

**Frequently Asked Questions - (FAQs) 1 on**  
**Annual Return on Foreign Liabilities and Assets (FLA) under FEMA,**  
**1999**



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Department of Statistics and Information Management  
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**भारतीय रिज़र्व बैंक**

**सांख्यिकी और सूचना प्रबंध विभाग**

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**मुंबई**

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**Frequently Asked questions - (FAQs) 1**

**on Annual Return on Foreign Liabilities and Assets (FLA) under FEMA, 1999**

Annual return on **Foreign Liabilities and Assets (FLA)** has been notified under FEMA 1999, [A. P. \(Dir Series\) Circular No. 45 dated March 15, 2011](#), and it is required to be submitted by all the Indian-resident entities, viz. companies/ Limited Liability Partnerships (LLPs) / SEBI registered Alternative Investment Funds (AIFs), Partnership Firms, Public Private Partnerships (PPP), etc. (referred to as 'entities' hereafter) which have outstanding Foreign Direct Investment (FDI) and/ or Overseas Direct Investment (ODI) as on end-March of the previous year, including current year. The FLA return can be filed on the *Foreign Liabilities and Assets Information Reporting (FLAIR) portal* of the Reserve Bank of India (RBI) at <https://flair.rbi.org.in/>. AIF can file the FLA return, using the latest FLA format by sending email to [flareturn@rbi.org.in](mailto:flareturn@rbi.org.in) for obtaining the format.

**Confidentiality Clause:** The entity-wise information so provided in FLA return will be kept confidential and only consolidated aggregates will be released by the Reserve Bank.

**Purpose of Foreign Liabilities and Assets (FLA) Return:** The Reserve Bank's *Direct Investment Position by Counterpart Economy – DIP* (erstwhile Co-ordinated Direct Investment Survey (CDIS)) and *Portfolio Investment Position by Counterpart Economy – PIP* (erstwhile Co-ordinated Portfolio Investment Survey (CPIS)) are conducted under the auspices of the International Monetary Fund (IMF), wherein information collected from Indian resident entities under FLA on their foreign financial liabilities and assets position as at end-March of the previous financial year (FY) and end-March of the latest FY are used. This information is also used in the compilation of India's Balance of Payments (BoP) and International Investment Position (IIP) of India. Entities may ensure correctness of the data provided in FLA, and in case of any revision, updated/revised FLA return needs to be filed (procedure for revision is given in Q 10 of this document).

## Frequently asked questions on FLA return

### **Q 1. Which entities are required to submit the FLA Return?**

**Ans:** The annual return on Foreign Liabilities and Assets (FLA) is required to be submitted by the following entities which have received FDI (foreign direct investment) and/or made FDI abroad (i.e. overseas direct investment) in the previous year(s) including the current year i.e. which hold foreign assets or/and liabilities in their balance sheets;

- An Entity within the meaning of section 1(4) of the Companies Act, 2013.
- A Limited Liability Partnership (LLP) registered under the Limited Liability Partnership Act, 2008
- Others [include SEBI registered Alternative Investment Funds (AIFs), Partnership and Proprietary Firms, Public Private Partnerships (PPP) etc.]

### **Q2. What is the due date of filing FLA return to RBI?**

**Ans:** The entities, as mentioned under question 1, are mandatorily required to submit/file FLA return under FEMA 1999 by **July 15 of reporting year** based on the entity's audited or unaudited financials.

### **Q 3. What will be the consequences in case we do not file the said FLA return by 15<sup>th</sup> July?**

**Ans:** Non-filing of the return before due date will be treated as a violation of FEMA and penalty clause may be invoked for such violation. For more information kindly go to the link below:

1. [Notification No. FEMA. 395/2019-RB dated October 17, 2019](#)
2. [A.P. \(DIR Series\) Circular No.16 dated September 30, 2022.](#)

#### **Q 4. How does the entities report data and submit the FLA return to the RBI?**

**Ans:** Entities can submit the FLA return through the online web-based portal Foreign Liabilities and Assets Information Reporting (FLAIR) system, having address <https://flair.rbi.org.in/>.

