



GST Annual Return

GSTR-09

FY 2020-21 : DUE DATE : Dec 31, 2021

TYPES OF FORMS & CHANGES – RULE 80 SUBSTITUTED

GSTR-09

- Annual Return for regular tax payer

GSTR-09A

- Annual return for composite tax payers

GSTR-09B

- ECO collecting TCS

GSTR-09C

- **Self Certified** Reconciliation statement – Part B (auditor Certification) - Ommitted

WHO NEED NOT FILE GSTR-09 & GSTR-09C

GSTR-09

AATO upto
Rs. 2Cr in
FY 21

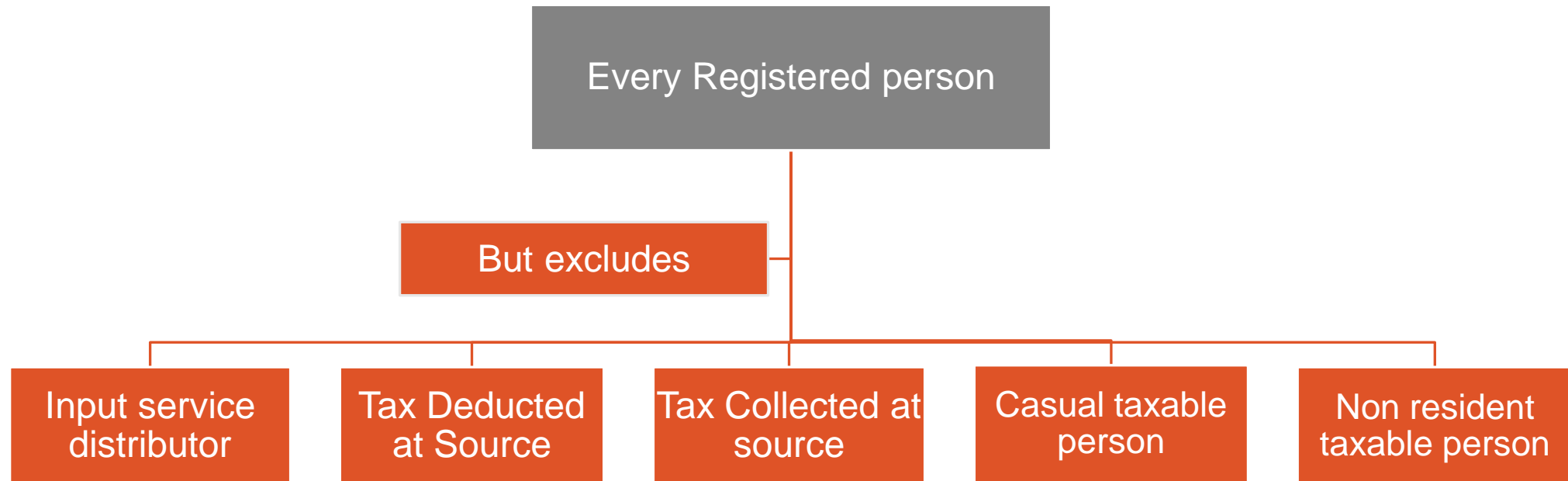
Notf
31/2021
CT

GSTR-9C

AATO Upto
Rs. 5 Cr

Amended
Rule 80

WHO SHOULD FILE THE ANNUAL RETURN ?



Steps to prepare GSTR-9 return online

1. Download the draft system computed GSTR-9, summary of Form GSTR-1 and GSTR-3B for the financial year by clicking on relevant buttons. This is only for reference for filling the return, and will facilitate in providing details in actual tables.
2. Click on tables (Box) selected and fill in the required details;
3. Summary of added details would be available on the relevant box;
4. Click on **'Preview'** button to view summary in PDF or Excel format; and
5. After adding and confirming the details, follow filing process as indicated at the bottom of this page.

DOWNLOAD GSTR-9 SYSTEM COMPUTED SUMMARY (PDF)

DOWNLOAD GSTR-1 SUMMARY (PDF)

DOWNLOAD GSTR-3B SUMMARY (PDF)

DOWNLOAD TABLE 8A DOCUMENT DETAILS

4.Details of advances, inward and outward supplies made during the financial year on which tax is payable

Taxable value	Integrated tax
₹65,02,748.21	₹0.00
Central Tax	State/UT Tax
₹3,16,854.74	₹3,16,854.74
CESS	
₹0.00	

5.Details of Outward supplies made during the financial year on which tax is not payable

Value (₹)
₹3,61,62,453.00

6.Details of ITC availed during the financial year.

Integrated tax	Central Tax
₹0.00	₹0.00
State/UT Tax	CESS
₹0.00	₹0.00

7.Details of ITC Reversed and Ineligible ITC for the financial year

8. Other ITC related information

9.Details of tax paid as declared in returns filed during the financial year

4.Details of advances, inward and outward supplies made during the financial year on which tax is payable

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₹65,02,748.21	₹0.00
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₹0.00	₹0.00
State/UT Tax	CESS
₹0.00	₹0.00

7.Details of ITC Reversed and Ineligible ITC for the financial year

Integrated tax	Central Tax
₹-	₹-
State/UT Tax	CESS
₹-	₹-

8. Other ITC related information

Integrated tax	Central Tax
₹12,864.19	₹3,18,525.65
State/UT Tax	CESS
₹3,18,525.65	₹0.00

9.Details of tax paid as declared in returns filed during the financial year

Tax payable	Paid through Cash
₹6,33,708.00	₹1,92,308.00
Paid through ITC	
₹4,41,400.00	

10,11,12&13 Details of the previous Financial Year's transactions reported in next Financial Year

Integrated tax

14. Differential tax paid on account of declaration in table no. 10 & 11

Taxable value	Tax Paid
---------------	----------

15. Particulars of Demands and Refunds

Refund claimed	Refund sectioned
----------------	------------------

10,11,12&13 Details of the previous Financial Year's transactions reported in next Financial Year

Taxable value	Integrated tax
₹-	₹-
Central Tax	State/UT Tax
₹-	₹-
CESS	
₹-	

14. Differential tax paid on account of declaration in table no. 10 & 11

Taxable value	Tax Paid
₹-	₹-

15. Particulars of Demands and Refunds

Refund claimed	Refund sectioned
₹-	₹-
Refund pending	Demand of taxes
₹-	₹-
Taxes paid	Demands pending
₹-	₹-

Click here to enter/view summary of supplies received from Composition taxpayers, Deemed supply and Goods and sent on approval.

16. Supplies received from Composition taxpayers, deemed supply by job worker and goods sent on approval basis

Taxable value	Integrated tax
₹-	₹-
Central Tax	State/UT Tax
₹-	₹-
CESS	
₹-	

17. HSN wise summary of Outward Supplies

No. of Records-

Taxable value	Integrated tax
₹-	₹-
Central Tax	State/UT Tax
₹-	₹-
CESS	
₹-	

18. HSN wise summary of Inward Supplies

No. of Records-

Taxable value	Integrated tax
₹-	₹-
Central Tax	State/UT Tax
₹-	₹-
CESS	
₹-	

19. Late fee payable and paid

GSTR-9 Brief Contents

6 Parts



19 Tables

Outward
Supplies

Inward
Supplies

Taxes
actually
paid

Taxes short
fall reco

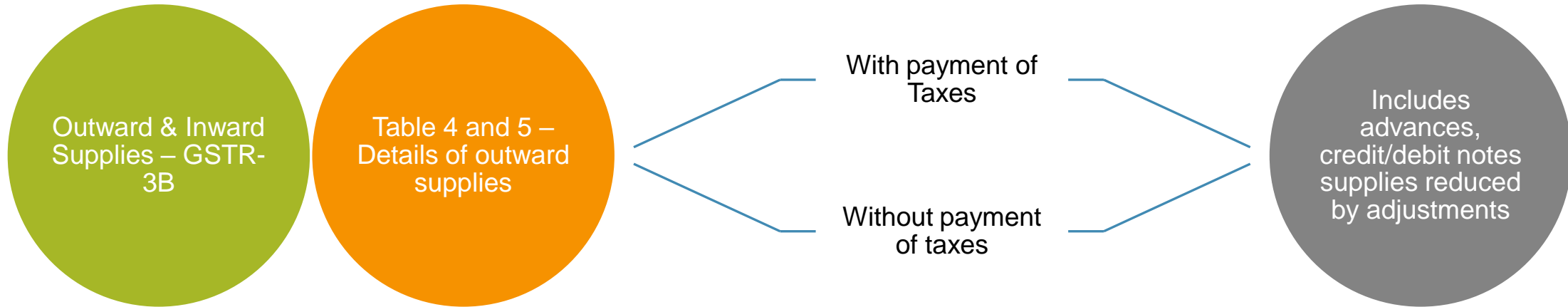
ITC Reco

Refunds
and
demands

Other
information

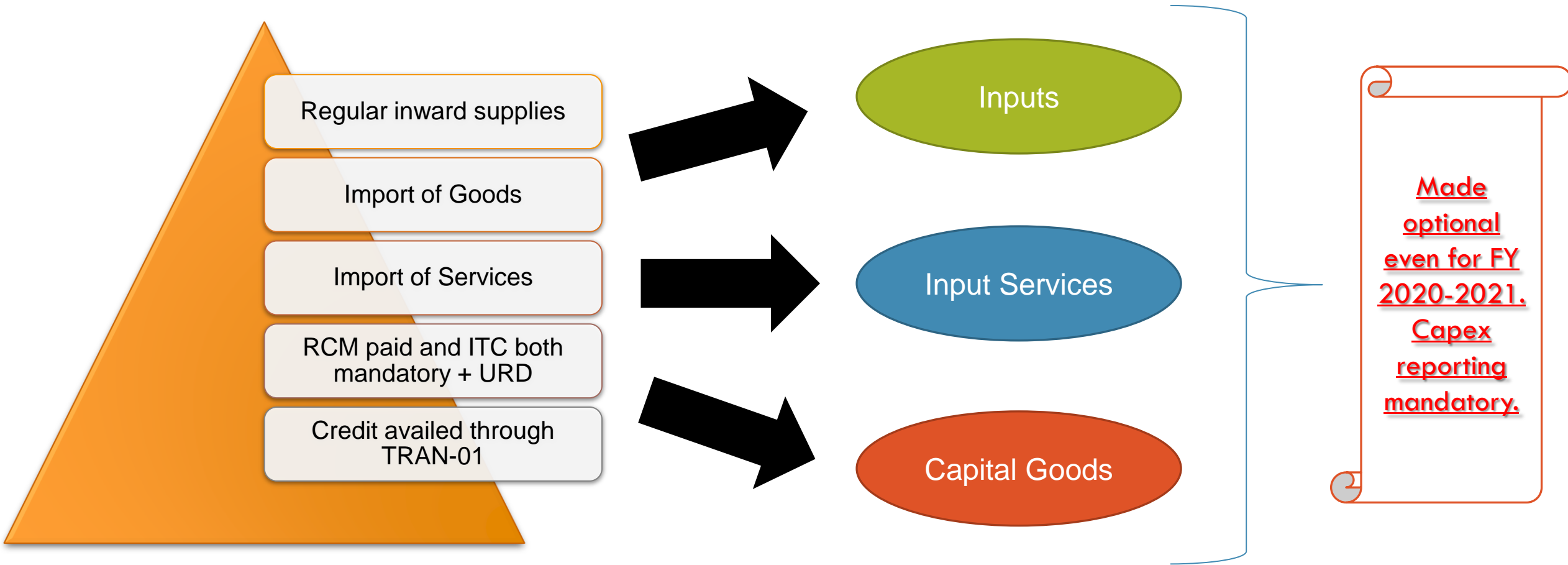


Outward supplies information

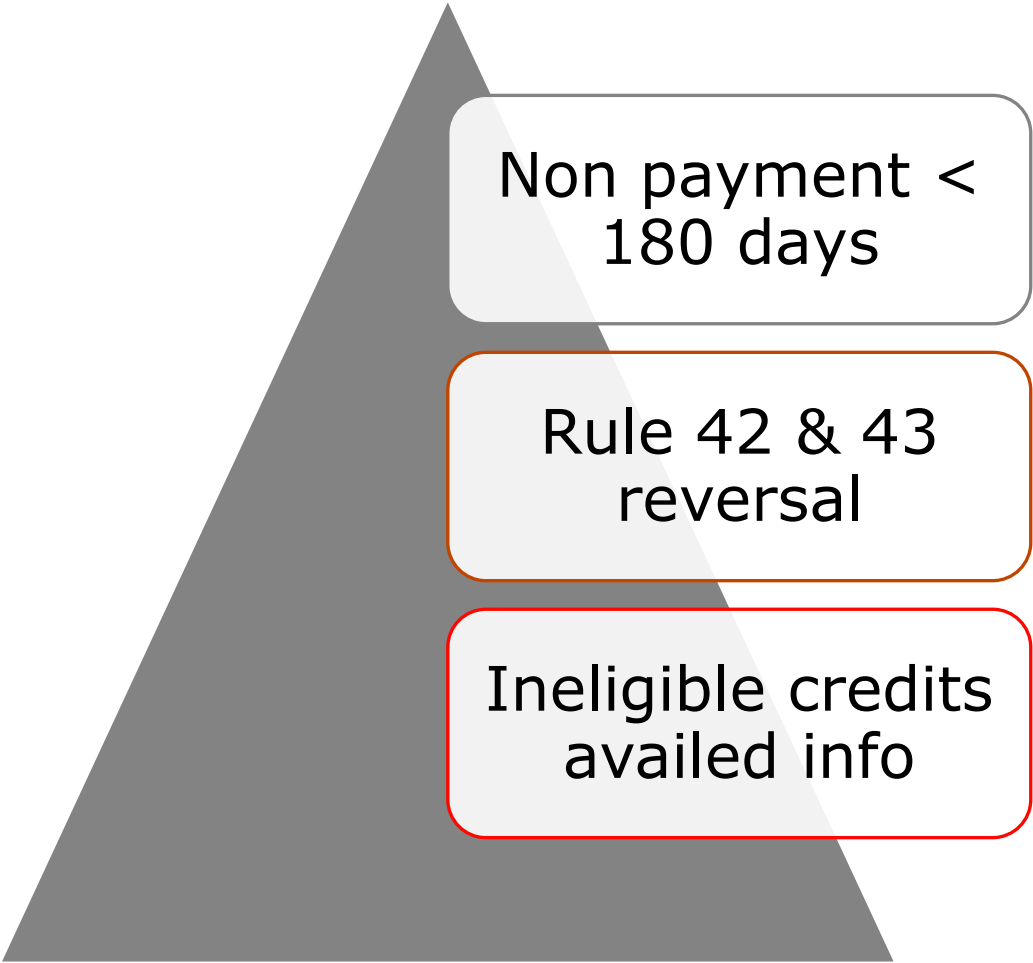


- | | |
|---|--|
| <input type="checkbox"/> With payment of taxes | <input type="checkbox"/> Without payment of taxes |
| <input type="checkbox"/> B2C - unregistered | <input type="checkbox"/> SEZ Supplies under cover of LUT |
| <input type="checkbox"/> B2C | <input type="checkbox"/> Supplies under RCM |
| <input type="checkbox"/> Zero rated on payment of tax | <input type="checkbox"/> Exempted |
| <input type="checkbox"/> Sez Supplies, Deemed Exports | <input type="checkbox"/> Nil Rated |
| | <input type="checkbox"/> Non GST Supplies |

Details of credit availed as per GSTR-3B returns



DETAILS OF CREDIT REVERSED



Non payment <
180 days

Rule 42 & 43
reversal

Ineligible credits
availed info

End to end Reconciliation of ITC

As availed
in books

As
disclosed in
GST returns
monthly

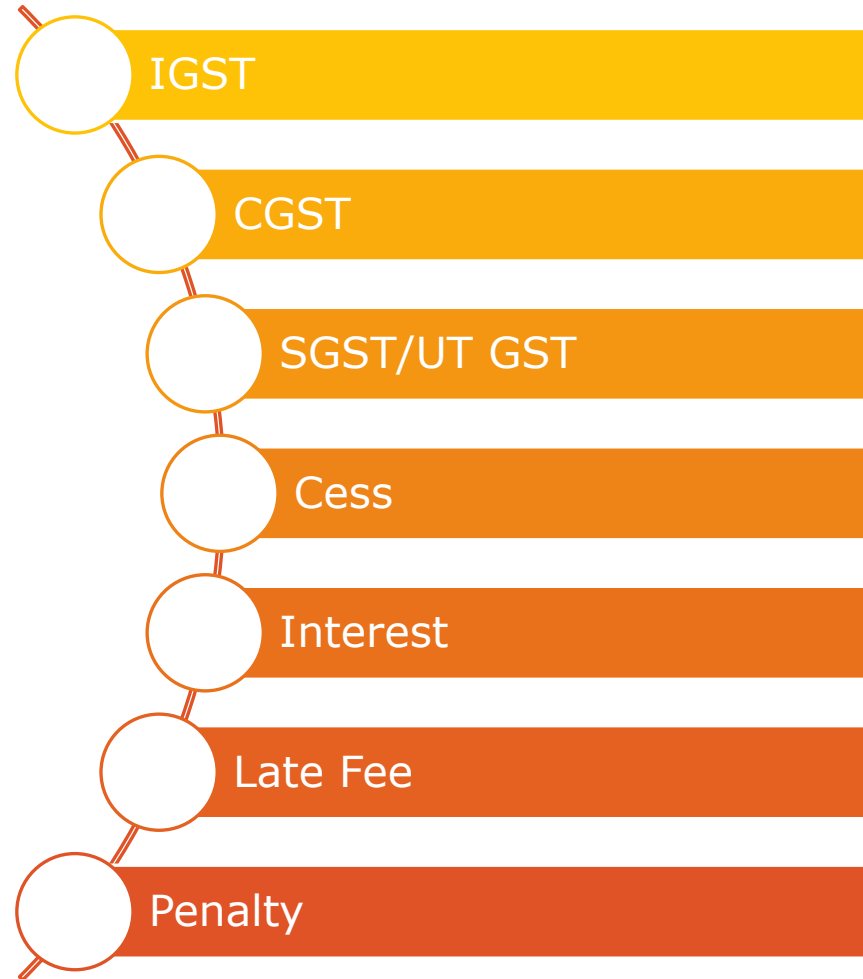
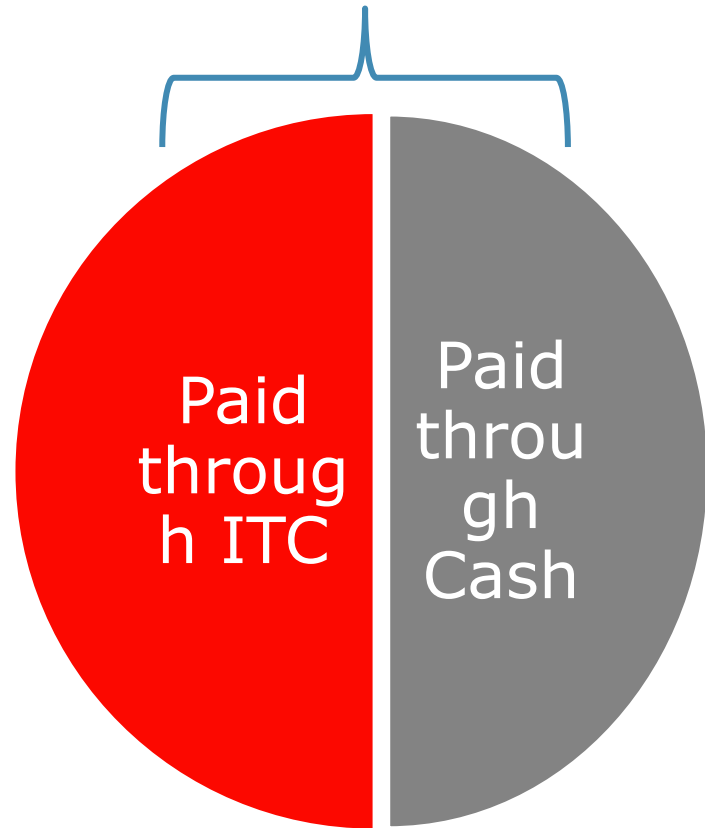
As auto-
populated
in GSTR-2A

Credit auto-populated but not availed to lapse in the current
financial year

Return assuming credit auto-populated to be always higher than the actual credit availed in
books.

