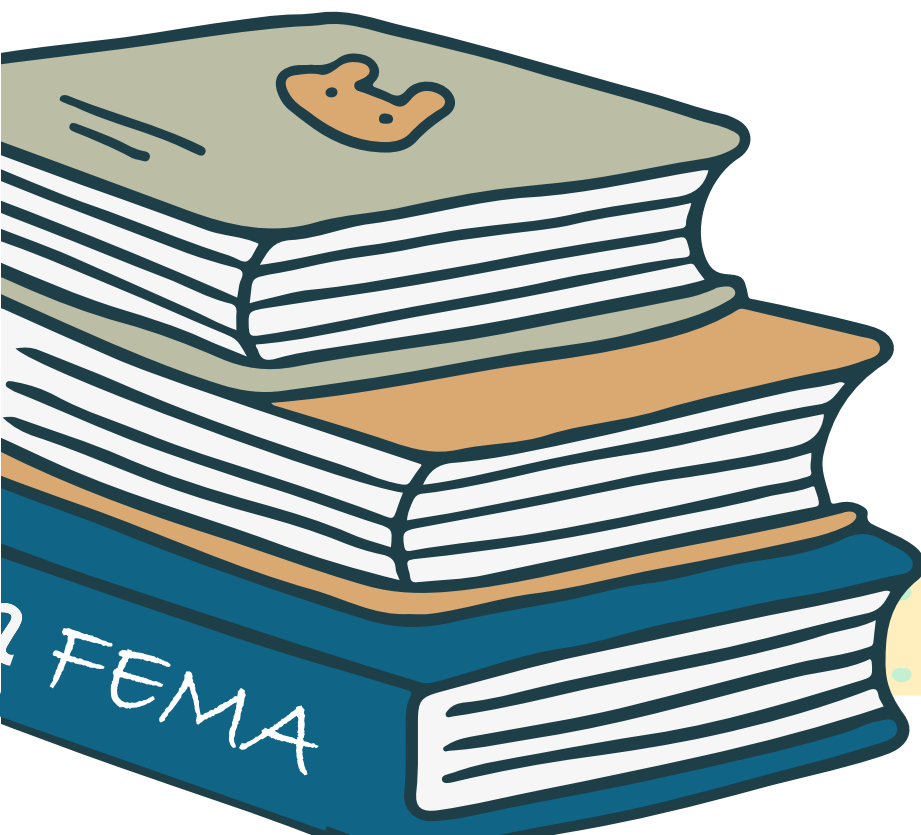


# FEMA Ke Fundae

#FamiliarwithFEMA



Date:27-11-2024

Issue no:128

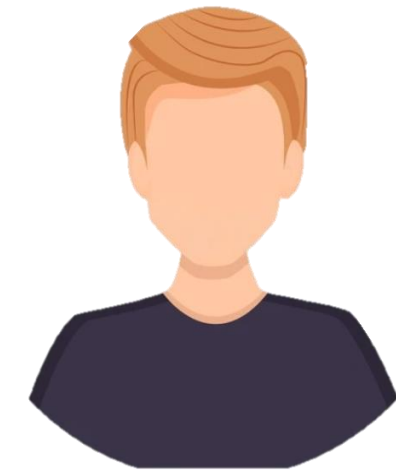




**Jetha, Director of an Indian Company**

Hello Mr. FEMA Gyani, hope you're doing well. I am Jetha, Director of an Indian Company. We have a bit of a tricky situation with a payment.

Sure, Jetha. I'd be happy to clarify. What's the situation?



