

FEMA ke FUNDAE

**Set-off of Export Receivables
against Import Payables**
(other than units in SEZ's)

#FamiliarwithFEMA

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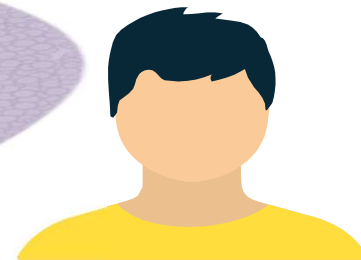
Jain Shrimal & Co.



Payanshi
Manager of Smile Pvt. Ltd.

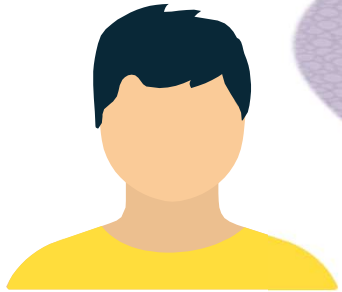
Hello Mr. FEMA Gyani, Hope you are doing good. Our company, Smile Pvt. Ltd. deals in dental equipment's. We have multiple transactions of imports worth USD 100000 and exports worth USD 90000 with Shine Pte. Ltd. (US). So now we want to settle the account but there will be foreign exchange loss if we make/receive the payment through bank. So, what is the best way to settle the accounts?

Hi Payanshi! You can set-off your Export Receivables against Import payables. I'll tell you the situations in which it can be done.



The FEMA Gyani

Jain Shrimal & Co.



The FEMA Gyani

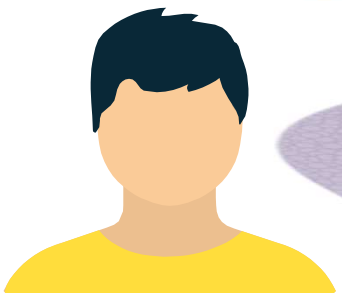
Set-off of outstanding Export Receivables against the outstanding Import Payables is permitted only in the following cases:-

1. When the overseas buyer & supplier is same.
2. Amongst overseas group/associate companies either on net basis or gross basis, through an in-house or outsourced centralized settlement arrangement.

Okay, As I fall in the first case, I assume that after set-off, I have to make the payment of USD 10000 only.



Payanshi



The FEMA Gyani

Yes, you are now required to pay USD 10000 to Shine Pvt. Ltd. but it is subject to certain conditions. I'll explain the same to you.

Conditions for Set-off of Export Receivables against Import Payables:-

1. Arrangement is supervised by one AD Bank only.

2. AD Bank is satisfied with the bona fides of the transactions and there are no KYC/AML/CFT concerns.

3. Set-off shall not result in tax evasion/avoidance.

4. Set-off of export receivables from goods is not permitted against import payables for services and vice versa.

5. Invoices under the transaction are not under any investigative agency.

6. Import/Export of goods/services has to be undertaken as per the Foreign Trade Policy.

7. Export/Import transactions with ACU countries are kept outside the arrangement.

8. In case of Bilateral settlement, the set-off shall be in respect of same overseas buyer/supplier subject to it being supported by verifiable agreement/mutual consent.

Conditions for set-off of Export Receivables against Import Payables:-

9. Third party guidelines to be adhered to, for the settlement amongst group/associates companies.

10. Submission of Auditors/ CA certificate, if required to AD Bank.

11. Each of Import & Export transaction should be reported to separately in FETERS/ EDPMS/ IDPMS, as applicable.

12. AD Bank must ensure that import payables/export receivables are outstanding at the time of allowing set-off. Also, Export & Import leg should take place during the same calendar year.

13. AD Bank shall ensure compliances with all the regulatory requirement relating to the transactions.

14. AD Bank settles the transaction in EDPMS/IDPMS by utilizing the 'set-off indicator' and mentions the details of shipping bills/bill of entry/invoice details being settled in the remark column (including details of entities involved).

15. Settlement amongst group/associates companies should be backed with a written and legal enforcement agreement/contract and the same must be ensured by AD Bank.

Thank You!

Let's meet every
Wednesday.

To make you more familiar with FEMA,
we are happy to listen to your

Comments

Feedbacks

Suggestions



The FEMA Gyani

Jain Shrimal & Co.



<https://www.linkedin.com/company/jsco>
ca

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