Tax reconciliation

Tax Payable



**Amounts picked up
from GSTR-3B Table
6.1**

Payment of Taxes

Prior Period Adjustments

Details of all adjustments of FY 2020-21 made during Apr -2021 to Sep 2021

Amendments in invoices

Raising credit notes

Raising debit notes

Reversal of excess ITC availed

ITC un-availed in previous FY availed now

Details of differential tax paid on account of these adjustments

Other Information - optional

Total refunds claimed, sanctioned & pending

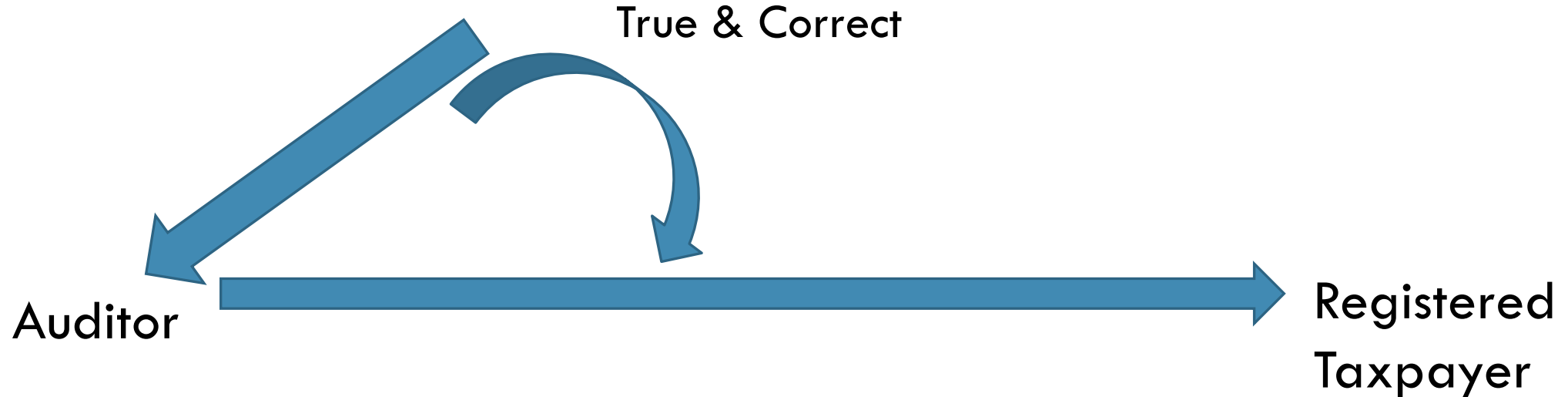
Any demand notices received

HSN wise summary of inward supplies and taxes paid thereon

Total supplies from composition vendors

Goods sent on sale on approval basis but not yet invoiced

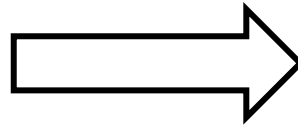
GSTR-09C – SELF CERTIFICATION. NOT AUDIT



I hereby solemnly affirm and declare that the information given herein above is true and correct and nothing has been concealed there from. I am uploading this self-certified reconciliation statement in FORM GSTR-9C. I am also uploading other statements, as applicable, including financial statement, profit and loss account and balance sheet, etc.】

WHEN GSTR-09C APPLICABLE?

As per Section 35(5) read with Section 44(2) of CGST Act, 2017 read with Rule 80(3) of CGST rules, 2017

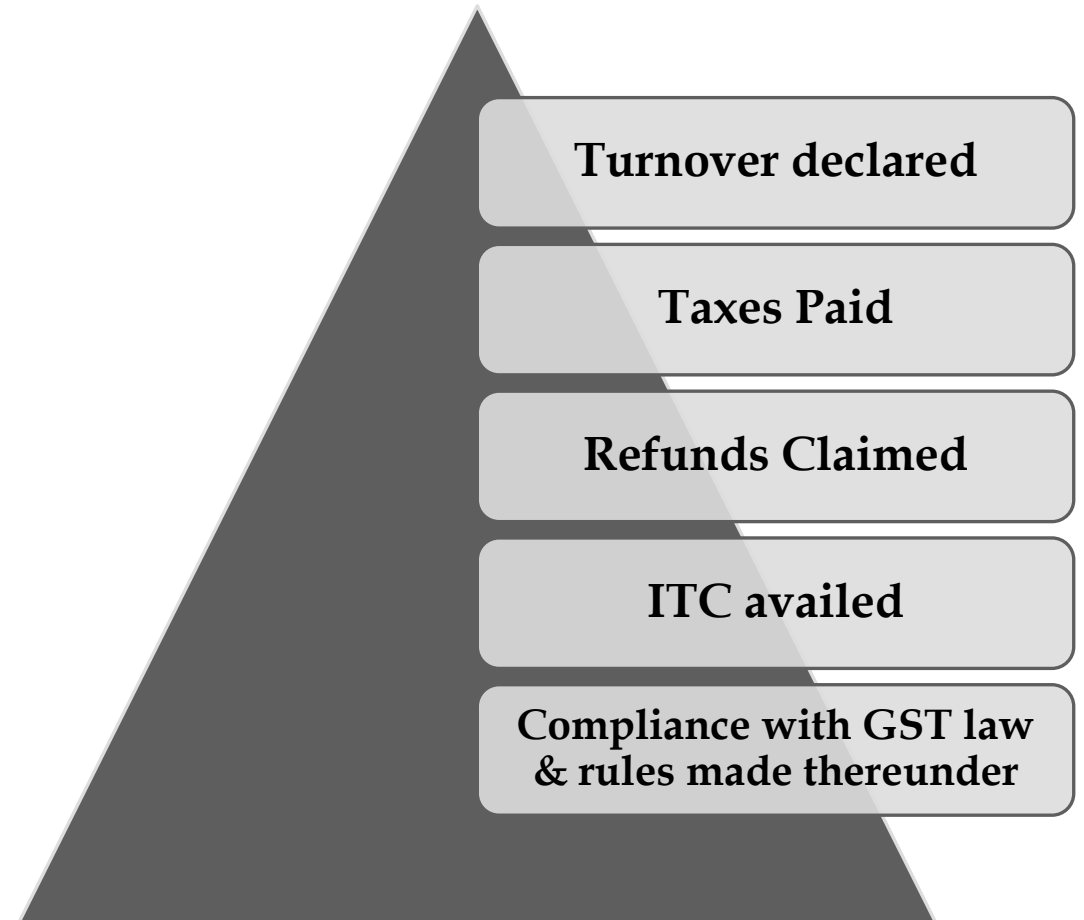


AGGREGATE T/O during a FY > Rs.
5crores

AGGREGATE T/O is PAN based → GST audit is mandatory for all registrations even if individually their T/O < Rs. 5 cr

OBJECTIVE OF GSTR-09C

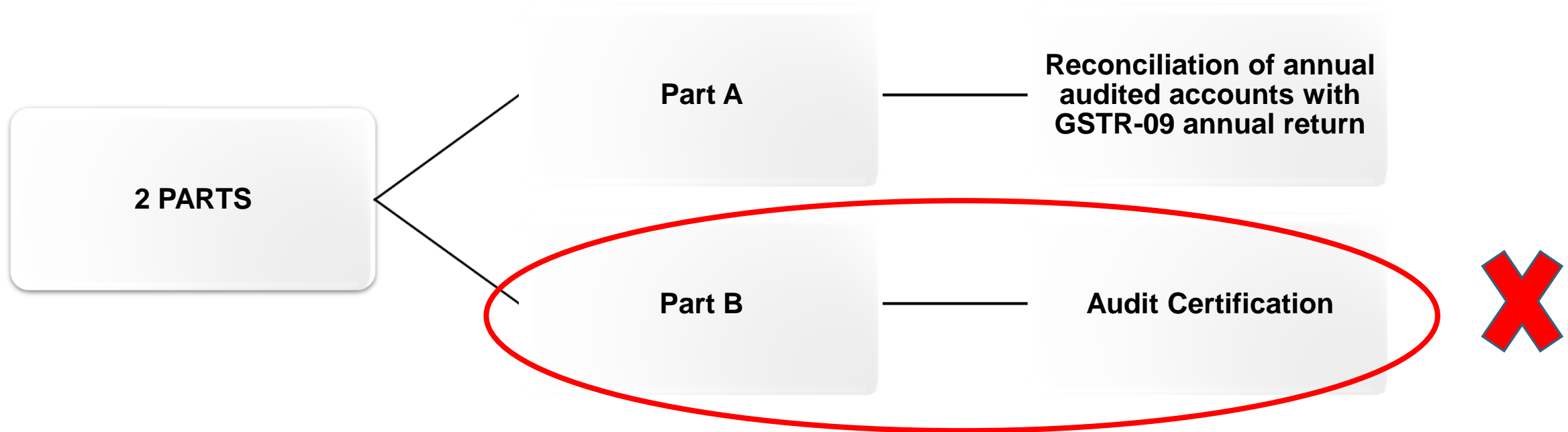
Verify correctness of



WHEN GST AUDIT IS NOT APPLICABLE?

- Only ISD registration
- Only GST TDS REGISTRATION
- Only GST TCS REGISTRATION
- Causal Tax payer registration
- Non resident tax payer registration

FORM GSTR-09C



WHAT DOCUMENTS CONSTITUTE GSTR-09C?

ANNUAL RETURN IN FORM GSTR-09

COPY OF AUDITED ANNUAL
ACCOUNTS

RECO = AUDITED ANNUAL
ACCOUNTS & GST ANNUAL RETURN

CERTIFICATION OF THE RECON
STATEMENT IN FORM GSTR-09C

To be furnished
electronically

CONTENTS OF GSTR-09C RECO

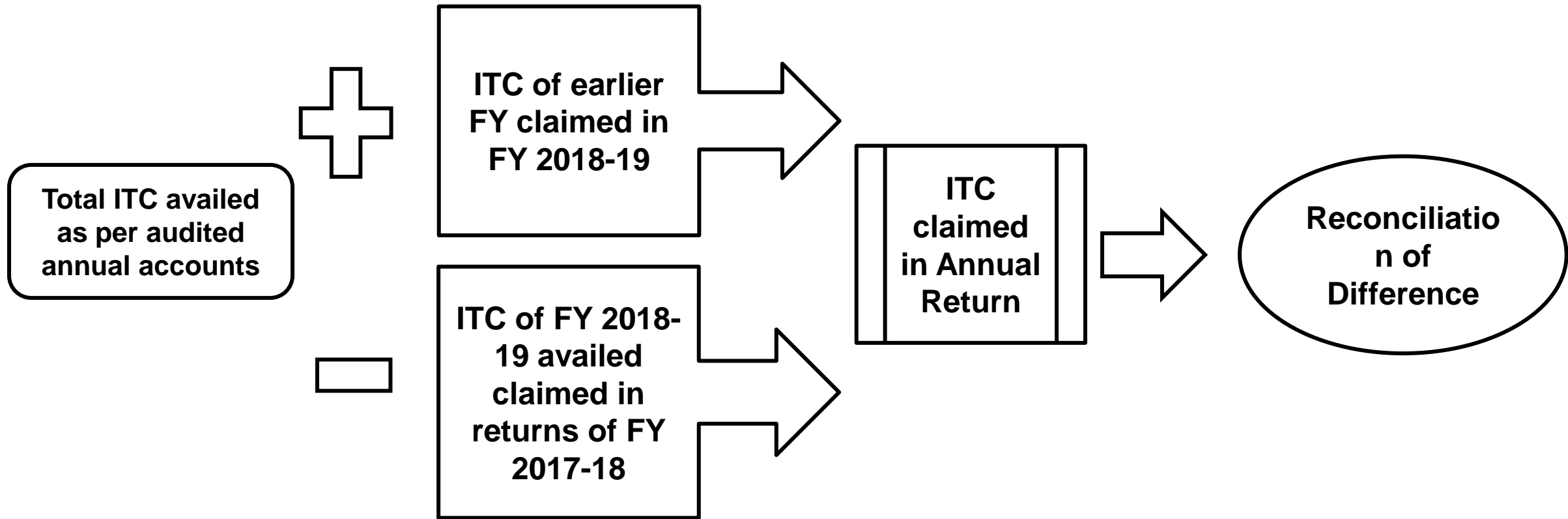
REVENUE RECO

A. Turnover disclosed in FS	Addition	Unbilled of PY billed in CY
	Deletion	Deemed Supply
Trade Discounts		
Credit notes issued for FY reported in next year		
Supplies to DTA by SEZ		
Adjustments on account foreign exchange earnings		
		Unbilled revenue for FY
		Unadjusted advances for FY

B. Turnover reported in GSTR-9

C. Unreconciled Turnover (C = A-B)

REVENUE RECO



ITC RECO — **MADE OPTIONAL**

EXPENSE WISE ITC AVAILED AS PER BOOKS VIS A VIS GST RETURNS

- Purchases
- Power & Fuel
- Imported goods
- Rent & Insurance
- Goods lost stolen written off or gifted
- Conveyance
- Bank charges

ITC RECO

Any excess
ITC availed /
tax short paid



To be paid in
cash

8. Towards the end of the return, taxpayers shall be given an option to pay any additional liability declared in this form, through **FORM DRC-03**. Taxpayers shall select —Reconciliation Statementl in the drop down provided in **FORM DRC-03**. It may be noted that such liability shall be paid through electronic cash ledger only.

MULTI LOCATIONAL ENTITIES

Multiple
branches
across
different
states

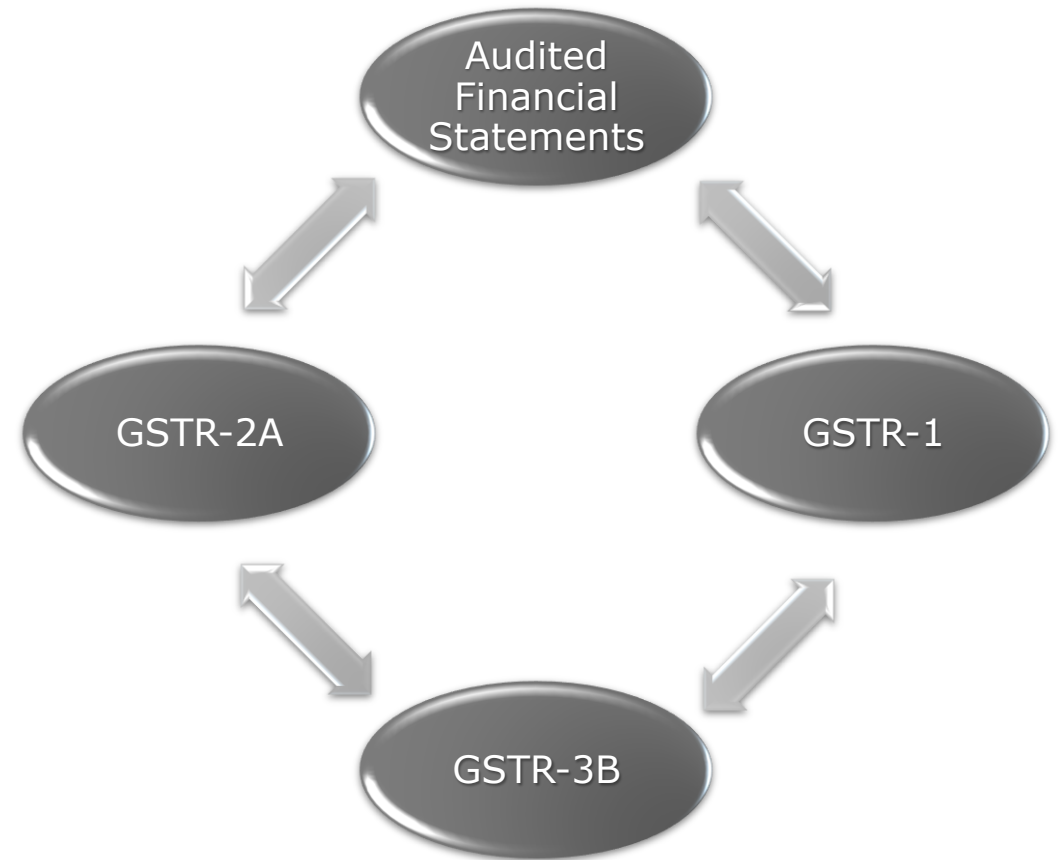
Multiple
verticals of
same
registration
in a state

Branches
outside
India

Branches in
states not
liable for
registration

SUMMARY OF RECO REQUIRED

1. Monthly Returns vs Annual Return.
2. Monthly/Annual Returns vs Audited Financial Statements (Companies Act and Income Tax);
3. GSTR – 1 + GSTR – 2A vs GSTR – 3B



Contact details



998 98 281 47



apoorvajayasimhaca@gmail.com

Thank you!





V CFO

M P Vijay Kumar

TODAY

Facts about SME

1



2 Need for VCFO

Opportunities for VCFO

3



4 The C Suite and their Roles

7 Golden Guiding Principles
for a VCFO

5



6 4 Roles of VCFO for value

5 Key Principles to be an
effective VCFO

7



8 Strategic Focus and Four Forces

TODAY

Strategic Risk

9



10

Virtual CFO Services – How Offered?



Why CAs are best fit for Virtual CFO

11

12

Methodology of providing Virtual CFO services

Types of Engagement

13



14

Closing Remarks

Facts about SME Growth in India

India has approximately 6.3 crore MSMEs. The number of registered MSMEs grew 18.5% Y-o-Y to reach 25.13 lakh units in 2020 from 21.21 lakh units in 2019.

1

The Finance Ministry allowed **private retirement funds to invest up to 5% in Category I & II AIFs regulated by SEBI**; this will help widen the fundraising options for MSMEs and expand the domestic pool of capital

2

Budget allocation for MSMEs in FY22 more than doubled to **Rs. 15,700 crore vis-à-vis** Rs. 7,572 crore in FY21.

