

What is FLA (Foreign Liabilities and Assets) under FEMA?

All Limited Liability Partnerships and Private Limited or Limited Companies that have received Foreign Direct Investment (FDI) or made foreign investment are required to file FLA return with Reserve Bank of India annually. The FDI and/or Overseas Direct Investment (ODI) in the previous year(s) including the current year has to file Annual return on Foreign Liabilities and Assets (FLA). Hence, any Company or LLP that has foreign assets or liabilities in the balance sheet must file FLA return.

The due date for filing FLA return is 15th of July every year. Non-filing of the return before the due date will be treated as a violation of the Foreign Exchange Management Act, (FEMA) and penalty clause for violation of regulation under FEMA could be invoked. If a company or LLP accounts are not audited before the due date of submission, then the FLA Return can be submitted based on the unaudited Balance sheet. However, once the accounts get audited and if there are significant revisions from the provisional information submitted by the company /LLP, then a revised FLA return should be filed by September 30th.

However certain companies are exempted from Foreign Liabilities and Assets (FLA) Return filing, like;

- If the company has no ODI or foreign direct investment and has only receive money for share application as on March's end of the year.
- If during the reporting period, non-resident shareholders transfers their shares of the company to the resident shareholders and company has no outstanding ODI or FDI, outward or inward on March's end.
- If the reporting company i.e. Indian company issues its share on Non-Repatriable terms under schedule IV to the non-resident (means that sale or maturity proceeds have to be retained in India), then it will not be considered as foreign investment therefore no FLA return filing will be required.