— A Certificate of Incorporation under the Companies Act 1956
— An approval of the Central Government under the Monopolies and Restrictive Trade Practices (MRTP) Act 1969

An industrial undertaking employing 50 or more workers with the aid of electric power, 100 or more workers without the aid of electric power or manufacturing for a wide range of items included in the first schedule of the Industries (Development and Regulation) Act 1951 requires a licence from the Central Government. The licence is written permission to manufacture specific products and it may include such conditions as the location of the undertaking and its capacity.

The licensing procedure provides for the issuance of a "letter of intent" where foreign collaborations approval or capital goods clearance is involved. A letter of intent is a commitment on the part of the government that a licence will be issued after the applicant fulfills the foreign collaboration arrangements for the import of capital goods, issue of capital and phased manufacturing programmes.

Foreign investments in India are not normally allowed unless accompanied by some form of technology transfer. Guidelines for foreign investment follow the provisions under the Foreign Exchange Regulation Act (FERA) and normally permit a maximum of 40% foreign equity participation, although more is permitted in high technology and export industries. Upto 100% ownership is permitted only for businesses which export their entire production, and in the case of banks, airlines and shipping companies, full foreign ownership is allowed on a reciprocal basis for Indian companies operating overseas.

A public company may make an issue of capital under the Capital Issues Control Act 1947, without the consent of the central government if the issue is not in excess of $ 700,000 (Cdn) in a 12 month period, and the securities are issued at par and not at a premium or discount. A private company is not required to obtain any consent for the issue of securities. All applications for the issue of capital, giving the prescribed information are to be made to the Controller of Capital Issues in the Ministry of Finance (Department of Economic Affairs), New Delhi, and to the Securities and Exchange Board of India.

A certificate is granted by the Registrar of Joint Stock Companies after all the requirements regarding registration, and matters under the Companies Act of 1956 have been satisfied.

It is to be noted, that the central government has considerable control over the affairs of companies in India.

i. Taxation and accounting

Taxation: Foreign companies are operating in India with effective tax rate as low as in USA and Europe. While Indian corporate tax rates are higher on paper, liberal tax incentives offered by the Government can substantially reduce the effective tax rate.

All companies (including foreign companies) are taxed at flat rates, which vary depending on residential states, class of company, nature of income and whether the company is closely or widely held. Companies are further divided into domestic or non-domestic categories. A domestic company is any Indian or foreign company which has made the prescribed arrangements for declaring dividends in India. The tax rate for domestic companies varies from 40-50%. In addition there is a surcharge of 8%. Following are the rates of income tax for foreign companies (non-domestic companies).

Rates of Income Tax for Foreign Companies	
	percent
Dividend income	25
Income from royalties or fees for technical services for approved contracts (including lumpsum payments)	30
Interest income from foreign currency loans	25
Profits and gains derived from prospecting for or extraction/production of mineral oils under agreements with the central government	55
Any other income	65