

What's New

News Flash



September 2015

Facility Sharing Arrangements between Group Companies not to qualify as 'Real Estate Business' under the FDI Policy

The Department of Industrial Policy & Promotion (DIPP), Ministry of Commerce & Industry, Government of India has clarified that facility sharing agreements between group companies involving leasing/ sub-leasing arrangements for the larger interest of business will **not** be treated as 'real estate business' under the Consolidated Foreign Direct Investment (FDI) Policy Circular of 2015, subject to following conditions:

- Leasing/ sub-leasing arrangements are undertaken at arm's length price in accordance with provisions of the Income-tax Act, 1961; and
- Annual lease rent earned by the lessor company does not exceed 5% of its total revenue.

It may be noted that real estate business is a prohibited sector under the extant FDI Policy.

This communication is relevant for MNCs having group entities in India and intend to have a common office address for such group entities.

Source: [DIPP File No.: No.12/15/2009-FC-1 dated 15 September 2015](#)

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With Best Regards
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