

**KRPR AND
ASSOCIATES**

FEMA & FDI HANDBOOK

A SIMPLE GUIDE FOR UNDERSTANDING FOREIGN INVESTMENT RULES IN INDIA

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★ Section 1 — What is FEMA? (Simple Explanation)

FEMA = Foreign Exchange Management Act.

It controls all foreign money entering India.

Foreign companies must comply with FEMA when:

- Sending capital to India
 - Paying for shares
 - Making intercompany payments
 - Receiving money from India
 - Issuing shares to foreign shareholders
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★ Section 2 — What is FDI?

FDI = Foreign Direct Investment.

When a foreign company or person holds shares in an Indian company.

For most sectors:

- ✓ 100% ownership allowed
 - ✓ No RBI approval required
 - ✓ Automatic route
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★ Section 3 — FDI Reporting Requirements

1. FIRC / FIRA

Bank acknowledgment of money received.

2. FIRS

Bank uploads initial report on RBI FIRMS Portal.

3. FC-GPR

Filed after issuing shares to foreign shareholder.

Deadline: 30 days

4. FLA Return (Annual)

Filed every year by 15 July.

★ Section 4 — Capital vs Loan (FEMA Difference)

Capital (Equity)

- Parent owns shares
- FC-GPR required
- Long-term investment

Loan (ECB)

- Special rules
 - Requires ECB compliance
 - Monthly return (ECB-2)
 - Interest rate restrictions
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★ Section 5 — Intercompany Payments Under FEMA

Allowed with documentation:

- Service agreements
- Cost-sharing agreements
- Royalty & fees (with caps)
- Salary recharges
- Reimbursements

Requires:

- Purpose code
 - Invoices
 - Transfer pricing compliance
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★ Section 6 — Common FEMA Mistakes

- Missing FC-GPR
- Using wrong purpose code
- Delayed FLA return
- Paying India employees from abroad
- Not documenting intercompany transactions

★ Section 7 — FEMA Compliance Checklist

Before Remittance

- Purpose code
- Bank documents
- Share issue timeline ready

After Remittance

- FIRS
- FC-GPR
- Valuation certificate

Annual

- FLA return

Final CTA

Need FEMA/FDI guidance?

We file FC-GPR + FLA for 200+ foreign subsidiaries annually.