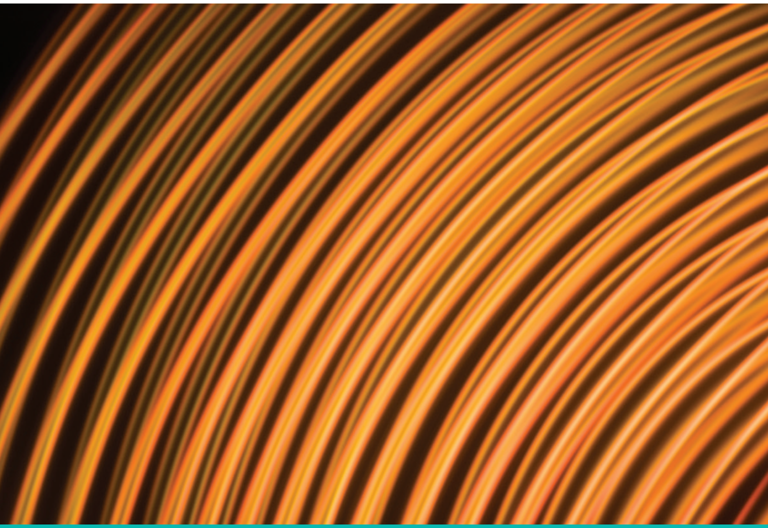

REGULATORY COMPLIANCE

India

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Once an investor sets-up a business in India, whether it is a liaison office, project office, branch office or company, that business needs to comply with Indian regulations. In this note we discuss the recurring compliances that affect day to day business. Within each compliance activity, we have indicated the applicability to the business entity i.e. CO for a Company, LO for a Liaison Office, etc.

1 ACCOUNTING & PAYROLL

1.1 Accounting

All businesses in India need to maintain accounting records that meet the Indian Generally Accepted Accounting Policies. A business entity is free to decide their accounting year as financial, calendar or otherwise to match their global reporting norms. However, under the Indian income tax laws it is mandatory to close the books of accounts on a financial year basis i.e. April 1 to March 31.

CO LO PO BO

1.2 Employee Payroll

Businesses need to draft appropriate employment contracts keeping in view the income tax laws and employment regulations. In terms of compliance, they are required to pay monthly salary, generate pay slips and ensure regulatory compliances under labour laws. Furthermore, salaries are structured at the time of set-up, revision or when there is an amendment in the law. Once the New Labour Codes takes effect, the payroll structures will have to be relooked at.

CO LO PO BO

2 ASSURANCE

2.1 Statutory Audit

Under the Indian Companies Act it is mandatory for businesses to have their accounts audited by an Indian firm of chartered accountants. These audited accounts are to be filed with the Registrar of companies (ROC) and, in some cases, with the Reserve Bank of India (RBI).

CO LO PO BO

2.2 Tax Audit

Businesses with an annual turnover exceeding INR 10 million (USD 121,000 approx) need to additionally have accounts audited under specific provisions of the Indian income tax laws and certified by an Indian firm of chartered accountants. To ease the burden of small businesses, tax audit limit was raised to 100 Million (USD 1.21 million approx.) subject to the condition that at least 95% of sales, turnover or gross receipts must be through banking and/or digital mode. However, subject to prescribed conditions, requirement of audit is triggered if annual turnover exceeds Rs 100 Million.

CO PO BO

2.3 Internal Audit

Private Companies exceeding a turnover INR 2 billion (USD 31millions approx) or outstanding borrowings of INR 1 billion (USD 15 million approx), need to have an internal audit system in place, either outsourced to an Indian firm of chartered accountants or through their in-house team, Public Listed corporate need to specifically inform board members about assessment and minimisation procedures.

CO

2.4 Corporate Social Responsibility

CSR applies to every company having net worth exceeding > INR 500 crore (USD 62 million), turnover exceeding > INR 1,000 crore (USD 12 billion) and net profit exceeding > INR 5 crore (USD 0.62 million) and all such companies are required to ensure that they spend at least 2% of its average net profits made during the immediately preceding three financial years.

CO

2.4 Environment Social & Governance

Business Responsibility and Sustainability Reporting (BRSR) is mandatory for the top 1000 listed companies from May 2021. BRSR requires them to report on 9 principles of NGRBC. The BRSR Core mandates that companies must ensure reasonable assurance for a specific set of KPIs or metrics. It starts with the top 150 companies in 2023-24 and gradually extends to the top 1000 by 2026-27 in a phased approach.

CO

3 DIRECT TAX

3.1 Corporate Tax

Businesses are required to estimate annual tax liability and ensure timely deposition on quarterly basis commonly referred to as 'Advance Tax'. Delays, deferment, or incorrect estimation attract penal provisions. e.g., in case of Financial Year 2022-23, advance taxes must be deposited by June 15 (15%), September 15 (45%), December 15th (75%) and March 15 (100%). A tax return together with audited accounts and tax audit report must be submitted before the due dates e.g., for Financial Year 2022-23, tax return is required to be submitted by October 31, 2023 / November 30, 2023.

