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Govt okays composite foreign investment cap for FDI, FII

Moneycontrol Bureau

Finance Minister Arun Jaitley on Thursday announced that the Union Cabinet has cleared the policy for composite foreign investment limits by including foreign direct investment (FDI), foreign institutional investors (FII) and other routes like NRI investments.

Under the new policy, FDI, foreign portfolio investment and investments by non-resident Indians would be clubbed together under a composite cap. Composite caps have been suggested for agriculture, manufacturing, airports, real estate, telecom and other sectors.

"One of the most important decisions in relation to the investment is the introduction of composite caps for simplification of foreign direct investments," Jaitley told reporters after the Cabinet meeting.

The report by Justice AP Shah committee, looking into levying of minimum alternate tax (MAT) on foreign portfolio investors, should be out next week informed Jaitley. He said the Cabinet has also an expenditure of over Rs 8,500 crore on multi-state power transmission system. Welcoming the decision, Dinesh Kanabar told CNBC-TV18 the distinction between different types of foreign investments will no longer remain.

"I would like to believe that across all sectors, wherever there is no sectoral cap today, we are now breaking the barrier between FDI and FII. You could have done that in any case by passing a board resolution which some of the companies did. But, in effect, what we are now saying is that in sectors where 100 percent FDI is permitted, we could actually have a 100 percent FII holding which is absolutely a very welcome step," he said.

Echoing the sentiment, Pranav Sayta, Tax Partner, EY said Jaitley has implemented what he had promised in his Budget presentation this year. "I think it will certainly provide much greater flexibility, simplify things, make it far clearer, bring in certainty into ease of doing business."

DR Dogra, MD & CEO, Care Ratings the move will now provide Indian firms an investing option in various categories whether FPI, RFPI, MRI or foreign venture capital investors.

With inputs from agencies