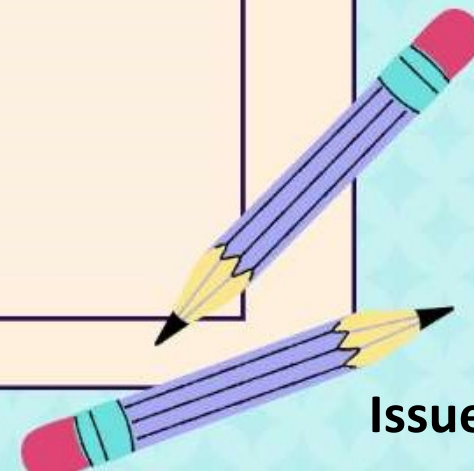




FEMA ke FUNDAE

**Compounding of
Contraventions under
FEMA
(Part 3 of 4)**

#FamiliarwithFEMA



Topics already covered in Part 2 :-

- Application for compounding
- Documents to be submitted to RBI
- Incomplete information with application

For Part 2, refer the below link:-

<https://www.linkedin.com/feed/update/urn:li:activity:7079728938691760128>

OR

<https://www.linkedin.com/feed/update/urn:li:activity:7079728938691760128>



Jetha

Hii Mr. FEMA Gyani, I understood the application process now can you tell me how much penalty can be applied by RBI?

Hello Jetha, there is no fixed amount of penalty given by the RBI. The amount calculated depends upon various factors like the offence committed, time involved, etc. Let me brief you about it.



The FEMA Gyani

If the offence is **quantifiable** then the amount of penalty is calculated on a basis of compounding matrix given by RBI. And the maximum penalty that can be imposed is **up to three times** the amount involved in the contravention.

If the offence is **not quantifiable** then the amount that can be imposed is **Rs. 2,00,000.**



The FEMA Gyani

Ok. can you tell me what is included in this compounding matrix?

Yes Jetha, let me share the compounding matrix with you.

Compounding Matrix

Jetha

The FEMA Gyani

Type of contravention	Existing Formula
1] <u>Reporting Contraventions</u> A) FEMA 20 B) FEMA 3 C) FEMA 120 D) Any other reporting contraventions (except those in Row 2 below)	Fixed amount : Rs10000/- (applied once for each contravention in a compounding application) + Variable amount as under: >Upto 10 lakhs: 1000 per year >Above Rs.10 lakhs & below Rs. 40 lakhs: 2500 per year >Rs.40 lakhs or more and below Rs. 100 lakhs: 7000 per year

>Rs.1-10 crore : 50000 per year
 >Rs.10 -100 Crore : 100000 per year
 >Above Rs.100 Crore : 200000 per year

E) Reporting contraventions by LO/BO/PO As above, subject to ceiling of Rs.2 lakhs. In case of Project Office, the amount imposed shall be calculated on 10% of total project cost.

2] AAC/ APR/ FLAR/ Share certificate delays

Rs.10000/- per AAC/APR/FCGPR (B)/FLA Return delayed.
 Delayed receipt of share certificate – Rs.10000/- per year, the total amount being subject to ceiling of 300% of the amount invested.

**3]
 A] Allotment/Refunds
 B] LO/BO/PO
 (Other than reporting contraventions)**

Rs.30000/- + given percentage:
 1st year : 0.30%
 1-2 years : 0.35%
 2-3 years : 0.40%
 3-4 years : 0.45%
 4-5 years : 0.50%
 >5 years : 0.75%
 (For project offices the amount of contravention shall be deemed to be 10% of the cost of project).

4] All other contraventions, – including all contraventions of FEMA20(R)/2017/NDIR, 2019/FEMA 395/ 2019/, except contraventions pertaining to FLA returns and corporate guarantees

Rs.50000/- + given percentage:

1st year : 0.50%

1-2 years : 0.55%

2-3 years : 0.60%

3-4 years : 0.65%

4-5 years : 0.70%

>5 years : 0.75%

5] Issue of Corporate Guarantees without UIN/ without permission wherever required /open ended guarantees or any other contravention related to issue of Corporate Guarantees.

Rs.500000/- + given percentage:

1st year : 0.050%

1-2 years : 0.055%

2-3 years : 0.060%

3-4 years : 0.065%

4-5 years : 0.070%

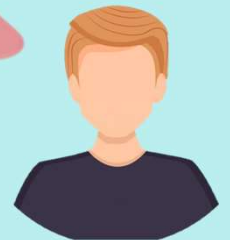
>5 years : 0.075% In case the contravention includes issue of guarantees for raising loans which are invested back into India, the amount imposed may be trebled.



Jetha

Okay Mr. FEMA Gyani. I got the compounding matrix. Anything else to be kept in mind?

One important thing is that the compounding matrix is meant only for indicative purposes and as I've mentioned that the actual penalty amount is calculated based on the circumstances of the case and it differs from case to case.



The FEMA Gyani

Okay Mr. FEMA Gyani. Thank you.



Jetha



In the next part, we will cover **compounding order, personal hearing and important points regarding compounding.**

**To be continued
next WEDNESDAY...**



Thank You



The FEMA Gyani

Comments

Feedbacks

Suggestions



<https://in.linkedin.com/company/jscoca>

WEBSITE

<https://jainshrimal.com/>

To join our International Taxation
Group, kindly scan the QR code



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