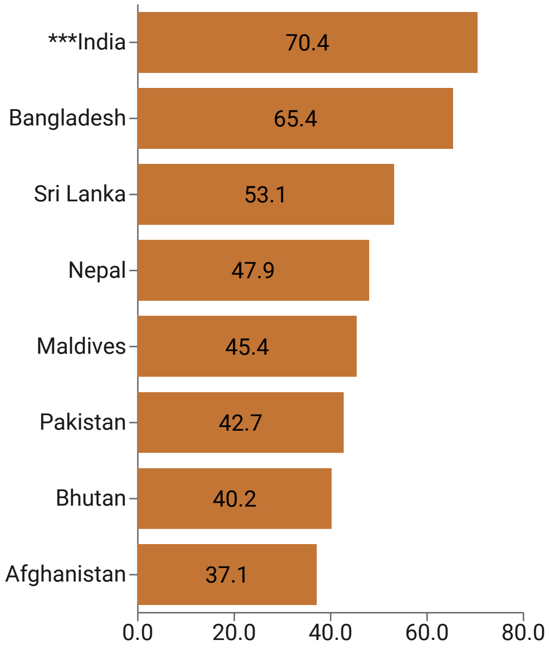
Long Term Political Risk Index



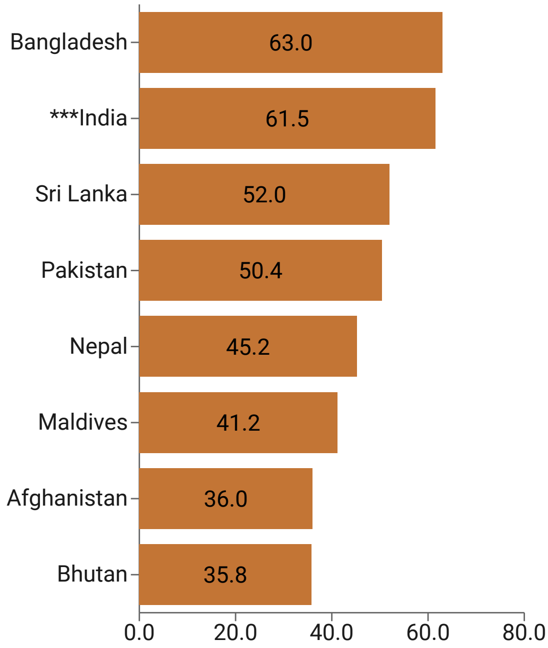
100 = Lowest risk; 0 = Highest risk
Source: Fitch Solutions Political and Economic Risk Indices
Date last reviewed: February 2, 2021

Short Term Economic Risk Index

Long Term Economic Risk Index



100 = Lowest risk; 0 = Highest risk
Source: Fitch Solutions Political and Economic Risk Indices
Date last reviewed: February 2, 2021



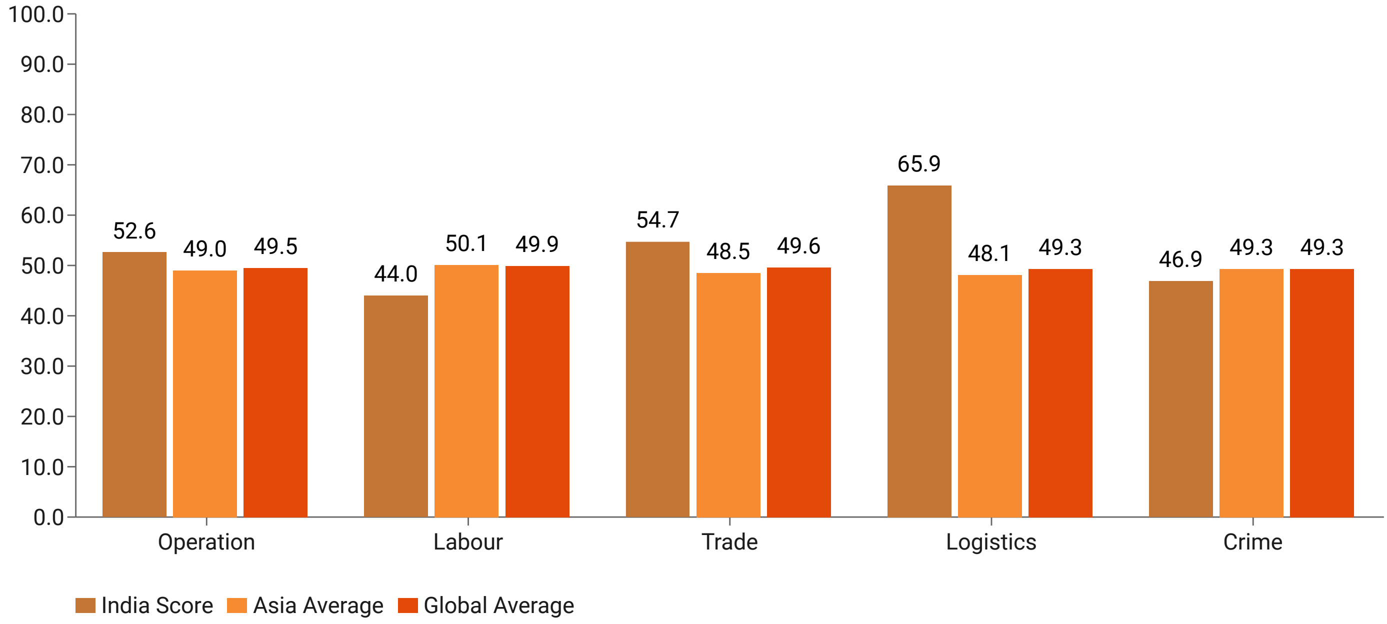
100 = Lowest risk; 0 = Highest risk
Source: Fitch Solutions Political and Economic Risk Indices
Date last reviewed: February 2, 2021

