EXACTITUDE
INTERNATIONAL

# Doing Business in India 2025

Opportunities | Challenges | Insights

# Content

- Overview of Indian Economy
- Business culture in India
- India as a Manufacturing Destination
- Ease of doing business in India
- An overview of Laws and Regulations for business in India
- Ind AS (Indian Accounting Standards)
- Goods and Service Tax
- Direct Tax Code
- Companies Act, 2013
- Other Relevant Laws
- Popular forms of Business in India
- Registration Process and regular compliance required for companies
- Repatriation

# Economic Overview

| Currency | Indian rupee (INR) (₹) |
|---|---|
| GDP | $3.89 trillion (nominal; 2024 est.) $16.02 trillion (PPP; 2024 est.) |
| GDP rank | 5th (NOMINAL) ; 3RD (PPP) |
| GDP growth | 8.2% (2023-2024) |
| GDP per capita | 2,698 USD (Nominal) in Mar 2024<br>11,112 USD (PPP) IN 2024 |
| GDP by sector | AGRICULTURE: 17.66% (2023)<br>INDUSTRY: 27.63% (2023)<br>SERVICES: 54.71% (2023) |
| Inflation(CPI) | CPI:5.49%<br>WPI:9.47(Sept, 2024) |

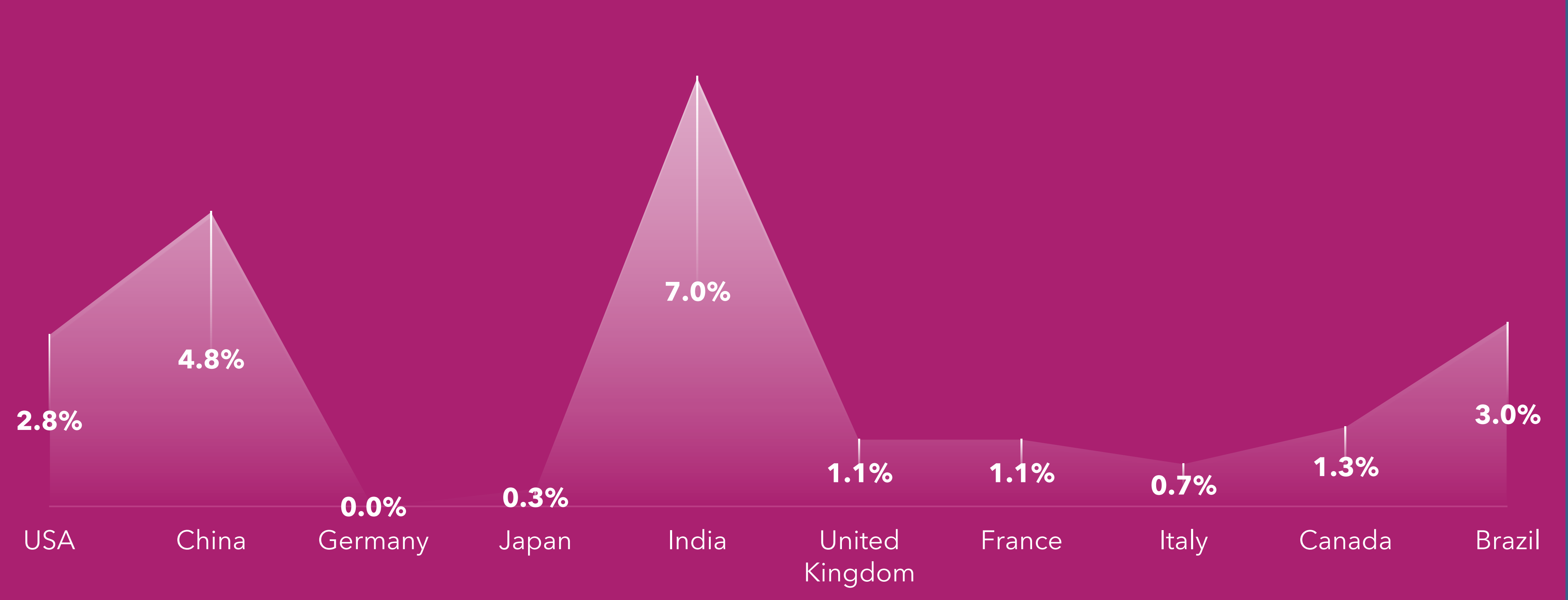
# The top 10 largest economies in the world in 2024

| Ranking | Country | GDP (USD) |
|---|---|---|
| 1 | USA | $29.17 trillion |
| 2 | China | $18.27 trillion |
| 3 | Germany | $4.71 trillion |
| 4 | Japan | $4.07 trillion |
| 5 | India | $3.89 trillion |
| 6 | United Kingdom | $3.59 trillion |
| 7 | France | $3.17 trillion |
| 8 | Italy | $2.38 trillion |
| 9 | Canada | $2.21 trillion |
| 10 | Brazil | $2.19 trillion |

# GDP Growth

- The India Development Update (IDU) observes that India remained the fastest-growing major economy and grew at a rapid clip of 8.2 percent in FY23/24.
- The country's GDP is projected to grow at a robust 7% in FY 2024-25, underscoring its position as the fastest-growing major economy in the world. It’s expected to grow at 6.5% in 2025.

