

FEMA ke FUNDAE

FDI in LLP

#FamiliarwithFEMA

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Jain Shrimal & Co.

Hii Mr FEMA Gyaani, I am a partner in an Indian LLP. We have been doing business of export of handicrafts through this LLP. Now, one of my friends in US wants to invest in my business and become partner in the LLP. I am curious to know if she can invest in my business.



Sheetal – Indian Resident

Hello Sheetal, Yes, your friend can invest in your Indian LLP. However, there are certain important aspects of FDI in Indian LLP. Let me give you a brief about the same.



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A **person resident outside India** (other than a citizen of Pakistan or Bangladesh) or an **entity incorporated outside India** (other than an entity in Pakistan or Bangladesh), may contribute foreign capital either by way of capital contribution or by way of acquisition/transfer of profit shares in the capital structure of an LLP.



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Sectors not eligible to accept FDI at all which are as follows:

1. Business of chit fund, or
2. Nidhi company, or
3. Agricultural or plantation activities, or
4. Real estate business, or construction of farm houses
5. Trading in Transferable Development Rights (TDRs).
6. Lottery Business including Government /private lottery, online lotteries, etc. Advertisement
7. Gambling and Betting including casinos etc.
8. Manufacturing of Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes
9. Activities / sectors not open to private sector investment e.g. Atomic Energy and Railway Transport (other than Mass Rapid Transport Systems).



Sheetal

Ok, Got it. She is visiting India in a few days. Can I take the required amount of investment in cash?

No Sheetal, you cannot accept investment in cash.

Payment by an investor towards capital contribution in LLPs shall be made:

- (i) By way of inward remittance through banking channels; or
- (ii) By debit to NRE / FCNR (B) account of the person concerned, maintained with an AD Category – I bank in accordance with Foreign Exchange Management (Deposit) Regulations, 2016, as amended from time to time.



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Sheetal

Ok, Got it. Please tell me if there is any other compliance in this regard?

Yes Sheetal, there are 2 reporting requirements under FEMA.

1. Form LLP-1 : It is to be filed within 30 days of receipt of investment.

2. Annual Return on Foreign Liabilities and Assets(FLA) : It is to be filed by 15 July every year and basic information about asset and liabilities of the Indian Company and the company held abroad is to be given.



To be kept in mind: The amount to be remitted can be greater than or equal to the amount derived in valuation report of the LLP proportionate to the PSR of the investee.



Sheetal

Okay. Thank You Mr. FEMA Gyaani for helping me.



Slide 5

NS1 Should we tell about valuation also ??

Naman Shrimal, 23-08-2022

Thank You!

Let's meet every
Wednesday.

To make you more familiar with FEMA,
we are happy to listen to your

Comments

Feedbacks

Suggestions



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