- To access the URL <https://flair.rbi.org.in/>, any of the browsers viz, Internet Explorer, Google chrome, Firefox etc. can be used, as all of these would support this application.
- The entity has to register on the portal by clicking **Registration for New Entity Users**.
- The entity has to fill the details in the FLA user registration form, upload the documents mentioned (Verification Letter and Authority Letter) and click submit to complete the registration.
- After successful registration, user id and default password will be sent to the authorized person's mail id. Using this user id and password, entity can login to the FLAIR portal and file the FLA Return.

**All the instructions for online web-based submission of annual return on FLA, along with FAQ, are readily made available on FLAIR portal.**

An entity should read

- User manual on "FLA User Registration Form"
- User manual on "Filling Online FLA Form"
- FAQ - 2 for FLA

for all sections for step-by-step procedure for filling the FLA return.

#### **Q5. How can an AIF (Alternative Investment Fund) file the FLA Returns?**

**Ans:** An AIF needs to register on the FLAIR portal. Since there is no provision for online filing of FLA return for AIF in the prescribed format as of now, they need to send a mail to [flareturn@rbi.org.in](mailto:flareturn@rbi.org.in) requesting for the latest format for filing of FLA Return for AIF after completing registration process on the portal. Thereafter, FLA Team will send the excel based format for filling FLA return by AIF via mail to them. They need to fill the excel format and send us the same on [flareturn@rbi.org.in](mailto:flareturn@rbi.org.in). Email based

acknowledgement will be sent to them by FLA team on receiving and validating the filled-in FLA form.

**Q. 6 If the accounts/financials are not audited by July 15, is it possible to file FLA return with unaudited figures?**

**Ans:** The entity may file FLA return based on the available provisional/unaudited financial statements within due date. Once the audited financial accounts are ready, the entity is required to raise a request for permission for submission of revised/updated FLA return through the FLAIR portal, and upon approval, please file the revised FLA return for the applicable financial year(s). Care should be taken to file the revised FLA as soon as the audited financial statements are available.

**Q 7. In case where account closing period of the entity is different from reference period (end-March), can we report the information as per account closing period?**

**Ans: No**, the entity cannot report the information as per the account closing period, in case it is different from March. Information should be reported for the reference period only, i.e. previous March and latest March, based on the entity's internal assessment.

**Q. 8 If an entity wants to file FLA return for previous years where FLA was not filed, can the entity do so?**

**Ans:** Yes, the entity can file the FLA return for any of the previous years, after taking approval from the RBI. However, in case of non-submission of FLA return for such previous applicable years, the penalty clause may be invoked.

**Q 9. How does the entity pay the Late Submission Fee (LSF) for delay filing of FLA return?**

**Ans:** For payment of late submission fee, entity is requested to contact Foreign Exchange Department (FED) of Regional Office of the RBI within whose jurisdiction the Registered Office of the entity situated. You may refer to FAQs and user manuals as available on <https://firms.rbi.org.in>. You may also contact FIRMS Helpdesk via Email - [helpfirms@rbi.org.in](mailto:helpfirms@rbi.org.in)

**Q 10. If an entity wants to delete or modify the previous version of FLA form; can the entity delete/modify the FLA return?**

**Ans:** Yes, entity can delete/modify the information submitted in the FLA return for earlier period after taking the approval from RBI. The procedure for taking the approval is given on FLAIR portal. Without approval, entities cannot file revised FLA return.

Kindly follow the following procedure for approval -

Login to FLAIR → Go to “Menu” (upper left corner) → Go to “Multiple Year CIN Enable Screen” → select year and submit.

If not able to raise request, then share the error screen shot on email id [flareturn@rbi.org.in](mailto:flareturn@rbi.org.in).

**Q 11. If a company / LLP / Others did not receive FDI or made overseas investment in any of the previous year(s) including the current year, do we need to submit the FLA return?**

**Ans:** If an Indian company / LLP / Others does not have **any outstanding** investment in respect of inward and outward FDI as on end-March of reporting year and/or previous year, the entity need not submit the FLA Return.

**Q 12. Whether an entity needs to submit the FLA Return, if it has received only share application money?**

**Ans:** If an entity has received only share application money and does not have any outstanding foreign direct investment or overseas direct investment as on end-March of the reporting year, then the entity is not required to submit the FLA return.

**Q 13. If the Indian entity has no outstanding FDI and/or ODI at the end-March of the current year. Is the FLA return still applicable for filing for the current year?**

**Ans:** Yes, as the FLA return captures two year’s data (current year as well as previous year), if the entity has any outstanding foreign direct investment and/or overseas direct investment as on end-March of the reporting year and/ or previous year, then the entity is required to file the FLA return.