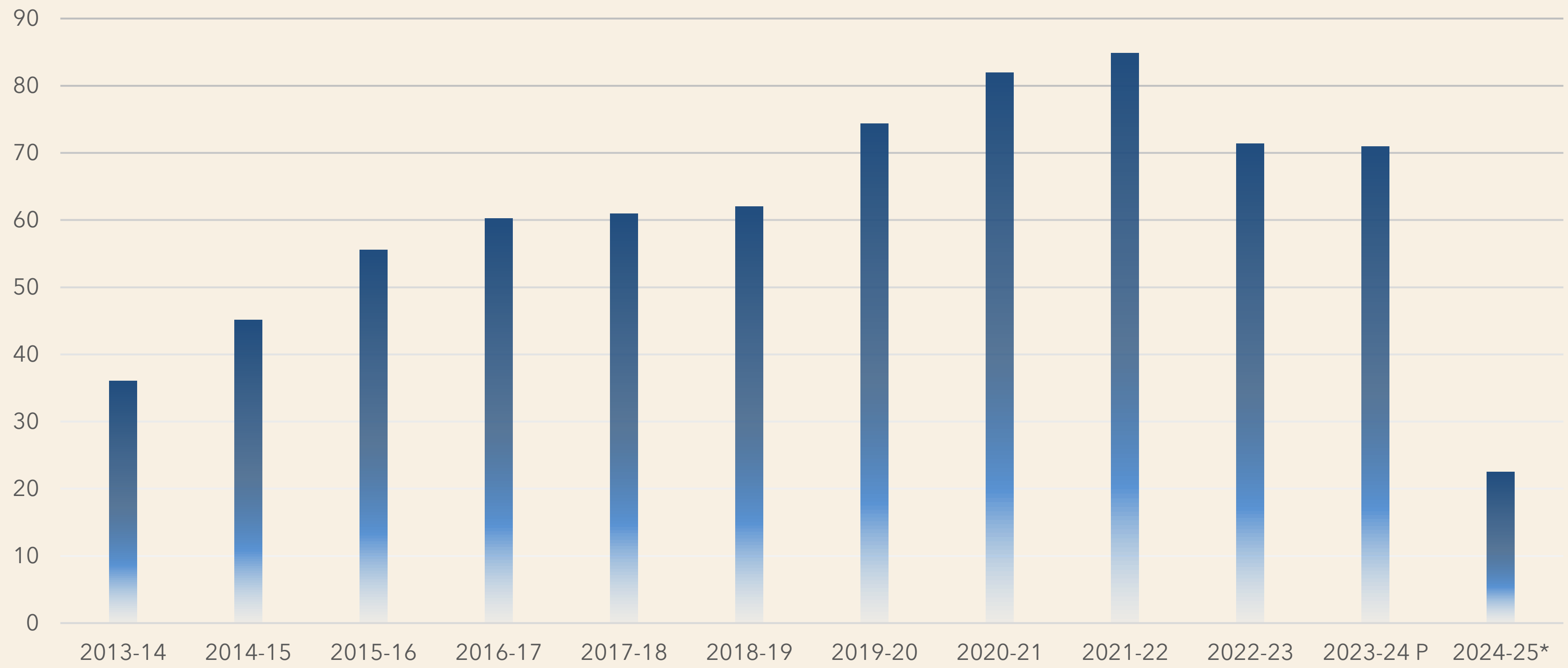
## 2024 PROJECTED REAL GDP (% CHANGE)



# FDI in India

- India's FDI inflows have increased 20 times from 2000-01 to 2023-24.
- India's cumulative FDI inflow stood at US$ 695.04 billion between April 2000 and June 2024, the impact of the government's efforts to improve the ease of doing business and easing of FDI norms (DPIIT).
- The total FDI inflow into India from April 2024 to June 2024 stood at US$ 22.5 billion and FDI equity inflow for the same period stood at US$ 16.2 billion.

FDI INFLOW(US$ BILLION)




P: provisional*: upto June 2024

# SWOT Analysis

## STRENGTHS

- Global leader in the IT and Technology sector
- Economy is diversified across various sectors
- Shown resilience in the face of global economic downturns, such as during the COVID-19 pandemic

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## WEAKNESSES

- Corruption can hinder business operations and investment.
- Despite economic growth, India still grapples with high levels of income inequality
- Vulnerable to global price fluctuations.

