THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up by an Act of Parliament)
KOTTAYAM BRANCH (SIRC)

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NEWSLETTER

DISA Programme at Kottayam Branch of SIRC of ICAI

CHAIRPERSON'S Message

CA. Ramya. N
Chairperson

Dear Members and Students,

Warm greetings to all!

As we step into the final month of the year, I am delighted to reflect on the activities, achievements, and collective efforts that shaped November 2025 at the ICAI Kottayam Branch. The month was filled with impactful initiatives that strengthened our commitment to professional excellence, member development, and community outreach.

Our branch commenced DISA (Digital Information Systems Audit) classes from November 14, conducted every Friday and Saturday. The DISA course comprises six comprehensive modules, equipping members with essential knowledge in information systems, digital controls, cyber security, audit techniques, system-based auditing, and emerging technologies. This is the first time that the DISA course is being conducted at the Kottayam branch and we have had your wholehearted support. Thanks to the enthusiasm of the members, the course was fully registered and extra seats were added. The sessions continue to receive excellent participation, reflecting the growing interest in digital audit proficiency.

A major highlight of the month was our proud participation in Disha, the mega educational and career expo organised by the Kerala Government - General Education Department's Higher Secondary Wing through the Career Guidance and Adolescent Counselling Cell. Held at a sprawling 32,000 sq. ft. venue in Kottayam from November 20 to 24, this event brought together thousands of higher secondary students, parents, teachers, academicians, and career experts from across the district. This year's Disha proved to be one of the most dynamic career expos, designed to help students explore diverse higher education options and emerging career pathways. We are honoured that ICAI Kottayam Branch was invited to participate in this prestigious event representing ICAI. Our stall witnessed an exceptional footfall throughout the five days, with students showing great enthusiasm in learning about the Chartered Accountancy course, its multi-level structure, internship framework, global recognition, and the vast opportunities available to qualified professionals. Our team members engaged closely with students, offering personalised career guidance, clarifying doubts, and helping them understand how the CA profession equips them with strong analytical, financial, and managerial skills. Parents and teachers also interacted with us, appreciating the clarity we provided to the students. This participation significantly enhanced the visibility of ICAI among young aspirants, especially those from rural and semi-urban backgrounds, where access to career guidance is limited. Our involvement in Disha reaffirmed our commitment to educational outreach, student empowerment, and nation building, and it was truly inspiring to witness the confidence and excitement of students as they explored the possibilities of the CA profession.

In addition, we conducted a Mega Career Counselling Program – Career in Accounting & Finance for Youth (CAFY), along with the Super Mega Career Counselling Programme (PAN India), on 27th November 2025 across four schools in Kottayam. CA Neeta M. G. led the session at M. T. Seminary HSS, Kottayam, CA Amala P. Dominic conducted the session at Mahatma Gandhi HSS, Pala, CA Shine P. Joseph handled the session at S. B. HSS, Changanassery and CA Annu John conducted the session at St. Peter's HSS, Kurumbanadom, Changanassery

These sessions received an excellent response and played a significant role in motivating students to consider the CA profession as a viable and rewarding career path.

We also organised a CPE Seminar on "Latest Changes Introduced by MCA and Annual Filing of ROC Forms under V3" on 28th November, offering 2 hours of CPE credit.

We were privileged to have CA. Asha Morley as the Chief Guest, and CS. Reeba Varghese handled the technical session with great expertise. Members greatly benefited from the insights shared on the latest statutory updates and compliance requirements.

As part of our commitment to supporting students, we also conducted Mock Tests for the January 2026 Examination. These tests were organised to help students assess their preparation level, strengthen exam-time writing skills, and build confidence. The encouraging participation and feedback reaffirmed the importance of such academic support initiatives.

Throughout November, we continued to conduct various capacity-building programmes, student-support initiatives, and professional enrichment activities, ensuring that our members and students remain updated, engaged, and inspired.

We have a great line up of programmes for the upcoming month.

Kerala branches of ICAI are coming together for the 6th edition of Navaratna conference at Kannur on 12 and 13 December. I request all of you to register and participate in the conference which will be addressed by luminaries of our profession. Your support is also sought by way of sponsorship. We eagerly look forward to having you at the event

At the fag end of the year, I would like to request members to consider contributing liberally to the CABF (Chartered Accountant Benevolent Fund) at cabf.icai.org. The CABF is a welfare fund by the Institute of Chartered Accountants of India (ICAI) established in 1962 to provide financial aid to needy ICAI members, their families (spouses, widows, children, dependents) for maintenance, education, medical needs, and other distress situations, funded by voluntary contributions from members, which are tax-exempt under Section 80G. It offers various assistances like monthly aid, ex-gratia payments for accidental deaths, and significant medical help. Kindly let the branch know the contributions made, so that we can acknowledge your goodwill and help inspire others to do the same.