**Q 14. Is it required to submit any financial statements like balance sheet or P&L accounts (audited/ unaudited) along with the FLA return?**

**Ans:** No balance sheet or profit loss accounts need to be submitted. Only annual return on FLA through online web-based reporting portal needs to be submitted within due date.

**Q 15. If non-resident shareholders of an entity have transferred their shares to the residents during the reporting period, then whether that entity is required to submit the FLA Return?**

**Ans:** If all non-resident shareholders have transferred their shares to the residents during the reporting period, then the entity may file FLA return for the reporting period with details of outstanding foreign assets/liabilities as at end-March previous year, and for current year, the disinvestment needs to be shown in the appropriate fields of the FLA return (Section-III). In case, the entity does not have any outstanding investment in respect of inward and/or outward FDI as on end-March of reporting year for both previous and current year, then the entity need not submit the FLA return.

**Q16. If the resident shareholder of an entity becomes a non-resident because of shifting to foreign country, should we report FLA?**

**Ans: Yes.** The FLA return needs to be filed subject to below:

- (a) In case all shares are issued on **non-repatriation** basis only, then FLA need not be filed.
- (b) In case shares are issued on repatriable, FLA is required to be submitted.

**Q 17. If entity had issued the shares to non-resident on non-repatriable basis, whether that entity is required to submit the FLA Return?**

**Ans:** Shares issued by reporting entity to non-resident on **non-repatriable basis** is not considered as foreign investment; therefore, such companies are not required to submit the FLA Return.

## Some useful Definitions

### **Q 18. What is meant by “Residence of Enterprises”?**

**Ans:** An enterprise is said to have a centre of economic interest and to be a resident unit of a country (economic territory) when the enterprise is engaged in a significant amount of production of goods and/or services in that centre or when it owns land or buildings located in that centre. The enterprise must maintain at least one production establishment in the country and must plan to operate the establishment indefinitely or over a long period of time.

### **Q 19. What is Direct investment?**

**Ans:** Direct investment is a category of international investment in which a resident entity in one economy [Direct Investor (DI)] acquires a lasting interest in an enterprise resident in another economy [Direct Investment Enterprise (DIE)]. It consists of two components, viz. Equity Capital and Other Capital.

### **Q 20. What is Foreign Direct Investment (FDI) in India?**

**Ans:** If the Indian entity has issued the shares to non-resident entities under the FDI scheme in India, then it should be reported under the Foreign Direct Investment in India (Liabilities), Section III of the return. If the non-resident entity holds the 10 per cent or more equity plus participating preference shares together, in the reporting Indian entity, then it should be reported under 1.b FDI of section III. However, if non-resident entity holds less than 10 per cent of the equity plus participating preference shares capital of reporting Indian entity, then it should be reported under 2.b DI of section III. In both the cases, the non-resident entity is called as the Direct Investor (DI) while the reporting Indian entity is called as Direct Investment Enterprise (DIE).

If the reporting Indian entity also holds the equity shares in its DI entity abroad and if its shareholding is less than 10 per cent of equity capital of DI entity, then it is called as reverse investment and same should be reported under item 1.2 (claims on direct investor) of the respective blocks, i.e. 1.b FDI and 2.b DI of section III.

**Q 21. What is meant by “Equity Capital under Direct Investment”?**

**Ans:** It covers (1) foreign equity in branches and all shares (except non-participating preference shares) in subsidiaries and associates; (2) contributions such as the provision of machinery, land & building(s) by a direct investor to a DIE by equity participation; (3) acquisition of shares by a DIE in its direct investor entity, termed as reverse investment (i.e. claims on DI).

**Q 22. What constitute the ‘Other Capital’ component of FDI?**

**Ans:** Other capital is a debt which is to be reported as follows;

(a) Other capital, item 2.1 & 2.2 of Section III (1.b FDI) includes all other liabilities and claims at Nominal value, except equity and participating preference shares, (i.e. trade credit, loan, debentures, Non-participating share capital, other accounts receivable and payables etc.) of Indian reporting entity with its direct investors holding more than 10 per cent equity.