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- India's growing economy and large market make it an attractive destination for foreign direct investment (FDI).
- The "Make in India" initiative aims to boost manufacturing
- Opportunities for investment in solar and wind power

## OPPORTUNITIES

- Trade wars can negatively impact India's exports and overall economic growth.
- India is highly vulnerable to climate change
- External factors such as global commodity prices

## THREATS

# Business Culture in India

- Over the last couple of decades, India has emerged as the largest provider of IT and IT-enabled services (IT/ITES), leveraging its abundant skilled manpower at a lower cost. This has solidified India's position as a leading outsourcing destination globally.
- With a change in political leadership, there has been a renewed thrust to establish India as a manufacturing hub. The government launched the flagship program "Make in India" to achieve this goal. This initiative is supported by several ancillary programs, including "Skill India," which aims to enhance the skills of the Indian workforce; "Swachh Bharat Mission," focused on cleanliness and sanitation; and the "Single Window Scheme, "designed to simplify the process of setting up businesses by providing a single point of contact for all regulatory clearances.
- Additionally, various e-governance modules have been introduced to ease the process of doing business in India. These initiatives have yielded positive results, significantly reducing the time taken to establish an

•entity in India. They have also contributed to reducing corruption in the public sphere.

- According to Transparency International, India has shown improvement in addressing corruption, ranking 82nd among 175 countries this year, up from 85th last year. These collective efforts underscore India's commitment to creating a more conducive business environment, making it an increasingly attractive destination for investors and businesses alike.

# India as a Manufacturing Destination

- India has emerged as the second most attractive manufacturing hub globally overtaking U.S in the last few years.
- There has been a significant increase in number of Start Ups in India from 400 in 2014 to 90,000 plus Start Ups in 2024.
- The Indian government has taken significant steps to create an investor-friendly environment and promote manufacturing growth.
- Initiatives such as “Make in India” and “Digital India” have been launched to streamline bureaucratic processes, improve infrastructure, and encourage foreign direct investment.
- The country has made substantial investments in research and development, particularly in sectors such as automotive, electronics, pharmaceuticals, and aerospace. The government’s emphasis on digitalization and Industry 4.0 initiatives has further accelerated technological advancements in manufacturing processes.
- When comparing India with other manufacturing hubs, such as China, the United States, and Southeast Asian countries, India exhibits unique strengths and advantages. While China has long been considered the manufacturing powerhouse, rising labor costs and geopolitical uncertainties have led many businesses to explore alternative locations.
- In comparison to the United States, India offers competitive advantages in terms of cost-efficiency and access to the Asian market. Additionally, India’s proximity to Southeast Asian countries positions it as a strategic manufacturing hub, enabling companies to tap into regional supply chains.

# Gujarat International Finance Tech-City (GIFT City)

## Government Initiative (outsourcing hub)

- Designed to encourage exports and foreign investment for MNCs.
- A variety of advantages are available including tax exemptions, duty-free imports and exports, and streamlined regulatory processes.
- A world-class business district envisaged and built to cater to global business enterprises.
- It is not only a flagbearer for smart cities in India but also sets an international benchmark for finance and technology hubs worldwide.

# Ease of Doing Business in India

The Ease of Doing Business (EoDB) initiative is a key focus area for the Indian government to attract investments, foster economic growth, and improve the business environment.

## Major reforms initiated

**Simplification of Company Incorporation Process**

- Single-window clearance through SPICe (Simplified Proforma for Incorporating Company Electronically)

**Reduction in Number of Compliance Requirements**

- Consolidation of labor laws into four codes

**Introduction of GST (Goods and Services Tax)**

- Unified tax system replacing multiple indirect taxes

**Insolvency and Bankruptcy Code (IBC) 2016**

- Streamlined resolution process for insolvent companies

**Digitalization of Processes**

- Online filing of returns, e-way bills, etc.

**eBiz**

- A single-window online portal for14 government services

**Documents reduced**

- From 7 to 3 for exports and imports

**Combined returns**

- Under 8 labour laws

**Option to obtain**

- Company name and DIN at the time of incorporation.

**Measures underway**

- Single-window clearance for import and export.

# Advantages of Starting a Business in India

1. Business Friendly Laws
2. Comprehensive Tax System
3. Large Population
4. Low Operational Cost
5. Indian Financial System
6. Vast Trade Network
7. Rapid Growing Economy
8. Indian Work Ethics and Working Class
9. Government's Initiatives
10. Startup India Movement

# Overview of Laws and Regulations

**Ind AS**

- Converged IFRS
- Applicable to listed and large companies

**Goods and Service Tax (GST)**

- Destination-based indirect tax levied on supply of Goods and services unifying multiple taxes into single system

**Direct Tax**

- Levy, Collection and administration of income tax on Individual, Companies, and other entities
- To be replaced by Direct Tax Code soon.

