



The Institute of Chartered Accountants of India Vasai Branch (WIRC)



OPPORTUNITIES FOR INDIAN CA IN UK

CA Ankita Shethia



Saturday, 1st November, 2025
Time: 4.00 pm to 9.00 pm



Venue: Vasai Branch Premises,
7th floor, Maxus Mall, Bhayandar West

UK SNAPSHOT

The United Kingdom enjoys a strong and dynamic economy, with the services sector — especially financial services — serving as its largest component. Although the UK formally left the European Union in 2020, it continues to sustain substantial trade relations with Europe. This enables firms based in the UK to access a marketplace of roughly 450 million consumers across the EU-27

- London is the capital city of UK.
- UK is 4th largest country by number of companies reaching the valuation of 1 billion \$.
- **Services sector share of GDP:** $\approx 80\%$
- **Goods vs. services exports:** Services make up roughly **45% of UK exports**, led by financial, business, and digital services.
- **Major trading partners:** European Union ($\sim 42\%$ of trade), United States ($\sim 16\%$), China, Switzerland, and Commonwealth nations.
- **Financial services:** London contributes over **10% of UK tax revenue** and employs about **2.3 million people** nationwide.
- **Trade framework:** Governed by the **Trade and Cooperation Agreement (TCA)** since 2021; the UK also has over **70 trade deals** with non-EU partners.



IMPACT OF BREXIT ON UK ECONOMY

- UK has the highest wealth per capita-The UK is one of the richest countries in the world when you look at wealth per person. On average, people in the UK own more property, savings, and investments than in many other countries, thanks to a strong economy and its long history of trade and business.
- BREXIT - short for British Exit—refers to the United Kingdom’s withdrawal from the European Union, following the 2016 referendum. The UK officially left the EU on 31 January 2020, marking a major turning point in its economic, political, and trade relations. The departure led to significant changes in trade, travel, and regulatory systems, reshaping how businesses and individuals operate between the UK and Europe.
- ✓ Trade & Supply Chains: Increased customs checks and import/export costs prompted many firms to revise supply chains or relocate parts of their operations within the EU.
- ✓ Labour Movement: The end of free movement impacted sectors reliant on EU workers, including agriculture, healthcare, and hospitality.
- ✓ Global Opportunities: Post-Brexit, the UK has focused on building new trade partnerships with countries such as Australia, India, Japan, and the United States, broadening its global reach.

Although Brexit has posed economic and logistical challenges, it has also allowed the UK greater policy independence and the flexibility to forge its own trade and regulatory path.

HOW INDIAN CAs CAN ENTER THE UK MARKET



- ➔ 1. Establishing Your Own Business in UK
- ➔ 2. Providing Consultancy Services From India (Remotely) To UK Clients
- ➔ 3. Study Courses available for Indian CA
- ➔ 4. Exploring Employment Opportunities in UK
- ➔ 5. Offering Consultancy Services by being Physically Present in UK

1. ESTABLISHING YOUR OWN BUSINESS IN THE UK

Incorporating a Business in the UK

- UK managed to attract more than 1800 new projects in the past year.
- So, when an Indian resident wants to set up a business in the UK, FEMA regulations require you to choose your business structure carefully, as it affects liability, funding, and compliance.
- Private Limited Company (Ltd): Owners (shareholders) are only liable up to their investment. Directors run the company, and personal assets are protected. These business structures protect your personal assets, if the company runs into debt, you only risk the money you invested.
- Limited Liability Partnership (LLP): An LLP combines the benefits of a traditional partnership with limited liability protection. Partners have the flexibility to manage the business directly, and each partner's liability is limited to their agreed contribution. This means personal assets are generally protected, and partners are not personally responsible for the business debts or the actions of other partners.

Indian residents are not allowed to invest in entities with unlimited liability under FEMA rules.

