



## Quiz - 15

## UDESHER REGULAR MAY 24

### Foreign Exchange Management Act, 1999

1. As per the provisions of Foreign Exchange Management Act, 1999: 'Person resident in India' means a person residing in India for
  - (1) 182 days or more during the relevant financial year
  - (2) More than 182 days during the relevant financial year
  - (3) 182 days or more during the preceding financial year
  - (4) More than 182 days during the preceding financial year
2. Ms. Shruti resided in India during Financial Year 2018-19. She got employed by Amazon and left for USA on 6 th June 2019. Choose the correct statement in light of the provisions of FEMA, 1999.
  - (1) Shruti will be a Person Resident in India for Financial Year 2019-20
  - (2) Shruti will be a Person Resident Outside India for Financial Year 2019-20
  - (3) Shruti will be a Person Resident in India till 6th June 2019 and will become a Person Resident Outside India after that
  - (4) Shruti will be a Person Resident Outside India till 6 th June 2019 and will become a Person Resident in India after that
3. Peter a citizen and resident of India, in the year 2011. got a job in a MNC in Germany. He planned to shift. Due to travelling and shifting, studies of his daughter Lisa was affected a lot, so he decided to admit her into Mayo College at Ajmer for her further studies. On 23rd March 2017, Peter, along with his wife and daughter reached India from Germany. On 22nd April 2017, Lisa got admission in the college and since then she is living in India only. Peter and his wife returned Germany on 1 st May 2017. Peter did not visit India during the financial year 2017-18, however his wife was in India from 2 nd December 2017 to 2 nd January 2018. During the financial year 2018-19. Peter was in India for 185 days due to his deployment and Lisa's ill health. From the following who will be treated as person resident in India for the financial year ended on 2018-19
  - (1) Lisa
  - (2) Peter
  - (3) Peter's wife
  - (4) Lisa and Peter's wife
4. Mr. Ram had resided in India during the Financial Year 2017-2018 for less than 183 days. He again came to India on 1 st May, 2018 for higher studies and business and stayed up to 15th July, 2019. State the correct answer as to the residential status of Mr. Ram in the light of the given fact as per the Foreign Exchange Management Act, 1999
  - 1) Mr. Ram can be considered as 'Person resident in India' during the financial year 2018-2019
  - 2) Mr. Ram cannot be considered as 'Person resident in India' during the financial year 2018-2019
  - 3) Mr. Ram can be considered as 'Person resident in India' during the financial year 2019- 2020
  - (1) Both the statement (1) & (3) are correct
  - (2) Both the statement (2) & (3) are correct
  - (3) Only statement (1) is correct
  - (4) Only statement (2) is correct
5. Dhruv, is a pilot in Bangkok airways. He flies for 15 days in a month and thereafter takes a break for 15 days. During the break, he is accommodated in 'base', which is normally the city where the Airline is headquartered. However, for security considerations, he was based at Delhi. During the financial year, he was accommodated at Delhi for 182 days. Determine the legal position as regards the residential status of Dhruv under the given situation:
  - (1) Dhruv cannot be considered to be a Person Resident in India.
  - (2) Dhruv can be considered to be a Person Resident in India due to her stay for 182 days in India
  - (3) Dhruv cannot be considered to be a Person Resident in India due to her stay for less than 183 days in India.
  - (4) Dhruv can be considered to be a Person Resident in India due to her stay in Delhi for security consideration.