**Companies Act**

- Governs the incorporation, management, regulation, and dissolution of companies, ensuring transparency, accountability, and compliance with corporate governance standards.

# Ind AS

**Indian Accounting Standards (Ind AS)** are accounting standards converged with International Financial Reporting Standards (IFRS), designed to ensure transparency, comparability, and consistency in financial reporting. Key highlights include:

A. **Global Alignment**: Aligns Indian accounting standards with IFRS, enhancing global acceptability of financial statements.
B. **Fair Value Measurement**: Emphasizes fair value accounting for better representation of financial position and performance.
C. **Comprehensive Disclosure**: Mandates extensive disclosures to improve transparency and decision-making for stakeholders.
D. **Principle-Based Standards**: Focuses on principles over rules, allowing flexibility in application based on business scenarios.
E. **Sector-Specific Guidance**: Provides specific standards for industries like financial services, real estate, and insurance.
F. **Component Accounting**: Requires separate accounting for significant components of an asset for better accuracy in depreciation.
G. **Impact on Financial Ratios**: Changes in accounting treatments (e.g., revenue recognition, leases) affect key financial metrics and ratios.
H. **Applicability**: Phased implementation for listed and large unlisted companies, based on net worth thresholds.

Ind AS aims to bring Indian financial reporting at par with international standards while considering the Indian business environment.

# GST

**GST (Goods and Services Tax)** is a unified, destination-based indirect tax system in India, replacing multiple central and state taxes to streamline taxation on the supply of goods and services. Key highlights include:

A. **Single Tax Structure**: Combines taxes like VAT, Service Tax, Excise Duty, and others into a single framework.
B. **Destination-Based Tax**: Tax is levied at the point of consumption, not origin.
C. **Four-Tier Tax Rates**: Includes tax slabs of 5%, 12%, 18%, and 28%, depending on the nature of goods or services.
D. **Input Tax Credit (ITC)**: Allows businesses to claim credit for taxes paid on inputs, reducing cascading tax effects.
E. **Technology-Driven**: Compliance is managed through an online portal, GSTN, ensuring transparency and efficiency.
F. **Dual GST Model**: Divided into CGST (Central GST), SGST (State GST), IGST (Integrated GST), and UTGST (Union Territory GST).
G. **E-Way Bill System**: Facilitates the tracking of interstate and intrastate movement of goods.
H. **Ease of Doing Business**: Simplifies taxation and promotes a unified market across India.

GST aims to enhance tax compliance, increase revenue collection, and boost economic growth

# Income Tax Act

Income tax is a direct tax levied by the government on the income of individuals, businesses, and other entities based on their taxable income in a financial year.

Key features include:

A. **Taxable Income Sources**: Includes income from salary, business or profession, house property, capital gains, and other sources.

B. **Progressive Tax Structure**: Higher income attracts higher tax rates, with exemptions and deductions for eligible expenses.

C. **Compliance**: Mandatory filing of annual income tax returns and advance tax for certain income levels.

D. **TDS/TCS Mechanism**: Tax Deducted at Source (TDS) and Tax Collected at Source (TCS) ensure tax collection during transactions.

**Upcoming Direct Tax Code (DTC)**:

The proposed DTC aims to replace the existing Income Tax Act, 1961, simplifying and modernizing India's direct tax laws. Key highlights include:

A. Simplification:

B. Rational Tax Rates:

C. Broader Tax Base:

D. Alignment with Global Standards:

E. Streamlined Compliance:

F. Focus on Digital Economy:

G. Tax Incentives:

The DTC is expected to enhance efficiency, improve compliance, and make the tax system more taxpayer-friendly while aligning with India's economic needs.

# Companies Act

The Companies Act, 2013, governs corporate operations in India. It emphasizes transparency, accountability, and better corporate governance. Below are the key highlights:

**1. Types of Companies**

- **Private Company**: Minimum 2 members and 2 directors.
- **Public Company**: Minimum 7 members and 3 directors.
- **One-Person Company (OPC)**: A new type of entity with a single member.
- **Small Company**: With lower financial thresholds for ease of compliance.

**2. Incorporation and Compliance**

- **Simplified Process**: Use of SPICe+ form for quick company registration.
- **Registered Office**: Mandatory within 30 days of incorporation.
- **Digital Signatures**: Directors and key personnel must have a Digital Signature Certificate (DSC).

**3. Corporate Governance**

- **Board of Directors**:
  - Mandatory appointment of at least one woman director for certain companies.
  - Independent directors required for larger companies.
- **Board Meetings**:
  - Minimum of four meetings annually with proper intervals.
- **Audit Committees**: Compulsory for listed and larger companies to oversee financial reporting.

**4. Financial Reporting**

- **Accounting Standards**: Mandatory adherence to Indian Accounting Standards (Ind AS) for financial statements.
- **Corporate Social Responsibility (CSR)**:
  - Applicable to companies meeting specific turnover or profit thresholds.
  - Mandated 2% of average net profits over the past three years towards CSR activities.

