

Government of India
Ministry of Commerce & Industry
Department for Promotion of Industry and Internal Trade
FDI (Policy, Facilitation & Data) Section
FDI Policy Cell

Press Note No. 2 (2026 Series)

Subject: Review of FDI Policy on Investments from Countries Sharing Land Border with India

The Government of India has reviewed Para 3.1.1 of the Consolidated FDI Policy Circular of 2020 dated 15.10.2020, as amended from time to time (**FDI Policy**) on investments from countries sharing land border with India as notified vide Press Note 3 (2020) dated 17.04.2020. Accordingly, Para 3.1.1 of the FDI Policy is amended and to be read as follows:

3.1.1 (a) A non-resident entity can invest in India, subject to the FDI Policy except in those sectors/activities which are prohibited. However, an entity or a citizen of a country which shares land border with India, or where the beneficial owner of an investment into India is a citizen of any such country, can invest only under the Government route. Further, a citizen of Pakistan or an entity incorporated in Pakistan can invest, only under the Government route, in sectors/activities other than defence, space, atomic energy and sectors/activities prohibited for foreign investment.

3.1.1 (b) In the event of the transfer of ownership of any existing or future FDI in an entity in India, directly or indirectly, resulting in the beneficial ownership falling within the restriction of the Para 3.1.1(a) above, such subsequent change in beneficial ownership shall require prior Government approval.

3.1.1 (c) For the purposes of this paragraph, the expression 'beneficial owner' of an investment into India shall mean the beneficial owner(s) of the investor entity incorporated or registered in a country other than a country which shares land border with India. The expression 'beneficial owner' shall have the same meaning as defined

under Section 2(1)(fa) of the Prevention of Money-laundering Act, 2002, as amended from time to time, and shall be determined as per the criteria stipulated under Rule 9(3) of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005, as amended from time to time (the PML Rules).

Provided that:-

The beneficial ownership of the investment shall be construed to be vested in a country sharing land border with India in the event that –

- I. citizen(s) of a country sharing land border with India, and/or
- II. entity(ies) incorporated or registered in a country sharing land border with India,

has/have the ability to directly or indirectly, individually or cumulatively, independently or collectively, whether acting together or otherwise, hold rights/entitlements –

- (i) in excess of the applicable thresholds prescribed under Rule 9(3) of the PML Rules over an investor entity which is incorporated or registered in a country other than a country sharing land border with India; or
- (ii) which enable such citizen(s) and/or entity(ies) to exercise control over the investor entity referred above; or
- (iii) which enable such citizen(s) and/or entity(ies) to exercise ultimate effective control over the Investee entity in any manner.

3.1.1 (d) The investments into India from an investor entity –

- (i) having any direct or indirect ownership by a citizen or an entity of a country sharing land border with India; and

(ii) not requiring prior Government approval under the provisions of this paragraph, shall be subject to reporting requirement in the format as per the Standard Operating Procedure laid down by DPIIT. These requirements shall be in addition to compliance with the applicable sectoral cap, entry route and attendant conditions.

2. The above decision will take effect from the date of FEMA notification.



(Jai Prakash Shivahare)

Joint Secretary to the Government of India

DPIIT F. No. 5(5)/2020-FDI Policy (Pt-1) dated 15.03.2026

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1. **Press Information Officer**, Press Information Bureau - For giving wide publicity to the above Press Note.
2. **Joint Secretary**, Department of Economic Affairs, Kartavya Bhawan, New Delhi - For suitably incorporating the policy changes in Foreign Exchange Management (Non-Debt Instruments) Rules, 2019, the relevant schedules thereof and FIRMS portal.
3. **Reserve Bank of India**, Foreign Exchange Department, Mumbai - For suitably incorporating the policy changes in Foreign Exchange Management (Non-Debt Instruments) Rules, 2019, the relevant schedules thereof and FIRMS portal.
4. **NIC Section** in the Department for Promotion of Industry and Internal Trade - For uploading the Press Note on DPIIT's website.
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