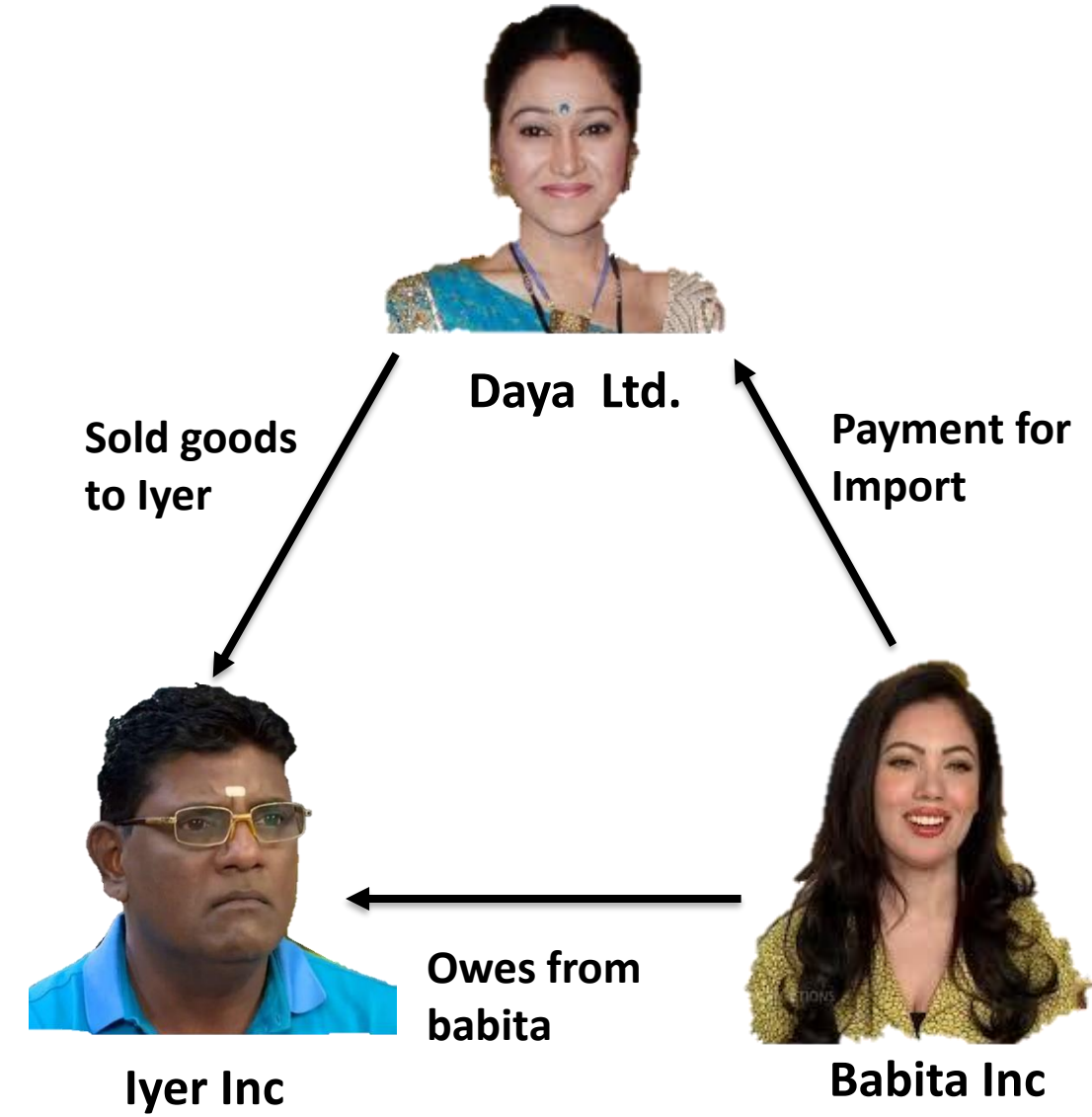
**The FEMA Gyani**



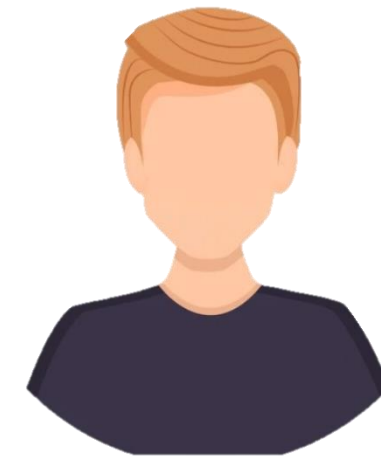


**Jetha, Director of an Indian Company**

Daya Ltd. sold goods to Iyer Inc. in the UK. Iyer Inc. owes money from Babita Inc. in the UK. Now, Iyer Inc. is asking Babita Inc. to pay for the goods imported from Daya Ltd. I'm wondering if this three-party setup is permitted.



Under FEMA provisions, third-party payment agreements are allowed, but there are specific conditions that must be followed by them (Iyer, Babita and Daya).



**The FEMA Gyani**

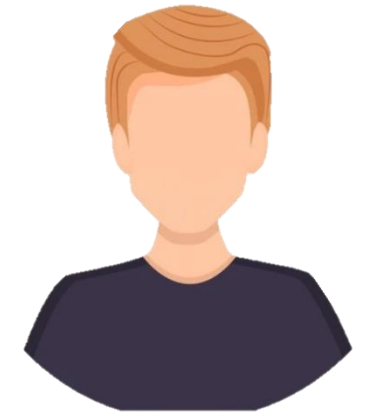




**Jetha, Director of an Indian Company**

Great, what conditions do they need to meet?