# Companies Act

### 5. Share Capital and Dividend

- **Types of Shares**: Equity and preference shares.
- **Buyback of Shares**: Allowed with strict conditions.
- **Declaration of Dividend**: Requires adherence to prescribed rules and reserves.

### 6. Audits and Auditors

- **Rotation of Auditors**: Mandatory rotation of auditors after a fixed term.
- **Internal Audit**: Required for specified companies.
- **Auditor's Report**: Must include disclosures about fraud, qualifications, and corporate governance compliance.

### 7. Investor Protection

- **Serious Fraud Investigation Office (SFIO)**: Established to investigate corporate fraud.
- **National Company Law Tribunal (NCLT)**: Centralized adjudication body for corporate disputes and insolvency cases

### 8. Mergers and Acquisitions

- Simplified procedures for mergers between small companies and holding and subsidiary companies.
- Provision for fast-track mergers.

### 9. Winding Up and Insolvency

- Alignment with the Insolvency and Bankruptcy Code (IBC) for a streamlined resolution process.
- Voluntary winding-up provisions for solvent companies.

### 10. Penalties and Stricter Enforcement

- **Stringent Penalties**: Enhanced penalties for non-compliance and fraud.
- **Directors' Liability**: Greater accountability for board members and key personnel.

# Other Important Laws and Regulations

## Foreign Exchange Management Act

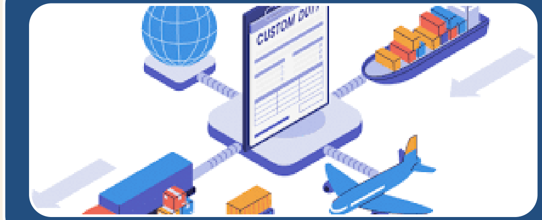
- Regulates cross-border financial transactions and foreign investments
- Regulates ECB, FDI and Bank accounts

## Labour Laws

- Applicable if the subsidiary employes personnel in India
- Includes Factories Act, Industrial Disputes Act, Provident Fund Act, Gratuity Act, etc.


## Intellectual Property Rights Laws

- Protects Trademarks, Patent, Copyrights, and designs



## Custom Laws

- Regulates import and export activities
- Mandatory IEC registration

# Other Important Laws and Regulations

## Environmental Laws

- For manufacturing and environmentally sensitive operations
- Regulates Environment, Air and Water Pollution


## Shops and Establishment Act

- Governs the working conditions and rights of employees in offices and retail business
- Varies across states of India

## SEZ and EOU Regulations

- Compliance with SEZ Act
- Availing of Tax and Operational benefits specific to these zones

## Transfer Pricing Regulations

- Ensures cross-border related parties transactions at arm’s length
- Transfer Pricing Documentations and filing of forms

# Other Important Laws and Regulations

## Data Protection and IT laws

- For Companies handling personal data/ operating in IT/ Tech
- IT Act, Digital Data Protection Act

## Industry Specific Regulation

- As per your industry

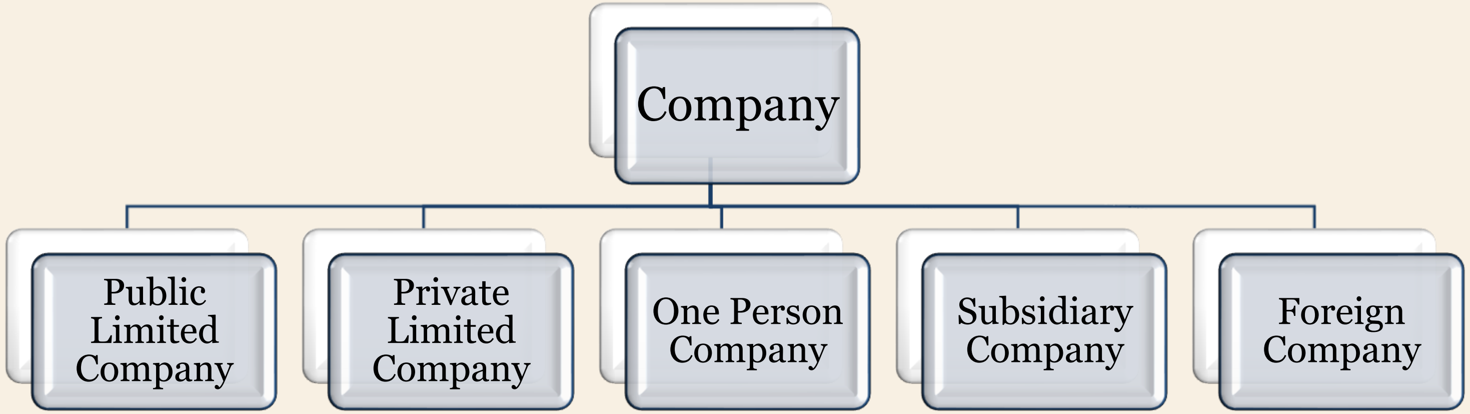
## Other Laws

- Competition Act
- Anti-Money Laundering Laws (PMLA)