(b) Other capital, item 2.1 & 2.2 of Section III (2.b Direct Investment) includes all other liabilities and claims at Nominal value, except equity and participating preference shares, (i.e. trade credit, loan, debentures, Non-participating share capital, other accounts receivable and payables etc.) of Indian reporting entity with non-resident investors holding less than 10 per cent equity and indirect related parties (fellow enterprise or ultimate parent entity or group entity etc.).

**Q 23. What are participating and non-participating preference shares?**

**Ans:** Participating preference shares are those shares which have one or more of the following rights:

(a) To receive dividend, out of surplus profit after paying the dividend to equity shareholders.

(b) To have share in surplus assets remaining after the entire capital is paid in case of winding up of the entity.

On the other hand, Non-participating Preference Shares are those shares which do not have any of the above said rights.

**Q 24. What are definitions of “Foreign Subsidiary”, “Foreign Associate”, “Special Purpose Vehicle” and “Special Purpose Entities”?**

**Ans: Foreign Subsidiary:** An Indian entity is called as a Foreign Subsidiary if a non-resident investor owns more than 50% of the voting power/equity capital OR where a non-resident investor and its subsidiary(s) combined own more than 50% of the voting power/equity capital of an Indian enterprise.

**Foreign Associate:** An Indian entity is called as Foreign Associate if non-resident investor owns at least 10% and not more than 50% of the voting power/equity capital OR Where non-resident investor and its subsidiary(s) combined own at least 10% but not more than 50% of the voting power/equity capital of an Indian enterprise.

**Special Purpose Vehicle:** A special purpose Vehicle (SPV) is a legal entity (usually a limited entity of some type or, sometimes, a limited partnership) created to fulfil narrow, specific or temporary objectives. These entities are not directly or indirectly controlled by non-resident investors. These units are typically consolidated with their resident investor because they have lack of autonomy for making decision.

**Special Purpose Entities (SPEs):** An SPEs is a formally registered and/or incorporated legal entity recognized as an institutional unit in a resident economy, which are directly or indirectly controlled by non-residents. They are established to obtain specific advantages provided by the host (resident) jurisdiction with an objective to (i) grant its owner(s) access to capital markets or sophisticated financial services, and/or (ii) isolate owner(s) from financial risks, and/or (iii) reduce regulatory and tax burden, and/or (iv) safeguard confidentiality of their transactions and owner(s). They have no or little employment up to maximum five employees, no or little physical presence, and no or little physical production in host economy.

**Q 25. What is the definition of related party?**

**Ans:** A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the ‘reporting entity’).

A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity.
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

In the definition of a related party, an associate includes subsidiaries of the associate, and a joint venture includes subsidiaries of the joint venture. Therefore, for example, an associate's subsidiary and the investor that has significant influence over the associate are related to each other.

#### **Q 26. What is Direct Investment abroad by Indian entities?**

**Ans:** If the reporting Indian entity invests in equity and/or participating preference shares of overseas entity, under the Overseas Direct Investment Scheme in India, i.e. investment in Joint venture or wholly owned subsidiaries abroad, then it should be reported under Section IV of the FLA return. If the Indian entity holds 10 per cent or more equity plus participating preference shares together, in overseas entity, then it should be reported under 1.b ODI (item 1.1, claims on direct investment enterprise). However, if the Indian entity holds less than 10 per cent of the equity plus participating preference shares capital of overseas entity, then it should be reported under 2.b DI (item 1.1, claims on direct investment enterprise). In both the cases, the Indian entity is called as the Direct Investor (DI) while the overseas entity is called as Direct Investment Enterprise (DIE).

#### **Q 27. What constitute the 'Other Capital' component of ODI?**

**Ans:** Other capital is a debt which to be reported as follows:

(a) Other capital, item 2.1 & 2.2 of 1.b ODI section IV, includes all other claims and liabilities at Nominal value, except equity shares, (i.e. trade credit, loan, debentures, Non-participating share capital, other accounts receivable and payables etc.) of Indian reporting entity with its DIE reported in 1.b ODI.

(b) Other capital, item 2.1 & 2.2 of 2.b DI section IV, includes all other liabilities and claims at Nominal value, except equity, (i.e. trade credit, loan, debentures, Non-participating share capital, other accounts receivable and payables etc.) of Indian reporting entity with non-resident companies where Indian entity holds less than 10

per cent equity and also with indirect related parties (fellow enterprise or ultimate parent entity or group entity etc.).

