

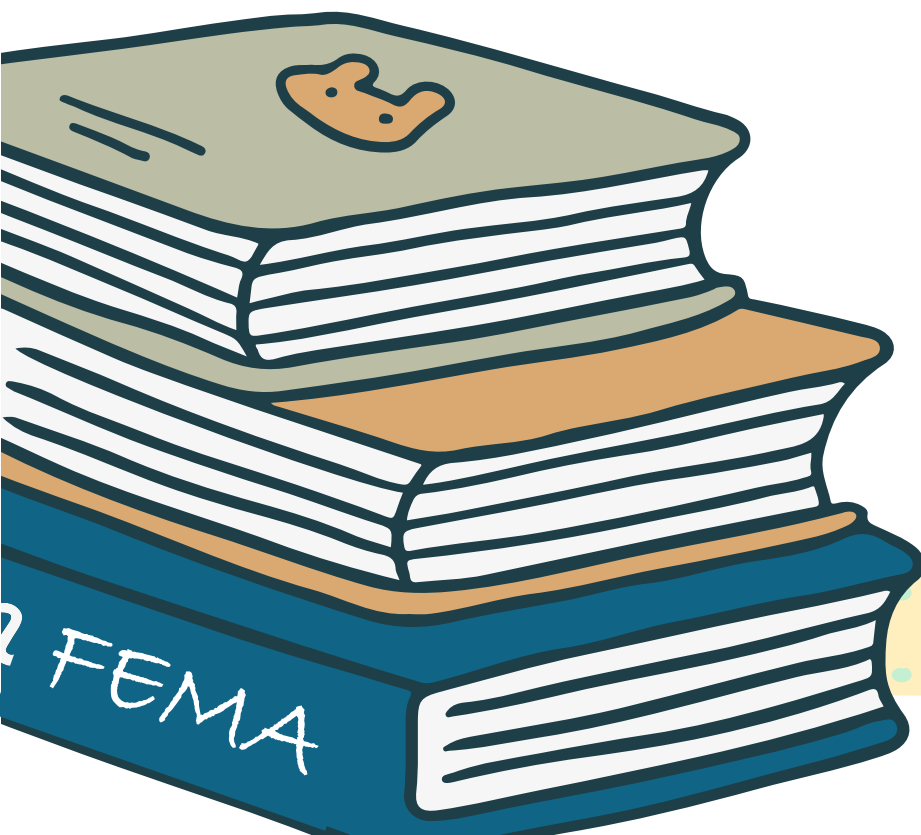
# FEMA Ke Fundae

#FamiliarwithFEMA

Overseas  
Investment in  
Startup

Date: 11/09/2024

Issue no: 117

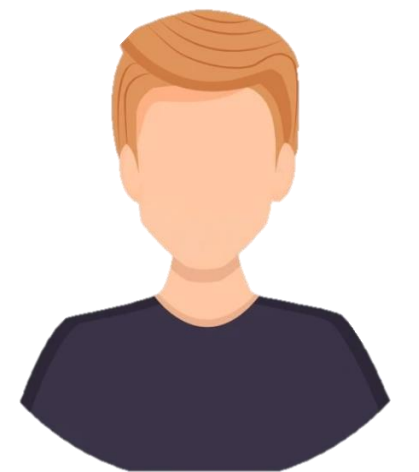




**Priya**  
Resident Indian

Hy, Mr. FEMA Gyani. I am Priya, CEO of “Brown Rocks” (an Indian Company). We provide investment management services to our clients. We want to invest in a start-up abroad. Can we do it ?

Absolutely, Priya. You can do it subject to some conditions.



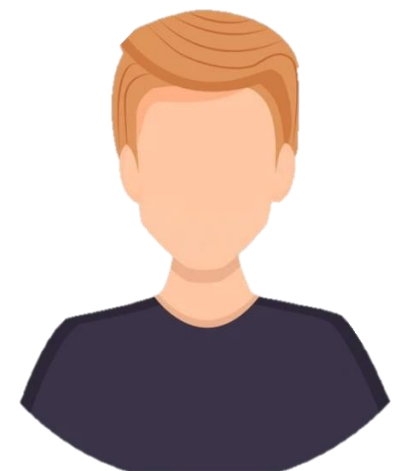
**The FEMA Gyani**



**Priya**  
Resident Indian

Please elaborate it for us.

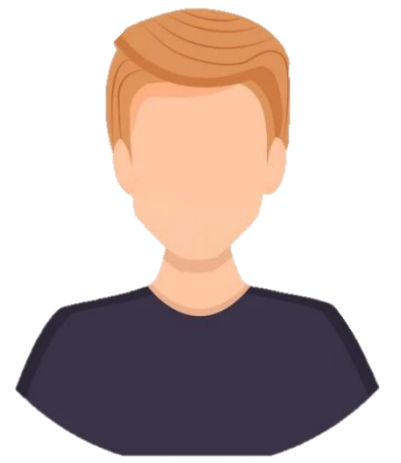
OK, Let’s start with the basics.