- This means you cannot set up or invest in a Sole Trader or Traditional Partnership structure abroad because those expose the investor to unlimited personal financial risk.
- FEMA only allows investments in entities where liability is limited, such as: Limited Company (Ltd) & Limited Liability Partnership (LLP) This ensures that if the business faces losses or debts, the investor's personal assets remain protected, and only the invested amount is at risk.

1. ESTABLISHING YOUR OWN BUSINESS IN THE UK

Industries Attracting the Most Investment in the UK

Several industries in the UK attracted strong foreign investment in 2024 and are expected to continue doing so in 2025:

- **Software and IT services:** Even though overall tech projects dropped in 2024, software and IT services stayed the biggest sector for foreign investment. India was the second-largest source of investment, accounting for 25% of all UK software and IT projects.
- **Technology and AI:** The broader tech sector, including artificial intelligence (AI), is seeing big investments. Large data center projects were some of the largest foreign investments in 2024, with companies like QTS and Amazon Web Services leading the way. The UK government also supports tech growth through its industrial strategy.
- **Life sciences and healthcare:** This includes healthcare, pharmaceuticals, and biotech. The UK is a top European destination for investment in these fields, with the government investing £650 million to boost the life sciences sector.
- **Renewable and clean energy:** Investments are rising as the UK moves toward sustainable energy. The government supports projects in carbon capture, hydrogen, and offshore wind.
- **Financial and professional services:** London remains a global financial hub, keeping this sector strong. Business and professional services were among the largest FDI sectors in 2024.
- **Advanced manufacturing:** Key industries like automotive and aerospace received government support and significant foreign investment.
- **Real estate and construction:** This sector generated £180 billion in 2024, driven by infrastructure projects and high demand for development.

1. ESTABLISHING YOUR OWN BUSINESS IN THE UK

As per Indian FEMA regulations.

- LLP: Suitable if starting with another professional.
- Limited Company: Offers limited liability and a more formal structure for larger operations.

Register your Business:

- Register with Companies House (for Companies/LLP).
- Companies/LLP itself must register with HMRC so it can report its profits and comply with UK tax rules.
- Obtain a Unique Taxpayer Reference (UTR) and, if applicable, register for VAT/ PAYE.

Open a Business Bank Account in UK -It is very important, and it can be either a physical bank account or a virtual bank.

It is not necessary to be physically present in the UK to open a business bank account. Many banks and financial platforms now allow remote or online account opening, especially for overseas directors or investors.

You can choose between:

- A physical bank account – opened with a traditional UK bank.
- A virtual or digital account – opened online with approved fintech platforms.

Both types of accounts are acceptable for ODI (Overseas Direct Investment) purposes, as long as they are in the name of the business entity and meet compliance requirements.

1. ESTABLISHING YOUR OWN BUSINESS IN THE UK

Benefits of opening a bank Account.

- Having a **separate bank account** is a fundamental requirement for any registered business (like a company, LLP, or partnership). It ensures that the business is treated as an **independent legal and financial entity**, distinct from its owners.
- A separate business bank account is essential for:
 - Legal and regulatory compliance.
 - Transparent financial management.
 - Accurate taxation and audit processes.
 - Professional credibility and growth.

Setup Accounting and Tax System:

- Maintain proper bookkeeping, invoicing, and expense tracking system.
- File annual accounts and corporation tax returns (for companies).
- Pay income tax or corporation tax, VAT, and PAYE (if hiring staff) as per the due date.

Understand UK Business Laws and Regulations:

- Familiarize yourself with employment laws, contract laws, and client confidentiality standards which will help you avoid mistakes and build trust with clients.
- Prepare simple service agreements and engagement letters to clearly explain your terms with clients or partners.

Networking and Business Growth:

- Join UK business networks, accounting forums, and Indian diaspora business groups.
- Collaborate with UK-based firms for joint projects.
- Use digital marketing and referral programs to build your client base.

