

FLA Reporting by Entities in GIFT- IFSC – Switch from RBI to IFSCA

The Annual Return on Foreign Liabilities and Assets (FLA) is an annual reporting form prescribed by the Reserve Bank of India (RBI) for Indian-resident entities that have received foreign direct investment (FDI) and/or made overseas direct investment (ODI) in any previous year, including the current financial year. It was notified under the Foreign Exchange Management Act, 1999 (FEMA) through RBI A.P. (DIR Series) Circular No. 45 dated 15 March 2011, and the format was subsequently updated by A.P. (DIR Series) Circular No. 145 dated 18 June 2014. The return captures the reporting entity's outstanding foreign liabilities and foreign assets as at the end of the relevant financial year (31st March) and is required to be filed annually by Indian companies, LLPs and other eligible Indian-resident entities, including SEBI-registered AIFs, partnership firms etc. which have received any FDI or made any ODI anytime in the past. The due date for filing FLA is ordinarily 15th July for the financial year ending March 31st and filing is made through RBI's Foreign Liabilities and Assets Information Reporting (FLAIR) portal at <https://flair.rbi.org.in/>.

Section 44A of FEMA states that the powers exercisable by the Reserve Bank under FEMA (i) shall not extend to an IFSC set up under Section 18(1) of the Special Economic Zones Act, 2005 and (ii) shall be exercisable by IFSCA. The RBI also issued the Foreign Exchange Management (International Financial Services Centre) Regulations, 2015, under Notification No. FEMA.339/2015-RB dated 2 March 2015 which states that any financial institution or branch of a financial institution set up in the IFSC and permitted/recognised as such by the Government of India or a Regulatory Authority shall be treated as a person resident outside India. Even though it has been a settled position of law that entities in an IFSC are not bound by FEMA or subject to regulations issued by the RBI under FEMA, until recently, entities in GIFT-IFSC were also required to file FLA, just like any other resident Indian entity.

On July 1, 2026, the Reserve Bank of India (RBI) revised Questions 43, 44 and 45 and introduced Question 46 in the FAQs on Annual Return on Foreign Liabilities and Assets (FLA) under FEMA, 1999. The amended FAQs provide as follows:

- Where an entity regulated by IFSCA has received foreign investment or makes an investment outside India, FLA reporting requirements continue to apply. However, such entities are required to comply with the reporting framework prescribed by IFSCA and are not required to file the FLA Return directly with the RBI.
- If a foreign entity invests into an entity established in an IFSC and the IFSC entity in turn invests into a domestic entity, the investment in the IFSC entity will be treated as Foreign Direct Investment (FDI) for the compilation of balance of payment and other external sector statistics. The entity in the IFSC should submission FLA return in respect of such investment. The investment in the domestic entity by the IFSC entity will also be treated as an inbound investment and should be reported to the RBI as per applicable FEMA regulations, which includes the filing of FLA with the RBI.
- Where an Indian resident entity invests in an IFSCA-regulated entity, it will be treated as investment in a person resident outside India. Accordingly, the Indian resident entity is required to report such investment to the RBI as an Overseas Direct Investment (ODI) in its FLA Return. However, the entity in the IFSC is not required to file the FLA return. Such entity may follow the relevant instructions issued by IFSCA in this matter.

Subsequently, IFSCA issued a Press Release dated July 1, 2026, clarifying that:

- Although FDI norms do not apply to investments made in regulated entities operating in IFSC, information relating to such investments is required for compilation of India's Balance of Payments data and external sector statistics.

- Accordingly, regulated entities operating in IFSC will be required to file the FLA Return with IFSCA and not with RBI. IFSCA shall issue separate instructions prescribing the manner in which regulated entities will submit the information required for compilation of India's Balance of Payments statistics.
- Pending issuance of such instructions, regulated entities are advised to await further directions from IFSCA.

ELP Comments

The changes to the RBI's FAQs and IFSCA's Press Release dated July 1, 2026 have provided much needed clarity to the status of entities in IFSCs. Even though Section 44A of FEMA and the Foreign Exchange Management (International Financial Services Centre) Regulations, 2015 had made it clear that IFSCs are outside the purview of FEMA and the RBI, the requirement to file Form FLA with the RBI for investments received and made by entities in GIFT-IFSC had muddied the position. With the recent amendments to the FAQs and IFSCA's Press Release dated July 1, 2026, it is crystal clear that entities in GIFT-IFSC are outside India's foreign exchange control boundary.

The FAQs on Annual Return on Foreign Liabilities and Assets (FLA) under FEMA, 1999 can be found [here](#).

IFSCA's Press Release dated July 1, 2026 can be found [here](#).

The Foreign Exchange Management (International Financial Services Centre) Regulations, 2015, issued under Notification No. FEMA.339/2015-RB dated 2 March 2015 can be found [here](#).

We hope you have found this information useful. For any queries/clarifications please write to us at insights@elp-in.com or write to our authors:

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