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All Hail the New Dawn



Rajani Associates

simple solutions

Literally!

The Union Cabinet approved the phasing out of the Foreign Investment Promotion Board ("**FIPB**") late last evening which makes the morning of today joyous for the Indian economy.

For all those who are unaware, FIPB was the governmental body for handling applications under the extant Foreign Direct Investment ("**FDI**") Policy and Foreign Exchange Management Act, 1999. Established in the year 1991, FIPB acted as a single window clearance for applications on FDI in India that were under the approval route. However, over the years, with Government's conscious efforts, major sectors have been liberalised and are now under the automatic route, meaning, that foreign investments in a majority of sectors do not require prior approval of the FIPB. This led to an increasing diminishing role of the FIPB and therefore, the Ministry of Finance in its union budget for 2017-2018 announced the abolishment of FIPB.

The Union Cabinet approved the phasing out of the FIPB on May 24, 2017. In light of the same, FDI applications, under the approval route (*which are hardly any!*), will now be handled by the concerned Ministries/Departments in consultation with the DIPP.

DIPP will, in due course, issue a Standard Operating Procedure ("**SOP**") spelling out the procedure for processing application for which FDI will continue to be under the approval route.

While we await to receive the SOP, this move definitely brings about more ease of doing business in India and which in turn has the potential to further the momentum of the Indian economic climate.

It is, indeed, exciting news for the investors looking to participate in the bright India growth story.

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