3

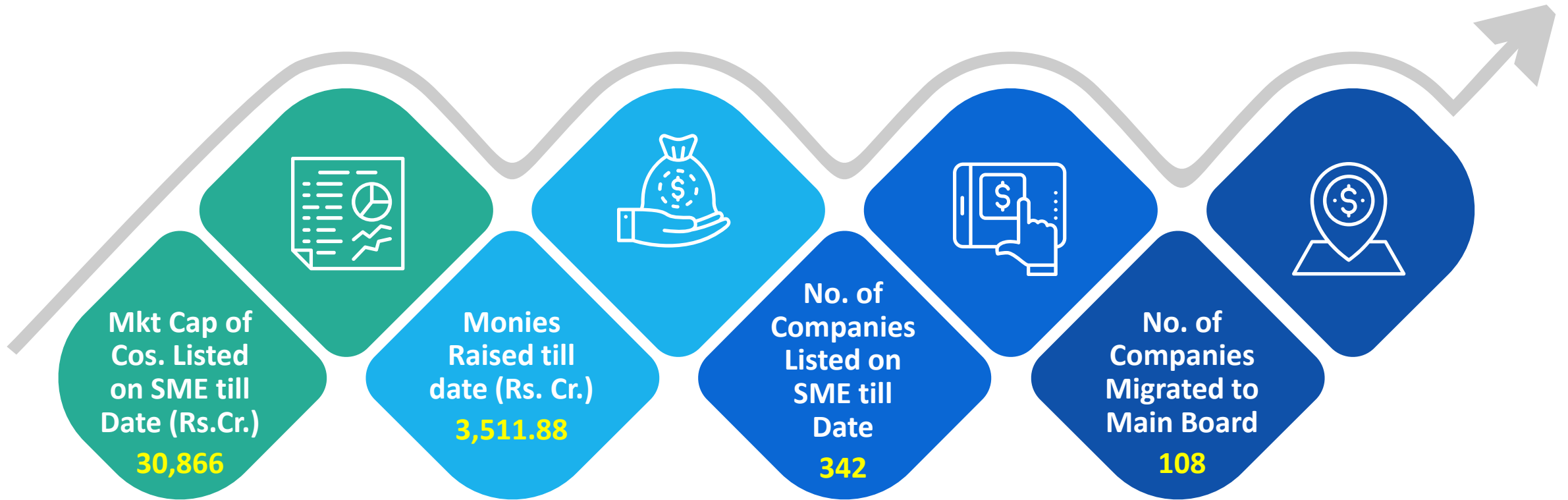
Rs. 3 lakh crore collateral-free automatic loans for businesses

4

In Budget 2021, the government announced funds worth **Rs. 10,000 crore for 'Guarantee Emergency Credit Line' (GECL) facility** to eligible MSME borrowers, giving a major boost to the sector.

5

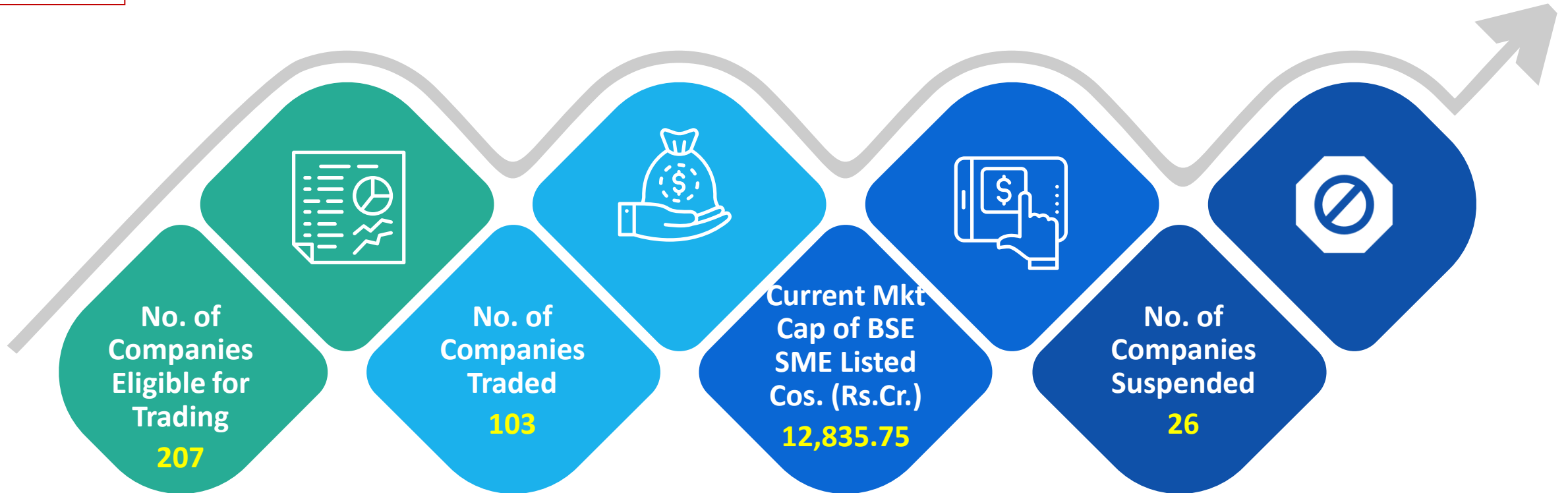
Key Stats of BSE Listed SMEs in India



Source: www.bsesme.com

Key Stats of BSE Listed SMEs in India

...Contd.



The BSE SME platform is expected to witness **> 60 SMEs to enter the market in one year (2021-22)** to bring up equity funds for meeting their business requirements.

Source: www.bsesme.com

Every Unicorn was an MSME...

India's
58* unicorns
 have created
180Bn in value

There will be
150+ unicorns
 in India by **2025**

Source: 3one4 Capital, Tracxn | *2 Unicorns are now listed

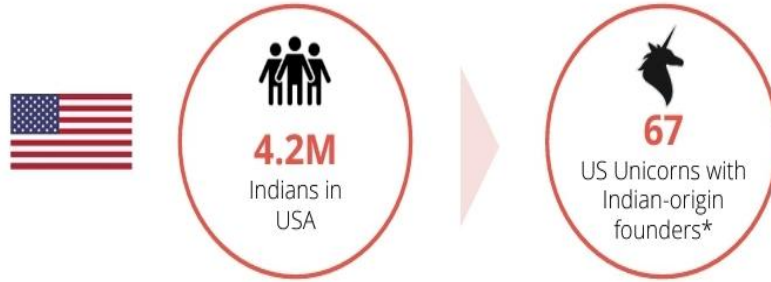


TV Mohandas Pai © 3one4 Capital

Indians are Creating Unicorns Globally

Total US population: 33 crores

Total Indians in US: 0.42 crores



Total unicorns in US: 290

Unicorns by NRI Indians: 67

Notable US startups with Indian origin founders



Indians are 1.3% of the US population but have founded 23% of US unicorns!

Need for VCFO in SME (Industry Perspective)

SME & Employment opportunity: Employs about 106 million, 40% of India's workforce. Next only to the agricultural sector.

SME Exports: 40% of the total exports.

Products: produces more than 6000 products.

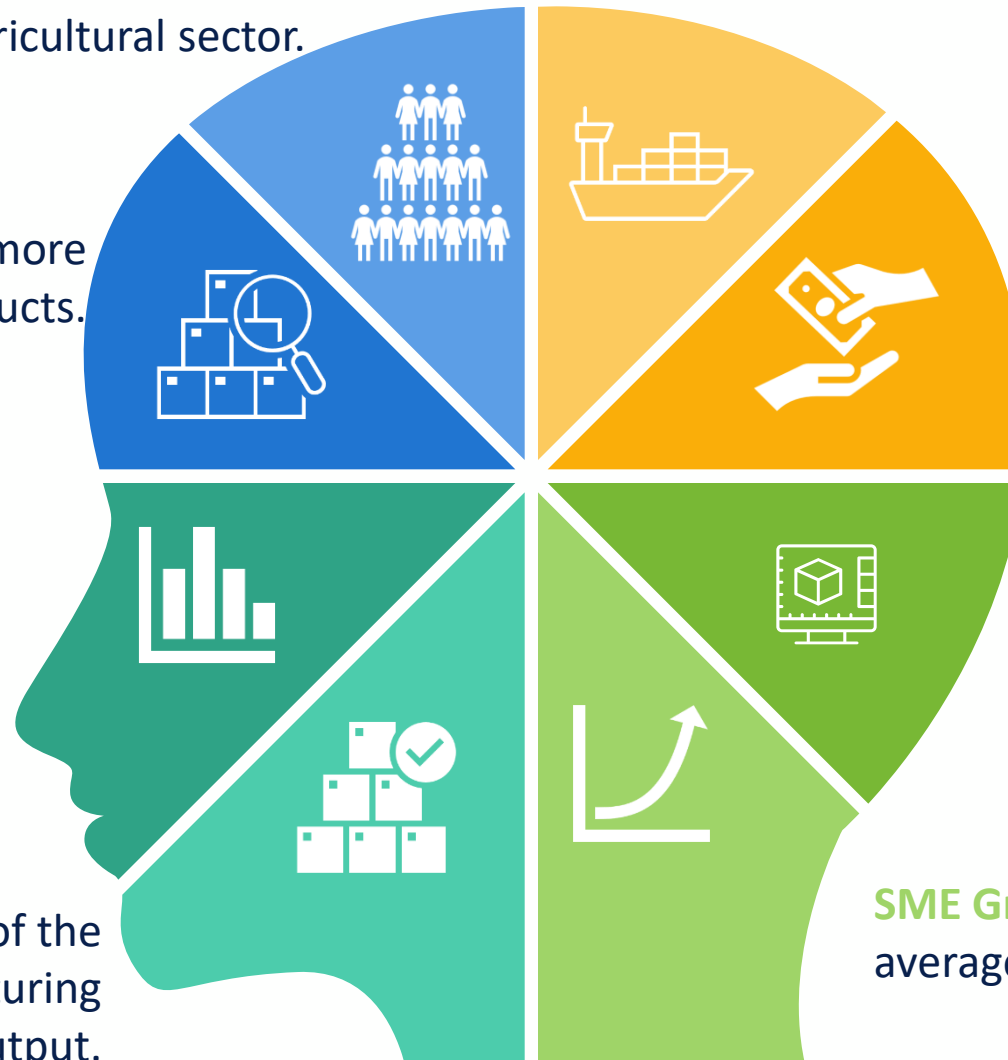
Bank Lending: Accounts for 16% of bank lending.

GDP Contribution: Currently around 6.11% of the manufacturing GDP and 24.63% of Service sector GDP.

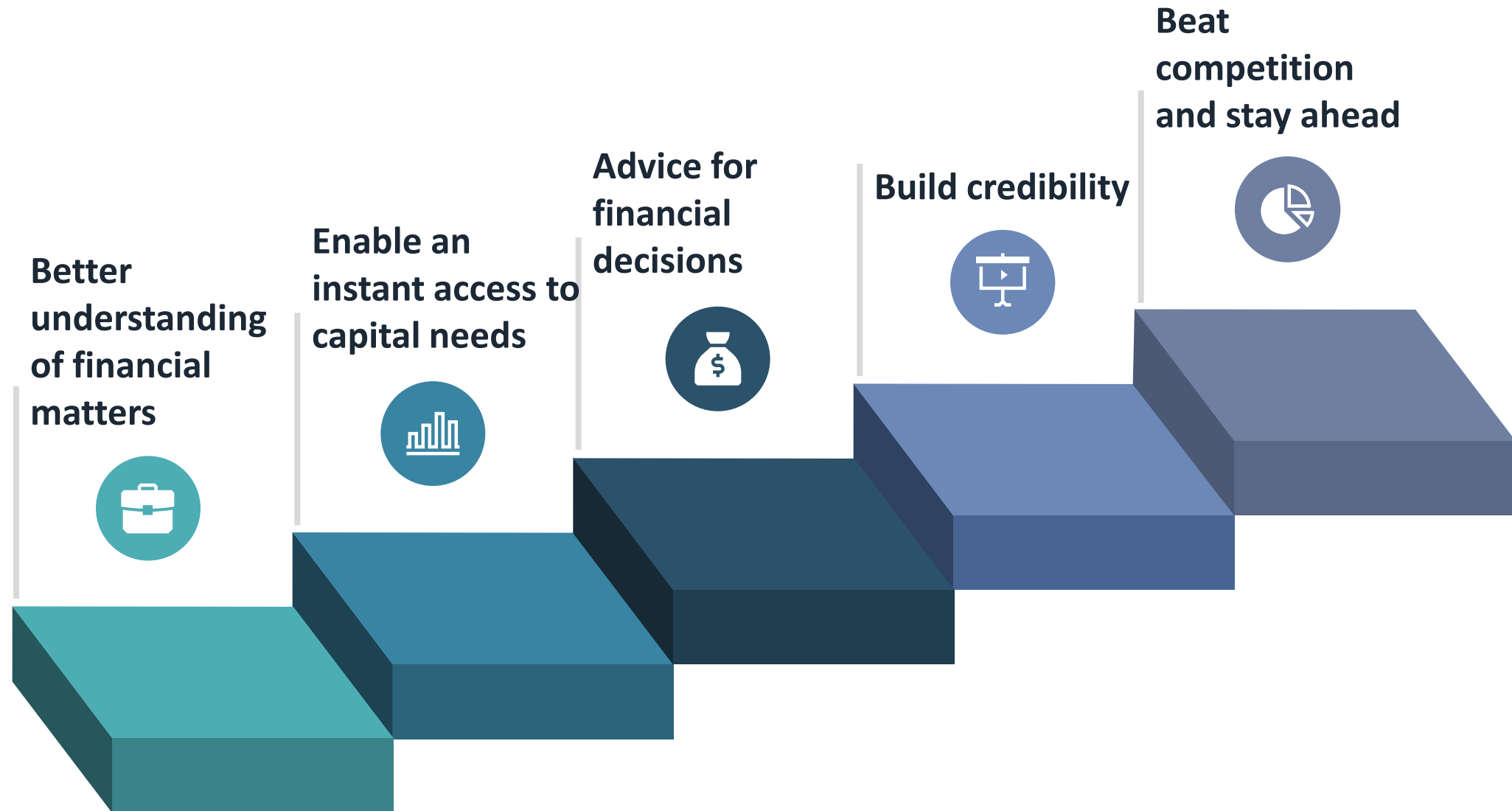
Fixed Assets: @ INR 1,471,912.94 crore.

SME Output: 45% of the total Indian manufacturing output.

SME Growth Rate: Has maintained an average growth rate of over 10%.



Need for VCFOs in SME (Management Perspective)



Opportunities for VCFO in SME (Growth Perspective)

Large Companies in the SME segment wanting to automate, be process driven, eventually plan for IPO and listing

Capital seekers and Mid Size entities intending to raise capital from Investors and create share holder value

2nd Generation entrepreneurs whose business would have been family driven till now and looking for process driven and professional management

Distressed Companies planning to turn around

Startups intending to plan correctly right from the beginning



The C Suite and their Roles

CEO Role – Reasonably Defined and understandable (Strategy & Execution)

COO Role – Reasonably Defined and understandable (Operations)

CFO Role – All of what the above do

Other CXO Roles like CIO/ CMO/ CTO/ CRO – Reasonably Defined and understandable

7 Golden Guiding Principles for a VCFO



7 Golden Guiding Principles for a VCFO



1 Financial Health : Get to know

Are you making money or losing money?

What are the different sources of revenue and how much revenue are you making?

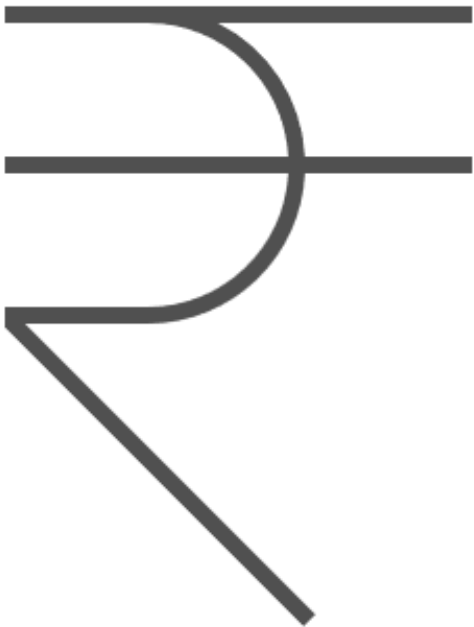
What are your top 5 expenses?

Total payables and receivables?

How much money do you have in the bank?

Learn everything you can about the business.

7 Golden Guiding Principles for a VCFO



2. Bank Account : Ensure that only the CFO and the CEO have access

Sounds simple enough, but I have personally seen several CFOs forget this very basic thing.

Also, if this is a family business, ensure separate bank accounts for the family money and business money.

7 Golden Guiding Principles for a VCFO



3. Accounting: Have a good manager or if budget permits, outsource the work to an accounting firm.

Most new CFOs might not have experience of hiring the right person.

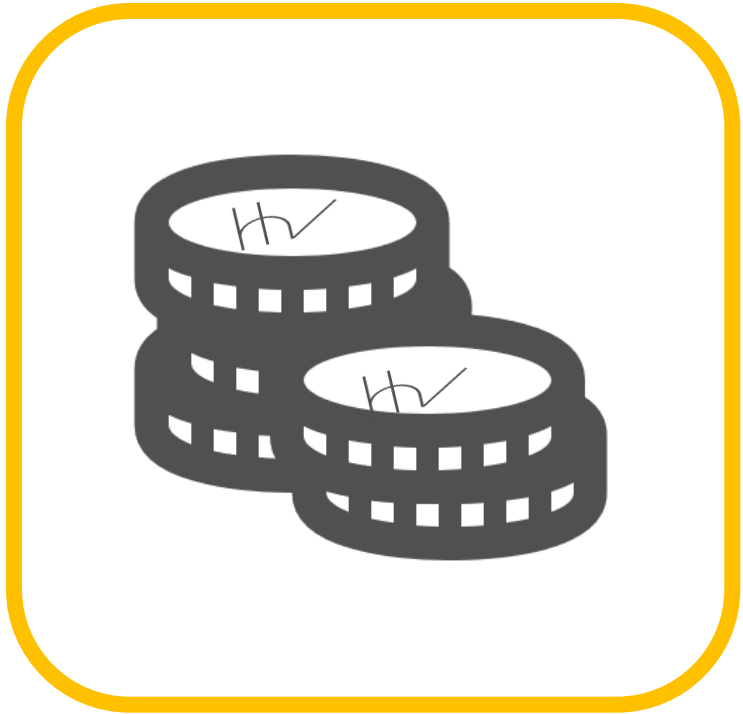
Start first by reviewing different job descriptions online.

Next, start slow in the interview process and learn as much as you can about best practices and what are the important things that an accounting manager does.

Also, talk to your network of peers and learn from them.

Lastly, once you have a good idea on the type of person to hire, go full speed with the interview process and select the best person for the job.

7 Golden Guiding Principles for a VCFO



4. Losing Money: the first order of business is to stop the bleeding.

Review all expenses and start trimming where you can. This sounds simple enough, but this exercise is not for the faint-hearted. You will have different people demanding that their project(s) should still be pursued because it is important to the company.

Start with the big-ticket items and work your way down.

If the company has debt, review the contract and negotiate for better terms and interest rates depending on your cash flow.

