

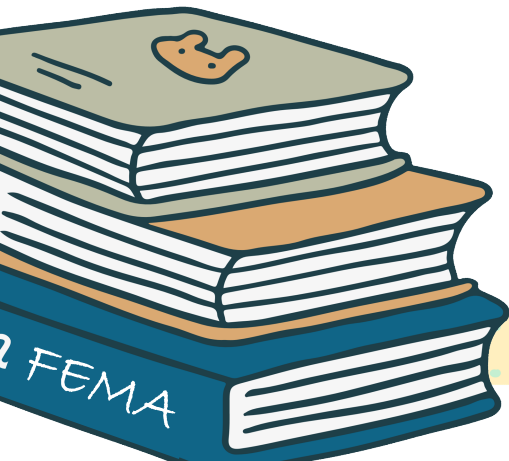
FEMA Ke Fundae

#FamiliarwithFEMA

“Write-off” of
unrealized Export
Bills

Date: 26/06/2024

Issue no: 107





Abhay
Director of an Indian Company

Hello FEMA GYANI, I 'm Abhay. Our company's foreign buyer went bankrupt last year, and it's unlikely we'll get back the money they owe us. So, we're thinking of writing off the balance from our books. Could you please advise if we are permitted to do so?



The FEMA Gyani

Hi Abhay ! Yes you can do so but subject to certain conditions.



Abhay

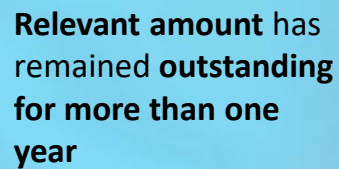
Okay. Can you elaborate those conditions?



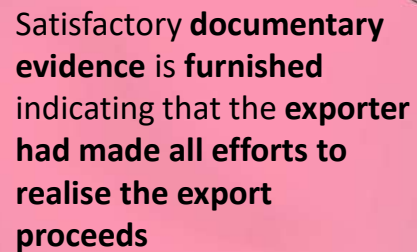
The FEMA Gyani

Sure, Abhay.





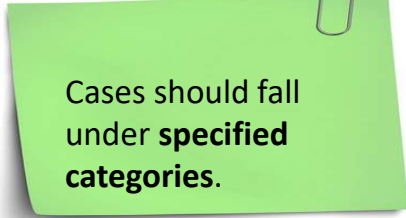
Relevant amount has remained **outstanding** for more than one year



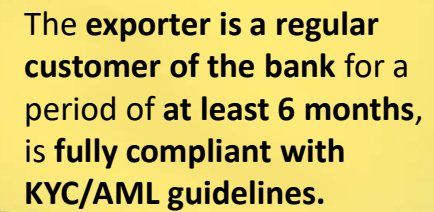
Satisfactory **documentary evidence** is furnished indicating that the **exporter** had made all efforts to realise the export proceeds



The FEMA Gyani



Cases should fall under **specified categories**.



The **exporter** is a regular customer of the bank for a period of at least **6 months**, is **fully compliant** with **KYC/AML guidelines**.



The Conditions are:



What are these specified categories?



Abhay



Overseas buyer has been declared insolvent and a certificate indicating that there is no possibility of recovery has produced.

Unrealized amount represents balance due in a case settled through the intervention of the Indian Embassy, Foreign Chamber of Commerce or similar Organization;

Goods exported have been auctioned or destroyed by the Port / Customs authorities in the importing country;

Overseas buyer is not traceable over a reasonably long period of time.



The FEMA Gyani

Case should be fall under any following specified categories:

Unrealized amount represents undrawn balance (not exceeding 10% of the invoice value) that turned out to be unrealizable

Exporter even after winning the Court case against the overseas buyer could not execute the Court decree due to reasons beyond his control;

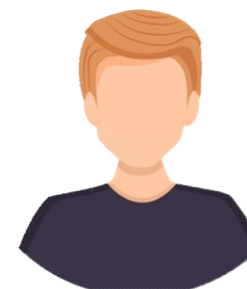




Abhay
Director of an Indian Company

Okay, since our company 's **overseas buyer has been declared insolvent, therefore we can write off the balance from our books of accounts.**

Yes you can **write off the balance but up to a certain limit** and the limits are:



The FEMA Gyani

Particulars	Limit	Limit (%) in relation to
Self-write-off by an exporter (Other than the Status Holder Exporter)	5%	Total export proceeds realized during the calendar year preceding the year in which the write-off is being done
Self-write-off by Status Holder Exporter	10%	
Write-off by AD Category-1 Bank	10%	

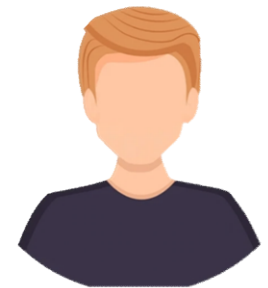


Abhay
(Indian Resident)

What does status Holder Exporter mean? How is it different from Exporter?

