



## What's New

News Flash April 2020

### Change in FDI Policy – Prior Government approval required for FDI from countries with which India shares land border

The Department for Promotion of Industry and Internal Trade issued Press Note No. 3 (2020 Series)<sup>1</sup> on 17 April 2020 mandating prior Government approval for foreign direct investments (FDIs) from countries with which India shares land border. This means any fresh investment or acquisition undertaken by entities belonging to, or beneficially owned, by entities/ citizens of such countries would require prior Government approval.

Currently, FDI is under automatic route for all sectors except certain sectors which are prohibited or restricted. Investment by entities and/ or citizens from Bangladesh and Pakistan are not eligible for automatic route and requires prior Government approval irrespective of the sector. Further, entities and/ or citizens of Pakistan can invest, only under the Government route, in sectors/ activities other than defence, space, atomic energy and sectors/ activities prohibited for foreign investment.

With the amendment issued under Press Note 3 of 2020, any investment from countries with which India shares land border will require a prior Government approval even in sectors where otherwise FDI was permitted under automatic route.

The Government approval route will also apply for any transfer of ownership of existing or future FDI which directly or indirectly results in beneficial ownership in the hands of any entity/ citizen of countries with which India shares land border.

This Press Note will become effective from the date on which the Government notification is issued under the Foreign Exchange Management Act, 1999.

<sup>1</sup> [Press Note No. 3 \(2020 Series\), DPIIT File No.: No. 5\(5\)/2020-FDI Policy, dated 17 April 2020](#)

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