INCORPORATION DETAILS

Particulars	Remarks
Number of Shareholders required	Minimum 1 shareholder required
Number of Directors required	Minimum 1 Director required
Nationality of Director and Shareholders	A Non-resident or Non UK citizen can be a Shareholder and Director of UK companies. • There is no mandatory requirement of having a UK resident to be director of UK Company, but Companies House may raise additional quires if there are no resident directors. • Some banks may not favor opening up a bank account without resident directors.
Physical Presence of Shareholders and Directors in the UK	There is no requirement to be physically present at the time of company registration.
Time-frame	It usually takes 4-5 days for the company to be incorporated. Bank account opening will take an additional 3-4 weeks

DOCUMENTS REQUIRED FOR INCORPORATION IN UK



Corporate Shareholding Pattern:

- Foreign Company Bylaws (MoA & AoA);
- Foreign Company Certificate of Formation/Incorporation or similar document;
- Foreign Company Tax ID;
- Shareholders register showing the shareholders name;
- Foreign Company Domicile/ Address Proof.

Individual Shareholding Pattern:

- Shareholder's Address Proof and Passport;
- Director's Address Proof and Passport;

POST INCORPORATION



Incorporation Documents sent by Company House

- Certificate of Incorporation
- Statement of Capital (Share Capital)
- Persons with Significant Control (PSC)
- Company's Unique Taxpayer Reference (UTR)
- Company Documents (MOA)

Incorporation documents are publically available in UK for all local companies.

Difference between HMRC and Companies House

HMRC	HMRC (His Majesty's Revenue and Customs) is a government department that is responsible for the UK tax system, including the collection of Corporation Tax and VAT.
Companies House	Companies House is the regulatory body for limited companies in the United Kingdom.

TAX SUMMARY FOR THE UK

Headline CIT rate	25%
CIT return due date	The tax return needs to be filed within one year from the end of the accounting period.
CIT final payment due date	Generally within 9 months of the end of accounting period.
Headline PIT rate	45% (the basic rate starts at 20%, the higher rate is 40%, and the 45% rate is for income over GBP 125,140).
PIT return due date	31 January following the end of the tax year.
PIT final payment due date	31 January following the end of the tax year.
Standard VAT rate	20%
WHT rates (%) (Dividends/Interest/Royalties)	Resident: 0 / 20 / 20; Non-resident: 0 / 20 / 20

2. CONSULTANCY SERVICES FROM INDIA TO THE UK

Indian Chartered Accountants (CAs) can offer a variety of services to UK clients without being physically present in the UK

➤ Incorporation of Company

- Assistance for Company Formation
- Structuring and Funding Advisory
- FEMA Compliance Advisory

➤ Tax Compliance Services

- Prepare tax returns for companies and individuals.
- Advise on cross-border tax planning, investments and inheritance tax.

➤ Accounting & Bookkeeping

- Keep financial records using cloud-based tools like Xero or QuickBooks.
- Handle payroll processing for small and medium businesses remotely.
- Help Indian subsidiaries of UK companies to convert FS prepared under IFRS to Indian Accounting Standards (Ind AS) for Indian consolidation purpose.

➤ Advisory & Consultancy

- Provide management consultancy for UK businesses.
- Give advice on investments and inheritance tax.
- Offer outsourced CFO services for start-ups.

2. CONSULTANCY SERVICES FROM INDIA TO THE UK

➤ Compliance of UK Company

- Annual Corporate Tax Return filing CT-600
- Monthly / Quarterly VAT Return filing
- Monthly PAYE payment
- Annually Data Protection fee payment
- Maintain Professional Indemnity Insurance (PII) if required.
- Register under Anti-Money Laundering (AML) regulations with HMRC or a Recognized Supervisory Body (RSB).
- Follow ethical standards and client confidentiality rules in the UK.

➤ Important Note on Audits & Regulated Services

- Indian CAs cannot sign audits or regulated financial reports in the UK without proper local recognition.
- To offer audit or other regulated services, you must register with a Recognized Supervisory Body (RSB) such as:
 - ACCA (Association of Chartered Certified Accountants)
 - ICAEW (Institute of Chartered Accountants in England and Wales)

NRI TAXATION IN THE UK – A HIGH-POTENTIAL NICHE:

UK has witnessed migrants from other countries moving in for work opportunities. Many Indians have shifted to UK for such jobs and they require assistance for personal Tax Return filing in UK.