**Q 28. If the overseas subsidiaries/ joint venture entity's accounting period is different from the reference/reporting period (i.e. April-March) in the FLA Return, then what information should we furnish in Section IV?**

**Ans:** Entities are required to furnish the information on outstanding external liabilities and assets as on end-March of previous and latest year. In case if the accounting period of overseas subsidiaries/ joint venture of Indian reporting entity is different from the reference period, then the information for end-March should be given on internal assessment basis.

**Q 29. How is the Net Worth of the entity calculated?**

**Ans:** Formula for Net Worth is = Total Equity & Participating Preference Share capital + Reserves and Surplus (this field is automated in FLA form section-II, entities are not required to compute it separately).

**Q 30. Whether equity participation includes equity shares as well as compulsorily convertible debentures (CCD)?**

**Ans:** Compulsorily convertible debentures (CCD) issued by the entity should not be included in the paid-up capital while furnishing the information in Paid-up capital (in Section II of the FLA Return). However, if the CCDs / Debentures are held by the non-resident direct investor who is holding the equity shares of Indian reporting entity, then CCD / Debentures holding should be reported in 'other capital' component of 1.b FDI or 2.b DI (in Section III), depending upon the per cent equity held by the non-resident direct investor. However, if the investor holds only CCD as on end March, then it should be reported in item 2.2 of 3, under Portfolio Investment in India (in Section-III). Similar treatment should be considered while reporting the compulsory convertible preference shares also.

**Q 31. What valuation guidelines are used while reporting foreign equity investment for unlisted entities?**

**Ans:** This field will be automatically calculated in online web-based reporting (item 1.1, Section III). Entities are not required to compute it separately. However, for your

information, calculation of market value of equity capital for unlisted companies (using IMF Own Funds at Book Value (OFBV) method) is as follows:

Market value of equity capital held by Non- resident at OFBV for current year/previous year

= (Net worth of the entity for current year/previous year) \* (% non-resident equity holding for current year/previous year)

where, Net worth of the entity

= (Paid up Equity & Participating Preference share capital of entity + Reserves & Surplus - Accumulated losses)

**Q 32. What valuation guidelines are used while reporting foreign equity investment for listed companies?**

**Ans:** This field will be automatically calculated in online web-based reporting (item 1.1, Section III). Companies are not required to compute it separately. However, for your information, If the Indian reporting entity is listed then closing share price as on reference period, i.e. end-March of previous and current year should be used for valuation of non-resident equity investment.

**Q 33. In the FLA Return, whether FDI should be reported based on the country of immediate investor or country of ultimate holding entity? Where should we report the receivable/ payables with non-resident ultimate holding entity?**

**Ans:** Above situation is better explained with following case:

Example: A entity incorporated in Mauritius has invested into Indian entity. The parent entity of Mauritian entity is incorporated in USA. So, whether claims and liabilities of Indian entity with parent entity incorporated in USA also needs to be disclosed in the FLA Return and if yes, where?

Solution: While filling the FLA return, FDI reporting should be based on the **country of immediate investor**. However, if there are any receivables/payables with the non-resident ultimate holding entity, then same should also be reported at 'Other capital' component of 2.b DI under Section III.

In respect of the above example, claims and liabilities of Indian entity with the parent USA Entity will be reported at 'Other capital' component of 2.b DI under Section III.

**Q 34. Whether any assets or liabilities for Indian party (i.e. domestic assets and liabilities) are to be included in the FLA Return?**

**Ans:** Any domestic liabilities or assets (even if it is in foreign currency) should not be reported in the FLA return.

### Some other common FAQs

**Q 35. What is the deadline to file the revised FLA Return based on the audited financial statements and what is the minimum percentage difference acceptable in the figures already reported in the FLA Return filed based on unaudited figures?**

**Ans:** If the entity doesn't have audited data on or before due date of July 15, then the entity can submit FLA return on provisional/unaudited basis. Further, once the audited numbers are ready, the entity need to revise their data after taking RBI approval irrespective of any variation (amount/percentage) in the audited numbers.

**Q 36. Our entity is following Ind AS accounting policy but last year it was not as per that. This creates difference in the amount in variation report, for many items. Kindly confirm whether the FLA data should be reported based on actual figures or as per IND-AS standards?**

**Ans:** In the reporting year, if the entity balance sheet is as per Ind AS, then the FLA reporting is required as per the latest balance sheet only. In case last year Ind AS was not followed and this is reflected in variation report, then kindly ignore the variation, as it is due to change in accounting standard.