# Popular Forms of Business in India

**1. Company**

- A company is an artificial person, created by law that has a separate legal entity, perpetual succession, and common seal and has limited liability.
- A company must be incorporated or registered under the Companies Act. Minimum number of members required for this purpose is seven in the case of a 'public company' and two in the case of a 'private company'.
- A foreign national can establish a foreign company as a private limited company in India. It can be in the form of joint venture or a wholly-owned subsidiary.
- A foreign company can register a liaison office, project office or branch office in India to carry on its operations in India. These form of organization are discussed in the next slide. However, opening these offices requires RBI or government approval.



# Popular Forms of Business in India

| | Branch Office | Project Office | Liaison Office (LO) |
|---|---|---|---|
| **Description**: | A branch office is an extension of the foreign company, operating in India to carry out the same business activities as the parent company. | A project office is set up by a foreign company to execute specific projects in India, usually related to construction, turnkey projects, or infrastructure development. | A liaison office acts as a representative office of the foreign company in India, facilitating communication between the parent company and Indian clients or partners. |
| **Purpose**: | To undertake activities such as manufacturing, processing, assembling, research and development, trading, etc. | To execute specific projects awarded to the foreign company through competitive bidding or by negotiation. | To promote export/import activities, provide technical or financial collaboration, act as a communication channel, and gather market information. |
| **Regulation**: | Requires approval from the Reserve Bank of India (RBI) and must comply with Indian laws and regulations. | Also requires approval from the RBI and must comply with Indian laws and regulations. | Requires approval from the RBI but does not require registration with the Registrar of Companies. |

# Popular Forms of Business in India

## 2. Partnership

- A partnership is formed through a partnership deed or agreement that outlines the terms, including roles, responsibilities, and profit-sharing ratios. This document is crucial for clarifying the relationship between partners and can be registered with relevant authorities for legal recognition.
- Partners in a general partnership have unlimited personal liability, risking their personal assets if the business incurs debts. However, limited liability partnerships (LLPs) offer protection similar to corporate shareholders. Management is typically joint unless specified otherwise in the agreement, with decision-making processes and responsibilities divided based on expertise or as agreed upon.

## 3. Limited Liability Partnership (LLP)

- In an LLP, each partner has limited personal liability, similar to shareholders in a corporation. This means that partners are generally not personally responsible for the debts or legal obligations of the business, protecting their personal assets.
- LLPs offer flexibility in management and ownership structure. Partners can decide how to manage the business and distribute profits, allowing for more customized arrangements compared to traditional partnerships or corporations. This flexibility makes it easier to attract investors and manage complex business operations.

# Popular Forms of Business in India

### 4. Sole Proprietorship

- A sole proprietorship is a business owned and operated by one individual, who has complete control over the business. The owner is personally responsible for all aspects of the business, including decision-making, financing, and operations.
- In a sole proprietorship, the owner has unlimited personal liability, meaning their personal assets can be at risk if the business incurs debts or liabilities. From a taxation perspective, the business income is treated as personal income of the owner, and taxes are filed on the individual's tax return. This simplicity in taxation is one of the advantages of this business structure.

### 5. Co-operative Society

- In a cooperative society, members are both the owners and the beneficiaries. Members pool their resources to achieve common economic, social, or cultural goals. Decision-making is often democratic, with each member having a vote in the governance of the cooperative.
- The primary objective of a cooperative society is to serve the needs of its members rather than to maximize profits. Any surplus generated is typically distributed back to the members in proportion to their use of the cooperative's services or products, ensuring that benefits are shared equitably among all members.

# Choosing a form of business

| Criteria | Most Beneficial | Least Beneficial |
|---|---|---|
| Cost of formation | Sole Proprietorship | Company |
| Ease of formation | Sole proprietorship | Company |
| Transfer of Ownership | Public Ltd Company | Partnership |
| Continuity | Company | Sole proprietorship |
| Regulations | Sole Proprietorship | Company |
| Flexibility | Sole proprietorship | Company |
| Availability of capital | Company | Sole proprietorship |
| Liability | Company and LLP | Sole proprietorship |
| Recognition | Company | Sole proprietorship |

# Summary Checklist

1. Incorporation of a Company
2. Obtain FDI approval under FEMA, if required
3. Register for GST and IEC for operations
4. Comply with taxation and labour laws
5. Protect IPR and comply with industry related compliances

# Steps for Initial Compliances

**1. Incorporation of a Company**

- Application for Digital Signature Certificate (DSC)
- Application for Director Identification Number (DIN/ DPIN)
- Application for name approval
- Filing of documents to Registrar of Companies (ROC)

