

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:564
ANSWERED ON:25.11.2005
FDI IN REAL ESTATE
Rao Shri Kavuru Samba Siva

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has formulated the guidelines to attract foreign direct investment in real estate ;
- (b) if so, the details thereof ;
- (c) whether the funds received under FDI be used for both residential and commercial properties; and
- (d) if so, the details thereof ?

Answer

Minister of State in the Ministry of Finance (S. S. Palanimanickam)

(a) and (b): Presently Foreign Direct Investment(FDI) is allowed up to 100% under the automatic route in townships, housing, built-up infrastructure and construction- development projects (which would include, but not be restricted to, housing, commercial premises, hotels, resorts, hospitals, educational institutions, recreational facilities, city and regional level infrastructure), subject to the following guidelines:

(1)Minimum area to be developed under each project would be as under:

i. In case of development of serviced housing plots, a minimum land area of 10 hectares, ii. In case of construction-development projects, a minimum built-up area of 50,000 sq.mts iii. In case of a combination project, any one of the above two conditions would suffice

(2) The investment would further be subject to the following conditions:

i Minimum capitalization of US\$10 million for wholly owned subsidiaries and US\$ 5 million for joint ventures with Indian partners. The funds would have to be brought in within six months of commencement of business of the Company.

ii. Original investment cannot be repatriated before a period of three years from completion of minimum capitalization. However, the investor may be permitted to exit earlier with prior approval of the Government through the FIPS.

(3)At least 50% of the project must be developed within a period of five years from the date of obtaining all statutory clearances. The investor would not be permitted to sell undeveloped plots.

(4)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.

(5)The investor shall be responsible for obtaining all necessary approvals, including those of the building/layout plans,developing internal and peripheral areasand 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.

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

(c) and (d): Yes, Sir. Such FDI is allowed both for housing and commercial premises subject to guidelines indicated above.