Why This Is a Big Opportunity

Indian Tax System and UK Tax System is quite similar, so a Tax expert who understands Indian Tax law will find the UK system simple to understand.

Role of Indian CAs

- Many NRIs are confused or unaware of their new obligations.
- They are facing notices, penalties, and interest for non-disclosure.
- Indian CAs can:
 - Help identify foreign income that must be declared.
 - Adjust/revise past returns within allowed timelines (2 years).
 - Advice on reliefs and how to minimize double taxation.
 - Assist with DTAA claims between India and the UK.
 - Prepare proper UK tax returns (Self-Assessment).

NRI TAXATION IN THE UK – A HIGH-POTENTIAL NICHE:

BASICS OF TAX RESIDENCY IN THE UK

A person becomes a UK tax resident if they stay in the UK for 183 days or more in a tax year or meet other residency tests (like having their main home in the UK).

Once someone becomes a UK tax resident, their income is taxable in the UK — but there were two options earlier:

OLD SYSTEM (BEFORE APRIL 2025): TWO TAXATION OPTIONS

When someone became a UK tax resident (even an NRI living in the UK), they had a choice on how their foreign income would be taxed.



Option 1: Arising Basis – BY DEFAULT - (Declare Global Income)

- Declare all income (UK + foreign) to HMRC.
- This includes salary, rental income, dividends, interest, etc., from any country.
- Keep your Personal allowance (£12,570)
- Keep CGT Annual exemption (£3,000)
- Can claim Foreign Tax Credit Relief for tax paid abroad
- You could claim relief for taxes paid in India through the DTAA.

NRI TAXATION IN THE UK – A HIGH-POTENTIAL NICHE:

OPTION 2: REMITTANCE Basis - OPTIONAL (Pay Tax Only on UK Income)

- Do not declare global income unless you bring it into the UK ("remit").
- For example, if you had ₹10 lakhs in Indian FD but kept the interest in India, no UK tax is payable.
- But if you transferred it to a UK bank account — then only tax applies.
- This was beneficial for new residents with global investments.

Important:

To use the remittance basis, you had to opt-in by ticking the right box in your UK tax return (Self-Assessment) every year.
If not opted, HMRC assumes you are on the Arising Basis.



NRI TAXATION IN THE UK – A HIGH-POTENTIAL NICHE:

BIG CHANGE : NO MORE REMITTANCE Basis

Starting from 6 April 2025 (start of UK tax year 2025–26):

- The Remittance Basis is being abolished.
- Every UK tax resident, even if recently moved to the UK, will now be taxed on a "worldwide income" basis.
- This means:
 - If you're an NRI living in the UK, your Indian income (FD interest, rent, capital gains) will be taxable in the UK, even if it stays in India.
 - You will need to declare it fully in the UK ITR.



NRI TAXATION IN THE UK – A HIGH-POTENTIAL NICHE:

What Can Be Done Now (Until April 2025)?

- NRIs still have a window to revise the last 2 years of returns if:
 - They forgot to opt for the remittance basis.
 - They now want to disclose foreign income properly.
- There are allowances and exemptions available:
 - Capital Gains Allowance: ~£3,000 (subject to updates).
 - Interest Income Allowance: ~£1,000 for basic rate taxpayers.
 - Dividend Allowance.
 - Double Taxation Relief for Indian taxes already paid.

This gives scope for tax planning and rectification but only if done proactively.



NRI TAXATION IN THE UK – A HIGH-POTENTIAL NICHE:

KEY CONCEPTS:

- UK residents must report global income (mandatory from April 2025).
- Earlier, NRIs could choose remittance basis (only taxed on income brought into the UK) — this is now abolished.
- Many NRIs didn't opt correctly and are now getting tax notices.
- EOI (Exchange of Information) between India and UK has strengthened.