*Time required: Around 10 working days*


**2. Foreign Direct Investment (FDI) Compliance**

- There are two routes: Automatic Routes and Approval routes
- For automatic routes, intimation to the RBI is to be made through forms/ returns
- For Approval routes, FDI can only be made after approval from the RBI

# Steps for Initial Compliances

**3. Registration with different Tax Authorities**

- **Permanent Account Number (PAN)**:
  - 10-digit alpha-numeric number issued by the Income Tax Department.
  - It is mandatory to quote PAN on the return of income, and all correspondence with any income tax authority.
- **TAN (Tax Deduction and Collection Account Number):**
  - It is a 10-digit alphanumeric number required to be obtained by all the persons who are responsible for deducting or collecting tax.
  - It is compulsory to quote TAN in TDS/TCS return, TDS/TCS payment challan, and TDS/TCS certificates.
- **Goods and Service Tax**
  - **Threshold Limit:** Businesses with an annual turnover exceeding ₹20 lakh (₹10 lakh for specific states) must register for GST. Lower thresholds apply to certain sectors like e-commerce.
  - **Types of Registration:**
    - Regular GST Registration.
    - Composition Scheme for small businesses (up to ₹1.5 crore turnover).
- **IEC (Import Export Code):** Mandatory for import and export
- **Shops and Establishment Act:** Within 3 months of commencement of business
- **Provident Fund and ESI:** On employee strength of 20 or 10 respectively.

# Regular Compliances

## A. Income Tax

### Compliance of TDS

- The Company shall be liable to deduct tax at source (TDS) from payments to be made to its vendors/ employees for the services availed by the Company.
- The Company shall be required to pay the TDS (Tax Deduction at Source) to the government by the 7th of the following month for the deduction made in the month. The due date for depositing the amount for the month of March is 30th April.
- A quarterly return of TDS is required to be filled with the Income Tax Department by the 31st of the following month after the end of the quarter. The due date for the quarter ended March is 31st May.
- At the end of the year, the Company is liable to issue TDS certificates to the persons for whom the Company has deducted TDS.

### Annual Return (ITR)

Entities are also required to file their Income tax Return before 30th September for the year ending 31st March every year. If the turnover of the company exceeds the limit prescribed under provisions of Income Tax (i.e. INR 100 million in case of business and INR 5 million in case of professional), a tax audit will be compulsory for the company and they are required to take audit report from a Chartered Accountant.

# Regular Compliances

## A. Income Tax (contd.)

### Transfer Pricing Regulations

Transfer pricing regulations aim at the conclusion of international transactions and certain specified domestic transactions between associated enterprises at arm's length prices. Every entity having such a transaction is required to furnish a certificate from chartered accountants every year. The entity needs to maintain documentation for such transactions (commonly referred to as 'Transfer Pricing Study'). Normally, the transfer pricing documentation is to be prepared irrespective of the quantum of such transactions, however, the threshold limit for the documentation is INR 10 million.

# Regular Compliances

## B. Goods and Service Tax Act

### ➢ Invoicing Requirements

- **Tax Invoice**: Issued for taxable goods or services.
- **Bill of Supply**: Issued for exempt goods or services and for businesses under the Composition Scheme.

### ➢ GST Returns

- Businesses must file periodic returns to report sales, purchases, and tax payments:
  - **GSTR-1**: Monthly/quarterly return for outward supplies.
  - **GSTR-3B**: Monthly/quarterly summary return for tax liability and input tax credit (ITC).
  - **GSTR-9**: Annual return summarizing all GST activities.
  - **GSTR-9C**: Reconciliation statement certified by a Chartered Accountant for businesses with a turnover exceeding ₹5 crore.

### ➢ Payment of GST

- **Due Date**: 20th of the following month (for monthly filers) or quarterly (for Composition Scheme).

### ➢ Input Tax Credit (ITC)

- ITC is available for GST paid on inputs, capital goods, and input services used for taxable supplies.

# Regular Compliances

## B. Goods and Service Tax Act

- **Invoicing Requirements**

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# Regular Compliances

**B. Goods and Service Tax Act (contd).**

➢ **GST Compliance Rating**

- A compliance rating system that reflects the consistency of a taxpayer in fulfilling GST obligations.

➢ **Penalties for Non-Compliance**

- **Late Filing**: ₹50/day for late filing of returns (₹20/day for nil returns).
- **Non-Payment of Tax**: 10% of the tax amount due or ₹10,000, whichever is higher.
- **Fraudulent Activity**: Penalty up to 100% of tax due.

