

GOVERNMENT OF INDIA

MINISTRY OF HOUSING AND URBAN AFFAIRS

LOK SABHA

UNSTARRED QUESTION NO. 3810

TO BE ANSWERED ON AUGUST 9, 2017

FDI IN CONSTRUCTION SECTOR

No. 3810 DR. BHOLA SINGH:

Will the Minister of HOUSING AND URBAN AFFAIRS be pleased to state:

- (a) whether the Union Government has recently relaxed rules for allowing Foreign Direct Investment (FDI) in the construction sector including housing;
- (b) if so, the details thereof;
- (c) whether relaxation of FDI norms for construction, real estate sectors will have any effect on the prices of houses; and
- (d) if so, the details thereof?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF HOUSING &  
URBAN AFFAIRS

(RAO INDERJIT SINGH)

- (a) & (b): The Government had last reviewed the Foreign Direct Investment (FDI) Policy vide Press Note 12(2015) dated 24.11.2015, incorporated in 'Consolidated FDI Policy Circular 2016'. Copy of relevant extract is annexed.

.....contd./-

(c) & (d) : Liberalization in this sector is expected to result in enhanced inflows into the Construction Development sector consequent to easing of sectoral conditions and clarification of terms used in the Policy. It is likely to attract investments in new areas and encourage development of plots for several housing given the shortage of land in and around urban agglomerations as well as the high cost of land. The measure is also expected to result in creation of much needed low cost affordable housing in the country.

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**Annexure in reply to Lok Sabha Unstarred Question No. 3810 for 09.08.2017  
regarding “FDI in Construction Sector” vvvv**

**Annexure**

**5.2.10 Construction Development: Townships, Housing, Built-up Infrastructure**

<b>Sector/Activity</b>	<b>%% of Equity/ FDI Cap</b>	<b>Entry Route</b>
<b>5.2.10.1</b>  Construction-development projects (which would include development of townships, construction of residential/commercial premises, roads or bridges, hotels, resorts, hospitals, educational institutions, recreational facilities, city and regional level infrastructure, townships)	100%	Automatic

**5.2.10.2**

Each phase of the construction development project would be considered as a separate project for the purposes of FDI policy. Investment will be subject to the following conditions:

(A) (i) The investor will be permitted to exit on completion of the project or after development of trunk infrastructure i.e. roads, water supply, street lighting, drainage and sewerage.

(ii) Notwithstanding anything contained at (A) (i) above, a foreign investor will be permitted to exit and repatriate foreign investment before the completion of project under automatic route, provided that a lock-in-period of three years, calculated with reference to each tranche of foreign investment has been completed. Further, transfer of stake from one non-resident to another

non-resident, without repatriation of investment will neither be subject to any lock-in period nor to any government approval.

(B) The project shall conform to the norms and standards, including land use requirements and provision of community amenities and common facilities, as laid down in the applicable building control regulations, bye-laws, rules, and other regulations of the State Government/Municipal/Local Body concerned.

(C) The Indian investee company will be permitted to sell only developed plots. For the purposes of this policy “developed plots” will mean plots where trunk infrastructure i.e. roads, water supply, street lighting, drainage and sewerage, have been made available.

(D) The Indian investee company shall be responsible for obtaining all necessary approvals, including those of the building/layout plans, developing internal and peripheral areas and other infrastructure facilities, payment of development, external development and other charges and complying with all other requirements as prescribed under applicable rules/bye-laws/regulations of the State Government/Municipal/Local Body concerned.

(E) The State Government/Municipal/Local Body concerned, which approves the building/development plans, will monitor compliance of the above conditions by the developer.

**Note:**

(i) It is clarified that FDI is not permitted in an entity which is engaged or proposes to engage in real estate business, construction of farm houses and trading in transferable development rights (TDRs).

“Real estate business” means dealing in land and immovable property with a view to earning profit there from and does not include development of townships, construction of residential/ commercial premises, roads or bridges, educational institutions, recreational facilities, city and regional level infrastructure, townships. Further, earning of rent/ income on lease of the property, not amounting to transfer, will not amount to real estate business.

- (ii) Condition of lock-in period at (A) above will not apply to Hotels & Tourist Resorts, Hospitals, Special Economic Zones (SEZs), Educational Institutions, Old Age Homes and investment by NRIs.
- (iii) Completion of the project will be determined as per the local bye-laws/rules and other regulations of State Governments.
- (iv) It is clarified that 100% FDI under automatic route is permitted in completed projects for operation and management of townships, malls/ shopping complexes and business centres. Consequent to foreign investment, transfer of ownership and/or control of the investee company from residents to non-residents is also permitted. However, there would be a lock-in-period of three years, calculated with reference to each tranche of FDI, and transfer of immovable property or part thereof is not permitted during this period.
- (v) "Transfer", in relation to FDI policy on the sector, includes,—
  - (a) the sale, exchange or relinquishment of the asset ; or
  - (b) the extinguishment of any rights therein; or
  - (c) the compulsory acquisition thereof under any law ; or
  - (d) any transaction involving the allowing of the possession of any immovable property to be taken or retained in part performance of a contract of the nature referred to in section 53A of the Transfer of Property Act, 1882 (4 of 1882) ; or
  - (e) any transaction, by acquiring shares in a company or by way of any agreement or any arrangement or in any other manner whatsoever, which has the effect of transferring, or enabling the enjoyment of, any immovable property.