As we move forward, I extend my sincere appreciation to the managing committee, resource persons, volunteers, and students whose consistent efforts made all our November activities successful. Your involvement continues to elevate the excellence and reputation of our branch.

With the year nearing completion, let us remain motivated, united, and forward-looking as we prepare for the opportunities that await us in 2026.

"Success is not final; failure is not fatal — it is the courage to continue that counts."

CA. Ramya N
Chairperson

GST UPDATES

CA. AKHIL VARGHESE

Update of Bank Account Details to Avoid Suspension of GST Registration

In terms of Rule 10A of the CGST Rules, taxpayers (except those registered under TCS, TDS, or suo-moto registrations) must furnish their bank account details within 30 days of grant of registration or before filing details of outward supplies in GSTR-1 or IFF, whichever is earlier.

The GSTN has announced that the revised compliance requirements under Rule 10A will soon be implemented on the GST Portal. Once implemented, non-compliance may result in suspension of GST registration, leading to disruption of business activities.

Taxpayers who have not yet furnished their bank account details are strongly advised to update the same at the earliest

GST Advisory dated 20th November, 2025

Key Amendments in GST Registration Rules – 2025

Rule 9A has been introduced to enable electronic grant of GST registration based on data analysis and risk parameters. Eligible applications for normal registration, TDS/TCS registration, and unique identity number assignment will be approved online within 3 working days.

Rule 14A has been inserted to allow taxpayers with monthly output tax liability below Rs. 2.5 lakh to opt for registration under this new category. A person opting for this facility cannot obtain another registration in the same State/UT. Withdrawal from this option may be applied for through Form GST REG-32, and once verified, approval will be granted in Form GST REG-33. Consequential amendments have also been made to the relevant rules and registration forms.

Notification No. 18/2025-Central Tax dt. 31.10.2025

Merely uploading an order on the GST portal cannot be considered as Communication under Section 107 of the CGST Act

In this case, the impugned orders were not served on the Petitioner and were only uploaded on the GSTN portal. As the Petitioner was unaware of the orders, the statutory timeline for filing an appeal under Section 107 was missed. The Hon'ble Madras High Court observed that while uploading the order on the portal is mandatory under Rule 142, such uploading alone does not constitute valid service. The Court held that the limitation period under Section 107 would commence only from the date of communication of the order to the assessee, and not merely from the date of uploading on the portal. Accordingly, the Court directed the Department to duly communicate the impugned orders to the Petitioner, following which the Petitioner would be entitled to file an appeal under Section 107.

Sharp Tanks and Structurals Private Limited v. The Deputy Commissioner (GST) Appeals, W.P.(MD) Nos.24684 dated 17.09.2025

No Pre-deposit Required for Penalty-Only Appeals in Orders Passed Prior to 01.10.2025

The Calcutta High Court has held that the pre-deposit requirement under Section 107(6) does not apply where an appeal is filed against an order imposing only penalty with no tax demand. The Court noted that the Finance Act, 2025 inserted a proviso mandating pre-deposit even in penalty-only matters; however, this amendment is effective only from 01.10.2025 and therefore does not apply to appellate orders passed prior to this date.