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Priya, make sure that the start-up must be recognized under the laws of the host country where it operates.



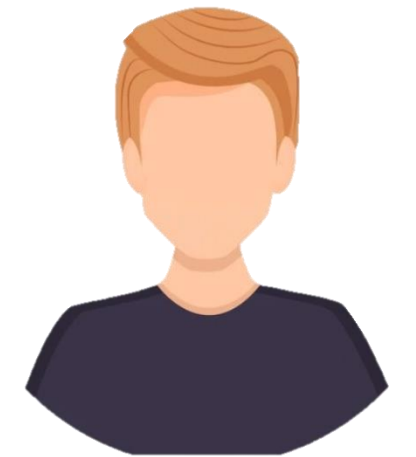
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What if host country does not have any separate legislation for startup ?



**Priya  
Resident Indian**

In such cases, you need to seek approval from the Reserve Bank of India (RBI) for guidance to avoid any further issues.



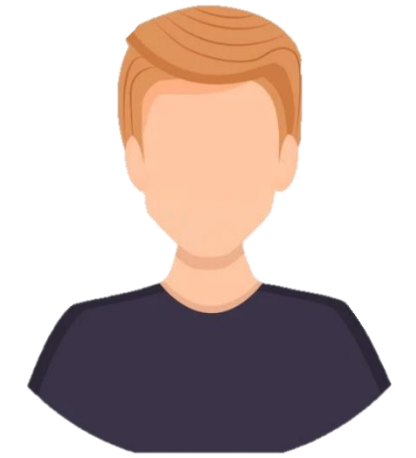
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OK, after complying with the above condition, how can we proceed for payment ? Can we take loan from bank to settle the transaction ?



**Priya  
Resident Indian**

Priya, the money you use for this purpose must come from own savings or profits of company. You can't use borrowed money for this. So, if you have a loan, you can't use that money to invest.



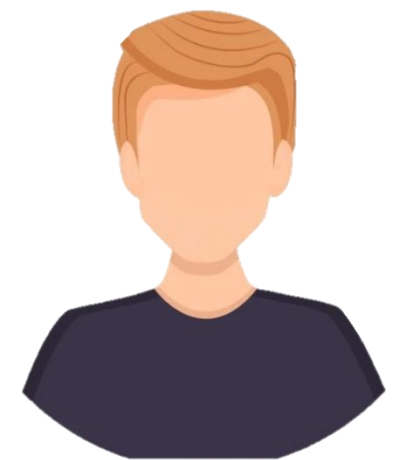
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How it would be verified that funds for investment are not out of borrowed funds ?



**Priya**  
**Resident Indian**

Interesting question! Priya in this case one needs to get a certificate from their Statutory Auditor or Chartered Accountant. This certificate must confirm that the investment is being made from your own funds or the company's profits and not from borrowed money.



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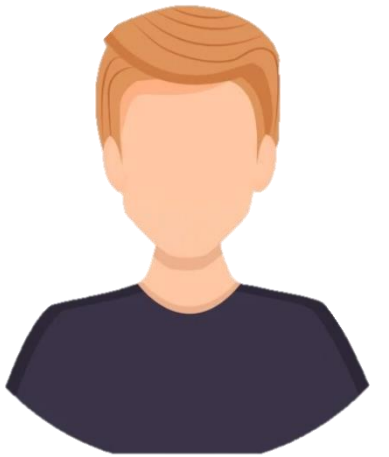




**Priya**  
Resident Indian

And what are the reporting requirements that we need to comply ?

When you make the investment, you'll need to fill out Form FC and report whether the foreign entity you're investing in is a start-up or part of the strategic sector. You'll also need a certificate from your auditor or chartered accountant confirming that your funds are from savings or profits and not borrowed.