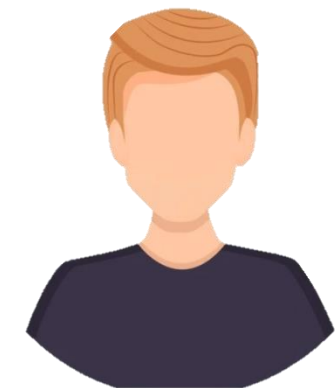
**First**, there must be a firm and irrevocable order that is supported by a tripartite agreement. This means Iyer Ltd, Babita Ltd. And Daya Ltd. need to formalize their arrangement with a clear, binding agreement.



**The FEMA Gyani**

So they need to have a formal document outlining this arrangement?

Exactly. This agreement should be documented in a way that it cannot be altered once it's set. It also needs to be approved by the Authorized Dealer (AD) bank, which will verify the legitimacy of the arrangement.



**The FEMA Gyani**



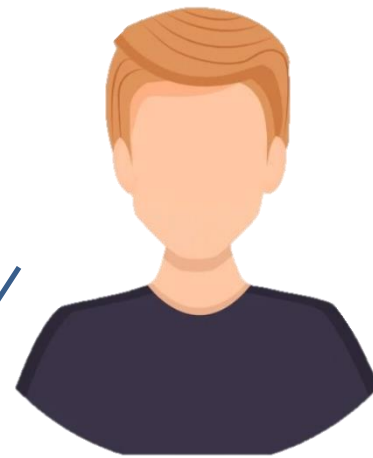
**Jetha, Director of an Indian Company**





**Jetha, Director of an Indian Company**

What about the payment, how it is processed?



**The FEMA Gyani**

The payment must be made through a banking channel. This means that the funds should be transferred through an authorized bank.

The exporter, Iyer Ltd., must declare the third-party remittance in the Export Declaration Form (EDF).

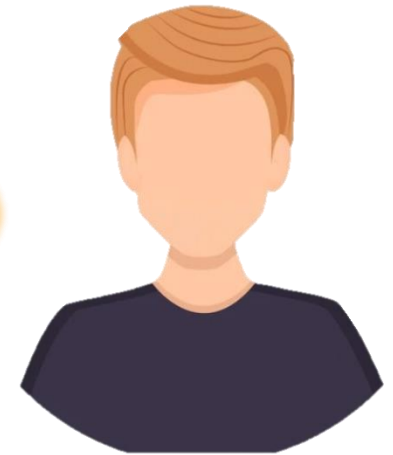




**Jetha, Director of an Indian Company**

I see! Anything else we need to be aware of?

Yes also, the Export Outstanding Statement (XOS) will show the payment against the name of the exporter, but the declared third party's name will appear instead of the overseas buyer.



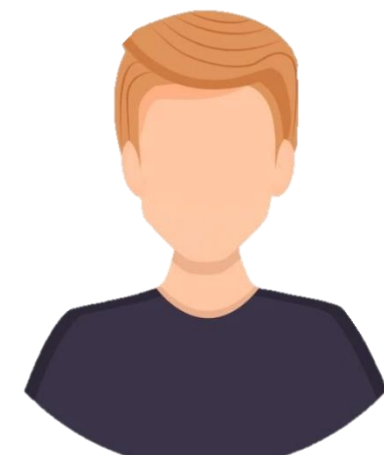
**The FEMA Gyani**



**Jetha, Director of an Indian Company**

So, the name on the XOS will be ours, and we'll need to handle it correctly?

Exactly, And remember, if the shipment is to a restricted country, the payment must come from an Open Cover Country.



