

Abolition of the FIPB - another step to simplify the foreign direct investments into India

In the Union Budget of 2017-18, the Indian Finance Ministry approved winding-up of the Foreign Investment Promotion Board (FIPB), an inter-ministerial body responsible for processing proposals requiring government approval for foreign investment into India.

Consequentially, on June 5, 2017, the Finance Ministry issued an Office Memorandum to clarify that the powers of the FIPB will now vest with the sector-specific administrative ministries/ departments. For instance, applications for foreign investment in telecom sector will now be processed by the Department of Telecom, Ministry of Communications. However, applications will continue to be filed through the existing FIPB portal, which will now be overseen by the Department of Industrial Policy and Promotion (DIPP). The DIPP will also lay down the Standard Operating Procedure (SOP) for processing applications for foreign investment in consultation with the specific ministries/ departments shortly. Moreover, it is specified that approval of foreign investment applications related to non-resident Indians, export oriented unit, single brand retailing and multi brand retail trading will be decided within sixty (60) days.

While there could be some temporary delays in processing foreign investment applications until specific ministries/departments get on board, scrapping of FIPB is a great step towards simplifying the process for foreign investment and further improving the 'ease of doing business' in India.

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