Status Holders are business leaders who have successfully contributed to country's foreign trade.

Exporter can become a Status Holder by applying for a Status Holder Certificate. If your application for the requested Status House is approved, you shall be issued a Status Holder Certificate.



The FEMA Gyani





Abhay

I have one doubt FEMA Gyani, as our foreign Buyer has become insolvent there is no chance of any dues recoverability and we want to write off the whole outstanding dues from that buyer. Is there any way?

In such case you can **contact your AD bank**, AD Bank on your request, can write-off unrealised export bills without any limit if your case fall under the following **specified categories** :



The FEMA Gyani

Overseas buyer has been declared insolvent and there is no possibility of recovery.

Unrealized amount represents **balance due in a case settled through the intervention** of the **Indian Embassy**, Foreign Chamber of Commerce or similar Organization

Goods exported have been auctioned or destroyed by the Port / Customs / Health authorities in the importing country





Abhay

Okay, Is there any reporting requirement to write off the balance?



The FEMA Gyani

Yes Abhay, In case of self-write off, a **certificate from Chartered Accountant** is required which indicate the followings:

Export realization in the preceding calendar year

Details of Export Bill

Details of write-off amount, if any already availed of during the current calendar year.

Indicate **export incentives**, if any, availed by the exporter.

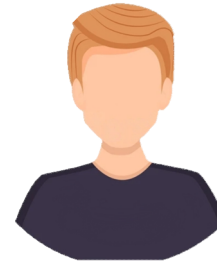
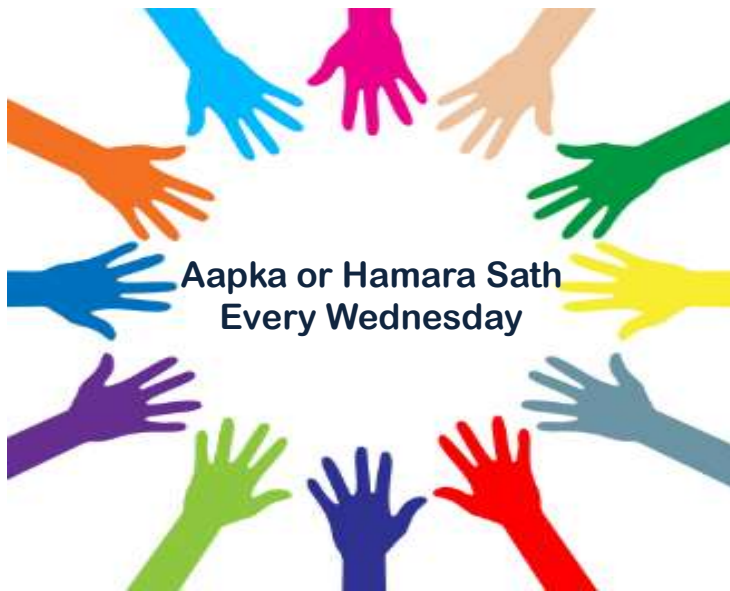


Abhay

Thank you so much FEMA Gyani.



Thank You



The FEMA Gyani

Comments

Feedbacks

Suggestions



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

WEBSITE

<https://jainshrimal.com/>



International Tax Gyan
WhatsApp group



Disclaimer

- ❑ This presentation has been prepared on the basis of information available in the public domain and is intended for guidance purposes only.
- ❑ Jain Shrimal & Co. has taken reasonable care to ensure that the information in this presentation is accurate. It however accepts no legal responsibility for any consequential incidents that may arise from errors or omissions contained in this presentation.
- ❑ This presentation is based on the information available with us at the time of preparing the same, all of which are subject to changes which may, directly or indirectly impact the information and statements given in this presentation.
- ❑ Neither Jain Shrimal & co., nor any person associated with us will be responsible for any loss however sustained by any person or entity who relies on this presentation. Interested parties are strongly advised to examine their precise requirements for themselves, form their own judgments and seek appropriate professional advice.