Opportunities for Indian CA's:

- Guide NRIs on tax planning and return filing.
- Revise returns for up to 2 previous years.
- Help apply eligible deductions like:
 - Capital gains exemptions
 - Interest income allowances
 - Residence-based exemptions
- Since people have filed incorrect ITR now there is huge demand for correct filing and representation before HMRC.



3. STUDY / COURSES AVAILABLE FOR INDIAN CA

For an Indian CA exploring opportunities in the UK, key courses include the ACCA (Association of Chartered Certified Accountants) for global recognition and CIMA (Chartered Institute of Management Accountants) for management-focused roles. An ICAEW (Institute of Chartered Accountants in England and Wales) qualification, potentially a Master's in Professional Accountancy (MPA), or a related Master's like finance or business administration are also viable options. Professional accounting qualifications

ACCA:

A globally recognized qualification that offers exemptions for Indian CA qualifications, significantly shortening the duration. It provides expertise in international accounting standards (IFRS) and opens up opportunities in multinational companies.

CIMA:

Focuses on management accounting, including financial strategy, risk management, and performance management. This is ideal for those interested in roles beyond traditional accounting, within a company's management structure.



3. STUDY / COURSES AVAILABLE FOR INDIAN CA

ICAEW:

The Institute of Chartered Accountants in England and Wales offers the ACA (Associate Chartered Accountant) qualification, which is another pathway to becoming a Chartered Accountant in the UK.

Below are some Master's degrees available:

Master's in Professional Accountancy (MPA):

Offered by many UK universities, this degree can be structured to help you meet the professional exams for the ICAEW or ACCA.

Master's in Finance or Business Administration:

A master's degree in a related field can be a strong foundation, after which you can complete professional training and exams to become a UK Chartered Accountant.



3. STUDY / COURSES AVAILABLE FOR INDIAN CA

Other courses

Master's in Law or a specialized industry course:

To further specialize, a law degree or industry-specific courses (e.g., in information systems or intellectual property) can be beneficial.

Chartered Institute of Public Finance and Accountancy (CIPFA):

This qualification is specifically for public sector finance and is another option for those interested in government and public service roles.



4. WORKING IN THE UK – JOB OPPORTUNITIES FOR INDIAN CA

➤ Qualifications and Licensing

The CA qualification from India isn't recognized in the UK. So, to work there professionally, Indian CAs usually need to get an additional UK qualification:

- ACCA (Association of Chartered Certified Accountants):
Indian CAs can get exemptions from up to 9 papers, meaning you only need to clear the remaining 4 papers, an ethics module, and gain some work experience to become a full member.
- ICAEW (Institute of Chartered Accountants in England and Wales):
This route is more detailed and costly but highly respected in the UK.
- Diploma in IFRS (by ACCA):
A short-term qualification (3–6 months) that boosts your global accounting knowledge and helps in roles related to financial reporting and compliance.

4. WORKING IN THE UK – JOB OPPORTUNITIES FOR INDIAN CA

➤ Job Market Overview.

The UK job market is currently a bit slow overall, but Tax-related roles are in high demand.

Since local UK graduates are less interested in taxation jobs, qualified Indian CAs have good opportunities especially if they hold UK-recognized certifications.

➤ Common Roles for Indian CAs in the UK.

With the right UK qualification, Indian CAs can work in various professional roles:

- Tax Associate / Tax Manager: Help individuals or companies file taxes, plan finances, and stay compliant with UK tax laws.
- IFRS Reporting Analyst: Prepare and review financial reports using international accounting standards (IFRS).
- Financial Controller: Manage a company's overall finances like budgets, reports, and cash flow.
- Audit Manager: Lead audit teams and review company accounts, but only after getting a UK audit license.