**The FEMA Gyani**

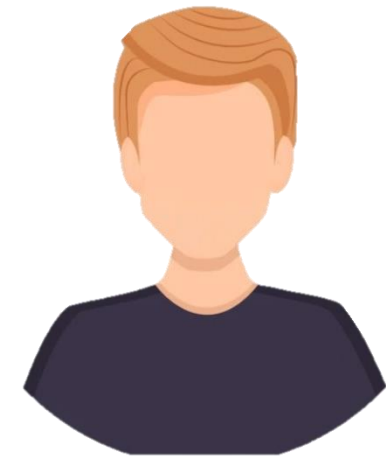




**Jetha, Director of an  
Indian Company**

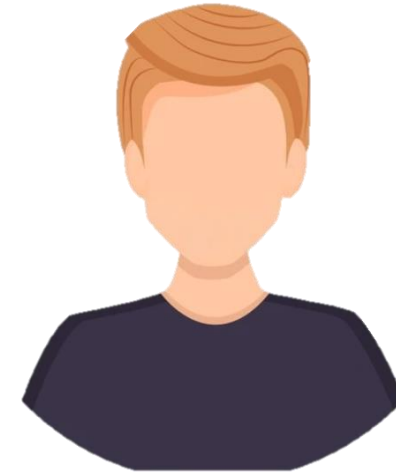
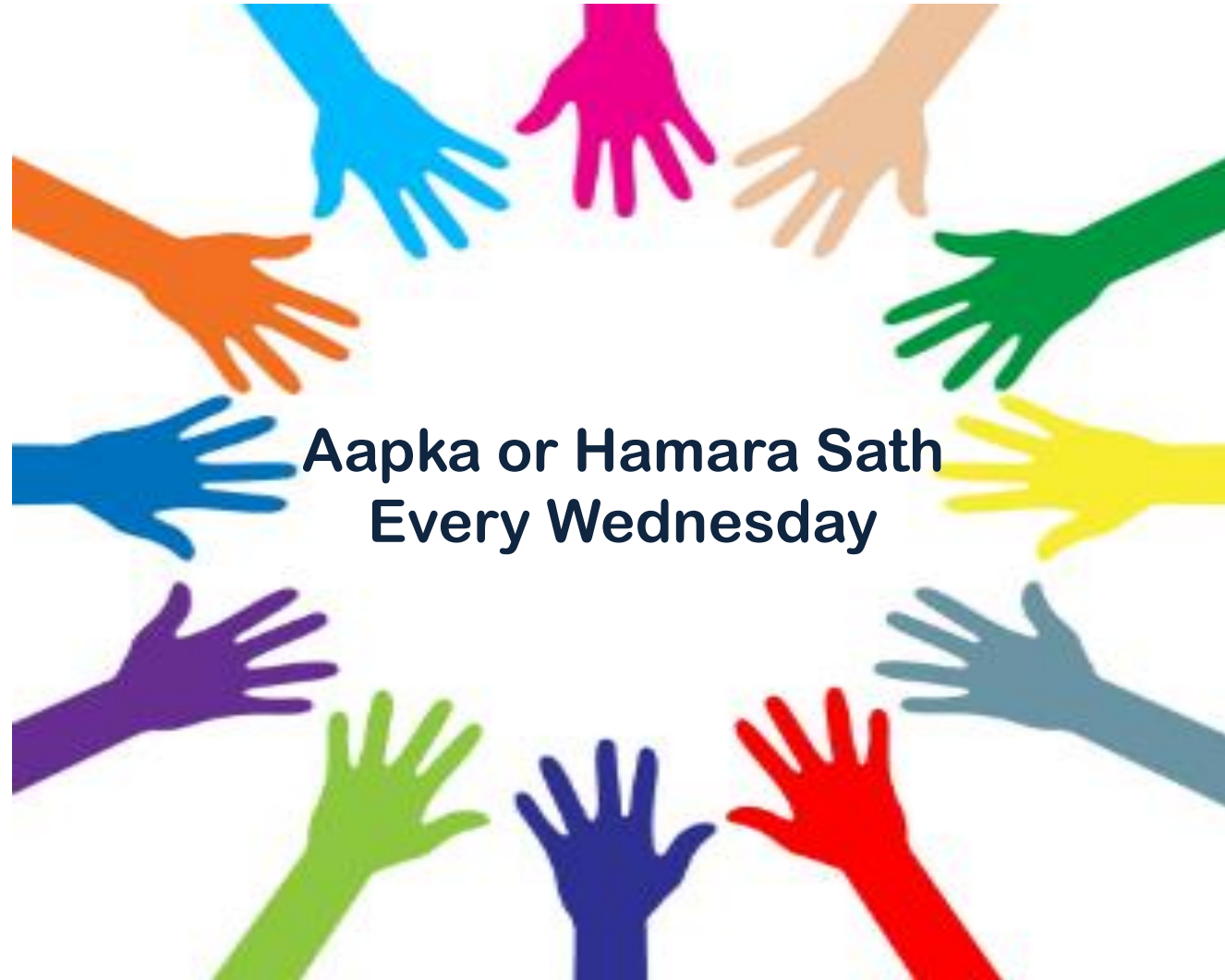
That makes everything much clearer. Thanks for explaining all of this, FEMA Gyani.

Happy to help!



**The FEMA Gyani**

# Thank You



The FEMA Gyani

Comments

Feedbacks

Suggestions



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

WEBSITE

<https://jainshrimal.com/>



International Tax Gyan     
WhatsApp group





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