

Annual Return on Foreign Liabilities and Assets (FLA return) under FEMA 1999

General Instruction

Q1. What will be the consequences in case we do not file the said FLA Return by 15th July, as our accounts are not audited as yet, and we do not wish to file it with unaudited figures. Will there be any imposition of penalty or prosecution initiated against the company by RBI or FEMA? Since nowhere it is mentioned either in the Circular No. 145 dated June 18, 2014 or in the Annex to AP (DIR Series) Circular No. 145 about the penalty or the prosecution, so, can we assume that we can file the same once our accounts are audited without any risk of penalty or other proceedings from the concerned authority in future?

Ans.: Annual return on Foreign Liabilities and Assets has been notified under FEMA 1999 and it is required to be submitted by all the India resident companies which have received FDI and/ or made overseas investment in any of the previous year(s), including current year by July 15 every year. Non-filing of the return before due date will be treated as a violation of FEMA and penalty clause may be invoked for violation of FEMA.

Q2. What information should be reported in FLA return, if balance sheet of the company is not audited before the due date of submission?

Ans.: If the company's accounts are not audited before the due date of submission, i.e. July 15, then the FLA Return should be submitted based on unaudited (provisional) account. Once the accounts gets audited and there are revisions from the provisional information submitted by the company, they are supposed to submit the revised FLA return based on audited accounts by end - September.

Q3. In case where Account Closing Period of the company is different from reference period (end-March), can we report the information as per Account Closing Period?

Ans.: No. Information should be reported for all the reference period, i.e. Previous March and Latest March. If Account Closing Period of the company is different from the reference period, then information should be given for the reference period on internal assessment.

Eligible Companies to Submit the FLA Return

Q4. Which companies are required to submit the FLA Return?

Ans.: The annual return on Foreign Liabilities and Assets (FLA) is required to be submitted directly by all the Indian companies which have received FDI (foreign direct investment) and/or made FDI abroad (i.e. overseas investment) in the previous year(s) including the current year i.e. who holds foreign Assets or Liabilities in their Balance Sheets.

Q5. If a company did not receive FDI or made overseas investment in any of the previous year(s) including the current year, do we need to submit the FLA Return?

Ans.: If the Indian company does not have any outstanding investment in respect of inward and outward FDI as on end-March of reporting year, the company need not submit the FLA Return.

Q6. If a company has only share application money, then is that company supposed to submit the FLA Return?

Ans.: If a company has received only share application money and does not have any foreign direct investment or overseas direct investment outstanding as on end-March of the reporting year, then that company is not required to fill up FLA return.

Q7. If the company has not received any inward FDI / made overseas investment in the latest year, do they need to submit the FLA Return?

Ans.: If the company has not 'received any fresh FDI and/or ODI (overseas direct investment)' in the latest year but the company has outstanding FDI and/or ODI, then that company is required to submit the FLA Return every year by July 15.

Q8. Whether FLA Return is required to be submitted by Registered Partnership Firms (Registered under Partnership Registration Act) or branches or trustees, who have made Overseas Direct Investment or it is mandatory only for Companies (Registered under Companies Act, 1956)?

Ans.: If the Partnership firms, Branches or Trustees have any outward FDI outstanding as on end-March of the reporting year, then they are required to send a request [mail](#) to get a dummy CIN number which will enable them to file the Excel based FLA Return. If any entity has already got the dummy CIN number from the previous survey, they should use the same CIN number in the current survey also.

It is also informed that these dummy CIN numbers are provided by RBI for filling the excel based FLA return only and not for any other purpose.

Q9. Is it required to submit Annual Performance Report for ODI, if we have submitted FLA Return?

Ans.: FLA Return and Annual Performance Report (APR) for ODI are two different returns and monitored by two different departments of RBI. So you are required to submit both the returns if these are applicable for your company.

Q10. If non-resident shareholders of a company has transferred their shares to the residents during the reporting period, then whether that company is required to submit the FLA Return?

Ans.: If all non-resident shareholders of a company has transferred their shares to the residents during the reporting period and the company does not have any outstanding investment in respect of inward and outward FDI as on end-March of reporting year, then the company need not submit the FLA Return.

Q11. If company issued the shares to non-resident on Non-Repatriable basis, whether that company is required to submit the FLA Return?

Ans.: Shares issued by reporting company to non-resident on Non-Repatriable basis should not be considered as foreign investment; therefore, companies which have issued the shares to non-resident only on Non-Repatriable basis, is not required to submit the FLA Return.

