

Foreign Investments in India – Investment in Proprietorship Concern/ Partnership Firm

A.P. (DIR Series) Circular No.39 (December 3, 2003)

**Reserve Bank of India
Exchange Control Department
Central Office
Mumbai-400 001**

A.P. (DIR Series) Circular No.39

December 3, 2003

To

All Authorised Dealers in Foreign Exchange

Madam/ Sirs,

**Foreign Investments in India – Investment in Proprietorship Concern/
Partnership Firm**

Attention of Authorised Dealers is invited to the Foreign Exchange Management (Investment in Firm or Proprietary concern in India) Regulations, 2000 notified by the Reserve Bank of India vide Notification No.FEMA.24/2000-RB dated May 3, 2000 as amended from time to time giving effect to the provisions of the Foreign Exchange Management Act (FEMA), 1999 relating to Foreign Direct Investments in India.

2. The provisions of the abovesaid Notification are as under:-

A. Investment in a firm or proprietary concern in India by a person resident outside India on non-repatriation basis

A Non-Resident Indian (NRI) or a Person of Indian Origin (PIO) resident outside India may invest by way of contribution to the capital of a firm or a proprietary concern in India on non-repatriation basis, i.e., the amount invested shall not be eligible for repatriation outside India, provided :

- a) the amount is invested by inward remittance or out of NRE/FCNR/NRO account maintained with Authorised Dealer,
- b) the firm or proprietary concern is not engaged in any agricultural/plantation or real estate business, i.e. dealing in land and immovable property with a view to earning profit or earning income therefrom.

B. Investment in sole proprietorship concern / partnership firm with repatriation benefits

NRIs/PIOs may invest in sole proprietorship concerns/ partnership firms with repatriation benefits only with the prior approval of Secretariat for Industrial Assistance (SIA), Government of India/RBI.

C. Investment by non-residents other than NRIs/PIOs

No person resident outside India other than NRIs/PIOs shall make any investment by way of contribution to the capital of a firm or a proprietorship concern or any association of persons in India provided that the Reserve Bank may, on an application made to it, permit a person resident outside India subject to such terms and conditions as may be considered necessary.

3. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.
4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign exchange Management Act, 1999 (42 of 1999).

Yours faithfully,
Grace Koshie
Chief General Manager