

Foreign Investment in India – Reporting in Single Master Form

June 8, 2018

In brief

The Reserve Bank of India (RBI) had announced in its first bi-monthly monetary policy review dated 05 April, 2018 that it would introduce a Single Master Form (SMF) to consolidate the extant reporting of various types of foreign investment in India, in a single form.

The RBI has now issued a circular dated 07 June, 2018 in relation to the SMF.

In detail

The circular covers two main aspects highlighted as follows:

I. Entity Master Form (EMF)

- Prior to the implementation of SMF, RBI will provide an interface to Indian companies and limited liability partnerships (LLPs) that have existing foreign investment, to input data on total foreign investment received.
- The interface for this one-time reporting will be available on the RBI website www.rbi.org.in from 28 June, 2018 to 12 July, 2018.
- Indian entities not complying with this prerequisite will not be able to receive foreign investment (including indirect foreign investment) and will be considered as non-compliant under FEMA, 1999.
- For the entities to be ready with the information to be

provided, the RBI has provided an EMF as Annex I to the circular, which provides the information to be uploaded on the interface during the above specified period.

II. Single Master Form

- The SMF will subsume the existing forms for reporting of -
 - Issue and transfer of shares, i.e., Forms FC-GPR and FC-TRS
 - Foreign direct investment in LLP and disinvestment/ transfer of capital contribution, i.e., Form LLP-I & II
 - Issue of employee stock option plan, i.e., Form ESOP
 - Issue or transfer of convertible notes, i.e., Form CN
 - Issue or transfer of depository receipts, i.e., Form DR
- Further, SMF will be required to be filed for two

additional reporting –

- (i) Reporting of downstream investment (indirect foreign investment) in a company or LLP within 30 days from date of allotment.
- (ii) Reporting of investment in an investment vehicle, including real estate investment trust, infrastructure investment trust and alternative investment funds within 30 days from issue of units.
- While the format of the form has been provided as Annex II to the circular, the RBI is yet to notify the form. Once notified the form will be available in the Master Direction on Reporting.

Key additional details in SMF

The key additional details required to be reported in SMF which are not forming part of the current forms are as under:

- In case of reporting of fresh issue of shares, details of amount received in tranches for issue of partly paid up shares/ share warrants is to be provided.
- For reporting transfer of capital instruments from non-resident to resident, the acknowledgement letter for initial investment by non-resident is required to be enclosed.
- In case of reporting transfer of shares with payment by way of deferred consideration, details of tranches, escrow arrangement and indemnity arrangement.
- Relevant extracts of transfer agreement to be enclosed in

case of reporting transfer of shares.

- Details of repayment, conversion and transfer of convertible notes are required to be mentioned in case of reporting of convertible notes. For transfer of convertible notes from non-resident to resident, the acknowledgement letter for initial investment by non-resident is required to be enclosed.
- Certain requirements have been made common to all reporting, including certificate from a company Secretary (which is currently required only in the case of Form FC-GPR) and declaration by non-resident transferor/ transferee

(currently prescribed only for Form FC-TRS).

The takeaways

The integration of the extant reporting structures is a positive move by the RBI to simplify and rationalise reporting for foreign investment in India. There may be certain practical difficulties prior to implementation of the new form for the Indian entities to collate details on foreign investment, especially as the window for uploading such data on the RBI interface is open for only 15 days.

Let's talk

For a deeper discussion of how this issue might affect your business, please contact your local PwC advisor

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