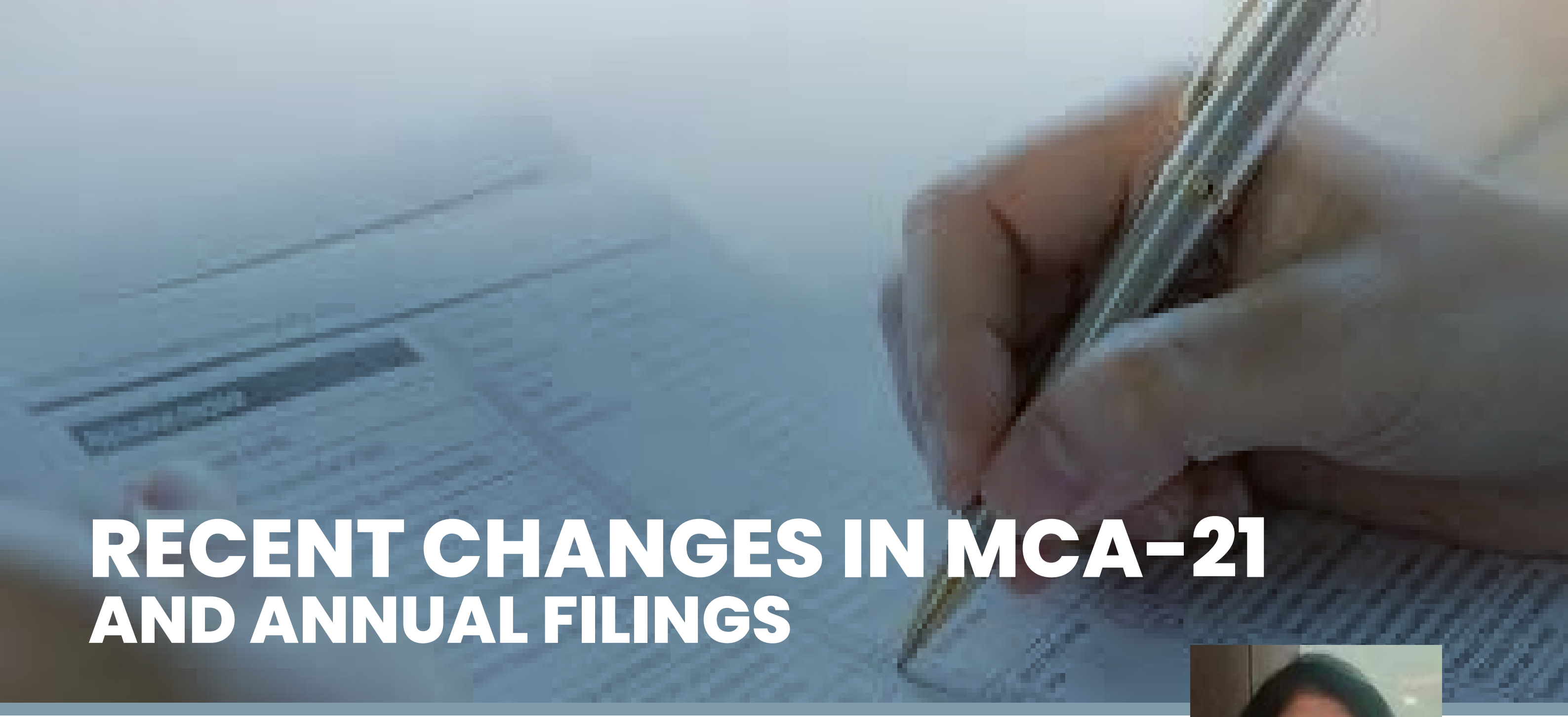
Barjinder Singh Kohli v. The Asst. Commr. of Revenue & Ors., 2025-VIL-1125-CAL

GST Authorities Lack Jurisdiction Over Pre-GST Work Contracts, Even if Payment Received Post-GST

In the present case, the department issued notice and confirmed demand under Section 73 based on variance between figures reported in GSTR-3B and the petitioner's Form 26AS. The petitioner contended that although certain payments were received during the GST period, the underlying work contracts pertained to pre-GST years (2015-16 and 2016-17).

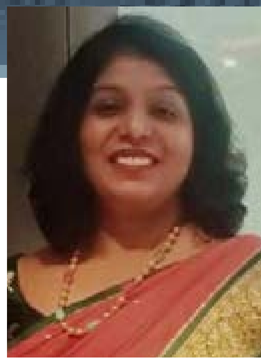
The Allahabad High Court held that GST authorities cannot initiate proceedings for work contracts executed prior to the introduction of GST, even if consideration is received subsequently. Accordingly, the demand order was quashed.

Vimlesh Kumar Contractor v. State of U.P. and Ors., 2025: AHC:203992



RECENT CHANGES IN MCA-21 AND ANNUAL FILINGS

CS. Reeba Varghese



What is MCA V3?

MCA V3 is a modern, data-driven portal designed to handle:

Web & Excel-based e-forms (no more static PDFs)

Real-time validations and pre-filled data (CIN/DIN/PAN based)

Role-based dashboards (Director / CA / CS / Company User)

Faster SRN generation, status tracking & integrated help tooltips

V2 was PDF + Java + upload; V3 is browser + Excel + live checks.