7 Golden Guiding Principles for a VCFO

5. Budget: Prepare with the different leaders of the company

Don't just wait for the numbers to be submitted via email. Once you get the numbers, spend time with the different leaders of the company and understand how they prepared their budget.

Being a good CFO means that you don't only have the big picture, but also understand the details and how it is aligned with the overall objective of the company.

Frugality is a good virtue to have, however as the CFO need to learn how to balance things and company becomes more productive.



7 Golden Guiding Principles for a VCFO



6. Expense Approval: Ensure a process in place for review and approval including headcount requests.

Communicate across the company in your first 10 days as CFO.

Approve basis budget, cash availability

7 Golden Guiding Principles for a VCFO



7. Familiarize yourself with compliance.

What are the different taxes, business permits, etc. and when do we pay them?

How about government reports, when do you submit them?

What are the different legal tax strategies you can use?

Compliance is costly; non-compliance is fatal

Before signing any application for government or other documents, ensure understanding. Asking the right questions will save you a lot of trouble in the future.

V CFO attributes in an SME



Most VCFOs engage with an SME will agree on one thing: it is **riskier position to occupy than a role in a larger listed entity**. But is it a role only for the brave?

Careful analysis of the business fundamentals, strategy and products before joining; but with limitations on access to real data, particularly in private companies, the risk is apparent.

Develop a **heightened awareness of the type of chief executive**, with whom you work best alongside.

V CFO attributes in an SME

The SME VCFO should be **a holistic finance professional** with a strong technical foundation and a keen commercial and analytical mind.



For finance leaders in corporates and professional services firms considering a move to a small business, **the challenges and opportunities can be as interesting and diverse** as the business itself.



Many corporate finance directors take the well trodden path to the VCFO role in smaller and mid size organisations, with a **key driver being the ability to take full ownership of a company's financial management.**



Continuous Education (default attribute for any professional)




Need to continue to **learn and adopt best practices.**

Being busy is no excuse to learn more about the work you are doing.

If you don't have the time to go to B school or attend 3 days seminar on finance, you owe it to yourself and the company to **spend time every week to read articles on finance and other related articles about your industry**, so that you can be a better leader and CFO.

SME Capital Management



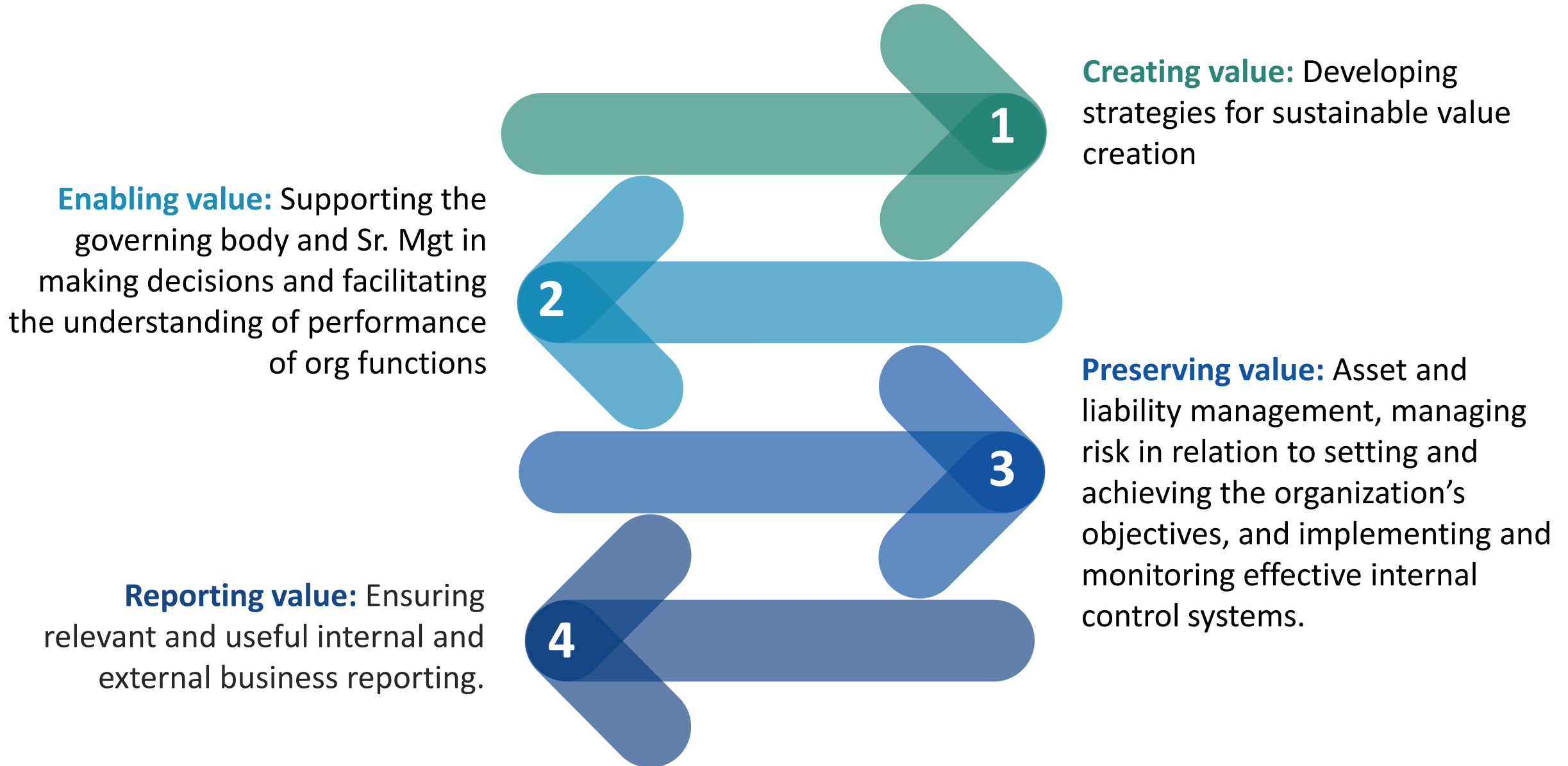
Ensuring efficient financial management and making it a priority are essential tasks before value can be added through other activities.

Private equity ownership also places a high degree of emphasis on the CFO's ability to deliver efficiency measures to improve business performance, whether through cost-base transformation, improving controls or fostering a decision support culture within the business.

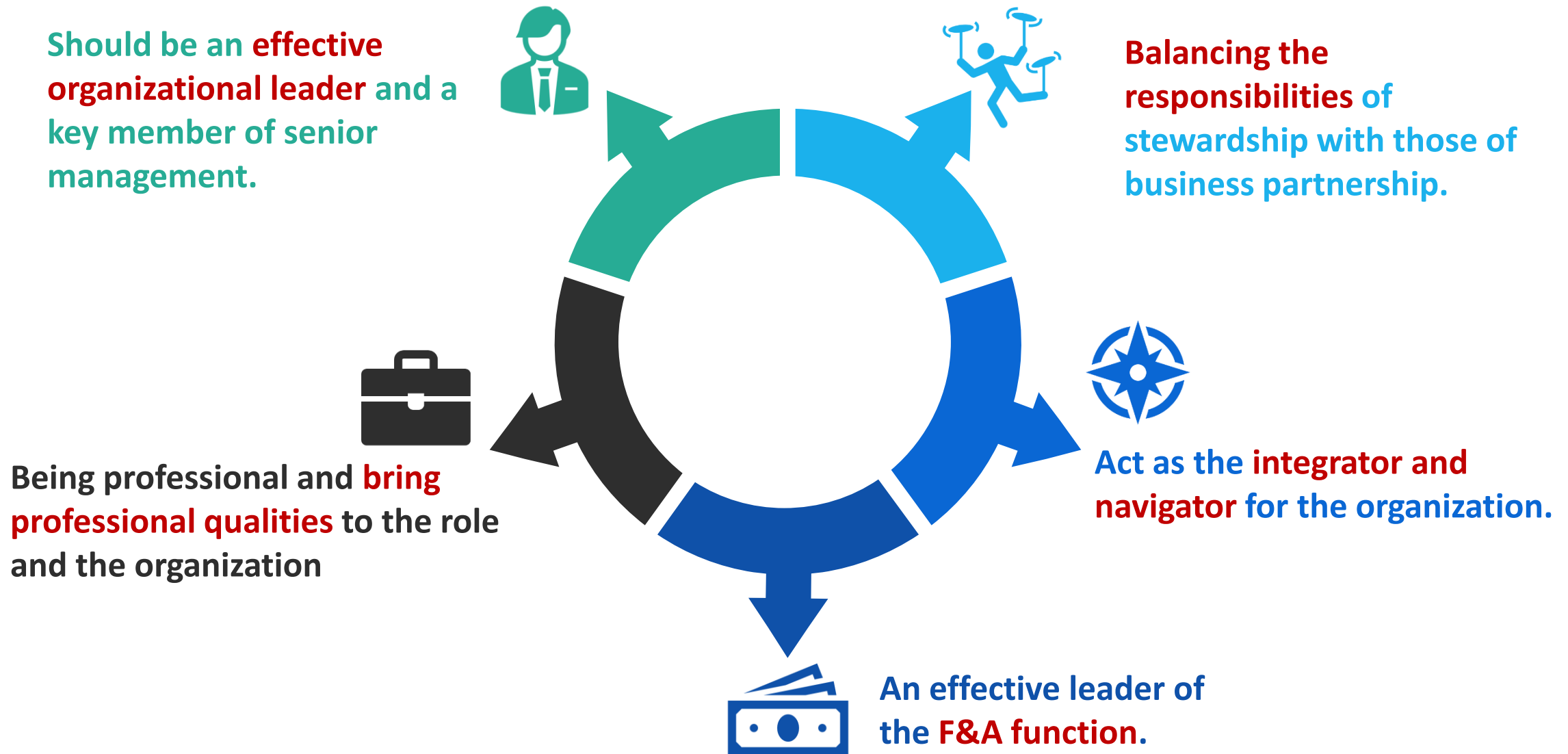
For those SMEs with aspirational owners who seek to expand business operations into new markets, CFOs will have to adapt to the differing cultural, regulatory and economic environments within foreign markets, while maintaining strong governance and controls, and managing any currency exchange risks.

SMEs moving into private equity ownership, usual to replace incumbent CFO by person who has private equity experience. PE demands are different and higher : they have a far greater requirement for regular, consistent and in-depth financial information and analysis.

4 Roles of VCFO for value



5 Key Principles – to be an effective V CFO



Core Contributions of a V CFO

Control – Ensure proper Financial, Internal Controls and Reporting

Financial Planning, Capital & Debt Raise – Plan, measure fund requirement and take necessary action

Accounting & Audit Report proper books of accounts

Value Engineering in cost, pricing models, leading partner level conversations with major vendors and customers, preparing SME to become a large entity



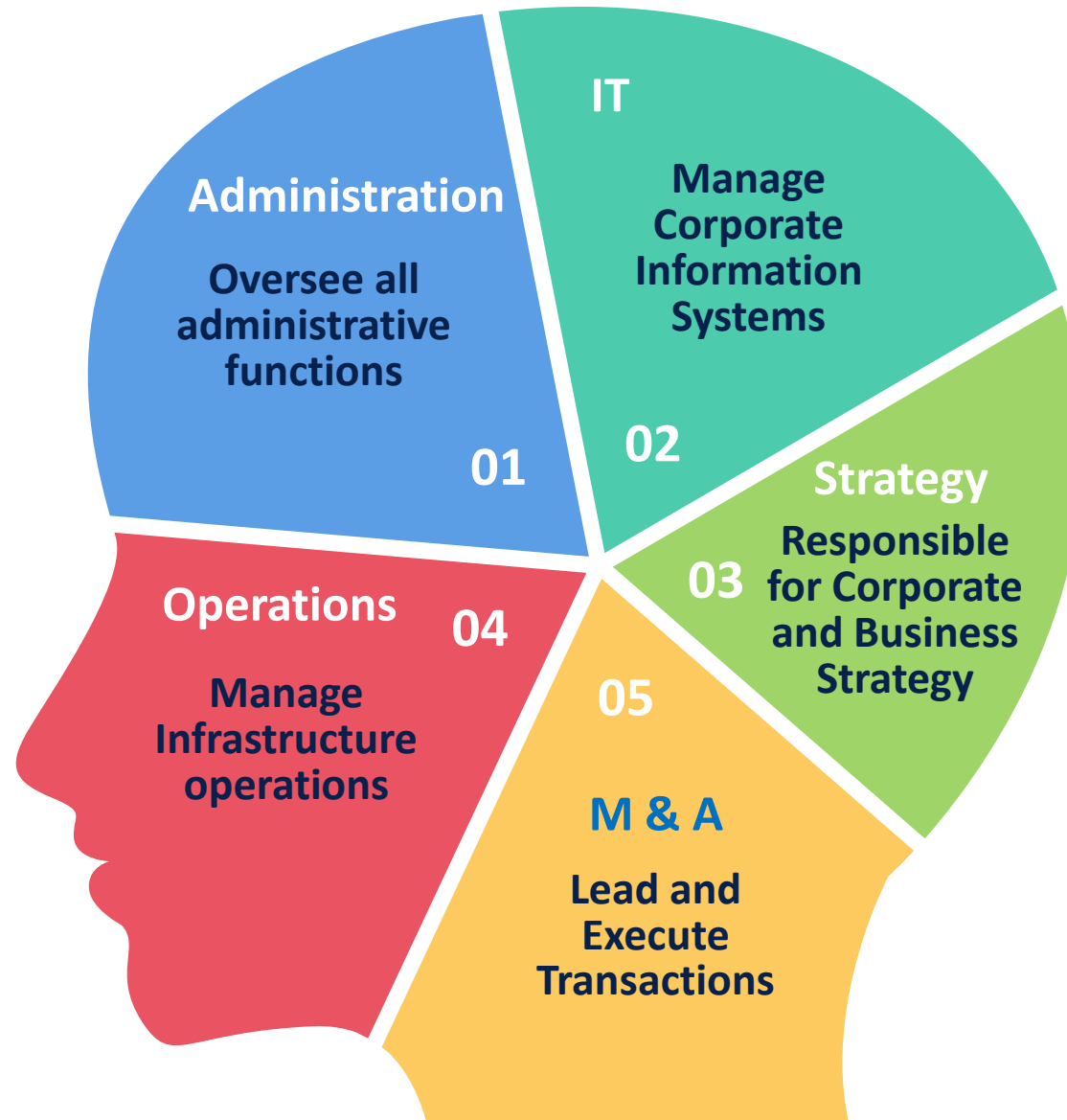
Preparing SME to become a large entity

Finance & Treasury – Liquidity Management and effective use of sources of funds

Governance & Compliance – Ensure compliance & quality governance

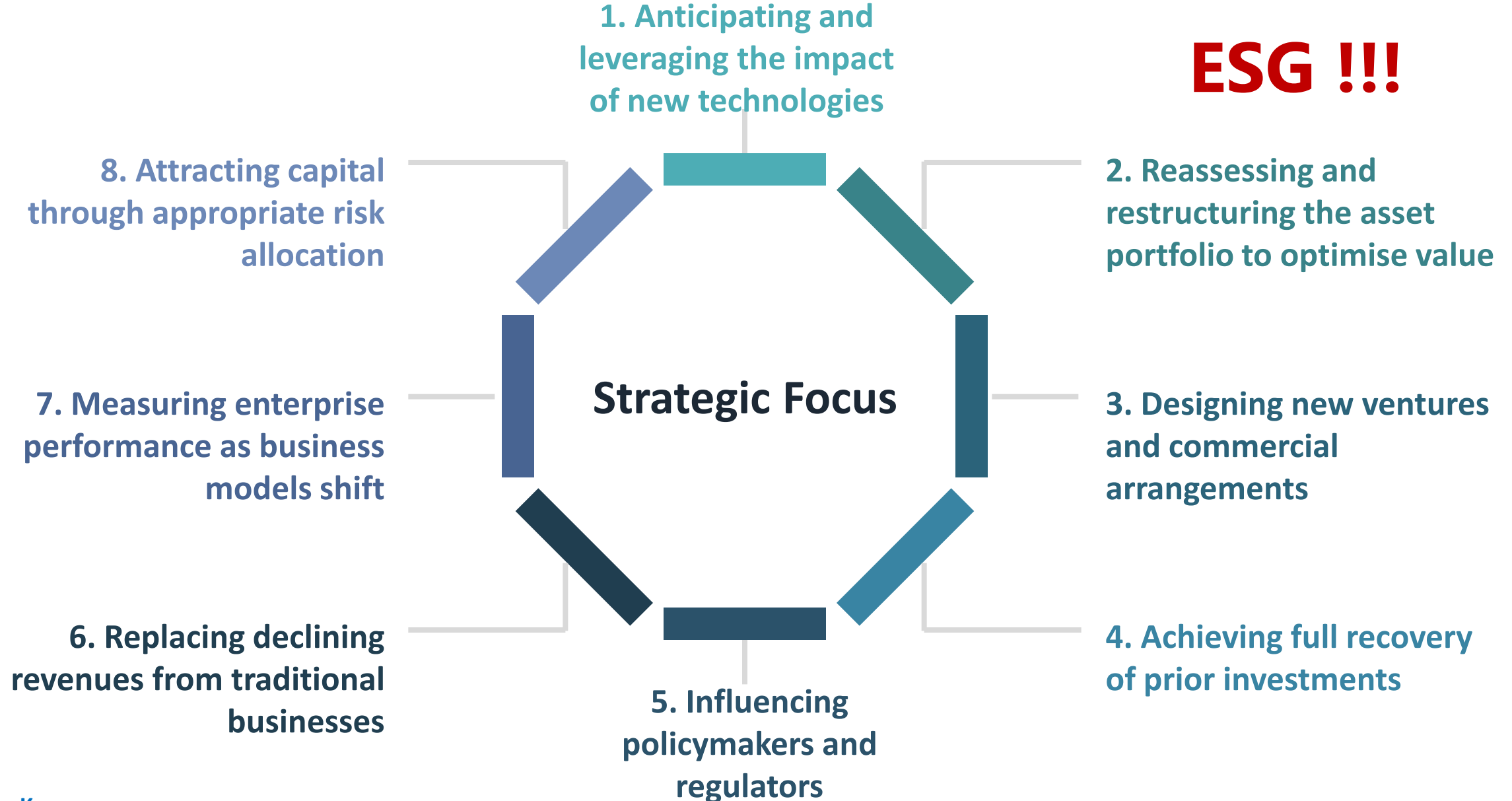
Explore capital raise in SME platform of stock exchange - capital plus improved governance, succession planning for key roles, etc

Extended Responsibilities of a VCFO

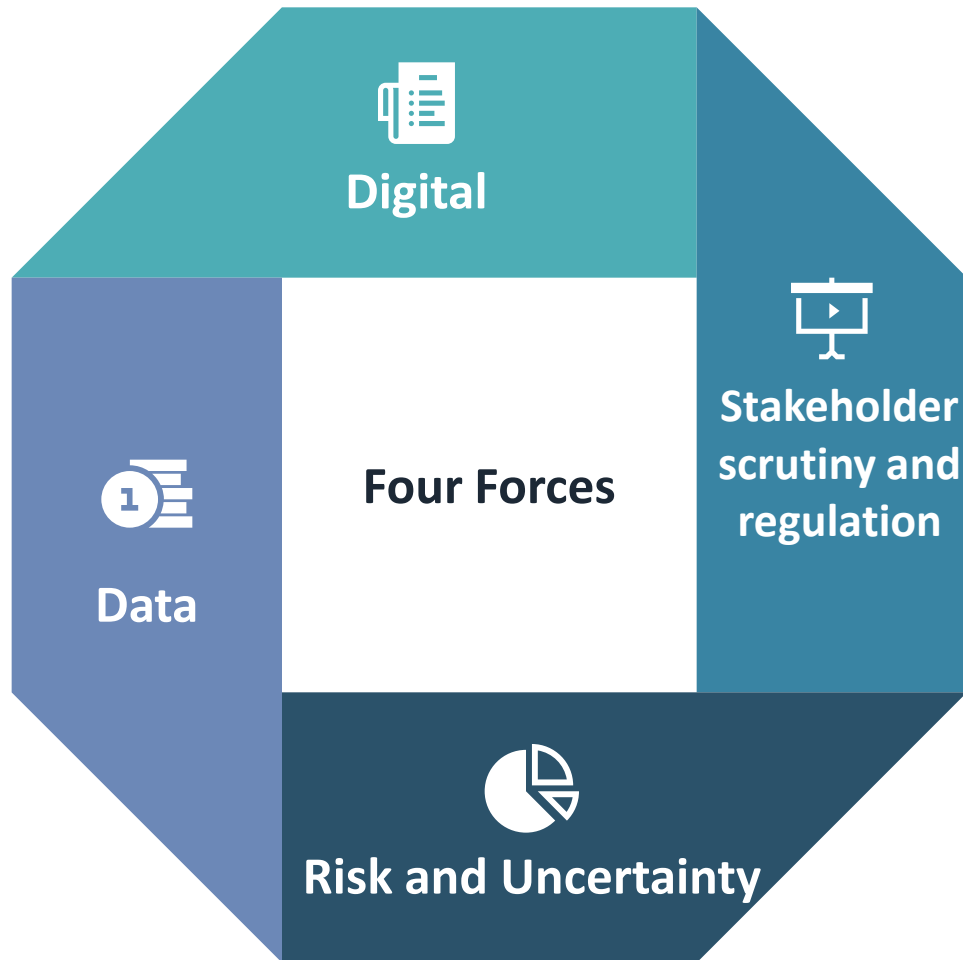


Strategic Focus

ESG !!!



