

Corpsec Hotline

January 20, 2006

FOREIGN DIRECT INVESTMENT IN HOTELS, HOSPITALS, SPECIAL ECONOMIC ZONES, ETC.

Foreign Direct Investment in Hotels, Hospitals, Special Economic Zones, etc.

In pursuance of the Indian Government's commitment to the implementation of economic reforms and with a view to liberalizing the Foreign Direct investment (FDI) regime, the Department of Industrial Policy & Promotion (DIPP) of the Ministry of Commerce & Industry, Government of India, vide [Press Note 2 \(2005 Series\)](#) dated **March 3, 2005**, had notified the policy for Foreign Direct Investment in townships, housing, built-up infrastructure and construction-development projects, etc. where FDI up to 100% was permitted under the automatic route, subject to the conditions laid down therein. However there were certain ambiguities regarding the applicability of the liberalization where investments were to be made only in the construction and/or development of a particular sector, particularly investments concerning Hotels, Hospitals, Special Economic Zones (SEZs), etc.

In order to eliminate the ambiguities related to the FDI in the aforesaid sectors, DIPP has issued a clarification by way of a press note, viz. [Press Note 2 \(2006 Series\)](#), dated **January 16, 2006**.

The Press Note clarifies the position of the Government on the issue and states that the FDI up to 100% in investments concerning Hotels and Hospitals is allowed under the automatic route; in the Hotel and Tourism sector vide [Press Note 4 \(2001 Series\)](#), dated **May 21, 2001** and in the Hospital sector vide [Press Note 2 \(2000 Series\)](#) dated **February 11, 2000**. It further clarifies that Special Economic Zones are separately regulated under the Special Economic Zone Act, 2005. The press note also states that all the three sectors stated above fall outside the purview of the Press Note 2 (2005 Series) dated March 3, 2005 of 2005.

- **Reuben Chako & Ruetveij Pandya**

You can direct your queries or comments to the authors

Source: *Department of Industrial Policy and Promotion, Ministry of Commerce & Industry*

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