2. Key Improvements Over V2

V2 (Old)

Download PDF fill offline upload
Errors only after upload
No linked filings
No role-based login / dashboard
Frequent DSC, Java & portal issues

V3 (New)

Smart web forms + Excel offline utility
Real-time error prompts & field validations
Auto-fill company data from MCA records

"My Application" dashboard: SRN, payment, resubmission in one place
Linked filings: parent + mandatory related forms filed together
Email + OTP login, role-specific access & DSC mapping

3. Lot-3: The Big Shift from 14 July 2025

What moved to V3 (Lot-3)? – 38 e-forms covering:

Financials (AOC series): AOC-4, AOC-4 CFS, AOC-4 NBFC/IND-AS, AOC-1, AOC-2, AOC-4 XBRL, CSR-2, Extracts of Board & Auditor's Reports

Annual Returns (MGT series): MGT-7, MGT-7A, MGT-15

Auditors (ADT): ADT-1 to ADT-4 (fraud reporting – new)

Cost Audit (CRA): CRA-2, CRA-4

Others: GNL-1, LEAP-1, Complaint Form, Form 66, INC-22A, legacy/XBRL forms (23AC/ACA, 20B, 21A, etc.)

Processing Types:

STP: automatic (e.g. MGT-7A)

Non-STP: manual ROC scrutiny (e.g. ADT-2)

Conditional STP: auto only if validations pass (e.g. AOC-4)

All Lot-3 forms are now mandatory on V3 only.

4. Linked Filing – Game Changer in V3

V3 forces logical bundling of related forms. If your answers in AOC-4 trigger another form, the system won't let you proceed without it.

Typical AOC-4 linked set (as applicable):

AOC-4 CFS / AOC-4 NBFC IND-AS

AOC-1 – subsidiaries / associates / JVs

AOC-2 – related party transactions

CSR-2 – CSR reporting (mandatory with AOC-4/AOC-4 XBRL from FY 2024–25)

Extract of Auditor's Report (standalone / consolidated)

Extract of Board's Report

Important:

AOC-4 XBRL can link only CSR-2.

If you revise one linked form later, you must revise the entire bundle (AOC-4 + all linked forms).

5. Filing Modes: Online vs Offline Excel

You can choose either of these – but not mix within a set:

Online Web Forms – best for:
Simple, single forms (e.g., ADT-3)
Quick filing with direct browser entry

Offline Excel Utility – best for:
AOC-4 with linked AOC-1, AOC-2, CSR-2, extracts

Multiple team members filling different parts

Heavy/tabular data (CSR projects, RPTs, etc.)

Rule: One mode per bundle only. If AOC-4 is offline, all its linked forms must be offline.

6. Business Users, DSC & Signatures

Only Business Users (Director / CA / CS / CMA / Company Representative) can file & sign.

DSC must be:
Class 3, valid & non-expired
Associated with Business User profile
(PAN-matched)
Mapped to correct role allowed for that form

Typical combinations:

AOC-4 / MGT-7: Director + Practicing CA/CS/CMA

CSR-2: Director

CRA-4: Cost Auditor + Director

Common failures: PAN mismatch, expired DSC, wrong role, or DSC not associated in V3.

7. Smart Filing Strategy for FY 2024–25

Suggested sequence to minimise errors & rework:

AOC-1 – subsidiaries / associates / JVs

AOC-2 – related party transactions

CSR-2 – CSR disclosures (if Section 135 applicable)

AOC-4 / AOC-4 XBRL – financials

MGT-7 / MGT-7A – annual return (auto-picks figures from AOC-4)

ADT-1 / CRA-4 / GNL-1 – as applicable

8. Compliance Best Practices

Register all signatories as Business Users and associate DSCs early.

Always download latest Excel utilities from V3.

Avoid last-minute filing; Lot-3 forms are heavier and validation-intensive.

Maintain clear file names and PDF-only attachments (within size limits).

Use "My Application" to track SRNs, payments, resubmissions and remarks daily.

PEER REVIEW

CA BINU SANKAR K

SCOPE / COVERAGE OF PEER REVIEW

- Compliance with standards – SAs, SQC-1, ICAI Guidelines
- Quality of reporting
- Systems & procedures in place for assurance services
- Evaluation under AQMM (where mandated)
- Training & infrastructure
- Compliance with Council directions (fee, number of audits, records)
- Records related to article/audit assistants
- All assurance engagements signed during the review period (three preceding financial years) are subjected to review.

STEP 1- CONFIRM APPLICABILITY OR VOLUNTARY OPT-IN

Form 1 allows the PU to state whether the peer review is:

- Mandatory,
- Voluntary,
- Initiated as a special case by the Board,
- For a new unit, or
- As per Board decision.

