

FEMA – RECENT UPDATES

By

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Updates of 2018 in FEMA

- Concept of LSF
- Discontinuance of LoUs / LoCs by AD Bankers
- ECB re-financing by overseas subsidiaries / branches of Indian Banks
- LRS – Daily reporting by AD Bankers
- Amendment to FDI Regulations
- Introduction of SMF

Late Submission Fee (LSF)

- **Delays in reporting of various forms under FDI:**
 - Applicable for the Foreign Investment transactions undertaken on or after November 7, 2017.
 - Option for regularising reporting delays without undergoing the compounding procedure.

LSF Matrix:

Amount involved in reporting (in Rs.)	Late Submission Fee (LSF) as % of amount involved *	Maximum amount of LSF applicable
Up to 10 million	0.05 percent	Rs.1 million or 300% of the amount involved, whichever is lower
More than 10 million	0.15 percent	Rs.10 million or 300% of the amount involved, whichever is lower

*** The % of LSF will be doubled every twelve months.**

Discontinuance of LoUs and LoCs for Trade Credits

- Discontinuance of issuance of LoUs/ LoCs for Trade Credits for imports into India by AD Category –I banks with effect from 13th March, 2018.
- LoCs and BGs for Trade Credits for imports into India may continue to be issued, subject to compliance with the provisions of “Guarantees and Co-acceptances” Master Circular given by the Department of Banking Regulation.

ECB Refinancing

- Overseas branches / subsidiaries of Indian Banks are permitted to refinance ECBs already availed
- Subjective Conditions:
 - All in cost is lower than earlier ECB
 - Residual maturity period is not reduced

LRS – Daily reporting by AD Banks

- Previously AD Banks permitted LRS remittances based on “Declaration by Remitter” – No control on usage limits
- Effective 12.04.2018, AD Banks were required to upload daily transaction wise LRS remittance data to RBI
- Quoting of PAN made mandatory for any remittance (earlier exempted up to USD 25K)
- Meaning of word “Relative” aligned to definition under Companies Act 2013

Amendment to FDI Regulations

- FDI in investing companies not registered as NBFC and in CIC – Prior approval of CG
- If foreign investor specifies auditor from international network as auditor of investee company, such person shall be joint auditor along with another Indian auditor
- Indian company can issue securities against swap of capital instruments, import of capital goods / machinery and pre-operative expenses – subject to investee company is under automatic route sector

SMF

- Press release on SMF on 05.04.2018
- Prior SMF, concepts of Entity Master and Business User were rolled out on FIRMS Portal
- Single Master Form was implemented effective 1st Sep 2018

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Our Presence in

Telangana: Hyderabad (HO)

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Thank you!!!

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