Four Forces Disrupting Finance Leadership



“It’s become a job that may be too big for any one individual to do well, given all the responsibilities and the **incredible contrast** between the day-to-day tactical controllership functions, and the very long-term, strategic, executive functions.

It’s now more important than ever for the CFO to not just worry about their role, but also the team that they surround themselves with.”

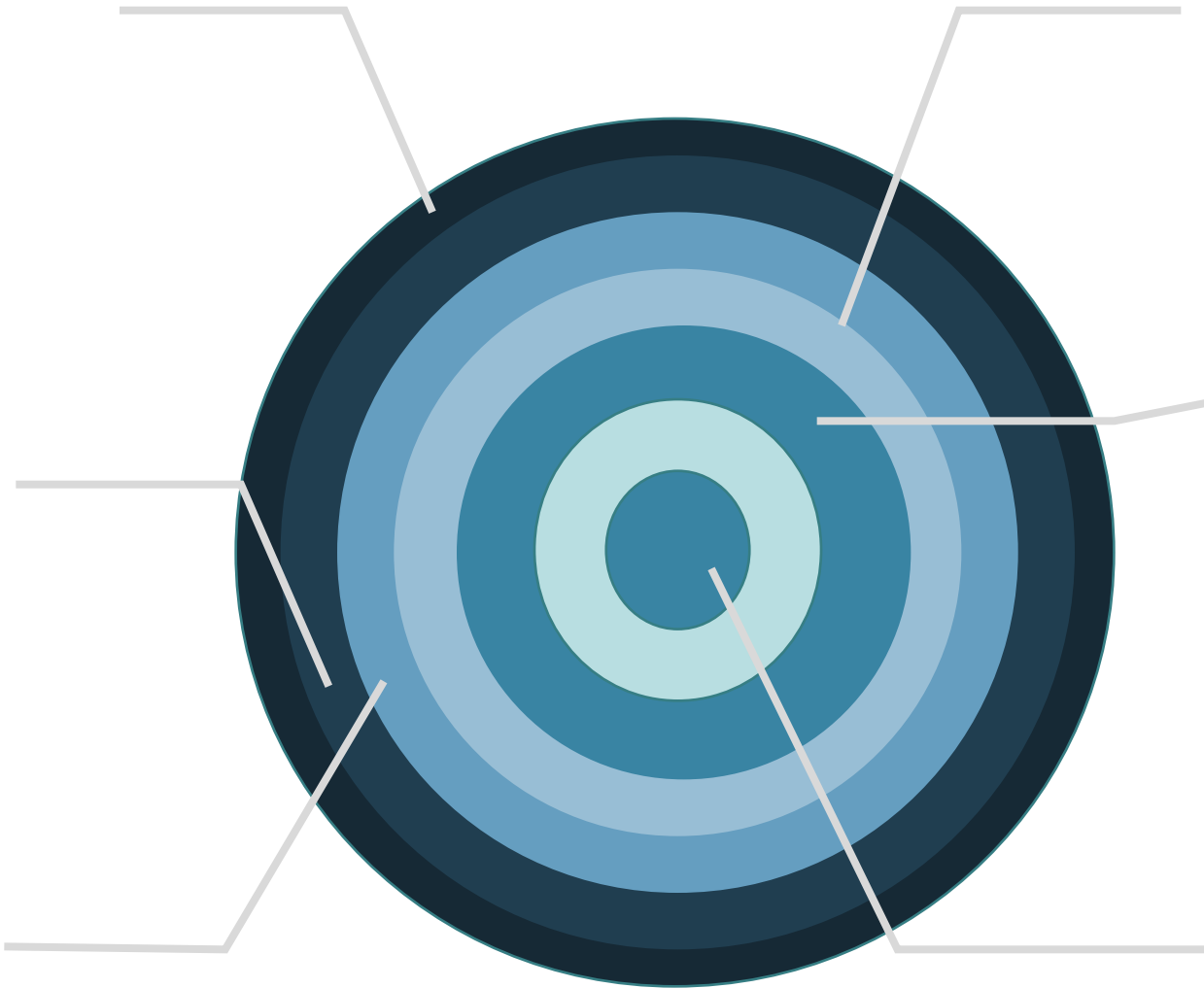
-Tony Klimas, Global Finance Performance Improvement Advisory Leader, EY

Performance Management – Strategic Questions that must be answered

Which parts of the business are creating value?

What are the real drivers of our performance?

Which customers and products are profitable?

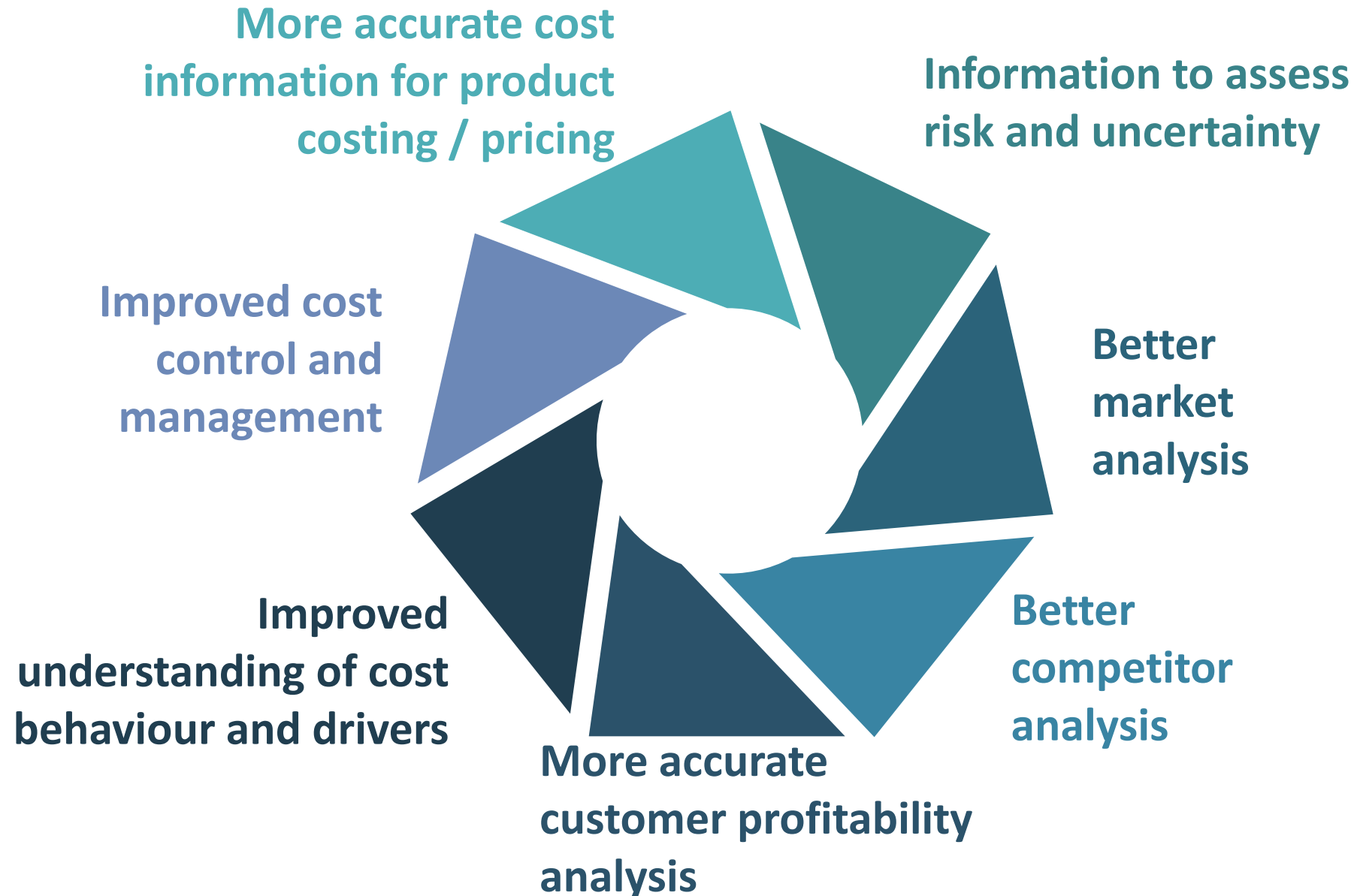


How are we performing relative to the competition?

Which customers are delivering the bulk of our profit?

What is driving cash generation ?

Performance Management – What organizational decision makers look for?