5. PROVIDE CONSULTANCY PHYSICALLY FROM UK

LEGAL PATH TO SET UP PRACTICE:

- Indian CAs cannot directly sign audits in the UK without registration.
- Must register with a UK-recognized accounting body (e.g., ACCA, ICAEW).
- Need physical presence in the UK to practice certain regulated functions (especially statutory audits).

Steps to Set Up a Practice:

1. Business Registration: Register a private limited company or LLP with Companies House in the UK.
2. Visa Requirements:
 - Start-up visa or Innovator visa if coming from India.
 - Alternatives: Post-study work visa (if studying), or Skilled Worker Visa (job sponsorship).
3. Compliance:
 - Register with HMRC for tax and VAT purposes.
 - Get PII (Professional Indemnity Insurance).

Maintain AML (Anti-Money Laundering) compliance as per UK regulations.

5. PROVIDE CONSULTANCY PHYSICALLY FROM UK

CORE SERVICE AREAS FOR Indian CAs:

- **Tax Consultancy (especially NRI taxation – high demand)** : Expert cross-border tax advisory for NRIs and UK residents with Indian income or assets.
- **Bookkeeping & Payroll (high competition – lower margins)** :Reliable, cloud-based bookkeeping and payroll solutions to keep your business compliant and efficient.
- **Personal & Corporate Tax Returns** : Accurate and timely tax return services for individuals and companies, ensuring full HMRC compliance.
- **Business Incorporation & Compliance** : End-to-end support for company formation, statutory filings, and ongoing compliance management
- **Financial Planning & Wealth Management** : Integrated tax-smart financial planning and wealth management for professionals and business owners.
- **Audit & Assurance Services**:For UK businesses requiring statutory audit, or Indian businesses with UK link.
- **Digital Accounting / Cloud Accounting Implementation**: Helping clients migrate from manual/traditional accounting to cloud tools (Xero, QuickBooks, Sage) given many UK firms outsource bookkeeping to India.
- **Remittance & Foreign Exchange Advisory**:For clients moving money between India & UK, or investing in one country while resident in the other.

5. PROVIDE CONSULTANCY PHYSICALLY FROM UK

Benefits of Being Physically Present in the UK

Advantages:

- Access to audit licenses – which is not possible to do from India remotely.
- Easier to build local client trust and network.
- Eligible for regulated financial roles (e.g., statutory auditor, CFO).
- Participation in local tenders or consulting projects.
- Better ability to comply with UK regulatory and AML laws.

CAREER GROWTH:

- Direct Client Interaction: Build stronger relationships and better understand client needs and the UK market.
- Higher Earning Potential: Working physically in the UK often comes with higher fees and salaries compared to remote consulting.
- Better Career Opportunities: Easier to join Big 4 firms, top-tier accounting or consulting companies, and senior management roles.
- Professional Recognition: Gain UK work experience that's highly valued globally.
- Networking: Expand your professional network by connecting with UK clients, peers, and industry leaders.
- Permanent Residency (PR) Advantages: Physical work experience helps in Permanent Residency.
- Skill Development: Exposure to UK accounting standards, tax systems, and corporate laws enhances expertise.
- Leadership Opportunities: Higher chances to manage teams or lead projects within UK firms.

CHALLENGES FOR INDIAN CA IN THE UK

Regulatory & Legal:

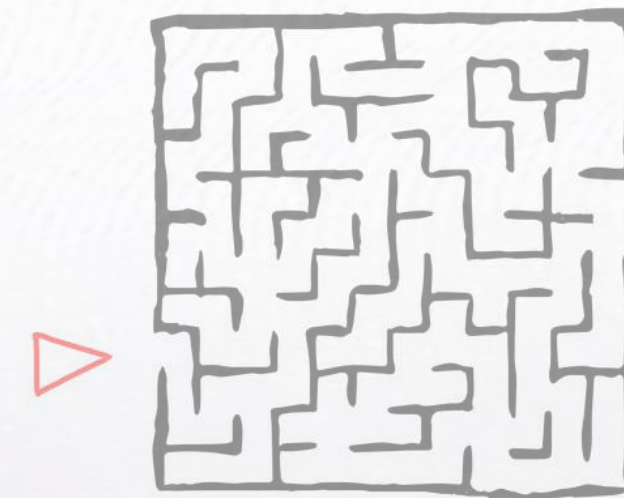
- Need to clear additional exams (ACCA, ICAEW) to practice independently.
- Visa restrictions and sponsorship limitations.
- Audit rights restricted without UK residency + licensing.