**Q 37. Explain the procedure of change in entity name, address, contact details, mobile number, for filing FLA return.**

**Ans:** There is no provision to change the email id/authorised person details/Head of Institution details/ Entity Name/Entity Address at our end. Hence you need to send an account de-activation email to us at [flareturn@rbi.orgin](mailto:flareturn@rbi.orgin) with the entity CIN and username mentioned. After we de-activate your old account, you can re-register on

the portal with new details. The time required to de-activate an account is 1-2 working day after the de-activation request email is sent. If your entity CIN/LLPIN/UIN used at the time of re-registration is same as that used in the old account, then previously filled data will be updated on your new account.

**Q 38. If there is a change in CIN number after filing the FLA for the reporting year, what is the procedure for revising FLA, whether FLA needs to be filed with new CIN number?**

Ans: If the CIN number of the reporting entity has changed after the reporting year (March 31), the entity needs to file FLA return with the **old CIN** for the reporting period. Accordingly, when the entity files the revise FLA return for the same reference reporting period, old CIN will be used.

**Q 39. Do we need to report the following in “Sales/Domestic Sales”:**

- (a) earnings from foreign investment interest income
- (b) interest earned on fixed deposits?
- (c) sale proceeds from sale of fixed asset
- (d) Income from other sources disclosed under the head ‘other income’ in the Profit and Loss account
- (e) profit on Foreign Currency Fluctuation available in the profit and loss account

That is, does **Sales** include only revenue from operations?

**Ans:** The entity needs to report the sales/earnings which is generated **as part of the regular business activity/purpose only**, i.e., revenue from **operations** (i.e., sale of goods and services). However, if the primary revenue of the reporting entity is from interest/commission/foreign exchange or revaluation gain, example for hiring/leasing/money changing entities, etc., they need to be reported, being the primary revenue from operations.

**Q 40. Do we need to report the following under “Purchases/Domestic Purchases”**

- (a) cost of purchase of fixed assets/ capital expenditure towards Asset Acquisition**
- (b) goodwill acquired during the financial year**
- (c) capitalized intangible assets**
- (d) amortization with respect to such capitalized intangible assets**
- (e) non-cash adjustments, revaluations, intra-group transfers not involving cash outflows**
- (f) tax expenditure such as income tax, GST paid, etc.**
- (g) whether "Investment under property development " will be considered as Capital purchase**
- (h) operating expenses such as Salaries & Wages, admin expenses, Rent and Utility Bills, Professional Fees Paid, indirect expenses**

**Ans:** Please report the expenses/purchase which are done as part of **regular business operations** only in FLA return.

**Q 41. Whether the prepaid expenses, which was paid last year but booked this year, should be consider while calculating total purchases under Section II, item 5?**

**Ans:** The expenses incurred **during the year** only are to be reported, which are incurred for business operations. **Pre-paid expense need not be included.**

**Q 42. How to report values under “Sales and Purchase” since our entity is engaged in information technology services and does not undertake any trading activity. Revenue from operations in our Profit & Loss account is not classified as trading.**

**Ans:** The Sales and Purchases may be reported based on the income/expenditure incurred for conducting the regular business operations. Even if there is no trading, the primary income/expense is incurred. This need to be reported.

**Q 43. Whether an entity registered under International Financial Services Centre Authority (IFSCA) and operating from GIFT City is required to file the RBI's FLA return for the financial year if it has received foreign investment or holds overseas investment?**

**Ans:** Yes, the entity is required to file FLA return.

**Q 44. If a foreign entity establishes a subsidiary in IFSC Gujarat, will that investment be classified as foreign direct investment, and will FLA filing be applicable to the subsidiary?**

**Ans:** Yes, FLA filing is applicable to the subsidiary.

**Q 45. Indian entity (entity A) has made investment in an entity (entity B) incorporated under the provisions of the Indian Companies Act, 2013, but is located in GIFT City, IFSC Gujarat. Is this transaction treated as foreign investment? Whether such equity investment in the form of ODI is required to be reported in the FLA return by entity A?**

**Ans:** Yes, the entity A is required to file FLA return giving details of ODI. Also, entity B is required to file FLA with details of the investment (done by entity A) as FDI.