**Procedure for Submission of the FLA Return and
Acknowledgement therefor**

Q12. Where can company get revised format of Annual Return on Foreign Liabilities and Assets (FLA Return)?

Ans.: The revised format of FLA is available on RBI's web site,

http://rbi.org.in/scripts/BS_ViewFemaForms.aspx

([Home](#) >> [Forms](#) >> [Foreign Exchange Management Act Forms](#))

Annual return on Foreign Liabilities and Assets

Company can download the updated FLA return every year by end of May. Company should use the updated FLA return only.

Q13. What is the due date of submission of the FLA return?

Ans.: FLA return is mandatory under FEMA 1999 and companies are required to submit the same based on audited/ unaudited account by **July 15** every year.

Q14. Where should we submit the FLA return?

Ans.: Filled-in the Excel based FLA return should be sent by [email](#) by 15 July. Any other attachment should not be forwarded along with the FLA return.

Q15. Where should we contact regarding any clarification for submission of FLA Return?

Ans.: Any query regarding filling of FLA return should be sent to [email](#). You may also contact RBI person handling FLA return at

(022) 26578662/ 26578217/ 26578348/ 26578214/ 26578340/ 26578241

Q16. From whose mail id the FLA Return should be e-mailed? Whether it is necessary to e-mail the FLA Return from the mail id of the person mentioned in Contact Details?

Ans.: The filled-in Excel based FLA return should be forwarded through the official email id of any authorized person like CFO, Director, Company Secretary etc. Acknowledgement will be forwarded to the both email ids (sender and mentioned in Contact Details).

Q17. Is it required to submit any financial statements like balance sheet or P&L accounts (audited/ unaudited) along with the FLA return?

Ans.: You are required to submit only the filled-in Excel based format of FLA by [email](#) before due date. Financial statements or any information in separate annex should not be forwarded along with the FLA return.

Q18. We have already submitted a hard copy of the FLA return with your office. Do we need to submit the FLA return in revised format once again?

Ans.: The Return has to be submitted in the Excel based format, which has **inbuilt checks and validations**. So if there are any discrepancies in the furnished information, you will be able to know and rectify them at your end before submitting the information to RBI. Further, by submission of the information in Excel based format by email will ensure that you will receive the **confirmation email** from RBI within a week for successful processing of data submitted by you. In view of this, you are advised to resubmit the information in revised format of FLA return through [email](#).

Q19. As per the circular, excel file of return is required to be [mailed](#). However, there is no column for the signature in the soft form. Should we, therefore, submit the signed hard copy or scanned copy of return to your office later or sending soft copy (validated) only would be sufficient compliance?

Ans.: It is sufficient to submit the validated excel based soft copy of filled-in FLA return through **official email id of any authorized person of company like CFO, Director, Company Secretary etc.** at [email](#) before due date for compliance purpose.

Q20. How would an acknowledgement is provided to us on submission of the form via e-mail?

Ans.: After sending the Excel based FLA return to [email](#), you will receive an acknowledgement. Ensure that you have received a successful processing acknowledgement. **If some error is mentioned in the acknowledgement rather than successful processing statement, then you have to resubmit the form by rectifying the mentioned error.**

Q21. Can we send the PDF copy of the FLA return as we are facing some technical problem while furnishing the information in excel based format?

Ans.: You need to submit the information in the Excel based format only through [email](#). In case of technical problem, you may forward the filled-in excel based form as it is as draft excel based FLA return to [email](#) in for rectifying the problem faced by you.

System Requirement for the FLA Return

Q22. What is the system requirement at company's side for filling the FLA Return and procedure for filling it electronically?

Ans.: Company should have MS office Excel – 2003 onwards. Before filling the information in Excel based FLA Return, make sure that you have enabled the macro in Excel. In order to enable the macro, please do the following:

a) In Microsoft 2007

Go to Office Button >> Excel Options >> popular
Select 'Show developer tab in the Ribbon', then
Go to Developer tab >> Macro Security >> select 'Enable all macros'

b) In Microsoft 2010

Go to File >> option >> trust centre >> trust centre setting >> macro setting
Select 'Enable all macros'

Q23. How should we save the return?

Ans.: It is required to save the FLA return in **Excel 97-2003 Workbook (.xls format)**.

In order to save the return as follows:

Go to Office Button >> Save As >> Save as type Select 'Excel 97-2003 Workbook'

FAQs Related to Section I

Q24. Where can we find the detailed description of NIC-2008 code (item-6)?

Ans. In the FLA Return, industry codes are given as per the National Industrial Classification (NIC) -2008 codes. The details on NIC-2008 codes can be accessed through the following link, http://mospi.nic.in/mospi_new/upload/nic_2008_17apr09.pdf.