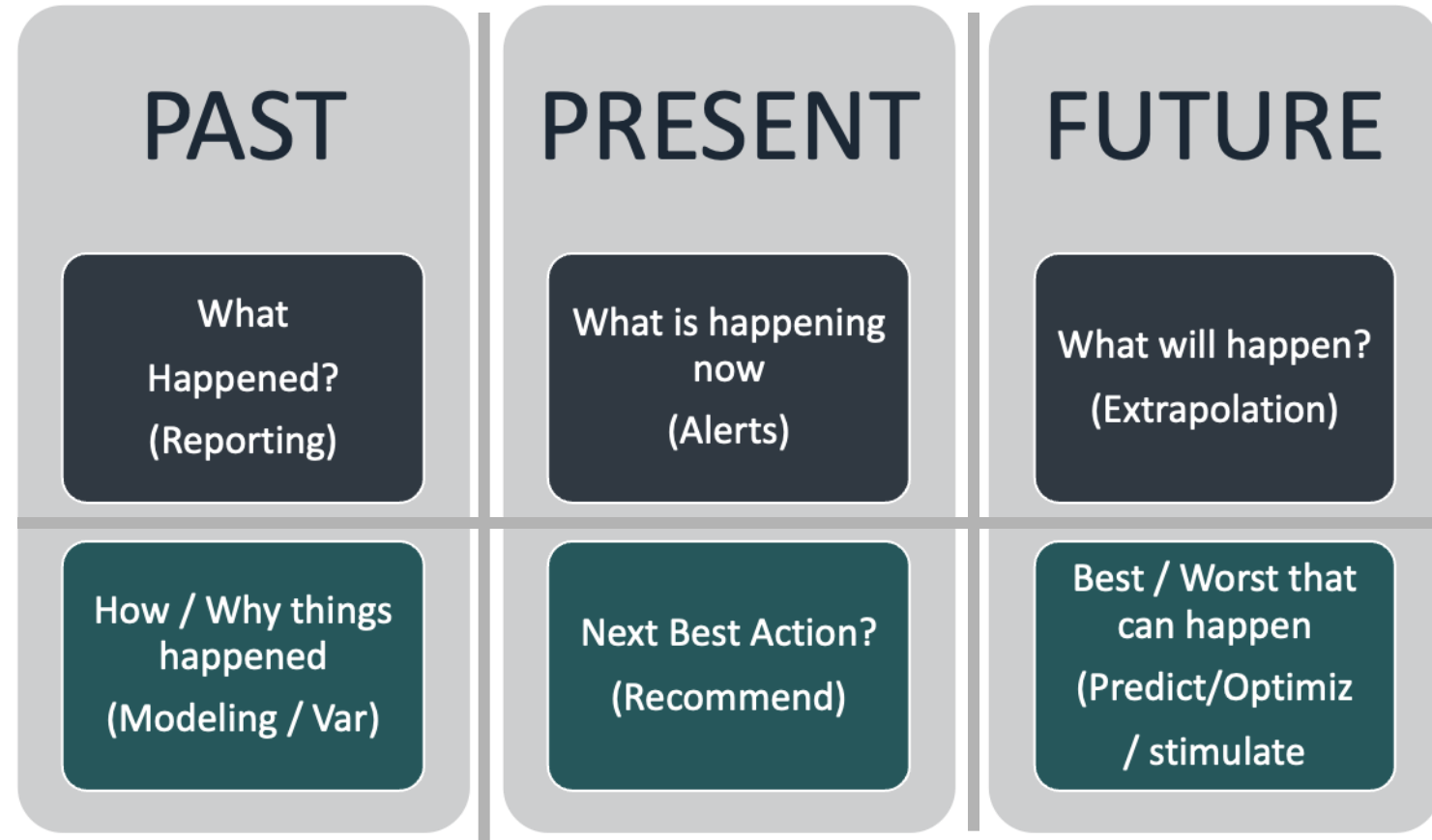


INFORMATION to INSIGHT

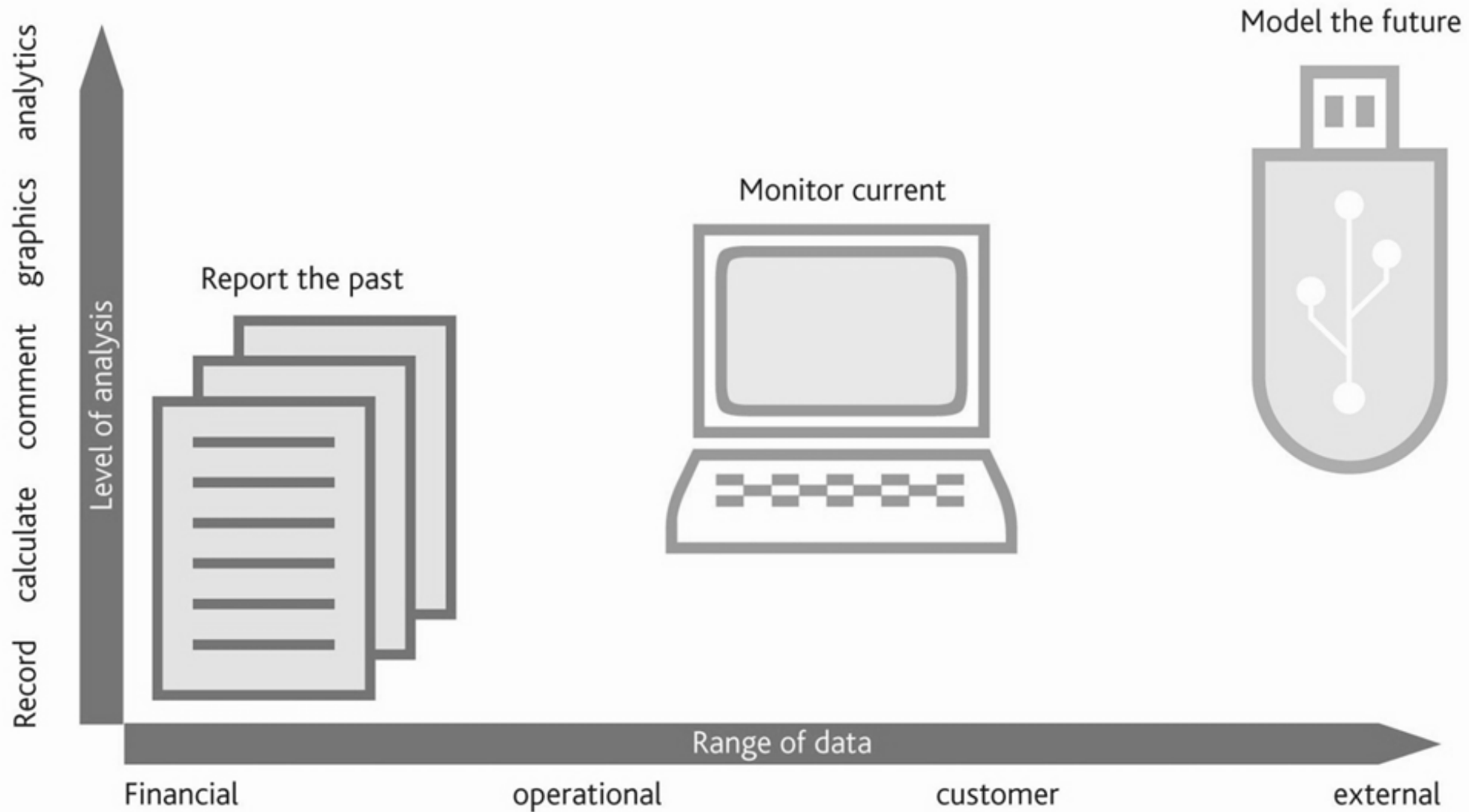
INFORMATION



INSIGHT



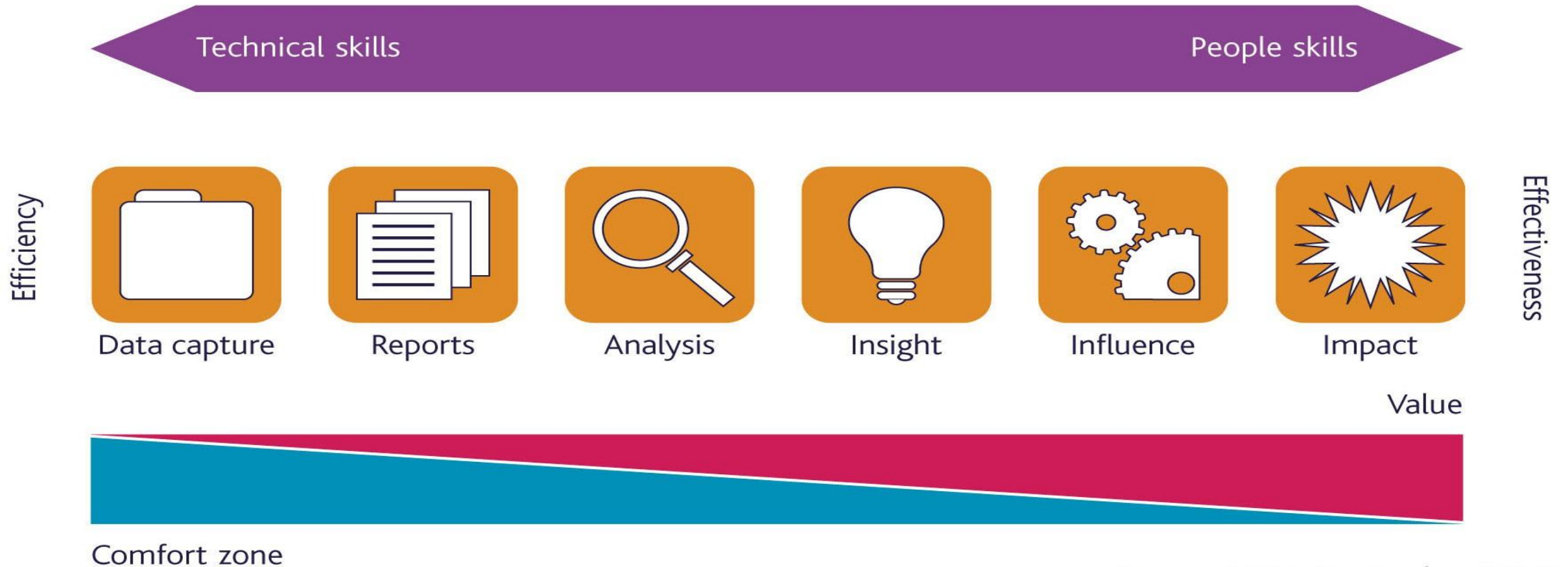
INFORMATION to INSIGHT



Source: CIMA, August 2008

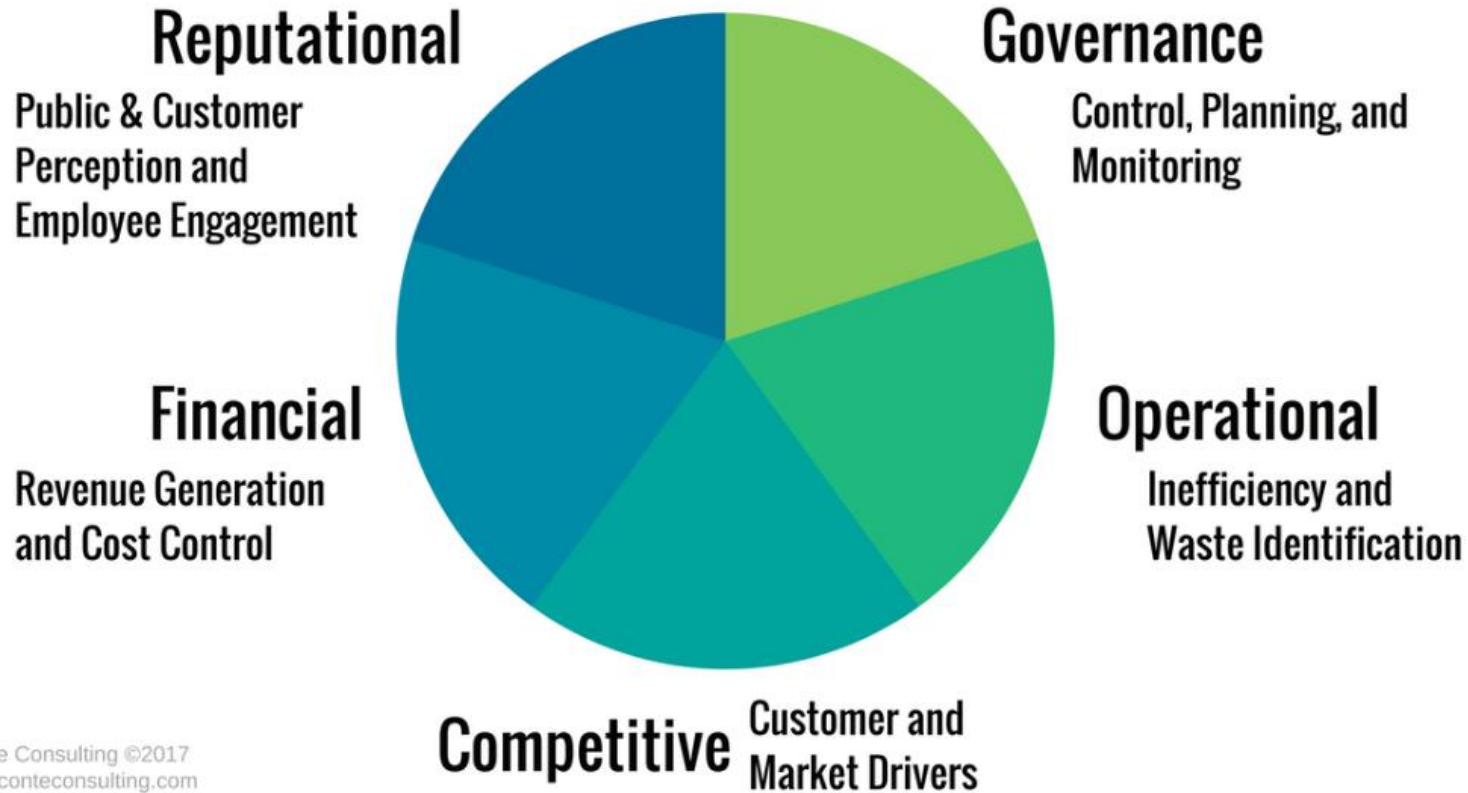
Dated (2007), but holds good even now...

From back to front office



Source: CIMA, September 2007

5 Types of Strategic Risk

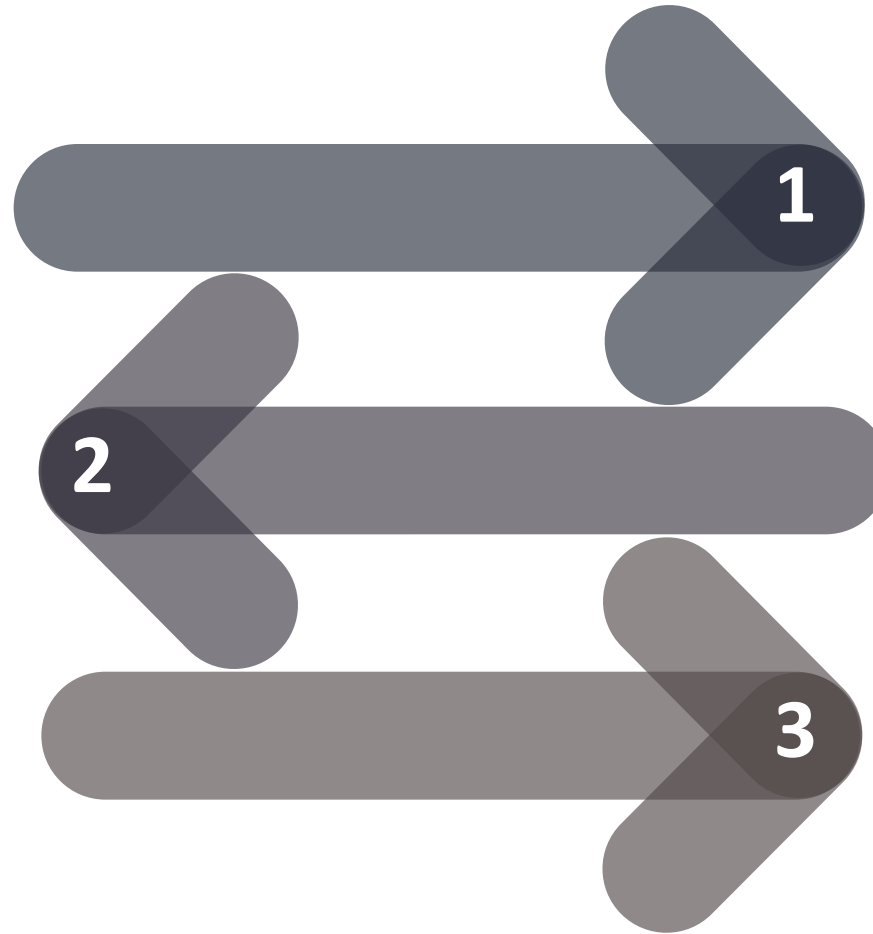


CFO plays a significant role in mitigating all the strategic risks

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<http://laconteconsulting.com>

V CFO Services – How Offered?

Special Purpose/Assignment based Support Services for CFO: VCFO steps in as a 'Special Purpose CFO' for a limited period, till the time the company requires its help. The VCFO works in tandem with existing senior management team and full time CFO to expedite and execute multiple projects with great efficiency

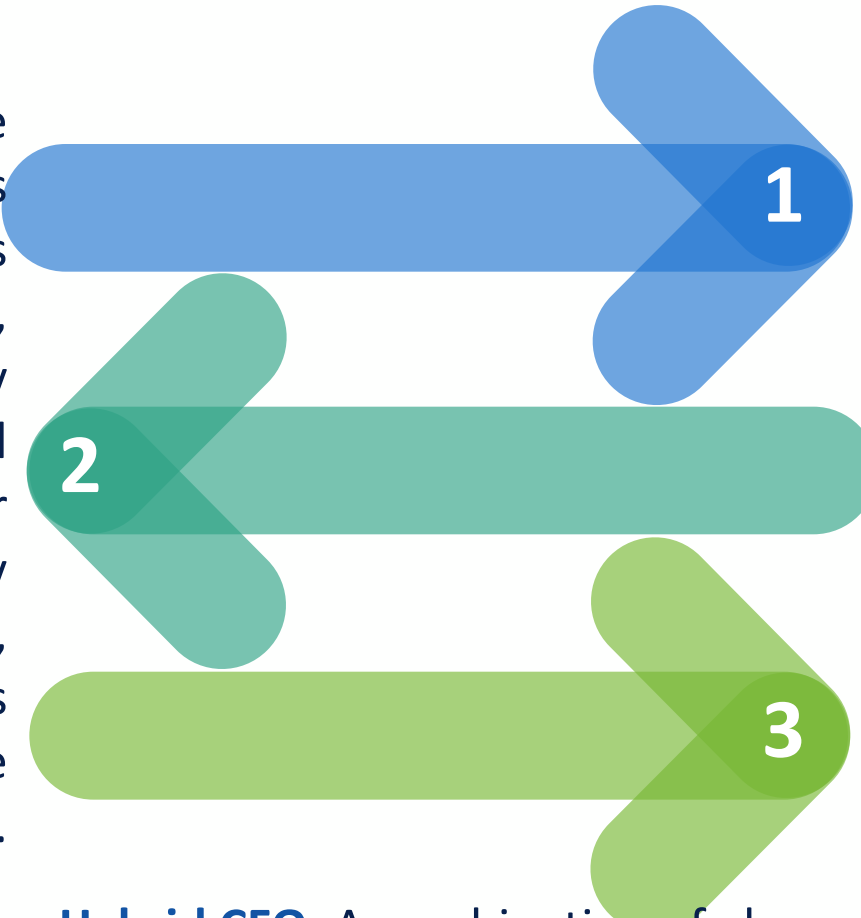


Outsourced CFO: provided to the businesses who have not appointed an inhouse CFO

Interim CFO: when the existing CFO suddenly quits/not available for long period due to any reason such as medical or personal

Types of Engagement

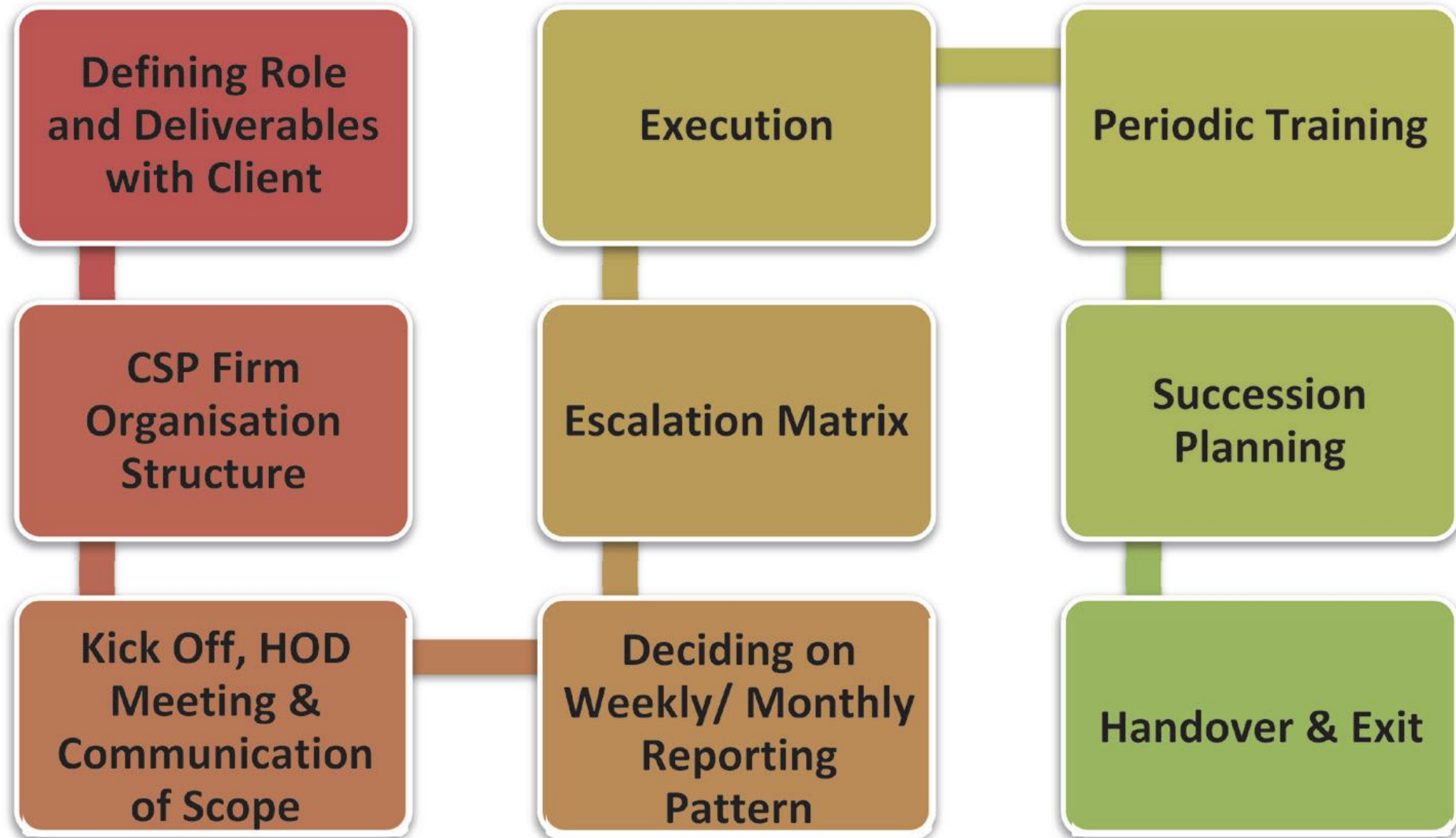
Off CFO: In this virtual world where most accounts/finance executions are possible, there can be scenarios where everything is possible off site, mostly for compliance and procedural assignments. Although greater maturity at every level is required for off site working, reporting and coordination process should be transparent at every level.



Onsite CFO: where Virtual CFO Service Provider visits client office on a regular basis for different workings. This is more required during the initial phase of engagements. Gradually most of the things are doable from VIRTUAL CFO Service's own office.

Hybrid CFO: A combination of above two types. Initially every assignment requires gross engagements and gradually it starts giving way to offsite working. Important point is clear communication of these on sites/off site execution processes to all team members of clients including HOD's and promoters. Weekly reporting in person gives a lot of comfort else weekly conference/video calls are an option.