6. Hutchisson Essar Limited is a company incorporated in Hong Kong. The company has recently opened a branch office in Mumbai, India. Choose the correct statement considering the provisions of FEMA, 1999.
- (1) The Company and its Branch, both are Persons Resident in India
  - (2) The Company and its Branch, both are Persons Resident outside India
  - (3) The company is a Person Resident in India while the Branch is a Person Resident Outside India
  - (4) The company is a Person Resident Outside India while the Branch is a Person Resident in India
7. Mr. Umesh arrived in India in the financial year 2019-2020 from USA on 2 nd October 2019 after 5 years for the purpose of conducting business in India. Mr. Umesh started proprietary business of trading insulated handles and established a branch of his business in Minnesota, USA. In this regard, choose the appropriate option with respect to residential status for 2020-21 as per FEMA, 1999
- (1) Mr. Umesh and the Branch in USA are persons resident outside India
  - (2) Mr. Umesh is a resident in India and the Branch is a person resident outside India
  - (3) Mr. Umesh and the Branch are both persons resident in India
  - (4) Mr. Umesh is a person resident outside India and the Branch is a person resident in India
8. After five years of stay in USA, Mr. Umesh came to India at his paternal place in New Delhi on October 25, 2021, for the purpose of conducting business with his two younger brothers Rajesh and Somesh and contributed a sum of ₹ 10,00,000 as his capital. Simultaneously, Mr. Umesh also started a proprietary business of selling artistic brass ware, jewellery, etc. procured directly from the manufacturers based at Moradabad. Within a period of two months after his arrival from USA, Mr. Umesh established a branch of his proprietary business at Minnesota, USA. You are required choose the appropriate option with respect to residential status of Mr. Umesh and his branch for the financial year 2022-23 after considering the applicable provisions of the Foreign Exchange Management Act, 1999:
- (1) For the financial year 2022-23, Mr. Umesh and his branch established at Minnesota, USA, are both persons resident outside India.
  - (2) For the financial year 2022-23, Mr. Umesh is a resident in India but his branch established at Minnesota, USA, is a person resident outside India.
  - (3) For the financial year 2022-23, Mr. Umesh and his branch established at Minnesota, USA, are both persons resident in India.
  - (4) For the financial year 2022-23, Mr. Umesh is a person resident outside India but his branch established at Minnesota, USA, is a person resident in India.
9. Priti, on 1 st September, 2021 went to UK for doing one year MBA course. Her MBA course completed on 31st August, 2022 and she returned India on the next day. What shall be her residential status for the FY 2022-23 and 2023- 24:
- (1) Resident in India for FY 2022-23 and FY 2023-24
  - (2) Resident in India for FY 2022-23 and Resident outside India for FY 2023-24
  - (3) Resident outside India for FY 2022-23 and FY 2023-24
  - (4) Resident outside India for FY 2022-23 and Resident in India for FY 2023-24
10. Mr. X, a person comes to India on 1 st June 2019 for visiting his parents. However, his parents fall sick and he stays till 31st March 2020. Thereafter he continues to stay in India. He decided to live in India for next 6 months by the time his parents recover. In the light of the given case, determine the correct residential status of Mr. X from the given statements.
- (1) Mr. X is PRII as he did reside in India in the FY 2019-2020.
  - (2) Mr. X is PRII as he resided in India for more than 182 days in the FY 2019-20.
  - (3) Mr. X is PROI in the FY 2019-20, but will be treated as PRII from 1 st April, 2020, as he resides in India for more than 182 days in the previous FY.
  - (4) His stay in India is neither for employment, nor for business, nor for circumstances which show that his stay in India for an uncertain period. In FY 2019-20, he is a PROI as he did not reside in India for more than 182 in FY 2018-19.
11. Nilgiri Limited is a company incorporated in Himachal Pradesh, India. The company has recently opened a branch office in Russia. Choose the correct statement in light of the provisions of FEMA, 1999.
- (1) The Company and its Branch, both are Persons Resident in India
  - (2) The Company and its Branch, both are Persons Resident outside India
  - (3) The company is a Person Resident in India while the Branch is a Person Resident Outside India
  - (4) The company is a Person Resident Outside India while the Branch is a Person Resident in India