Q25. If a company has more than one activity during the year then which NIC code should be reported by company (item-6)?

Ans.: Company will select that activity, from which, they have earned major revenue.

Q26. If Company has only Outward Investment and no inward FDI, then what should we select in Identification of the reporting company (in terms of inward investment) under Section I (Item 9)?

Ans.: Option 'Others' can be selected in respect of Identification of the reporting company under Section I.

Q27. What is the meaning of Technical Foreign Collaboration (item-11)?

Ans.: Indian company which has entered into an agreement with a foreign entity in terms of technology transfer, know-how transfer, use of patent, brand name etc, then such type of agreements are treated as Foreign Technical Collaboration (FTC). If Indian reporting company has such type of FTC during the reporting period, then they should select 'Yes' against the item 11 under Section I of the FLA return.

FAQs Related to Section II

Block 1A

Q28. The section II Password is asked while entering data. Is the Return password protected?

Ans.: Don't try to fill purple cells in the Return, as those are locked/ password protected. Fill-in the yellow cells only. Purple cells denote calculated fields, which are computed automatically.

Q29. What are participating and non-participating preference shares?

Ans.: Participating preference shares are those shares which have one or more of the following rights:

- (a) To receive dividend, out of surplus profit after paying the dividend to equity shareholders.
- (b) To have share in surplus assets remaining after the entire capital is paid in case of winding up of the company.

On the other hand Non-participating Preference Shares are those shares **which do not have** one or more of the above said rights.

Q30. Whether equity participation includes equity shares as well as compulsorily convertible debentures (CCD)?

Ans.: Compulsorily convertible debentures (CCD) issued by the company should not be included in the paid up capital while furnishing the information in Block 1A (in Section II) of the FLA Return. However, if the CCDs / Debentures are held by the non-resident direct investor who is holding the equity shares of Indian reporting company, then CCD / Debentures holding should be reported in 'other capital' component of either Block 2A or 2B (in Section III), depending upon the per cent equity held by the non-resident direct investor.

However if the investor holds only CCD as on end March, then it should be reported in item 2.2 of Block 2C. Similar treatment should be considered while reporting the compulsory convertible preference shares also.

Q31. Whether, in Section II- Block 1A- Item 3.0, the Non-Resident Equity and participating Preference Shares Capital holding (%) is being calculated with respect to Item 1.0 (Total Paid-up capital) or Item 1.1 (Total Equity and participating Preference Shares Capital)?

Ans.: Since Non-Participating share capital is a type of debt investment and is part of Item 1.0, Non-Resident Equity and participating Preference Shares Capital holding (%) is calculated with respect to item 1.1 of Block 1A (in Scion II).

Block 1C

Q32. Where should we report the premium on issue of Equity Share Capital?

Ans.: Premium on issue of Equity Share Capital is a part of Reserve, which should be reported under the item 4.1 of Block 1C- Reserves and Surplus, (in Section II).

Q33: We are not able to insert negative figures at item 4.1 of Block 1C. What should we do?

Ans.: At item 4.1 of Block 1C, you are supposed to mention the information on Reserves **excluding Profit & Loss account balance**, which is always be positive and Profit & loss account balances (carried forward to the balance sheet) should be reported separately at item 4.2 of Block 1C, which can be negative. Ensure that the item 4.3 of Block 1C (i.e. Item 4.1 + Item 4.2), which is auto calculated figure, must be equal to the Reserve and Surplus mention in Balance sheet of the company.

Block 1D

Q34. What should we include in Block 1D?

Ans.: In Block 1D, you are required to provide the information relating to all purchases (including capital and revenue of goods and services)/ sales made domestically as well as foreign during the reference period (April - March).

The detail information in Block 1D should be furnished as below:

- a. All expenses/sales shown in profit and loss account to be taken as total purchases/total sale.
- b. Both goods and services are to be included.
- c. All foreign purchases/ sales i.e. imports and exports, should be captured from P& L Account.

FAQs Related to Section III

Block 2A/2B

Q35. How will we do the valuation of the equity capital for unlisted companies?

Ans.: To calculate the market value of equity capital for unlisted companies use the OFBV method as follows:

Market value of equity capital held by Non- resident at OFBV

$$= (\text{Net worth of the company}) * (\% \text{ non-resident equity holding})$$

Where, Net worth of the company

$$= (\text{Paid up Equity \& Participating Preference share capital of company} + \text{Reserves \& Surplus} - \text{Accumulated losses})$$

However, in excel based format of FLA Return, Net worth of company will be automatically calculated at item 4.4 of Block 1C under Section II, which may be used for valuation of non-resident equity investment under Section III.

