

FEMA ke FUNDAE

**Loans to Foreign Entity by an
Indian Entity**

#FamiliarwithFEMA

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Jain Shrimal & Co.



Utkarsh
(Director of
Indian entity)

Hello Mr. FEMA Gyani, One of my friend is a director in a paper manufacturing **company in USA**. His entity is in need of some funds and he asked me if my entity can give a **loan** to his entity. Is it possible to do so?

Yes Utkarsh. An **Indian entity can give loan to a foreign entity** but there are some **conditions** which needs to be fulfilled.

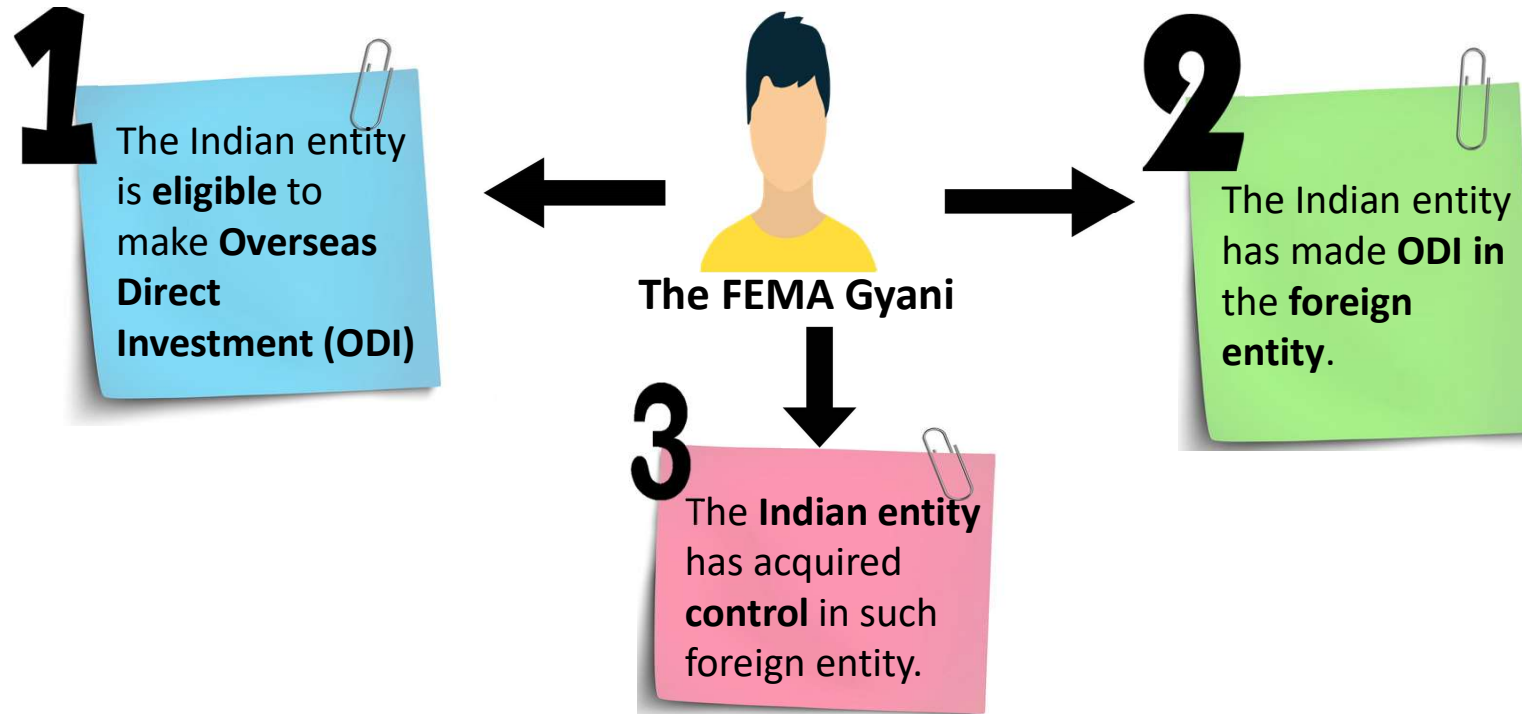


The FEMA Gyani



Utkarsh
(Director of
Indian entity)

Okay. So can you please tell me in detail what are those **conditions**?



Utkarsh
(Director of Indian entity)

Okay. So is there any **other way** by which my company can **give loan** to my friend's company?

No Utkarsh. There is no any other way to do so.



The FEMA Gyani



Utkarsh
(Director of Indian entity)

Okay. So if my company invest in my friend's company and it give a loan to such company, then Can my company charge **interest** on such loans?

Yes. You can charge interest on such loans. The **rate of interest** on such loans shall be charged on an **arm's length basis**. **Arm's length** means a **transaction** between two related parties that is conducted as if they were unrelated, so there is no conflict of interest.



The FEMA Gyani



Utkarsh
(Director of Indian entity)

Is there anything else which needs to be kept in mind?

Yes. One more thing, there should be a **loan agreement** for such loans.



The FEMA Gyani



Utkarsh
(Director of Indian entity)

Okay. Thank You Mr. FEMA Gyani for explaining everything so well.

Thank You!

Let's meet every
Wednesday.

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

Comments

Feedbacks

Suggestions



The FEMA Gyani

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