Market Competition:

- Bookkeeping is saturated – very low pricing competition.
- UK market is mature – clients expect high-quality service with UK-specific knowledge.

Cultural & Practical:

- Need for soft skills and UK-specific etiquette.
- Time zone and communication challenges (for remote consulting).
- Adapting to cloud accounting platforms and tech-driven workflows.



FEMA COMPLIANCE – BASICS OF ODI AND FDI REPORTING

1. Overseas Investment (OI)

- **Definition:** “Overseas Investment” or “OI” means financial commitment and Overseas Portfolio Investment by a person resident in India
- **Overseas Portfolio Investment or OPI** means investment, other than ODI, in foreign securities, but not in any unlisted debt instruments or any security issued by a person resident in India who is not in an IFSC
- **Overseas Direct Investment (ODI)** means
 - i. acquisition of any unlisted equity capital or subscription as a part of the Memorandum of Association of a foreign entity, or
 - ii. investment in 10% or more of the paid-up equity capital of a listed foreign entity, or
 - iii. investment with control where investment is less than 10% of the paid-up equity capital of a listed foreign entity

2. Automatic and Approval Route

- **Automatic Route:** Most ODI investments can be made without prior RBI approval, provided they meet specific conditions.
- **Approval Route:** Investments that exceed limits or fall within restricted sectors need RBI approval.

FEMA COMPLIANCE – BASICS OF ODI AND FDI REPORTING

3. Investment Limits

- **FOR THE COMPANIES**

Financial commitment shall not exceed **400% of net worth** as per the last audited balance sheet (not more than 18 months preceding the date of transaction) or USD 1 (one) billion (or its equivalent) in a financial year, whichever is lower.

- **FOR INDIAN RESIDENT INDIVIDUAL**

Any resident individual may make ODI by way of investment in equity capital or OPI in the manner provided in Schedule III of subject to the overall ceiling under the Liberalized Remittance Scheme i.e. **USD 250,000 per annum**.

4. Funding the Investment

- **Foreign Exchange Transactions:** The investment must be funded in foreign exchange through authorized dealers (Banking Channel) in India.

5. Restrictions on Certain Sectors

- **Prohibited Investments:** Real estate activity, gambling in any form, dealing with financial products linked to the Indian Rupee without having specific approval of the Reserve Bank of India. In addition to these, Resident Individuals are not allowed to invest in financial sectors and set up any Step-Down Subsidiary (SDS).
- **Explanation.**– For the purposes of this sub-rule, the expression "real estate activity" means buying and selling of real estate or trading in Transferable Development Rights but does not include the development of townships, construction of residential or commercial premises, roads or bridges for selling or leasing.

FEMA COMPLIANCE – BASICS OF ODI AND FDI REPORTING

- **Filing of Form FC:**

The Form FC (Section A to Section E) is required to be submitted to the designated AD bank by the person resident in India seeking to invest in the foreign entity, whether under Automatic Route or Approval Route. The Form FC is to be submitted while undertaking financial commitment in a foreign entity, at the time of sending outward remittance or making a financial commitment, whichever is earlier. Hence, in order to avoid the Late Submission Fees (LSF), it is crucial to submit all the details and Form FC with AD Bank before the Foreign Company gets incorporated.

- Section A – Details of Indian Entity (IE)/ Resident Individual (RI)/ Trust/ Society.
- Section B – Details of the foreign entity/ Step-Down Subsidiary (SDS)
- Section C - Details of Transaction/ Remittance/ Financial Commitment of IP/ RI.
- Section D – Declaration by the IP/ RI.
- Section E – Certificate by the statutory auditors of the IP/ self-certification by RI.