Q36. What valuation guidelines should be used while reporting foreign equity investment under Section III for listed companies?

Ans.: If the **Indian reporting company is listed** then closing share price as on reference period, i.e. end-March of previous and latest year should be used for valuation of non-resident equity investment.

Q37. What constitute the 'Other Capital' component of FDI?

Ans.: Other capital is a debt which is to be reported as follows:

(a) Other capital, item 2.1 & 2.2 of Block-2A includes all other liabilities and claims at Nominal value, except equity and participating preference shares, (i.e. trade credit, loan, debentures, Non-participating share capital, other accounts receivable and payables etc.) of Indian reporting company with its **direct investors holding more than 10 per cent equity**.

(b) Other capital, item 2.1 & 2.2 of Block-2B includes all other liabilities and claims at Nominal value, except equity and participating preference shares, (i.e. trade credit, loan, debentures, Non-participating share capital, other accounts receivable and payables etc.) of Indian reporting company with **non-resident investors holding less than 10 per cent equity and indirect related parties** (fellow enterprise or ultimate parent company or group company etc.).

Q38. What is the definition of related party?

Ans.: A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity').

A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture. Therefore, for example, an associate's subsidiary and the investor that has significant influence over the associate are related to each other.

Q39. Where should we report the non-participating preference share issued to non-resident?

Ans.: Non-participating preference share are treated as debt securities. (a) If the Non-participating preference shares are held by foreign investor who is also holding equity shares of Indian reporting company, then Non-participating preference share should be reported at item 2.1 of Block 2A or 2B (depending upon the % equity & participating preference share held by foreign investor) at nominal value.

Q40. Where should we report Fully/Partially/Non-convertible debentures issued to the non-residents in FLA Return?

Ans.: Fully/Partially/Non-convertible debentures are treated as debt securities. (a) If the debentures (of any type) are held by foreign investor, the amount should be reported at item 2.1 of Block 2A or 2B (depending upon the % equity plus participating preference share held by foreign investor) at nominal value.

Q41. What treatment should be given to share application money received from non-resident investor?

Ans.: If the share application money is received from the existing non-resident shareholder, then the outstanding share application money should be reported at item 2.1 of Block 2A or 2B, depending upon per cent of equity plus participating preference share holding by non-resident investor.

Q42. On validating section III of the FLA Return we are getting the error message regarding mismatch of non-resident equity and participating preference share holding (%) between Section III and Section II. How should we resolve the error?

Ans.: Non-resident equity holding per cent (%) is calculated for current year at item 3.0 of Block 1A under Section II. Ensure that the sum of Non-resident equity holding per cent (%) reported under Block 2A, 2B & 2C of Section III must be equal to value given at item 3.0 of Block 1A of Section II.

Q43. In the FLA Return, whether FDI should be reported based on the country of immediate investor or country of ultimate holding company? Where should we report the receivable/ payables with non-resident ultimate holding company?

Example: A company incorporated in Mauritius has invested into Indian company. The parent company of Mauritian company is incorporated in USA. So whether claims and liabilities of Indian company with parent company incorporated in USA also needs to be disclosed in the FLA Return and if yes, where?

Ans.: While filling the FLA return, FDI reporting should be based on the country of immediate investor. However, if there are any receivables/payables with the non-resident ultimate holding company, then same should also be reported at 'Other capital' component of Block 2B under Section III.

In respect of the above example, claims and liabilities of Indian company with the parent USA Company will be reported at 'Other capital' component of Block 2B under Section III.

Block 2C

Q44. What constitute in the Equity Securities under portfolio Investment?

Ans.: Please furnish here the outstanding equity investments (secondary / stock market investment) by non-resident investors, other than those made under Foreign Direct Investment Scheme in India (i.e. other than those reported in Block-2A & Block-2B).

Q45. What constitute in the Debt Securities under portfolio Investment?

Ans.: Following items are included in Debt Securities:

- (a) Money Market Instruments and Bonds & Other instruments are invested by non-resident investors, **(other than those are reported in Block-2A & Block-2B)**
- (b) Non-participating preference shares and debentures are held by foreign investor who is not holding equity share, then the same should be reported at item 2.2 of Block 2C (Bonds & Notes) at nominal value.

FAQs Related to Section IV

Block 3A

Q46. Can you explain, what exactly is the meaning of Block 3A of Section IV under Foreign assets?

