

FEMA Compliance Checklist

A Strategic Guide for Foreign Companies Expanding into India

The Strategic Imperative: If you're expanding your business into India, you're entering one of the world's fastest-growing markets — with immense opportunity. But alongside that opportunity comes a dense regulatory framework, and at the center of it lies FEMA (Foreign Exchange Management Act) compliance. For foreign-owned companies — whether subsidiaries, joint ventures, or LLPs — compliance is not optional; it is foundational. Working with trusted legal advisors is the most effective starting point to navigate this successfully.

Phase 1: Pre-Investment & Entity Setup Assessment

Before moving capital, foreign entities must determine their entry strategy and ensure their sector is permitted for Foreign Direct Investment (FDI).

- Determine the Proper Entry Route**
Confirm whether your investment falls under the **Automatic Route** (no prior RBI/Government approval needed) or the **Government Route** (requires prior approval from the respective Ministry/Department).
- Verify Sectoral Caps and Restrictions**
Ensure your business activities do not fall under prohibited sectors (e.g., lottery, gambling, atomic energy) and adhere to the maximum allowable foreign equity caps (e.g., 51%, 74%, or 100%).
- Select the Right Entity Structure**
Decide between forming a Wholly Owned Subsidiary (WOS), a Joint Venture (JV), a Limited Liability Partnership (LLP), or setting up a Branch/Liaison/Project Office based on business objectives and tax implications.

Phase 2: Initial Capital Inward Remittance (FDI)

Once the entity is incorporated in India, strict timelines apply to the receipt of foreign funds and the issuance of shares.

- Open Appropriate Bank Accounts**
Ensure proper banking channels are established (e.g., SNRR, NRO accounts) through an Authorized Dealer (AD) Category-I Bank.
- Registration on FIRMS Portal**
Register the Indian investee company on the RBI's Foreign Investment Reporting and Management System (FIRMS) portal by creating an Entity Master.
Deadline: Before making any statutory filings for FDI.
- Receive Foreign Inward Remittance Certificate (FIRC) & KYC**
Ensure the AD Bank issues a FIRC and a Know Your Customer (KYC) report for the foreign investor remitting the funds.
- Allotment of Shares**
Allot shares to the foreign investor against the inward remittance.
Deadline: Strictly within 60 days from the date of receipt of funds.
- File Form FC-GPR (Foreign Currency - Gross Provisional Return)**
Submit Form FC-GPR on the FIRMS portal along with the Valuation Certificate (by a Chartered Accountant/SEBI registered Merchant Banker) and CS Certificate.
Deadline: Within 30 days from the date of allotment of shares.

Phase 3: Ongoing & Annual Compliances

Maintaining FEMA compliance requires regular reporting on the financial health and foreign liabilities of the Indian entity.

- Annual Return on Foreign Liabilities and Assets (FLA Return)**
File the mandatory annual FLA return covering all foreign direct investments received and overseas investments made.
Deadline: On or before July 15th every year (via the FLAIR portal).
- Annual Performance Report (APR) - For Branch/Liaison Offices**
If operating as a Branch Office (BO) or Liaison Office (LO), submit the APR along with audited financial statements to the AD Bank.
Deadline: September 30th every year.

Phase 4: Event-Based Compliances

Specific business decisions or changes in ownership trigger additional FEMA reporting requirements.

Transfer of Shares (Form FC-TRS)

Report any transfer of shares between a resident and a non-resident (or vice versa). Includes obtaining a valid valuation report.

Deadline: Within 60 days from the date of transfer or receipt of funds, whichever is earlier.

External Commercial Borrowings (ECB)

If raising debt from foreign entities, obtain a Loan Registration Number (LRN) before drawdown and file monthly **ECB-2 Returns**.

Deadline: ECB-2 must be filed within 7 working days from the end of each month.

Downstream Investment Compliance

If the foreign-owned Indian company invests in another Indian company, report the downstream investment (Form DI) within 30 days of allotment of shares.

Compliance Timeline Overview

Event / Requirement	FEMA Form	Statutory Deadline
Receipt of Foreign Capital	-	Shares must be allotted within 60 days .
Allotment of Shares to Non-Resident	Form FC-GPR	Within 30 days of share allotment.
Transfer of Shares (Resident to Non-Resident)	Form FC-TRS	Within 60 days of transfer or fund receipt.
Annual Reporting of Foreign Assets/ Liabilities	FLA Return	July 15th of every year.
Foreign Debt Repayment / Reporting	ECB-2	Within 7 working days of month-end.

Important Note regarding Penalties: Non-compliance with FEMA regulations can lead to severe penalties, including late submission fees (LSF) or the requirement to undergo the compounding process under the RBI. Timely reporting and robust record-keeping are critical to preserving the operational legitimacy of foreign investments in India.

Disclaimer: This document is an informational checklist and does not constitute formal legal or financial advice. Regulations under the Foreign Exchange Management Act (FEMA) are subject to change by the Reserve Bank of India (RBI). Always consult qualified legal advisors and Chartered Accountants before proceeding with foreign investments.