Execution of V CFO services



Why CAs are best fit to be V CFO

Financial Foresight

Accounting & Financial Expertise

Ability to understand Business

Result Oriented Nature: resolve issues and implement solutions



Experience of Multiple ERPs or equivalent IT platforms

Confidence, Vision & Foresight

Excellent Communication, Leadership & People Skills

Strong network of experts across the board

Self-driven & Proactive

Closing Remarks - Inevitable 10 for a successful VCFO

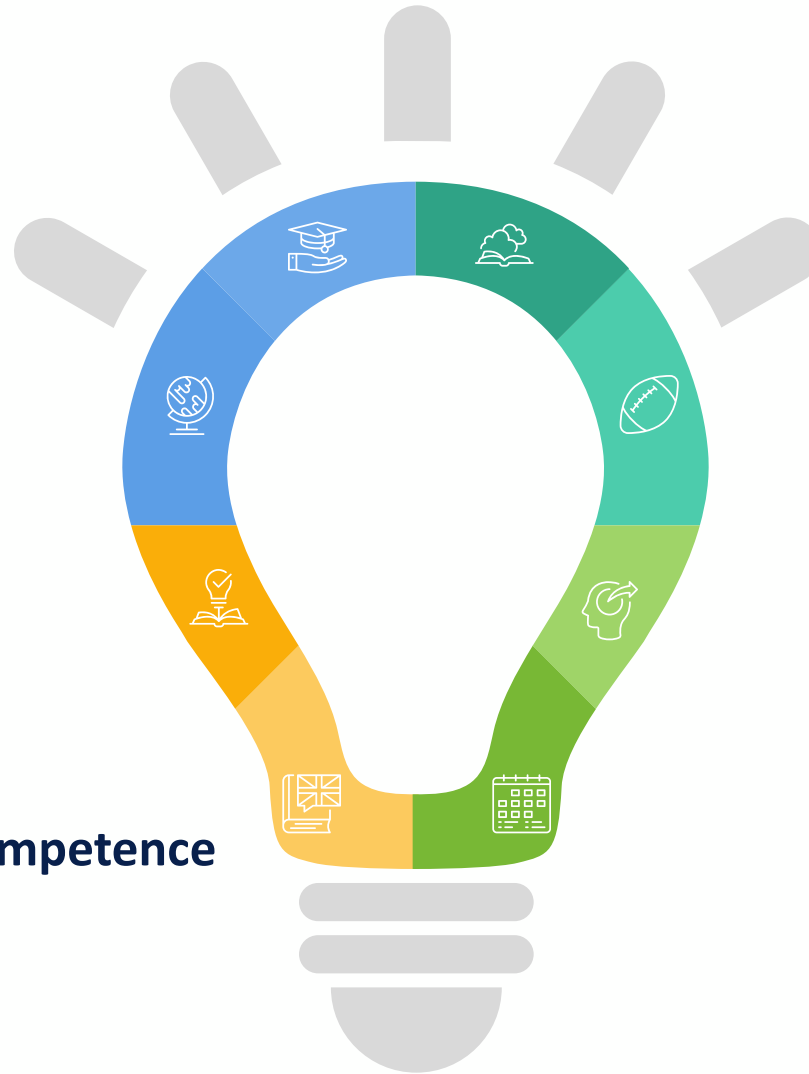
◆ Deep Understanding of business

◆ Communication skills

◆ Confidence

◆ Vision and foresight

◆ Accounting and financial competence



◆ Financial Foresight

◆ Integrity & Ethics

◆ Perspective & risk

◆ Result Orientation

◆ Leadership

M P Vijay Kumar



**ANY
QUESTIONS?**

Thank
You

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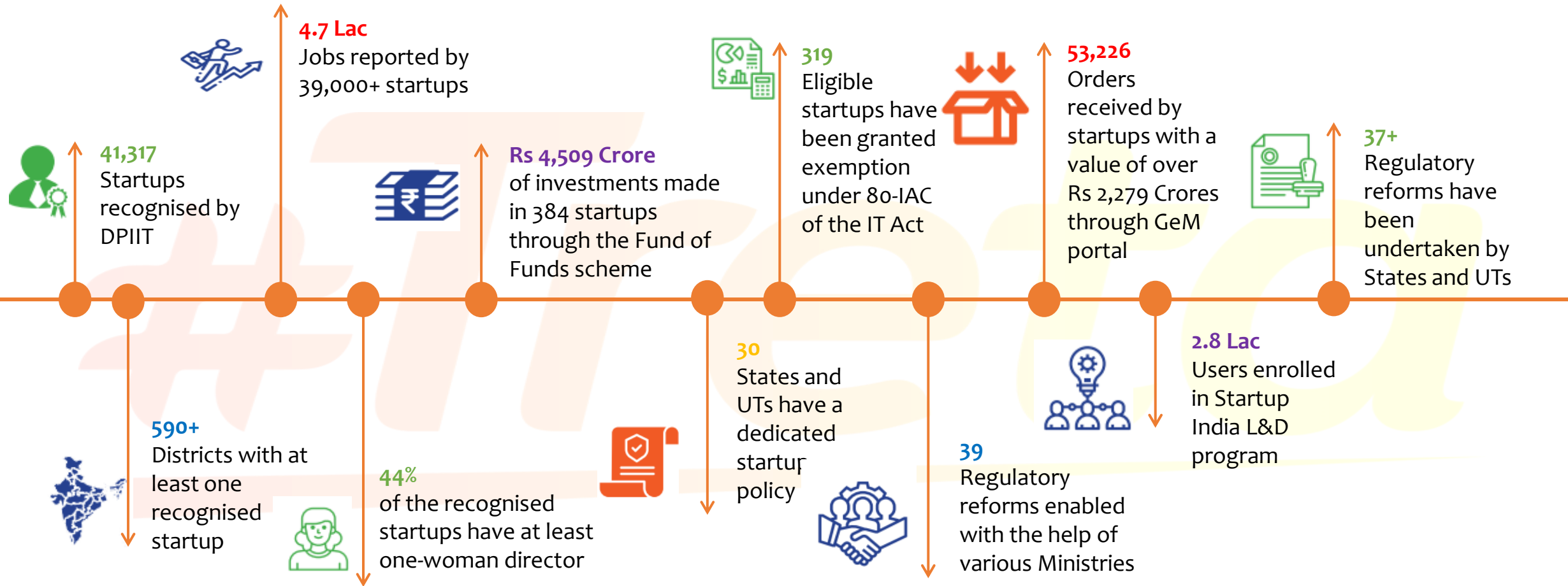
STAY SAFE. STAY HEALTHY. STAY ACCOUNTABLE

INVESTMENTS IN STARTUPS

30 December 2021

Startup India

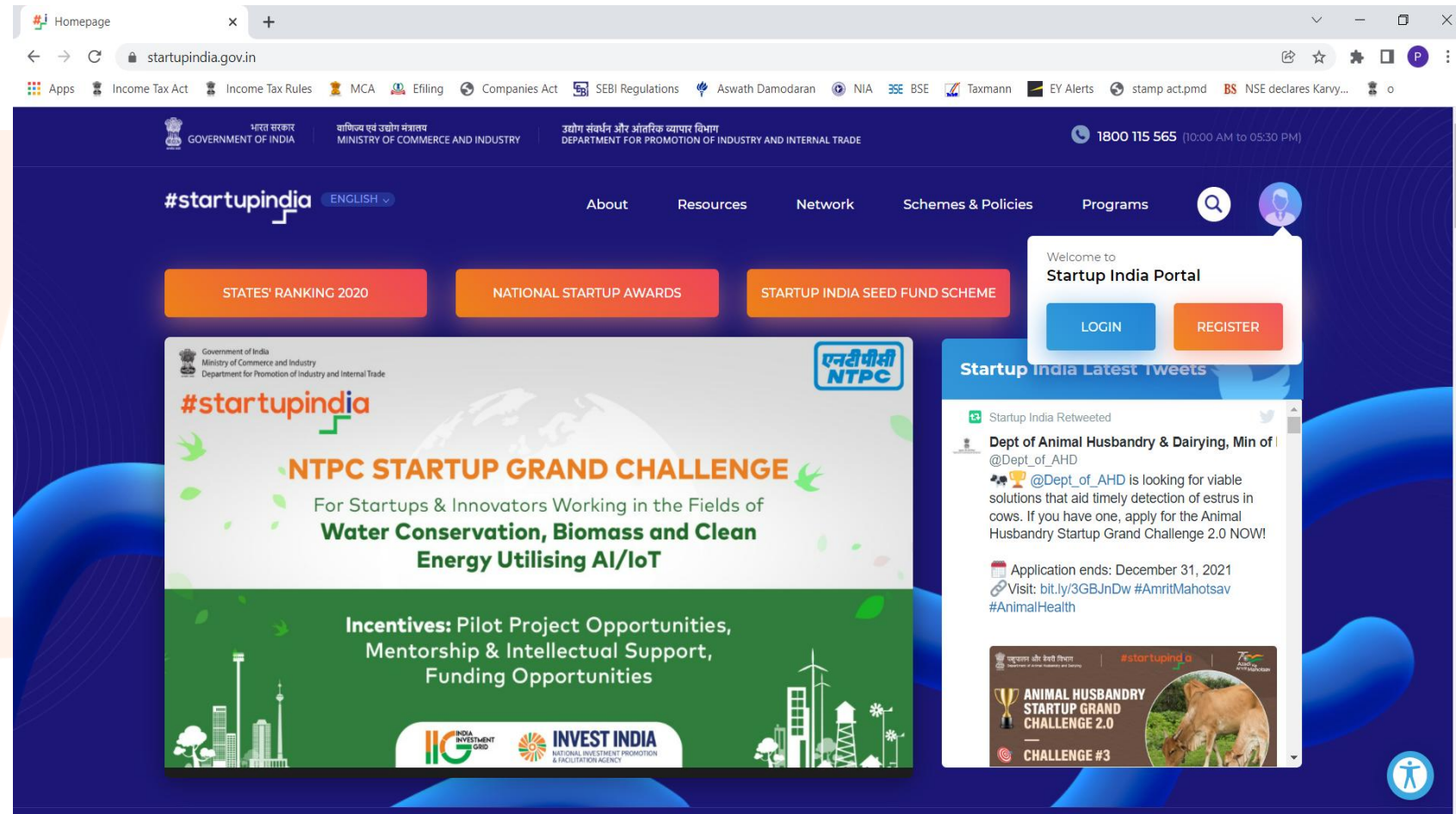
Startups Scenario in India



Source: startupindia.gov.in (January 2016 – December 2020)

Glimpses of Startup Website

Startup India website homepage



Glimpses of Startup Website

Registration on Startup India as a New User

The screenshot shows a web browser window with the URL `startupindia.gov.in/content/sih/en/registration.html`. The page features a dark blue header with the `#startupindia` logo and a `← Back to Home` link. The main content area is a white card titled `Create An Account`. It contains five input fields: `Name`, `Email id`, `Mobile Number`, `Password` (with a help icon), and `Confirm Password`. Below these fields is a red `Register` button. To the right of the form, there is a section for social media sign-up with the text `Signup with your social accounts` and buttons for `G+`, `f`, `twitter`, and `in`. Below this is a link `Already have an account? Login here`. At the bottom of the card, there are logos for the Government of India and `INVEST INDIA` (World's most awarded IPA), along with the text `Department of Industrial Policy and Promotion` and `Ministry of Commerce and Industry`.

Glimpses of Startup Website

Selection of the kind of user/ applicant

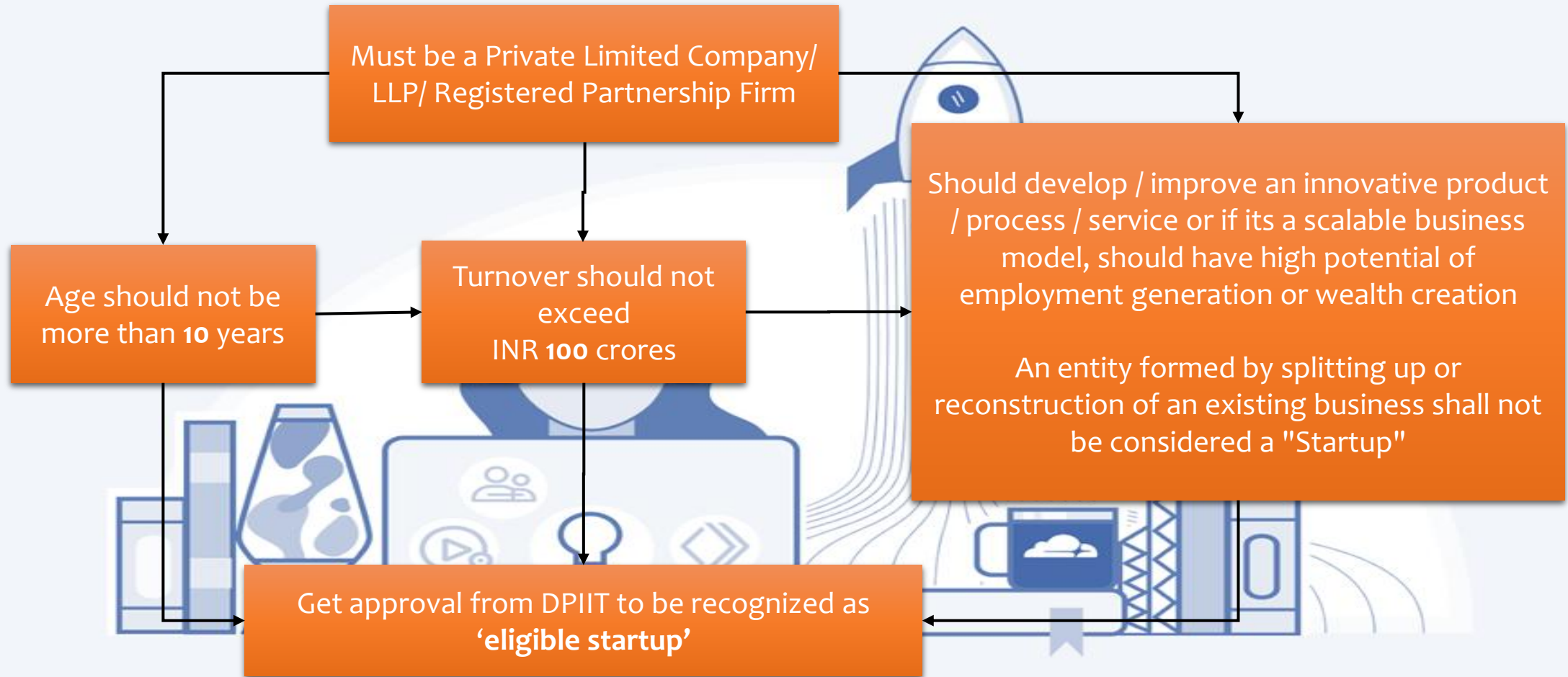
The screenshot shows a web browser window with the URL `startupindia.gov.in/content/sih/en/persona.html`. The page title is "Persona". The main heading is "TELL US WHO YOU ARE? SELECT ONE OF THESE". There are ten selection options, each with an icon, a title, a description, and a checked checkbox:

- Individual**: If you just want to explore things. Like Blogs, Govt Schemes etc.
- Startup**: Already started your entrepreneurial journey as an idea or newly established business.
- Mentor**: A mentor may share with a mentee(or protegee) information about
- Incubator**: Incubators help startups at a very early stage to grow by providing a space to work, seed funding, mentoring, training and other benefits
- Accelerator**: Startup accelerators are cohort-based programs that typically include seed investment, connections, sales, mentorship, educational components
- Individual Investor**: An individual investor is a non-professional investor who buys and sells securities.
- Institutional Investor**: An institutional investor is an entity which pools money to purchase securities, real property etc.
- Government Body**: Those Government Ministries and Departments wanting to be a part of the startup community or carrying out startup initiatives can register under this category
- Corporate**: Private bodies looking to connect with the startup ecosystem and explore opportunities with startups by providing market access, resources, pilots and more.

A "NEXT STEP" button is located at the bottom right of the form.

Tax benefits to startups

Definition of Startup



Startups and Tax Elements

Tax Holiday under section 80-IAC

Under Section 80-IAC of IT Act, Startup can avail tax holiday for **three** consecutive financial years out of its first **ten** years since incorporation

Eligibility Criteria for applying to Income Tax exemption:

- Entity should be a recognized Startup by DPIIT
- Only private limited or a LLP is eligible for tax exemption
- Startup should have been incorporated after 1st April, 2016

Tax Exemption under section 56

Eligibility criteria for Tax Exemption under section 56(2)(viib) of IT Act:

- Entity should be a DPIIT recognized Startup
- Aggregate amount of paid-up share capital and share premium of the startup after the proposed issue of share, if any, does not exceed INR 25 Crore
- Startups shall adhere to the end use restrictions

Carry Forward of Losses

Provisions of Section 79 of IT Act, gets triggered when there is change in shareholding > 49%.

However, carry forward of losses in respect of **eligible start-ups** allowed if all shareholders who held shares carrying voting power on the last day of the year in which the loss was incurred continue to hold shares till last day of previous year in which such loss is to be carried forward

Therefore, restriction of holding of 51 % of voting rights to be remaining unchanged u/s 79 of IT Act has been relaxed in the case of eligible startups

Startup Funding

Funding stages

Fund Raise Cycle of Start-ups

1

Self Funding

- # Initial investment by founder(s)
- # Funding by way of Equity or Loans

02

Friends & Relatives

- # Funding by way of Equity, Loans or Gifts
- # Tenure – 2 to 3 years

03

Angel Investor

- # Individual or Entities with surplus cash
- # Generally invests in form of Equity
- # Tenure – Min 5 years

04

Banks & Financial Institutions

- # Term Loans
- # Working capital loans

05

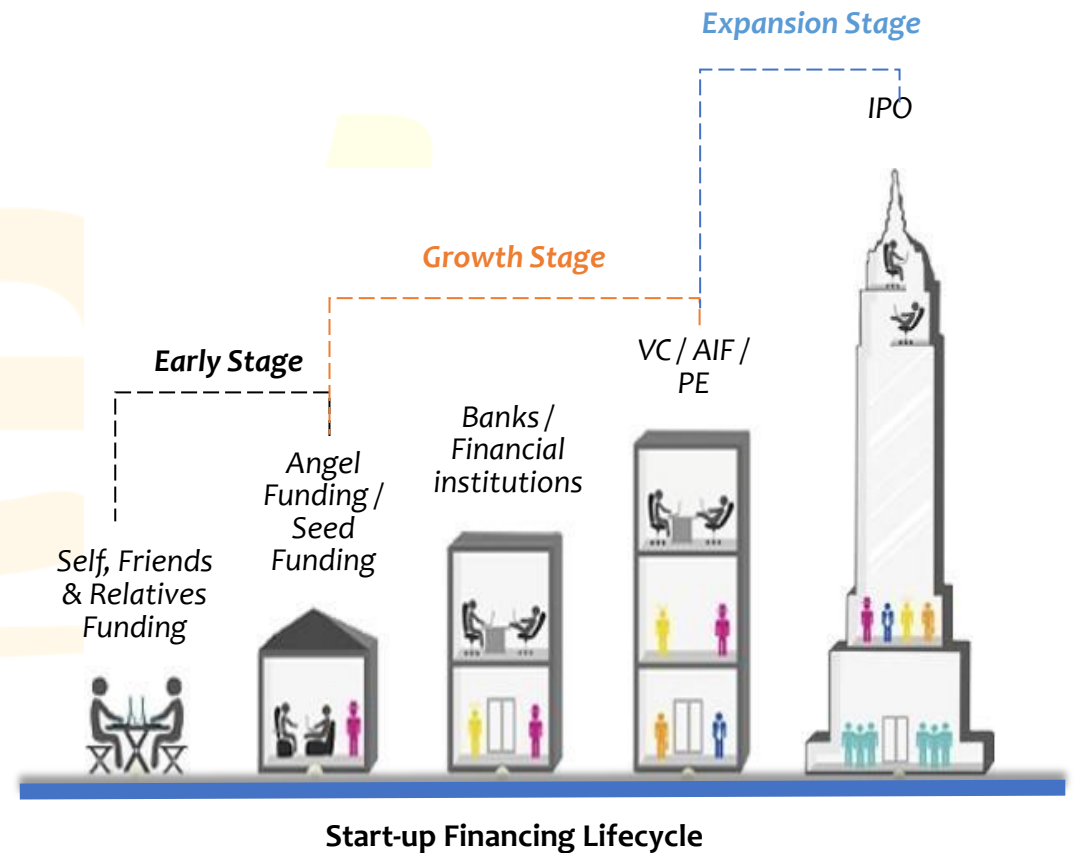
VC/ AIF/ PE

- # Funds to accelerate growth
- # Funding by way of Equity or Loans

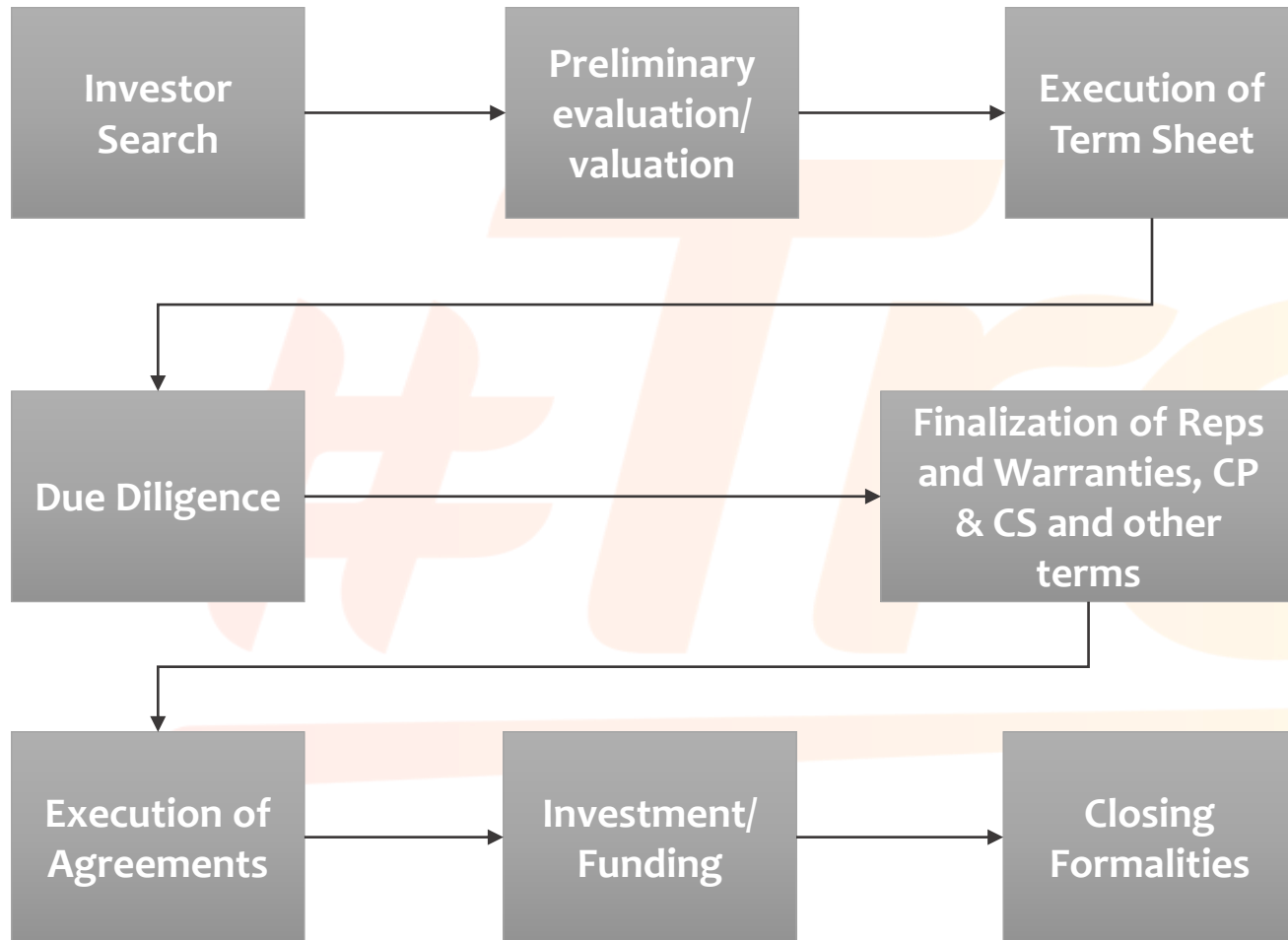
06

Public Market

- # Expansion of business by raising funds from public
- # Exit opportunity for existing investors
- # Listing



Fund raise process and documentation



Professional opportunities
– so so many!!!

