

'Move may Help Startups Garner Funds'

►► From Page 1

The government also clarified that transfer of all shares in companies having foreign direct investment (FDI) from countries sharing land borders with India would require prior nod irrespective of the sector.

An explicit clause dealing with the swap of equity shares has been incorporated in the rules to allow such exchanges even in cases where government approval is required for the underlying entity. In such instances, however, swaps will be executed only with prior government approval.

The latest changes also align the definitions of 'control' and 'startup' as specified under the Foreign Exchange Management (Non-debt Instruments) Rules, with those under other laws and provisions to maintain consistency in regulatory interpretation.

"The amendments have been made to harmonise certain key definitions with allied regulations, emphasise the requirement of government approval in all cases involving investment from countries sharing a land border with India and encourage FDI into India," said Mayank Arora, director, regulatory, Nangia Andersen India.

The definition of 'control' has been

Booster Dose

Control, start-up definitions harmonised for consistency across regulations

Govt nod needed for share transfer in companies in restricted sectors

Up to 100% FDI allowed in white label ATM operations

Rule changes follow Budget pledge by FM for a simpler regime



Gross FDI inflows into India have declined from a peak of nearly \$85 billion in FY22 to \$71 billion in FY24

This could potentially draw more investments into startups, industry experts said. The definition of equity capital has also been tweaked in sync with the latest Foreign Exchange Management (Overseas Investment) Rules, 2022.

aligned with that in the Companies Act and Sebi (Substantial Acquisition of Shares and Takeovers) Regulations. 'Startup' now has a broader definition as followed by the Department for the Promotion of Industry and Internal Trade (DPIIT).

The amendments follow the latest budget announcements by finance minister Nirmala Sitharaman to simplify rules and regulations for foreign investments, the statement said.

"These amendments underscore the government's commitment to creating a foreign-investor-friendly climate, with continued measures to simplify rules and promote ease of doing business," the Department of Economic Affairs said in a statement.

Gross FDI inflows into India have moderated in recent years. Having scaled a peak of almost \$85 billion in FY22, inflows have eased for a second straight year through FY24 to touch \$71 billion.