10.6 Fitch Solutions Operational Risk Index

	Operational Risk	Labour Market Risk	Trade and Investment Risk	Logistics Risk	Crime and Security Risk
India Score	**52.9**	**44.0**	**54.7**	**65.9**	**46.9**
South Asia Average	41.9	42.5	40.7	44.6	39.8
South Asia Position (out of 8)	1	5	1	1	4
Asia Average	49.0	50.1	48.5	48.1	49.3
Asia Position (out of 35)	12	25	12	8	21
Global Average	49.5	49.9	49.6	49.3	49.3
Global Position (out of 201)	80	135	83	50	111

100 = Lowest risk; 0 = Highest risk
Source: Fitch Solutions Operational Risk Index

India vs Global and Regional Operational Risk Averages



Note: 100 = Lowest Risk, 0 = Highest Risk
Source: Fitch Solutions Operational Risk Index
Date last reviewed: February 2, 2021

Country/Region	Operational Risk Index	Labour Market Risk Index	Trade and Investment Risk Index	Logistics Risk Index	Crime and Secruity Risk Index
India	**52.9**	**44.0**	**54.7**	**65.9**	**46.9**
Sri Lanka	50.7	47.8	47.8	58.3	49.1
Bhutan	50.1	44.6	48.7	49.2	57.8
Maldives	44.4	46.9	42.9	40.1	47.7
Pakistan	41.2	38.1	43.5	47.7	35.6
Bangladesh	37.7	47.1	28.7	42.0	32.9
Nepal	36.2	34.6	35.0	36.0	39.1
Afghanistan	22.0	36.7	24.4	17.6	9.2
Regional Averages	41.9	42.5	40.7	44.6	39.8
Emerging Markets Averages	46.8	48.3	47.1	45.8	46.1
Global Markets Averages	49.5	49.9	49.6	49.3	49.3

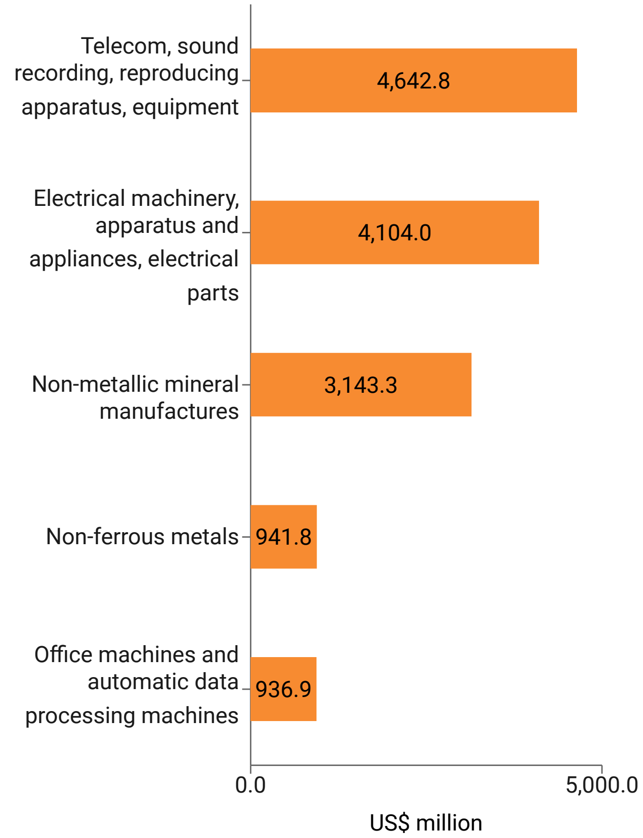
100 = Lowest risk; 0 = Highest risk
Source: Fitch Solutions Operational Risk Index
Date last reviewed: February 2, 2021