Thank you

Disclaimer –

“This Presentation provides certain general information / broad ideas for structuring. This Presentation does not purport to identify all the issues or developments in relation to the proposed structuring. Accordingly, this Presentation should neither be regarded as comprehensive nor sufficient for the purposes of decision-making. Treta Advisors does not undertake any legal liability for any of the contents in this Presentation. The information provided is not, nor is it intended to be an advice on any matter and should not be relied on as such. Professional advice should be sought before taking action on any of the information contained in it. Without prior permission of Treta Advisors, this document may not be quoted in whole or in part or otherwise referred to in any documents.”

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#Treta

Exports & Imports – Intricacies under FEMA

CA Murali Krishna G
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Date: December 12, 2021

FEMA Trigger Points

- Transaction between person resident in India and Resident outside India
- Transaction by Resident in Foreign Exchange
- Transaction by Non-Resident in Rupees
- Transaction by Resident outside India
- Transaction by Non-Resident in India

IMPORT OF GOODS AND SERVICES

Authorities involved in the Cross Border Trade

- Director General of Foreign Trade -Foreign Trade Policy
- Customs Authorities -Customs law
- GST Authorities – GST law
- Authorised Dealers – remittances
- Income Tax authorities – Income Tax law
- Additional Laws involved - Research & Development Cess Act, 1986 (for import of drawings and designs)

Governing Regulations

- RBI Master Direction No. 17/2016-17 dated January 1, 2016 on Import of Goods and Services (updated upto 07/12/2021)
- RBI Master Direction No. 5/2018-19, dated March 26, 2019 on ECB, Trade Credits and Structured Obligations (Updated upto 10/12/2021)
- Foreign Exchange Management (Current Account Transactions) Rules, 2000

Time Limit for payment towards Imports

- Normal imports – within 6 months of imports
- Guarantee of Performance – as per the agreement
- Delay beyond six months
 - due to disputes, financial difficulties – without interest.
 - In case of interest payment, it shall not exceed prevailing trade credits rate from the bank(s)
- Deferred Payments – shall comply with the Trade Credit Regulations

Time Limit for payment towards Imports

- In case of advance payments (usance payments)– interest is known – reduce the proportionate interest of LC
- Import of books – there is no time limit and interest payment, if any, shall be within the limits prescribed
- Extension of time – AD Banks can allow up to a maximum of 3 years – but only 6 months at a time
- Extension beyond one year –
 - The import transactions covered by the invoices are not under investigation by Directorate of Enforcement / Central Bureau of Investigation or other investigating agencies;
 - only if import outstanding is not more than USD 1 Mn or 10% of average import remittances during the preceding 2 FY, whichever is lower
 - the date up to which extension has been granted may be indicated in the 'Remarks' column

Mode of payment for imports

- Through Document Credits (LC etc.)
- Through forex remittances, subject to other regulations
 - However, no limit if the funds are out of balances in Exchange Earners Foreign Currency (EEFC) Account
- By crediting to account being maintained by the exporter in India
- Through international credit / debit card, subject to other conditions

Forms to be submitted for import payments

- Form A-1 (for payments exceeding USD 5000). However, this requirement has been done away by RBI vide its circular dated 12-02-2015
- Exchange control copy of B/E, Postal Appraisal Form or Customs Assessment Certificate, etc.
- Import Licenses, if any
- Other Documents – Form 15 CA / CB, if applicable

Trade Credits

- Suppliers Credit – Where the overseas supplier give credit for certain period
- Buyer’s Credit – Where the overseas supplier facilitates the credit from a foreign bank / financial institution
- Maturity period
 - Capital Goods - > 1 year and < 3 years from the date of shipment
 - Others - < 1 year
- Amount - USD 50 Million per shipment or amount prescribed by RBI
- No roll over or extension is permitted
- All in cost ceiling

Maturity Period	All-in-cost ceilings over 6 months ARR*
Up to one year	FC - 300 basis points@
> 1 year but < 3 years	INR- Prevailing Market Conditions
* for the respective currency of credit or applicable benchmark	
@ w.e.f. 8th December, 2021	

Advance Remittances

- Automatic route - without limit
- Conditions for
 - Goods - exceeding USD 200,000 or its equivalent
 - Services – exceeding USD 500,000 or its equivalent

SBLC or a guarantee from an international bank of repute or AD
Category – I bank against counter guarantee
- In case of advance for goods and if AD has satisfied with the track record and bona fides of importer – amount can be remitted upto USD 5 Million – without such SBLC or guarantee

Receipt of Bills/ documents

- Import Bills / BOE / other documents should be received by the AD Bank
- Eligibility of direct receipt of documents by the importer
 - Where the value of import bill does not exceed USD 300,000
 - Import bills received by wholly-owned Indian subsidiaries of foreign companies from their principals
 - Status Holder Exporters as defined in the FTP, 100% EOU/ Units in SEZ, PSU and Limited Companies

Evidence of Import

- **Physical Imports**

- Irrespective of value of foreign exchange involved,
 - The Exchange Control copy of the Bill of Entry for home consumption
 - The Exchange Control copy of the Bill of Entry for warehousing, in case of 100% EOUs
 - Customs Assessment Certificate or Postal Appraisal Form
 - Documents against Acceptance (D/A) basis - production of evidence of import at the time of effecting remittance of import bill

- **Non-Physical Imports** (software or data through internet / datacom channels and drawings and designs through e-mail/fax etc)

- a certificate from a Chartered Accountant as to receipt of the imports

Evidence of Import and Follow Up

- **Evidence of import in lieu of Bill of Entry**

- Certificate from CEO or Auditor

- If the FC remittance less than USD 1,000,000 or its equivalent
- the importer is a company listed on a stock exchange in India and having net worth \geq Rs.100 crore as on the date of its last audited balance sheet

- **Follow up by AD Bank**

- Irrespective of value involved, if the importer does not submit the evidence within 3 months of payment
 - The AD should follow up for next 3 months by using various modes of communication
 - The AD should forward a half-yearly statement (June & December) to RBI within 15 days

IDPMS and ORM

- Import Data Processing and Monitoring System (IDPMS) was introduced in October 2016
- Details of imports through EDI Ports will be stored in IDPMS based on AD Code mentioned in BOE
- In case of imports through Non-EDP Ports, details will be uploaded by AD Bank
- AD Bank will generate ORM (Outward Remittance Message) for every remittance made towards imports
- Upon submission of import bills and remittance details by importer, AD Bank will knock off the IDPMS and corresponding ORM in the system
- Importer to reconcile their records with IDPMS on a periodic basis

Merchanting Trade Transaction (MTT) – Import Leg

- Goods under MTT should be permitted by FTP
- Entire MTT (export and import legs) should be through same AD Bank
- MTT to be closed within 9 months (from date of shipment, export receipt or import payment whichever is earlier)
- No outlay after 4 months of initiation
- Export receipts received prior to import payment may be parked in EFFC Account till import leg liability arises
- Advance payment for import leg allowed (SBLC from an international bank required if advance payment is beyond USD 500,000 per transaction)
- AD Bank shall ensure one-to-one matching for each MTT, and deviations, if any, shall be reported to RBI
- MT traders with outstanding of 5% or more of their annual export earnings shall be liable for caution listing

Import of Services

- FEM (Current Account Transactions) Rules, 2000 provide additional guidance
- Import of services like advertisement in foreign media, remittance of freight of vessel chartered by PSU, cultural tours, hire charges of transponders by TV channels, etc would require prior approval of specific ministry / department of GOI
- RBI prior approval required for:
 - Commission above USD 25K or 5% of inward remittance whichever is earlier, to agents abroad in relation to sale of residential flats
 - Remittances exceeding USD 10 Mn per project for any infrastructure projects related consultancy services and USD 1 Mn per project for other consultancy services procured from outside India
 - Remittances towards reimbursement of pre-incorporation expenses exceeding 5% of investment brought to India or USD 100,000 whichever is higher

Export of Goods / Services

Governing Regulations

- RBI Master Direction No. 16/2015-16 dated January 1, 2016 on Export of Goods and Services (updated upto 08/01/2021)
- Foreign Exchange Management (Current Account Transactions) Rules, 2000
- Foreign Exchange Management (Export of Goods & Services) Regulations, 2015

Invoicing for exports

- All export contracts and invoices shall be denominated either in freely convertible currency or in Indian Rupees but export proceeds shall be realised in freely convertible currency [Para 2.52 of FTP 2015-20]
- Export proceeds against specific exports may also be realised in rupees provided it is through a freely convertible Vostro account of a non-resident bank situated in any country, other than a member country of the ACU or Nepal or Bhutan.
- Export realization from Iran in INR is permissible method of realisation

Time period for realisation of export proceeds

- Exports made upto July 31, 2020 – 15 months (in view of Covid Outbreak)
- Other Exports – 9 months
- Goods exported to a warehouse established outside India - ASAP but not later than 15 months of shipment of goods
- In case of consignment sales - within the period undertaken by the overseas buyer, subject to maximum of 12 months

Advance Payment against export

- Obligation to export
 - Maximum period -within one year of receipt of advance payment
 - Maximum interest - LIBOR + 100 basis points
 - Routing of documents covering the shipment – through AD where the advance received
 - Refund of money
 - within one year - automatic route
 - after one year - with prior approval of RBI
- Contracts for longer period supply
 - AD has to carry KYC exercise for overseas buyer and compliance with AML
 - The advance should be used only for execution of contract
 - Progress payments shall be received directly from the buyer
 - Maximum interest - LIBOR + 100 basis points
 - there should be no instance of refund exceeding 10% of the advance payment received in the last three years
 - Refund of money –with prior approval of RBI

Extension of time or self write off (1/2)

- Eligibility for extension or self write-off
 - Such overdue export bills does not exceed 10% of total outstanding dues during the financials year
 - Such export bills are not subject to investigation by DE/ CBI etc.
 - Exporter should submit a statement giving details of outstanding bills within one month of closure of financial year
- Extension by AD
 - Period of extension – up to 6 months, at a time
 - Such export bills are not subject to investigation by DE/ CBI etc
 - exporter has not been able to realise export proceeds for reasons beyond his control
 - The exporter submits a declaration for realisation within extended period
 - Limit - USD one million or 10 per cent of the average export realizations during the preceding three financial years, whichever is higher (other than legal litigation matters).
- Extension by RBI
 - All other cases

Extension of time or self write off (2/2)

- Write-off with approval of AD (through which the documents are handled)
 - Exporter has not been able to realise the outstanding export dues despite best efforts (along with supporting documents)
 - Exporter made request for write off of the unrealised portion
 - The relevant amount has remained outstanding for one year or more
 - The aggregate amount of write off allowed by the AD Category – I banks during a FY \leq 10 per cent of the total export proceeds realised by the concerned exporter through the concerned AD Category – I banks during the previous FY
 - Such export bills are not subject to investigation by DE/ CBI etc.
- Conditions to be satisfied:
 - The overseas buyer has been declared insolvent and a certificate from the official liquidator indicating that there is no possibility of recovery of export proceeds produced
 - The overseas buyer is not traceable over a reasonably long period of time
 - The unrealised amount represents the undrawn balance of an export bill (\leq 10% of invoice value)
 - The case is not the subject matter of any pending civil or criminal suit

Part Balances

- Due to differences in weight, quality etc. AD has to ensure-
 - The amount of undrawn balance is considered normal in the particular line of export trade, subject to a maximum of 10% of the full export value
 - An undertaking is obtained from the exporter on the duplicate of EDF forms that he will surrender/account for the balance proceeds of the shipment within the period prescribed for realization.
 - Failure to arrange the balance proceeds – AD has to ensure that exporter has realised **higher of-**
 - ❖ at least the value for which the bill was initially drawn (excluding undrawn balances) or
 - ❖ 90 per cent of the value declared on EDF form
 - ❖ a period of one year has elapsed from the date of shipment

Netting off

- SEZ units (through AD approval)
 - same Indian entity and the overseas buyer / supplier (bilateral netting) and the netting may be done as on the date of balance sheet of the unit in SEZ
 - All the relevant documents are submitted to the concerned AD Category – I banks who should comply with all the regulatory requirements relating to the transactions
- Other than SEZ units- through AD approval (w.e.f. 17-11-2011)
 - The import is as per the Foreign Trade Policy in force
 - Invoices/Bills of Lading/Airway Bills and Exchange Control copies of Bills of Entry for home consumption have been submitted by the importer to the Authorized Dealer bank
 - Payment for the import is still outstanding in the books of the importer

Opening/ hiring of Warehouse

- AD can approve such proposal on an application made by the exporter
- Initial approval can be given for 1 year and may be renewed from time to time
- Conditions
 - Applicant's export outstanding does not exceed 5 per cent of exports made during the previous financial year
 - minimum export turnover of USD 100,000/- during the last financial year
 - All transactions should be routed through the designated branch

Dispatch of shipping documents

- Normally all the documents should be dispatched through AD within 21 days of export
- Direct dispatch may be permitted subject to the following:
 - Advance payment or an irrevocable LC has been received for the full value of the export shipment and underlying sale contract/LC provides for such dispatch of documents
 - The AD also can approve such arrangement for direct dispatch subject to the track record of the exporter
 - The export value does not exceed USD 25000
- Regularisation with approval of AD
 - The documents are dispatched direct to the consignee or agent (resident of final destination)
 - The export proceeds have been realised in full
 - The exporter is its regular customer for at least 6 months
 - The exporter's account is fully compliant with the RBI's extant KYC / AML guidelines
 - bank is satisfied about the bonafides of the transaction

Counter-Trade arrangement

- Meaning –
 - Voluntary arrangement between the Indian Party and overseas party through an Escrow Account opened in India in USD
- Conditions –
 - RBI prior approval is required
 - All imports and exports under the arrangement should be at international prices in compliance of FTP and FEMA
 - No interest would be paid on balances in Escrow Account
 - No funding facilities are available on the Escrow Account

Export of goods by SEZ

- Undertaking of Job work abroad and exporting from other country
 - Processing / manufacturing charges are suitably loaded in the export price and are borne by the ultimate buyer
 - The exporter has made satisfactory arrangements for realisation of full export proceeds subject to the usual EDF procedure

Exemption from filing of declarations

- Exemption from filing of GR/SDF/PP
 - In case of trade samples of goods and publicity material supplied free of cost – the exporter is exempted from declaration (Reg 4(a))
 - AD-1 may permit the EDF waiver as under:
 - ❖ Status holders – 2% of the average annual exports of the applicant during the preceding three licensing years or Rs. 1 Cr, whichever is less
 - ❖ Pharmaceutical companies – 2% of the average annual exports of the applicant during the preceding three licensing years
 - ❖ In case of supplies of pharma products, vaccines and life saving drugs to health programs of international agencies (UN, WHO-PAHO, etc) – 8% of the average annual exports of the applicant during the preceding three licensing years
 - In case of export of goods as gift along with a declaration and the value is \leq Rs 5 Lakhs (Reg 4(d))
 - Other cases – EDF/GR/SDF/PP Waiver procedure of RBI to be followed

Invoicing of Software exports

- long duration contracts involving series of transmissions –
 - Regular invoices - at least once a month or on reaching the 'milestone'
 - Last invoice – within 15 days from the date of completion of the contract
 - May submit a combined **SOFTEX** form in quadruplicate not later than 30 days from the date of invoice/date of last invoice (as the case may be)
- one-shot operation –
 - within 15 days from the date of transmission

Other Exports

- RBI prior approval –
 - Lease or hire basis
 - Elongated terms
- Project exports / service exports–
 - Approval of AD Category – I banks/EXIM Bank/ Working Group
 - Post award of contract but before undertaking execution
- On-site software contracts–
 - Can repatriate profits

Setting up branch office abroad

- Initial expenses –
 - Up to 15% of average annual sales during last two years or 25% of net worth; whichever is higher
- Recurring expenses-
 - Up to 10% of average annual sales during last two years
- The details of bank accounts opened in the overseas country should be promptly reported to the AD Bank.
- Remittances of “off-site” and “on-site” contracts – 100% of profits of each contract

Agency commission on exports

- Declaration of commission on export forms –
 - Amount of commission has been declared on EDF/SOFTEX form and accepted by the Customs authorities or Ministry of Information Technology, Government of India / EPZ authorities as the case may be
 - Otherwise, the exporter has to explain reasons behind such non-disclosure and there is a valid agreement between the exporter and commission agent
 - The relative shipment has already been made
 - No specified limit of percentage of commission

Compounding

What is Compounding ?

- A process by which an entity/individual committing a contravention can make an application and seek regularization by admitting the contraventions under FEMA on payment of the amount imposed.

How are contraventions detected ?

- Voluntary Disclosure
- Authorised Dealer Correspondence
- Market Intelligence
- RBI scrutiny at the time of reporting, seeking approvals for refund etc.,
- Media

Thank you!!!

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CHARTERED ACCOUNTANTS