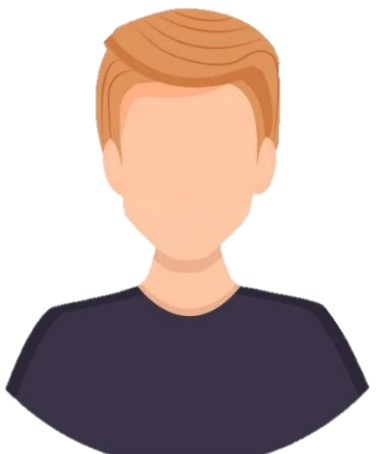
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**Priya**  
Resident Indian

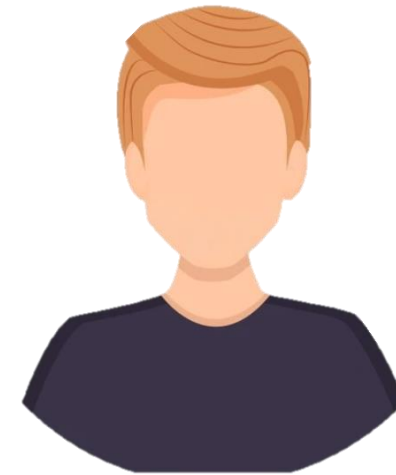
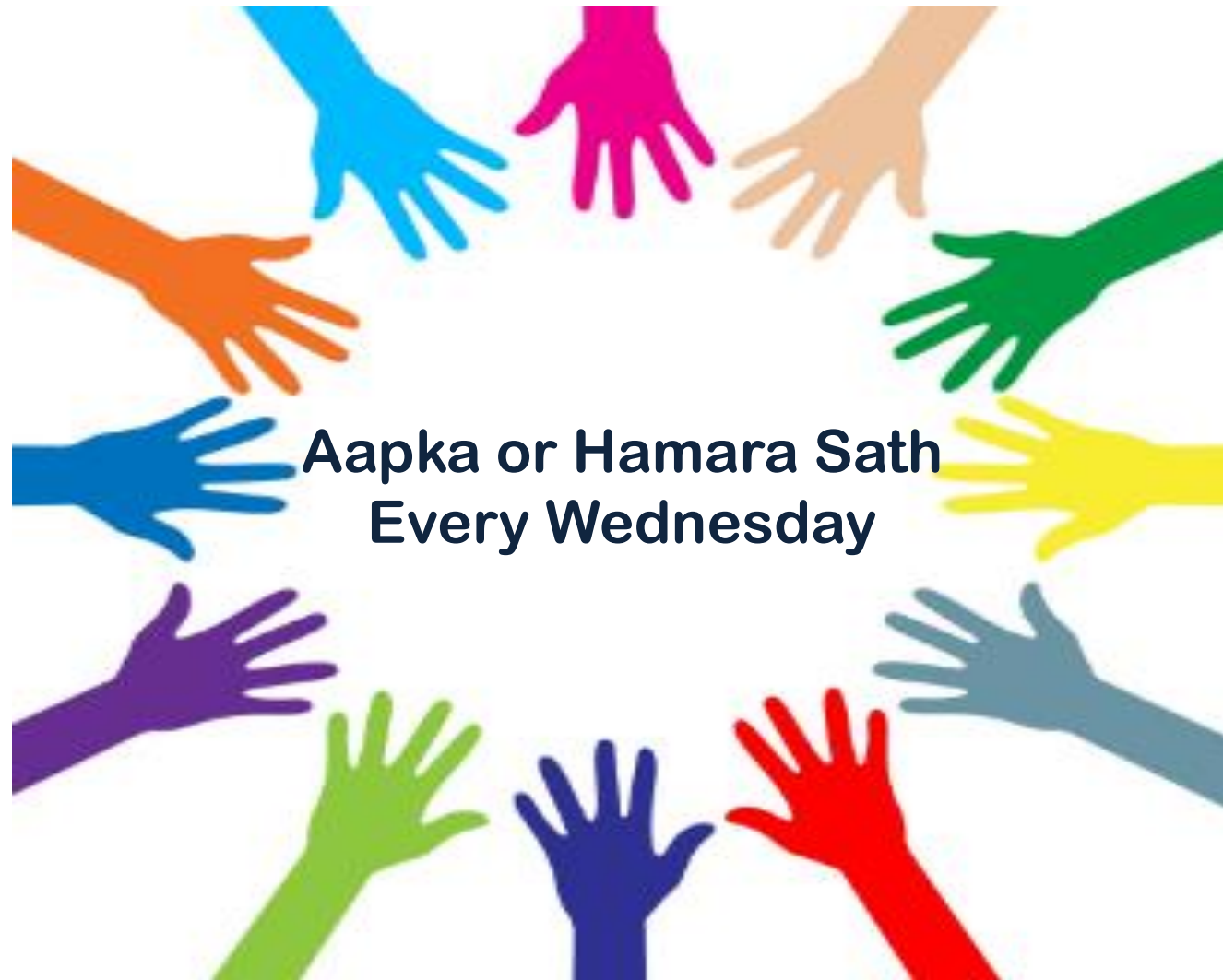
Thanks for breaking it out for us. This is quite insightful!

You're welcome, Priya. Happy investing!



**The FEMA Gyani**

# Thank You



The FEMA Gyani

Comments

Feedbacks

Suggestions



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