

FOREIGN INWARD REMITTANCE CERTIFICATE (FIRC)

1. Introduction

Foreign Inward Remittance Certificate (FIRC) is a document that provides proof of inward remittance to India. It is treated as documentary evidence by most of the statutory authorities for confirming the validity of the foreign money received by the beneficiary.

2. Purpose

When a beneficiary receives fund from outside India that will be credited to his account through an Authorised Dealer only (normally a Bank). (**Authorised dealer** means an authorised person by the Reserve Bank of India to deal in foreign exchange or in foreign securities under the Foreign Exchange Management Act). If the bank, in which the beneficiary is having his account, is not an Authorised Dealer, then the money will come to beneficiary's account through an Authorised Dealer. Based on the information provided by the beneficiary upon receipt of money the banker will issue FIRC stating the purpose of receipt i.e. towards equity investment, advance against export of services / goods, capital expenditure etc.

3. Relevance

A few cases where FIRC assumes importance

- In case of Issue of Shares to a foreign entity/person, FIRC is a proof for receipt of share application money.
- Similarly it is also proof that share purchase consideration has been received by a resident seller, in case of transfer of shares by a resident Indian to a non-resident buyer.
- In case of export of services there is no Service tax to be paid, subject to Export of Services Rules. Here again FIRC becomes a documentary proof for exports made and remittances received thereof in freely convertible foreign exchange.
- In case of Advance Licence, EPCG etc., FIRC is one of the important documents to be submitted to DGFT as a proof of export made.

4. Contents and issue procedure

FIRC normally contains the following details:

- Name of the beneficiary
- Whether the amount is paid by cash or by crediting the beneficiary's a/c
- Name and address of the remitter
- Name and address of the remitting bank
- DD/TT No/Cheque No
- Foreign currency amount
- Equivalent rupee amount (in figures as well as words)
- In favour of whom the amount has come
- Exchange rate applied
- Purpose of the remittance as stated by beneficiary

It is signed by the Authorised signatory of the AD bank and countersigned by one more person. As a procedure, this Certificate will come to the address of the account holder, normally within a period of 15 days from the date of credit of funds to beneficiary's account. FIRC must be kept in safe custody since duplicate will not be issued, if original is lost.

Generally there is confusion about which bank should issue FIRC in case the inward remittance has come into the beneficiary's account through more than one bank. In our practical experience and as per clarifications received from 1-2 banks, the first bank that receives the inward remittance in convertible foreign exchange must issue the FIRC since it will have the details of the overseas remitting bank.

5. Conclusion

As explained above, FIRC assumes great importance in respect of remittances received from outside India. Therefore, it is critical that beneficiaries follow up with the banks and obtain the FIRC immediately after credit of inward remittance. Particular attention needs to be paid to "purpose of remittance" because any wrong mention of this has serious implications in terms of remittance, usage and accounting of the same.

 **Ratnamala Hegde**
CS Trainee