- 12.** Printex Computer' is a Singapore based company having several business units all over the world. It has a unit (Branch A) for manufacturing computer printers with its Headquarters in Pune. It has a Branch in Dubai (Branch B) which is controlled by the Headquarters in Pune. Choose the correct statement in light of the provisions of FEMA, 1999.
- (1) Both branches A and B are Person Resident in India
  - (2) Both branches A and B are Person Resident Outside India
  - (3) Branch A is Person Resident in India and Branch B is Person Resident Outside India
  - (4) Branch A is Person Resident Outside India and Branch B is Person Resident in India
- 13.** Under the provisions of FEMA, 1999; which authority has the power to specify the permissible Capital Account Transactions involving Debt instruments
- (1) Reserve Bank of India
  - (2) Central Government
  - (3) SEBI
  - (4) Enforcement Directorate
- 14.** Under the provisions of FEMA, 1999; which authority has the power to specify the permissible Capital Account Transactions involving Non-Debt instruments
- (1) Reserve Bank of India
  - (2) Central Government
  - (3) SEBI
  - (4) Enforcement Directorate
- 15.** Mr. V, brother of Mr. R, is a resident of Singapore and he owns an immovable property in Chennai which he inherited from his father, who was a resident of India, Can Mr. V continue to hold the property?
- (1) No, he cannot hold transfer or invest In India, since he is resident outside India.
  - (2) Yes, he can continue to hold in India, since he is person of India Origin and the property is located in India
  - (3) Yes, he can continue to hold the property, since this was inherited from a person who was resident in India.
  - (4) Yes, he can continue to hold the property, since his brother (Mr. R) uses the property whenever he travels to Chennai.
- 16.** Under the provisions of FEMA, 1999; on which of the following Capital Account Transactions, restrictions on drawal of foreign exchange cannot be imposed?
- (1) Payment due on amortisation of loans
  - (2) Payment due on depreciation of direct investments
  - (3) Both (1) and (2)
  - (4) Neither (1) nor (2)
- 17.** As per the provisions of Regulation 4 of FEM (Permissible Capital Account Transactions) Regulations, 2000; investments in which of the following activities are prohibited by a Person Resident Outside India?
- (1) Investment in the business of chit fund
  - (2) Investment in agricultural activities
  - (3) Trading in Transferable Development Rights
  - (4) All of the above
- 18.** As per the provisions of Regulation 4 of FEM (Permissible Capital Account Transactions) Regulations, 2000; investments in which of the following activities are prohibited by a Person Resident Outside India?
- (1) Development of townships
  - (2) Construction of roads and bridges
  - (3) Construction of farm houses
  - (4) All of the above
- 19.** Which amongst the following transactions, is not the current account transaction:
- (1) payments due in connection with short-term banking and credit facilities in the ordinary course of business.
  - (2) payments due on loans.
  - (3) remittances for living expenses of parents residing abroad
  - (4) expenses in connection with foreign travel of pouse and children
- 20.** Under the provisions of FEMA, 1999; which authority has the power to impose restrictions for Current Account Transactions
- (1) Reserve Bank of India
  - (2) Central Government
  - (3) SEBI
  - (4) Enforcement Directorate
- 21.** As per the provisions of FEM (Current Account Transactions) Rules, 2000; drawal of foreign exchange for which of the transactions is prohibited?
- (1) Remittance out of lottery winnings
  - (2) Remittance for purchase of football pools
  - (3) Payment related to call back services of telephone
  - (4) All of the above

**22.** In September 2016, Mr. P, went to USA, London and Germany on a monthlong business trip. For this trip he got exchanged US \$ 50000 from an authorized dealer. In December 2016 he remitted US \$ 50000 to his son in Canada, who was studying there. In January 2017 he sent his mother and wife to America for his mother's treatment and for the purpose he remitted US \$ 75000 to his younger brother, who was living there. In March 2017 his daughter got engaged and she opted for a destination marriage to be held in May 2017, in Switzerland. While on trip to Dubai in the March end, 2017, he spent US \$ 35000 for his daughter's shopping in Dubai. Later, the event manager gave an estimate of US \$ 250000 for the wedding. As per the provisions of FEMA, for how much remittance does he need to take prior approval of the Reserve bank of India.