➢ **Summary Checklist**

- Register for GST as per turnover thresholds.
- File all relevant returns (e.g., GSTR-1, GSTR-3B) on time.
- Pay GST dues by the due date.
- Maintain proper records and reconcile with GST filings.
- Comply with e-way bill requirements for goods transport.
- Top of Form

# Regular Compliances

## C. Companies Act

### ➢ Statutory Registers and Records

- Maintain key registers:
  - Register of Members, Directors, and Charges.
  - Minutes of Board and General Meetings.
- Keep proper financial and statutory records for at least 8 years.

### ➢ Meetings

- **Board Meetings**:
  - Minimum four meetings annually (for public companies).
  - At least one meeting every quarter.
- **Annual General Meeting (AGM)**:
  - Mandatory for public companies (within 6 months from the end of the financial year).
  - Private companies may be exempted if specified in the Articles of Association (AoA).
- **Extraordinary General Meetings (EGM)**: Convened as required.

# Regular Compliances

## C. Companies Act (contd.)

➢ **Financial Statements and Audit**

- Prepare financial statements as per Schedule III and Indian Accounting Standards (Ind AS).
- Mandatory statutory audit by a Chartered Accountant.
- Board of Directors must approve and sign financial statements.

➢ **Filing with Registrar of Companies (RoC)**

- **Annual Returns (Form MGT-7)**:
  - Filed within 60 days of the AGM.
- **Financial Statements (Form AOC-4)**:
  - Filed within 30 days of AGM.
- **Changes in Directors or Key Personnel (Form DIR-12)**:
  - Filed within 30 days of appointment or resignation.

➢ **Director Compliance**

- **Director Identification Number (DIN)**: Mandatory for all directors.
- Ensure at least one resident director (staying in India for 182 days or more).
- File annual disclosure of interest (Form MBP-1).

# Regular Compliances

## C. Companies Act (contd.)

### ➢ Corporate Governance

- **Independent Directors**:
  - Required for public companies meeting certain thresholds.
  - Independent directors must hold at least one meeting annually without other directors.
- Form committees such as Audit, Nomination & Remuneration Committees for larger companies.

### ➢ Corporate Social Responsibility (CSR)

- Mandatory for companies meeting specific thresholds (e.g., net profit of ₹5 crore or more).
- Spend at least 2% of the average net profits on CSR activities.

### ➢ Tax and Regulatory Compliance

- Filing of Income Tax Returns (ITR) and GST returns, if applicable.
- Adherence to Transfer Pricing regulations for international or related-party transactions.

# Regular Compliances

## C. Companies Act (contd.)

### ➢ Other Key Compliances

- **Shareholder Resolutions**: File special resolutions with RoC (Form MGT-14).
- **Appointment of Auditors (Form ADT-1)**:
  - Filed within 15 days of the AGM.
- **Maintenance of Registered Office**: Display company name and address at the registered office.

### ➢ Secretarial Standards

- Comply with the Secretarial Standards (SS-1 and SS-2) issued by the Institute of Company Secretaries of India (ICSI) for board and general meetings.

### ➢ Penalties for Non-Compliance

- Non-filing or delay in filings may result in hefty penalties and fines.
- *Directors can be held personally liable for severe violations.*

# Regular Compliances

## D. Other Acts

### ➢ Provident Fund

- An employee whose salary is less than Rs. 15,000 is covered and the employer is liable to deduct and contribute PF @10% on the salary of employee.
- Salary = Basic Salary + Dearness Allowance.
- Due date for depositing the amount to the government is 15th of the following month for the liability of the month.

### ➢ ESI (Employee State Insurance)

- ESI is calculated on the gross salary paid to the employees. As per the Act, **the employer contributes 3.25% of the wages**, and the employee contributes 0.75% of the wages to the contributory fund, which is then used to provide insurance cover to the employees in difficult times.
- Gross Wages = Basic +All Allowances (except washing allowance and Leave Encashment)
- Due dates for depositing the amount including both employee and employer contribution is 15th of the following month and for the month of March, payable till **April 30,** instead of April 15

# Repatriation of Funds

**Dividend:**
Dividends are freely repatriable without any restrictions (net after-tax deduction at source or Dividend Distribution Tax).

**Capital:**
Remittance of the asset (i.e. sale proceeds of share and securities and their remittance) is governed by the Foreign Exchange Management (Remittance of Assets) Regulations, 2016 under FEMA.
Reporting of transfer of capital instruments between residents and non-residents and vice versa is to be done in Form FC-TRS. The Form FC-TRS should be submitted to the AD Category-I bank, within 60 days from the transfer of capital instrument or date of receipt of the amount of consideration, whichever is earlier.
AD Category-I banks are allowed to remit winding-up proceeds of the companies that are under liquidation subject to payment of taxes.
**Buyback:** The buyback of shares is treated as a dividend, and taxed accordingly.

**Repatriation of Interest:**
Interest on fully, mandatorily & compulsorily convertible debentures is also freely repatriable without any restrictions (net of applicable taxes).

EXACTITUDE
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# Thank You