

Tax Hotline

May 31, 2002

INDIAN SOFTWARE COMPANIES CAN RECEIVE EQUITY AGAINST EXPORTS

To strengthen the competitive edge of the Indian software developers, the Reserve Bank of India ("RBI") will now permit them to receive equity upto 25% of the value of their exports to overseas start-up companies. Such equity acquisition would be allowed by RBI without requiring the Indian software developer to enter into a joint venture with the overseas entity.

Equity granted against services rendered by the software developers, law firms, investment bankers *etc.* is termed as sweat equity. It is quite common amongst the US and European start up companies which outsource the software development work to the Indian software developers. Most of these start-ups are cash-strapped.

The above relaxation is the result of the lobbying by the Indian software companies. These relaxations will not only help both the small size and medium size software exporters in India to build long-term relationships and alliances with the overseas companies for mutual advantage, but will also give them a chance to work with cutting edge technologies. These kind of projects have the potential to develop into bigger and profitable projects.

Source: *The Economic Times, May 31, 2002*

DISCLAIMER

The contents of this hotline should not be construed as legal opinion. View detailed disclaimer.

This Hotline provides general information existing at the time of preparation. The Hotline is intended as a news update and Nishith Desai Associates neither assumes nor accepts any responsibility for any loss arising to any person acting or refraining from acting as a result of any material contained in this Hotline. It is recommended that professional advice be taken based on the specific facts and circumstances. This Hotline does not substitute the need to refer to the original pronouncements.

This is not a Spam mail. You have received this mail because you have either requested for it or someone must have suggested your name. Since India has no anti-spamming law, we refer to the US directive, which states that a mail cannot be considered Spam if it contains the sender's contact information, which this mail does. In case this mail doesn't concern you, please unsubscribe from mailing list.

Research Papers

Mergers & Acquisitions

July 11, 2025

New Age of Franchising

June 20, 2025

Life Sciences 2025

June 11, 2025

Research Articles

2025 Watchlist: Life Sciences Sector India

April 04, 2025

Re-Evaluating Press Note 3 Of 2020: Should India's Land Borders Still Define Foreign Investment Boundaries?

February 04, 2025

INDIA 2025: The Emerging Powerhouse for Private Equity and M&A Deals

January 15, 2025

Audio

CCI's Deal Value Test

February 22, 2025

Securities Market Regulator's Continued Quest Against "Unfiltered" Financial Advice

December 18, 2024

Digital Lending - Part 1 - What's New with NBFC P2Ps

November 19, 2024

NDA Connect

Connect with us at events, conferences and seminars.

NDA Hotline

Click here to view Hotline archives.

Video

Reimagining CSR: From Grant Giving to Blended Finance & Outcome Based Funding

June 16, 2025

Courts vs Bankruptcy code: The