11. Hong Kong Connection

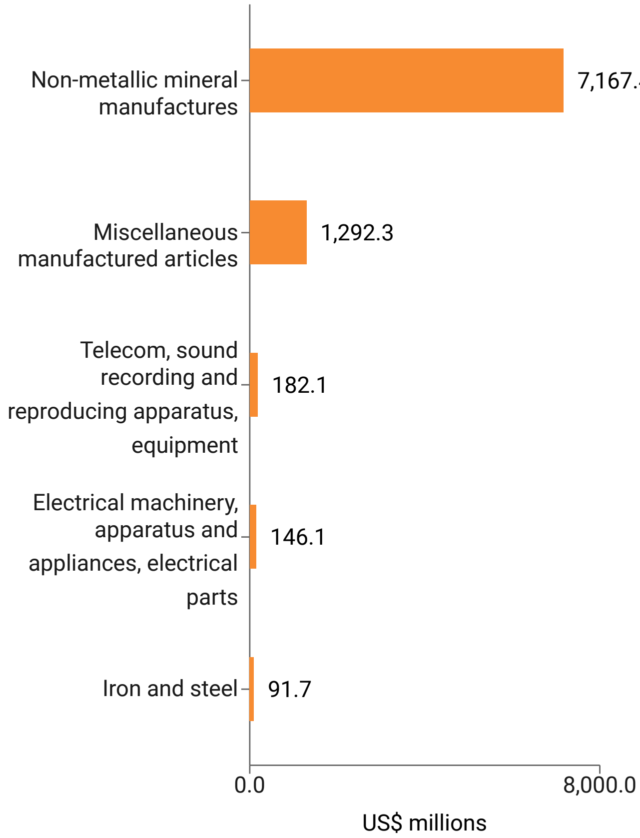
11.1 Hong Kong's Trade with India

Major Export Commodities to India (2019)

Major Import Commodities from India (2019)

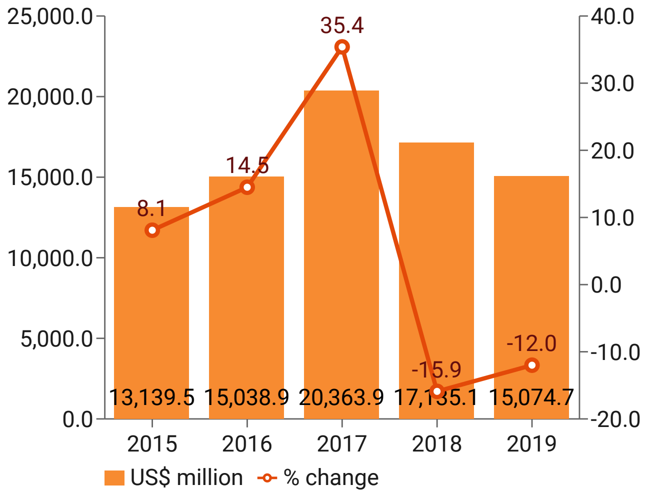


Note: Graph shows the main Hong Kong exports to India (by consignment)
Sources: Hong Kong Census and Statistics Department, Fitch Solutions
Date last reviewed: February 2, 2021