CO **PO** **BO**

3.2 Transfer Pricing

Businesses having cross border transactions with related entities needs to analyze if such transactions fall within the ambit of Indian Transfer Pricing regulations. This requires the maintenance of documentation and certification by an Indian firm of chartered accountants confirming that the firm's dealings with related concern were at an arm's length, and the profits were appropriately reported by the Indian business entity.

CO **PO** **BO**

Payee	When	Tax Withholding (%)	Date of Deposit	Reporting
Employee	If salary is taxable	Per prescribed slabs* both under existing and optional scheme	7th of the month succeeding payments	Quarterly
Contractor	Annual payment exceeds INR 1,00,000 **(USD 1250 approx)** or single payment exceeds INR 30, 000 **(USD 375 approx)**	2 (1 for individual payee)	7th of the month succeeding payments	
Landlord	Annual rental exceeds INR 240,000 **(USD 3,200 approx)**	10 (2 for plant, machinery or equipments)		
Professional	Annual payment exceeds INR 30,000 **(USD 375 approx)**	10		

* This document has been prepared as a service to the clients. We recommend that you seek professional advice prior to initiating action on specific issues.

3.3 Withholding Tax

Businesses need to withhold tax on specified payments viz salary, contractual, etc. To illustrate

3.4 Expatriate Taxation

Expatriates deputed to India are required to pay taxes on their income, like local employees. The components of taxable income are generally the same, however, foreign workers may explore options for relief under the Double Tax Avoidance Agreement between India and their home country. As an annual compliance, it is mandatory for expatriates to file a personal tax return with the Indian tax authorities by July 31st each year. Moreover, expatriates planning to stay in India more than 180 days must register with the Foreigners Regional Registration Office within 14 days of arrival.

CO LO PO BO

4 INDIRECT TAX

4.1 Customs Duty

Businesses engaged in cross border trading need to comply with customs duty regulations. The duty varies between products. The compliance requirement includes determination and deposit of duty prior to clearance of goods by the customs authority. While basic customs duty remains, the Counter Vailing Duty (CVD) and Special Additional Duty (SAD) of customs are subsumed into GST.

CO LO PO BO

4.2 Goods and Services Tax (GST)

GST is applicable on supply of goods and/or services. It consolidates the erstwhile excise duty, service tax, central and local VAT, amongst others. Compliances include deposit of taxes and filing of monthly / quarterly returns.

CO LO PO BO

5 SECRETARIAL COMPLIANCE

Businesses in India need to comply with secretarial matters specified under the Indian Companies Act and report to the concerned ROC.This may include

EVENT	APPLICABILITY
Office shifting	CO LO PO BO
Change in director / authorized representative	CO LO PO BO
Maintain board minutes, statutory registers	CO
Annual return to ROC	CO LO PO BO

6 LABOUR LAWS

An employer needs to consider the impact of Provident Fund, government regulated Pension Plan scheme. Furthermore, an outgoing employee, who has exceeded 5 years of service, is to be paid Gratuity calculated as per specified scales.

CO LO PO BO

Industrial units are covered by the Employee State Insurance, Industrial Dispute Act, Contract Labour Act, etc. Once the New Labour Codes are implemented, all the existing labour laws will be subsumed therein.

CO PO BO

7 MISCELLANEOUS

There are certain state specific regulations e.g. Professional Tax and the Shop and Establishment Act which prevail in Indian states like Karnataka, Maharashtra, Tamil Nadu etc.

8 KEY DATA

REGULATORY MATTER	DUE DATE
Corporate Law	
Board Meeting	Four meetings every year with a gap not exceeding 120 days between two such meetings
Annual General Meeting (AGM) (adoption of financial)	Within 6 months of end of the financial year
Annual Return with the ROC	Within 60 days from the date of AGM
Tax	
Corporate Tax Return	October 31st / November 30th
Tax Audit Report	September 30th / October 31st
Transfer Pricing Report	Octobe 31st
TDS Returns (Tax Withholding)	Quarterly
Individual tax return	July 31th
GST Return - Turnover > ₹50 million - Turnover < ₹50 million	Monthly** Quarterly/Monthly**
Compliance	
Deposit of TDS	7th of every month
Deposit of GST - Turnover > ₹50 million - Turnover < ₹50 million	20th of every month 22nd/ 24th/ 25th of every month/Quarter**

* It includes GSTR 1 and GSTR 3B

***Differs according to State*

CO Company | LO Liaison Office | PO Project Office | BO Branch Office

(1 USD=80 INR)

Prepared by ASA Corporate Catalyst India

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ASA
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bakertilly
NETWORK MEMBER

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