Ans.: Block 3A of Section IV on foreign assets captures the information on financial details of Overseas Company in which your company's equity holding is 10 per cent or more.

Q47. If the overseas subsidiaries/ joint venture company's accounting period is different from the reference/reporting period (i.e. April-March) in the Return, then what information should we furnish in Section IV?

Ans.: Companies are required to furnish the information on outstanding external liabilities and assets as on end-March of previous and latest year. In case if the accounting period of overseas subsidiaries/ joint venture of Indian reporting company is different from the reference period, then the information for end-March should be given on internal assessment basis.

Block 4A

Q48. In case where overseas company (DIE) is unlisted, how can we calculate the market value of overseas equity investment using OFBV method under Block 4A of Section IV?

Ans.: For valuation of overseas equity investment OFBV Method should be used, as explained below:

OFBV Method:

Market value of equity capital held by you at OFBV

= (Net worth of the DIE) * (% of equity held by you) Where,

Net worth of the DIE = (Paid up Equity & Participating Preference share capital of company +Reserves & Surplus - Accumulated losses)

As per Block 3A of section IV the formula is given below:

Item 1.1 of Block 4A = (Item 3.2/ Item 3.1)* (Item 3.6* Item 3.7)/100000 for reference period Where, Item 3.1, Item 3.2, Item 3.6 and Item 3.7 are extracted from block 3A

Q49. How will we do the valuation of the equity capital for listed DIE?

Ans.: If the overseas company is listed then closing share price as on reference period, i.e. end-March of previous and latest year should be used for valuation of equity investment.

Q50. What constitute the 'Other Capital' component of ODI?

Ans.: Other capital is a debt which to be reported as follows:

(a) Other capital, item 2.1 & 2.2 of Block-4A includes all other claims and liabilities at Nominal value, except equity shares, (i.e. trade credit, loan, debentures, Non-participating share capital, other accounts receivable and payables etc.) of Indian reporting company with its DIE reported in Block-4A.

(b) Other capital, item 2.1 & 2.2 of Block-4B includes all other liabilities and claims at Nominal value, except equity, (i.e. trade credit, loan, debentures, Non-participating share capital, other accounts receivable and payables etc.) of Indian reporting company with non-resident companies where Indian company holds less than 10 per cent equity and also with indirect related parties (fellow enterprise or ultimate parent company or group company etc.).

Block 5

Q51. What constitute in the Equity Securities under Portfolio Investment Abroad?

Ans.: Please furnish here the outstanding equity investments (foreign stock market investment) by reporting company, other than those made under Foreign Direct Investment Abroad (i.e. other than those reported in Block-4A & Block-4B).

Q52. What constitute in the Debt Securities under Portfolio Investment Abroad?

Ans.: Money Market Instruments and Bonds & Other instruments are invested by reporting company (other than those are reported in Block-4A & Block-4B) are included in the Debt Securities under Portfolio Investment Abroad.

FAQs Related to Section IV (A)

Block 3B

Q53. What information should we report in Block 3B?

Ans.: In Block 3B, you are required to provide the information of Direct Investment Enterprises (DIE) abroad relating to all purchases (including capital and revenue of goods and services)/ sales made domestically as well as foreign during the reference period (April - March).

The detail information in Block 3B should be furnished as below:

- All expenses/sales of DIE abroad shown in profit and loss account to be taken as total purchases/total sale.
- Both goods and services of DIE abroad are to be included.
- All foreign purchases/ sales of DIE abroad i.e. imports and exports, should be captured from P& L Account.

FAQs Related to Section V

Block: 6

Q54. In case of section-V of the form, it is written that position with foreign unrelated parties to be given. Please clarify what transactions are to be reported under the same?

Ans.: All financial outstanding liabilities and claims (Trade Credit, Loans, Currency & Deposits, and other receivable & payable accounts) with foreign unrelated Parties should be reported in Block 6. **Any domestic liabilities or assets (even if it is in foreign currency) should not be reported in the FLA return.**

Further, if the share application money is received from foreign investor who does not hold equity shares of Indian reporting company as on reference date, then outstanding share application money should be disclosed under Section V, at point 6.4: Other receivable and payable accounts.

Q55: Will EEFC account with Bank come under Section V (Currency and Deposit of Outstanding Claims)?

Ans.: EEFC account with Bank is not creating any external Assets and Liabilities. Therefore it will not come under Section V.

Q56. Whether, any assets or liabilities for Indian party (i.e. domestic assets and liabilities) are to be included in the FLA Return?

Ans.: Any domestic liabilities or assets (even if it is in foreign currency) should not be reported in the FLA return.