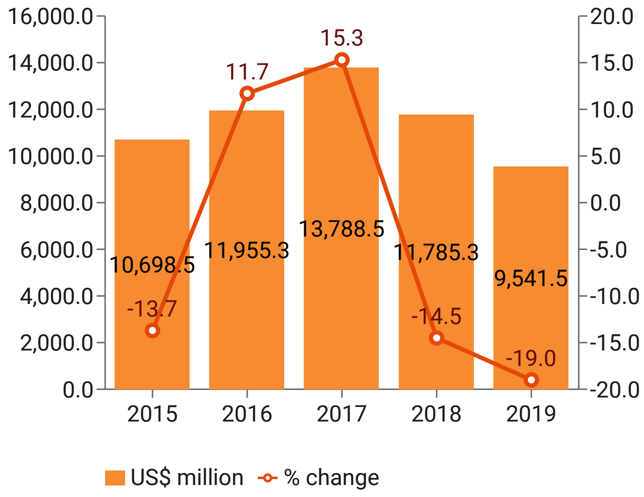
Note: Graph shows the main Hong Kong imports from India (by consignment)
Sources: Hong Kong Census and Statistics Department, Fitch Solutions
Date last reviewed: February 2, 2021

Merchandise Exports to India



Note: Graph shows Hong Kong exports to India (by consignment)
Source: Hong Kong Trade Statistics, Census & Statistics Department
Date last reviewed: February 2, 2021

Merchandise Imports from India



Note: Graph shows Hong Kong imports from India (by consignment)
Sources: Hong Kong Census and Statistics Department, Fitch Solutions
Date last reviewed: February 2, 2021

Exchange Rate HK$/US$, average
7.75 (2015)
7.76 (2016)
7.79 (2017)
7.84 (2018)
7.84 (2019)

	2019	Growth rate (%)
Number of Indian residents visiting Hong Kong	337,997	-12.6
Number of Asia Pacific residents visiting Hong Kong	52,326,248	-14.3

Source: Hong Kong Tourism Board

	2019	Growth rate (%)
Number of Indians residing in Hong Kong	23,326	29.6
Number of South Asians residing in Hong Kong	46,764	29.6

Sources: United Nations Department of Economic and Social Affairs – Population Division, Fitch Solutions
Note: Growth rate for resident data is from 2015 to 2019. No UN data available for intermediate years.
Date last reviewed: February 2, 2021

11.2 Commercial Presence in Hong Kong

	2021	Growth rate (%)
Number of Indian companies in Hong Kong	N/A	N/A
- Regional headquarters		
- Regional offices		
- Local offices		

Source: Hong Kong Trade Statistics, Census and Statistics Department

11.3 Treaties and agreements between Hong Kong and India and Mainland China and India

- India and Hong Kong signed a comprehensive double taxation agreement in March 2018, and the deal came into force on November 30, 2018.
- India and Mainland China amended their comprehensive double taxation agreement with a protocol signed on November 26, 2018.

Sources: Hong Kong Inland Revenue Department, Income Tax Department Government of India

11.4 Chamber of Commerce (or Related Organisations) in Hong Kong

The Indian Chamber of Commerce Hong Kong
Address: 2/F, Hoseinee House, 69 Wyndham Street, Central, Hong Kong
Email: indcham@icchk.org.hk
Tel: (852) 2523 3877 / 2845 4612 / 2525 0138 / 2525 0139
Fax: (852) 2845 0300 / 2845 9916

Source: The Indian Chamber of Commerce Hong Kong

Consulate General of India, Hong Kong
Address: Unit A and D, 16/F, United Centre, 95 Queensway, Admiralty, Hong Kong
Email: consular.hongkong@mea.gov.in
Tel: (852) 3970 9900
Fax: (852) 2866 4124

Source: Consulate General of India, Hong Kong

11.5 Visa Requirements for Hong Kong Residents

The Consulate General of India, Hong Kong, issues tourist, business, employment, student and other types of visas to applicants who are residents of Hong Kong and Macao for a minimum period of two years. Tourist and business visas are normally issued in three working days. Tourist visas allow a maximum stay of 90 days from the date of arrival in India on a single visit. The visa fee to be paid in cash is HKD335 and the tourist visa is non-extendable and non-convertible. Business visas are normally issued to those applicants who intend to go to India for business purposes. A letter each from the local employer and the sponsoring company in India stating the purpose of the visit, places and organisations to be visited and the duration of the visit must be submitted along with the visa application. The invitation letter should contain the full name, address, telephone number and e-mail of the authorised signatory. A copy of the Hong Kong/Macau Business registration is also required.

Source: Consulate General of India, Hong Kong
Date last reviewed: February 2, 2021

Related Topics

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