

FEMA ke FUNDAE

**Buy-Back of shares by an
Indian company that has
received FDI**

#FamiliarwithFEMA

Date : 31.05.2023

Issue No. : 51

Hi Mr. FEMA Gyani, I'm the director of an Indian company and we want to Buy-Back some portion of our share holding. As some of our share holders are NRIs, FIIs, I wanted to know if it is allowed as per the FEMA provisions.



Neha
(Director of Indian Co.)

Yes Neha! It is allowed.
Let me brief you the provisions.



The FEMA Gyani

The Reserve Bank of India has now put the buy-back of shares from foreign investors on an automatic route. Thus, prior permission of The Foreign Investment Promotion Board (FIPB), and RBI would not be required for buy-back of shares by an Indian company from a foreign investor.

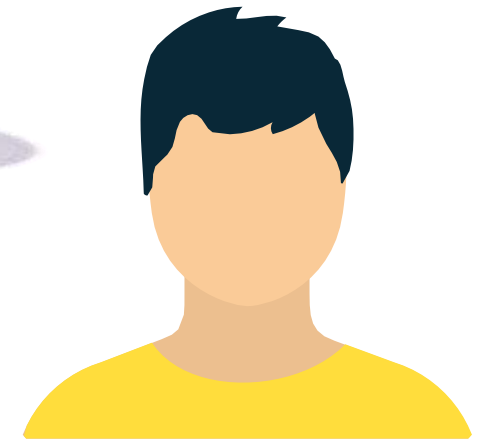
Great! That means we don't need to follow any compliance in this regard and we can buy back the share freely?

No! Neha thought this transaction falls under automatic route however some compliances are required to be done. They are as follows:



Neha

(Director of Indian Co.)



The FEMA Gyani



The FEMA Gyani

The company must be eligible for automatic route investment under the FDI policy, i.e., it must not be in the restricted sector.

Form **FC-TRS** along with the relevant annexures is filed with the **Authorised Dealer**.

The company must not be in the financial service sector, e.g., banks, insurances, NBFCs, etc.



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The pricing guidelines specified by the RBI are adhered to.



Neha

(Director of Indian Co.)

But I heard that form FCTRS is filled in case of transfer of shares and our's is buy-back.

Yes, Form FCTRS is filed when there is transfer of shares from Resident to Non- Resident and vice-versa. However, it is also mandatory required to be filed in case of **BUY-BACK** of shares from foreign investors

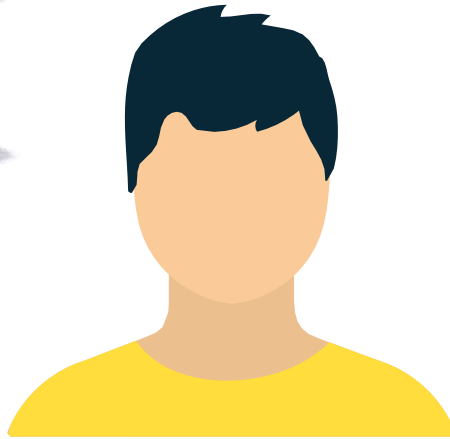


Neha

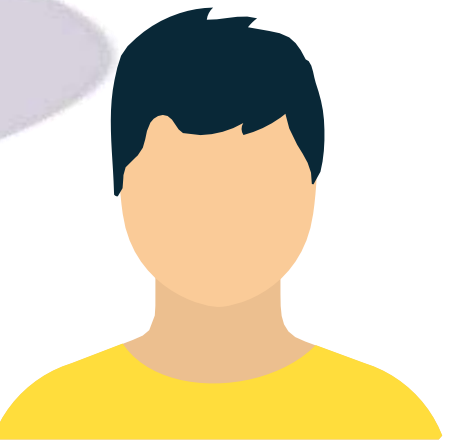
(Director of Indian Co.)

Okay. But where & when Form FCTRS is filled?

Firstly you need to register the entity on the FIRMS/SMF Portal and then form FCTRS can be filled. It shall be filed within 60 days from the date of transfer.



The FEMA Gyani



The FEMA Gyani



Neha
(Director of Indian Co.)

Okay. Is there anything else which I need to keep in mind.

Kindly ensure that Form FCTRS is filled within 60 days form the date of transfer otherwise Late submission fees (LSF) would be applicable.



The FEMA Gyani



Neha
(Director of Indian Co.)

Okay! Thankyou Mr. FEMA Gyani.

Okay Neha. It was a pleasure helping you.



The FEMA Gyani

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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