

Corpsec Hotline

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FDI IN REAL ESTATE: FOR 'REAL'

After a long wait finally India is all set to open up its door for Foreign Direct Investments (FDI) in the real estate sector. The proposal had been under consideration for some time and was facing some resistance from certain quarters of the political alliance.

However finally it appears that the Finance Minister and his 'dream team' has been able to impress upon these factions the need for opening up the sector for foreign investors.

Accordingly, the Cabinet Committee on Economic Affairs (CCEA) announced its in-principle approval for 100 per cent FDI in all forms of housing, commercial premises, hotels, resorts, hospitals, educational institutions, recreational facilities, city and regional level infrastructure.

The procedure for approval of investment proposals would be through the automatic route. However, the power of approving individual construction projects with FDI component will be delegated to the local government authorities.

The CCEA indicated that such investment would be subject to the certain conditions, such as:

- Minimum capitalization requirement of USD 10 million for wholly owned subsidiaries and USD 5 million for joint ventures with Indian partners. Further the minimum capitalization amounts have to be brought into India within six months of commencement of business.
- Minimum area to be developed under each project would be a minimum land area of 10 hectares (i.e. 25 acres) in the case of serviced housing plots against the earlier requirement of 100 acres and 50,000 square meters (i.e. 12.5 acres) in the case of construction-development projects against the earlier requirement of 2,000 dwelling units. In the case of combined project, any one of the above two conditions would suffice.
- Conformity with the existing norms and standards, including land use requirements and provision of community amenities and common facilities, as laid down in the applicable building control regulations, by-laws, rules and other regulations of the State Governments, municipal bodies and other concerned local bodies.
- Repatriation of original investment will be permitted only after three years from completion of minimum capitalization. However, the investor may be permitted to exit earlier with the prior approval of the Government through the Foreign Investment Promotion Board.

In keeping with the tenor of the liberalizations being more construction-centric than land-centric and towards avoiding speculation in real estate, the CCEA's has indicated that:

- Development of the project has to commence within a specific time-frame; and
- Foreign investors will only be permitted to sell fully developed service plots and not undeveloped land.

Upon finalization of the guidelines in this regard, the Department of Industrial Policy and Promotion, Ministry for Commerce and Industry will issue a notification implementing this liberalization.

You can direct your queries or comments to [Kishore Joshi](#) or [Roshan Thomas](#)

Source: [Press Trust of India](#)

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