- (1) He does not need any prior approval at all
- (2) For US \$ 210000
- (3) For US \$ 250000
- (4) For US \$ 15000

**23.** Nandeesh, a resident Indian, remitted USD 1,00,000 on 7 th June, 2021, to his son Ishaan who is settled in California, USA, since he urgently required funds. On 9 th July, 2021, Nandeesh again remitted USD 71,000 to meet expenses to be incurred in respect of his ailing wife, Medhavi who had recently gone to USA to meet his son Ishaan but had developed serious coronary disease. For specialised treatment of Medhavi at a specialised hospital, a sum of USD 79,000 was remitted for the second time on 30th July, 2021 by Nandeesh. Within next 10 days, Medhavi recovered and was allowed to return to her son's residence from the hospital. Choose the correct option from those stated below as to when Nandeesh can send further foreign exchange to his son Ishaan for the purpose of purchasing a house without obtaining the prior approval of Reserve Bank of India:

- (1) Without obtaining the approval of Reserve Bank of India, Nandeesh can send further foreign exchange to his son Ishaan only in the month of April, 2022 or thereafter.
- (2) Without obtaining the approval of Reserve Bank of India, Nandeesh can send further foreign exchange to his son Ishaan only in the month of January, 2022 or thereafter.
- (3) Without obtaining the approval of Reserve Bank of India, Nandeesh can send further foreign exchange to his son Ishaan only in the month of July, 2022 or thereafter
- (4) Without obtaining the approval of Reserve Bank of India, Nandeesh can send further foreign exchange to his son Ishaan only in the month of November, 2021 or thereafter

**24.** Mr. Z was appointed as representative of ABC Company for a corporate programme organized in USA. During the said period in USA, he was diagnosed with the severe kidney disease, so decided to have a kidney transplant done in USA. State the maximum amount that can be drawn by Mr. Z as foreign exchange for the medical treatment abroad.

(Study Mat & MTP May 20)

- (1) USD 1,25,000
- (2) USD 2,25,000
- (3) USD 2,50,000
- (4) As estimated by a medical institute offering treatment

**25.** Mr. Shashank, an Indian national, desire to obtain USD 1,00,000 for sending a cultural troupe on a tour of USA. Advise whether he can get foreign exchange for this purpose.

- (1) Drawal of foreign exchange for cultural tours is prohibited
- (2) Drawal of foreign exchange for cultural tour is freely permitted up to USD 2,50,000
- (3) Drawal of foreign exchange for cultural tour is allowed with the previous approval of RBI
- (4) Drawal of foreign exchange for cultural tour is allowed with the previous approval of Ministry of Human Resources Development

**26.** Mr. Prashant requires USD 15,000 for payment related to hiring charges of transponders. Advise whether he can get foreign exchange for this purpose.

- (1) Drawal of foreign exchange is prohibited
- (2) Drawal of foreign exchange is freely permitted upto USD 2,50,000
- (3) Drawal of foreign exchange is allowed with the previous approval of RBI
- (4) Drawal of foreign exchange is allowed with the previous approval of Ministry of Information & Broadcasting

**27.** Mr. Rashid has won a big lottery and wants to remit US Dollar 20,000 out of his winnings to his son who is in USA. Advise whether such remittance is possible under the Foreign Exchange Management Act, 1999.

- (1) Remittance of foreign exchange is prohibited
- (2) Remittance of foreign exchange is freely permitted upto USD 2,50,000
- (3) Remittance of foreign exchange is allowed with the previous approval of RBI
- (4) Remittance of foreign exchange is allowed with the previous approval of Ministry of Finance

**28.** Mr. Rohan, an Indian resident, desires to obtain USD 10,000 for remittance as gift to his cousin brother residing in USA. Advise whether such remittance is possible under the Foreign Exchange Management Act, 1999.

- (1) Remittance of foreign exchange as gift is prohibited
- (2) Remittance of foreign exchange as gift is freely permitted up to USD 2,50,000
- (3) Remittance of foreign exchange as gift is allowed with the previous approval of RBI
- (4) Remittance of foreign exchange as gift is allowed with the previous approval of Ministry of Finance

**29.** . In September, 2020, Mr. Purshottam Saha visited Atlanta as well as Athens and thereafter, London and Berlin on a month-long business trip, for which he withdrew foreign exchange to the extent of US \$ 50,000 from his banker. State Bank of India. New Delhi branch. In December, 2020 he further, withdrew US \$ 50,000 from SBI and remitted the same to his son Raviyansh Saho who was studying in Toronto, Canada. In the first week of January. 2021, he sent his ailing mother Mrs. Savita Saha for a specialised treatment along with his wife Mrs. Rashmi Saha to Seattle where his younger brother Pranav Saha, holder of Green Card, is residing. For the purpose of his mother's treatment and to help Pranav Saha to meet increased expenses, he requested his banker SBI to remit US \$ 75,000 to Pranav Saha's account maintained with Citibank, Seattle. In February. 2021, Mr. Purshottam Saha's daughter Devanshi Saha got engaged and she opted for a 'destination marriage' to be held in August, 2021 in Zurich, Switzerland.