- **Evidence of Investment:**

Submit Share Certificates or any other document as an evidence of investment in the foreign entity to the satisfaction of the Reserve Bank within six months/180 days from the date of effecting remittance.

- **Submission of Annual Performance Report:**

Indian Party is required to submit every year on or before December 31, an Annual Performance Report (APR) in Annex II in respect of each JV or WOS outside India, and other reports or documents as may be prescribed by the Reserve Bank from time to time. As per practical observation, this APR should be filed before November 30 to avoid last minute delay by Banks.

- **Audit of Books:**

For submission of APR, it is mandatorily required that books of the Foreign Company be audited by Foreign CPA/ Indian CA

FEMA COMPLIANCE – BASICS OF ODI AND FDI REPORTING

- **Submission of annual return on Foreign Liabilities and Assets (FLA):**

It is required to be submitted directly by all the Indian companies /LLP/Partnership Firms which has received FDI and/or made ODI abroad (i.e. overseas investment) in the previous financial year by July 15 every year on website . This is not applicable for Individual shareholder.

- **Repatriation of Dues:**

As per OI Rules, all the dues receivable from the foreign entity (dividend, royalty, technical fees, etc.) are required to be repatriated within 60 days of its falling due.

The investor who has remitted funds under LRS can retain and reinvest the income earned from his investments made under the Scheme. However, the received/realized/unspent/unused foreign exchange, unless reinvested, shall be repatriated and surrendered to an authorized person within a period of 180 days from the date of such receipt/ realization/ purchase/ acquisition or date of return to India, as the case may be

In summary, if any amount is due from Foreign entity, it should be brought back within 60 days to India.

- **Changes to Foreign Entity:**

Post Investment Changes/ Additional Investment in existing JV/WOS to be reported within 30 days can be updated with RBI by filing Form FC with AD Bank within 30 days of such change.

- **Certain Prohibitions:**

Resident Individual cannot provide Loan to their subsidiary abroad, invest by way of ODI in an operating foreign entity engaged in financial services activity and entity which has subsidiary or step down subsidiary.

FEMA COMPLIANCE – BASICS OF ODI AND FDI REPORTING

1. Foreign Direct Investment (FDI)

The investment through equity instruments by a person resident outside India in

- an unlisted Indian company; or
- 10% or more of the post issue paid-up equity capital on a fully diluted basis of a listed Indian company
- If any existing investment in a listed company falls below 10% of the post issue paid-up equity capital on a fully diluted basis then the investment will continue to be treated as FDI.
- Fully diluted basis means the total number of shares that would be outstanding if all possible sources of conversion are exercised.
- FC-GPR has to be filed in such case.

FEMA COMPLIANCE – BASICS OF ODI AND FDI REPORTING

2. Foreign Portfolio Investment (FPI):

Any investment made by a person resident outside India in equity instruments where such investment is less than –

- 10% of the post issue paid-up equity capital on a fully diluted basis of a listed Indian company; or
- 10% of the paid-up value of each series of equity instruments of a listed company
- No FC-GPR to be filed
- If foreign investment is increased to 10% or more in listed Indian company, it will be reclassified as FDI. Indian company must comply with FC-GPR reporting. But if FDI fall below 10%, then not reclassified as FPI, it remains FDI

3. Automatic and Approval Routes

- **Automatic Route:** Certain sectors allow foreign investment without prior approval from the government or Reserve Bank of India (RBI), provided the investment meets specified conditions.
- **Approval Route:** For sectors not covered under the automatic route, prior government approval is required.

S K Patodia & Associates LLP

CHARTERED ACCOUNTANTS

THANK YOU !!

CONTACT US



+91 22 6958 6482 / 98691 48195



ankita.shethia@skpatodia.in



<https://skpatodia.in/>



Unit No. 202, 2nd Floor, Sumer Plaza,
Marol, Andheri (E). Mumbai - 59, India.