While on a trip to Dubai in the last week of March, 2021, he again withdrew US \$ 35,000 to be used by him and Devanshi Saha for meeting various trip expenses including shopping in Dubai. Later, the event manager gave an estimate of US \$ 2,50,000 for the wedding of Devanshi Saha at Zurich, Switzerland. Which option do you think is the correct one in the light of applicable provisions of Foreign Exchange Management Act. 1999 including obtaining of prior approval, if any. from Reserve Bank of India since Mr. Purshottam Saha withdrew foreign exchange on various occasions from his banker, State Bank of India.

- (1) In respect of withdrawal of foreign exchange on various occasions from his banker State Bank of India and remitting the same outside India during the financial year 2020-21, Mr. Purshottam Saha is not required to obtain any prior approval.
- (2) In respect of withdrawal of US \$ 35,000 in the last week of March, 2021, for a trip to Dubai, Mr. Purshottam Saha must have obtained prior approval of Reserve Bank of India since the maximum amount of foreign exchange that

can be withdrawn in a financial year is US \$ 1,75,000.

- (3) After withdrawing US \$ 1,00,000, Mr. Purshottam Saha must have obtained prior approval of Reserve Bank of India for the remaining remittances made during the financial year 2020-21, otherwise SBI would not have permitted further withdrawals.
- (4) After withdrawing US \$ 50,000, Mr. Purshottam Saha must have obtained prior approval of Reserve Bank of India for the remaining remittances made during the financial year 2020-21, otherwise SBI would not have permitted further withdrawals.

**30.** Mr. Dakash, an Indian resident, desires to obtain USD 1,000 for payment to be made for securing health insurance from a company abroad. Advise whether such remittance is possible under the Foreign Exchange Management Act, 1999.

- (1) Remittance of foreign exchange as gift is prohibited
- (2) Remittance of foreign exchange as gift is freely permitted upto USD 2,50,000
- (3) Remittance of foreign exchange as gift is allowed with the previous approval of RBI
- (4) Remittance of foreign exchange as gift is allowed with the previous approval of Ministry of Finance

**31.** L&T Infratech Limited, an Indian company, has obtained consultancy services from USA for one of its infrastructure projects in Chandigarh, Haryana. The company wants to know the maximum amount of foreign exchange that it can remit without the approval of RBI.

- (1) USD 1,00,000
- (2) USD 2,50,000
- (3) USD 10,00,000
- (4) USD 1,00,00,000

**32.** Milap Limited, a company incorporated in India, has obtained consultancy services from an entity based in France for setting up the software programme in their company. The consideration for such services is required to be paid in foreign currency. The compliance officer of Milap Limited requires your advice regarding threshold limit of remittance that can be made without prior approval of RBI. You as a qualified Chartered Accountant are required to advise the compliance officer considering the provisions of the Foreign Exchange Management Act, 1999 and regulations thereunder:

- (1) USD 50,000,000
- (2) USD 10,000,000
- (3) USD 5,000,000
- (4) USD 1,000,000

[Note - Do note that the limit of remittance for any consultancy service in respect of infrastructure projects is USD 1,00,00,000 and for other projects is USD 10,00,000]

33. M/s Kedhar Sports Academy, a private coaching club provides coaching for cricket, football and other similar sports. It coaches sports aspirants all over India. It also conducts various sports events and campaigns, across the country. In 2019, to mark the 25th year of operation, a cricket tournament was organized in Lancashire, England. The prize money for the winning team is USD 40,000 . For the runners up, it is USD 11,000 . Now, M/s Kedhar Sports Academy wants to know what steps it should take for the remittance of the prize money of USD 51,000 to England from India. Decide, which of the following is correct in view of relevant provisions of FEMA, 1999:

- (1) Prior permission is required to be taken from the Ministry of Human Resource Development (Department of Youth Affairs and Sports).
- (2) Prior permission is required to be taken from the Reserve Bank of India.
- (3) No permission is required - M/s Kedhar Sports Academy can proceed to make the remittance.
- (4) Prior permission is required to be taken from the Ministry of Finance (Department of Economic Affairs)

34. Akash Ceramics Limited, an Indian company, holds a commercial plot in Chennai which it intends to sell. M/s. Super Seller, a real estate broker with its Head Office in the USA, has been appointed by Akash Ceramics Limited to find some suitable buyers for the said commercial plot in Chennai which is situated at a prime location. M/s. Super Seller identifies Glory Estate Inc., based out of USA, as the potential buyer. It is to be noted that Glory Estate Inc. is controlled from India and hence, is a 'Person Resident in India' under the applicable provisions of Foreign Exchange Management Act, 1999. A deal is finalised and Glory Estate Inc. agrees to purchase the commercial plot for USD 600,000 (assuming 1 USD = ₹ 70).

According to the agreement, Akash Ceramics Limited is required to pay commission @ 7% of the sale proceeds to M/s. Super Seller for arranging the sale of commercial plot to Glory Estate Inc. and commission is to be remitted in USD to the Head Office of M/s. Super Seller located in USA. Considering the relevant provisions of Foreign Exchange Management Act, 1999, which

statement out of the four given below is correct (ignoring TDS implications arising under the Income-tax Act, 1961):

- (1) There is no requirement of obtaining prior permission of Reserve Bank of India (RBI) for remittance of commission up to USD 25,000 by Akash Ceramics Limited to M/s. Super Seller but for the balance commission of USD 17,000, prior permission of RBI is required to be obtained.
- (2) There is no requirement of obtaining prior permission of Reserve Bank of India (RBI) for remittance of commission up to USD 30,000 by Akash Ceramics Limited to M/s. Super Seller but for the balance commission of USD 12,000, prior permission of RBI is required to be obtained.
- (3) There is no requirement of obtaining prior permission of Reserve Bank of India (RBI) for remittance of entire commission of USD 42,000 by Akash Ceramics Limited to M/s. Super Seller.
- (4) It is mandatory to obtain prior permission of Reserve Bank of India (RBI) for remittance of entire commission of USD 42,000 by Akash Ceramics Limited to M/s. Super Seller.

35. A Limited, an Indian company holds a commercial plot in Chennai, India. It intends to sell the same. M/s Super Seller is a real estate broker with Head Office in the USA. M/s Super Seller is appointed to find buyers for the land. A company, Glory Inc., based out of USA is identified as a buyer. Glory Inc., is controlled from India and is hence a Person Resident in India under FEMA provisions. Glory Inc., agrees to buy the land for USD 6,00,000 (assume 1 USD = ₹70). M/s Super Seller is to be paid commission at the rate of 7% of the sale proceeds. The commission is to be paid to the H.O of M/s Super Seller in USA. Decide, in light of the relevant provisions of FEMA, 1999, which of the following is correct (Ignoring TDS implications arising under The Income Tax Act, 1961):

- (1) Prior permission is not required for remittance of commission up to USD 25,000. For balance commission of USD 17,000, permission of RBI is to be sought by A Limited.
- (2) Prior permission is not required for remittance of commission up to USD 30,000. For balance commission of USD 12,000, permission of RBI is to be sought by A Limited.
- (3) Prior permission is not at all required for remittance of the entire commission.
- (4) Prior permission is required to be taken from the Reserve Bank of India for the entire amount of commission.



## Answer Key

1. (4)
2. (3)
3. (1)
4. (1)
5. (1)
6. (4)
7. (3)
8. (3)
9. (1)
10. (4)
11. (1)
12. (1)
13. (1)
14. (2)
15. (3)
16. (3)
17. (4)
18. (3)

19. (2)
20. (2)
21. (4)
22. (1)
23. (1)
24. (4)
25. (4)
26. (4)
27. (1)
28. (2)
29. (1)
30. (2)
31. (4)
32. (4)
33. (3)
34. (4)
35. (4)



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