STEP 2 — PREPARE AND SUBMIT FORM 1: APPLICATION CUM QUESTIONNAIRE

Form 1 contains two major parts:

- Application Section
- Questionnaire (Part A, B, C)

You must provide:

Firm Details

- Name (as per ICAI records)
- FRN / Membership No.
- Peer Review Period: 3 preceding financial years
- Reason for applying (mandatory/ voluntary/etc.)

Assurance Services Signed During Review Period

- Declare the types of assurance reports issued (Statutory Audit, Internal Audit, Tax Audit, Certifications, etc.).

Declaration on Listed Company Audits

- Indicate whether the firm conducted statutory audits of listed entities.

Preferred Reviewer Location Same city

- Outside city
- Either

Nomination of Partner for Coordination

- Provide details of the partner responsible for interactions with the reviewer.

FORM 1-ANNEXURE

Sl No	Category of Client	Name of HO /Branch	Name of Signing Partner	Type of Engagement			Whether EQR done	Turnover	Borrowing	Networth
				FY	FY	FY				

STEP 3 — COMPLETE PART A, B, C OF THE QUESTIONNAIRE

Part A – PU Profile

Contains details of:

- Constitution of firm
- Partners
- Articles/Audit Staff
- Branches, etc.

This must match ICAI Firm Card.

Part B – Quality Control Systems (SQC-1 Requirements) (180 odd questions)

Covers policies & procedures regarding:

- Leadership & ethics
- Client acceptance/continuance
- Human resources
- Engagement performance
- Monitoring

Part C – AQMM v1.0 Self-Evaluation Scores

- Mandatory for PUs conducting statutory audits of listed entities.

STEP 4 — SUBMIT FORM 1 TO ICAI PEER REVIEW BOARD & WAIT FOR REVIEWER APPOINTMENT

- Once Form 1 is accepted:
- ICAI will provide a list of three Peer Reviewers from its empanelled list from which PU can select one.
- Upon the response from PU, ICAI will appoint the Peer Reviewer.
- Reviewer will send Form 2 – Acceptance cum Declaration of Confidentiality to the PU.

STEP 5 — PEER REVIEW PROCESS BEGINS

- Reviewer issues Form 5 – Notice of visit
- Off-site review begins
- On-site review is conducted
- Reviewer may seek more information (Form 6)
- Preliminary Report - Final Report
- Board issues Peer Review Certificate (valid for 3 years)

SAMPLE SIZE OF VERIFICATION

1. Sample selected should be representative of total population of assurance services

2. Sample chosen must include assurance engagement assignment which has the highest turnover among the statutory audit population.

3. At least 5 samples in total (in case less than 5 then 100% population) must be selected from the category 'Statutory Audit' of Listed entities, central/ State Public Sector Undertakings and Central Cooperative Societies

4. At least 1 sample each from CSA audit of banks and Insurance Company, (if any). CSA will be substituted by SBAs in case PU does not undertake CSA.

5. Sample must include each 'type of assurance engagement'(viz. Statutory/Internal/concurrent/ Tax/GST/certification/special etc.) including services provided on tender.

6. Sample must be picked from the assurance clients which contribute 15% or more to the total revenue of the firm (as mentioned under the concentration Clause 17 of Part A of the Questionnaire)

7. Sample must be selected from each of the locations where the PU is rendering Assurance services. However, in case branch has a listed client, then that is mandatorily required to be included in the sample.

8. There must be at least one sample from assurance service rendered by each partner of the PU.

9. Sample must be picked from each year under review& that sample selected by Reviewer, if verified for all three years then said sample would be treated as One Sample only.

10. Sample must necessarily include those assurance clients in respect of whom advisory has been issued by FRRB or any regulator

STEP 4 – OFF-SITE REVIEW

Reviewer examines:

- Policies & procedures
- Quality control documentation
- Previous review findings, if any

STEP 5 – ON-SITE REVIEW

Includes:

- Review of selected assurance engagement files
- Interviews of partners, staff
- Checking compliance with SQC-1 & Standards on Auditing

STEP –REPORT SUBMISSION

Initial Report by Reviewer

- If deficiencies exist, an Initial Report is issued, and the PU provides responses.

Final Report Submission (Form 9)

- Reviewer submits a clean or modified report.

MODIFIED REPORT

Type of Modified Report	Certificate Issued?	Remarks
Minor Deficiencies	Yes	With recommendations
separately (not on the certificate)		
Documentation weaknesses but procedures exist	Usually	PU Must correct processes
Major systemic issues	No	PU must under go re review
Non-compliance with SA / SQC-1	No	Serious Issue
PU fails to respond to reviewer	No	Treated as non cooperative

FINAL DELIVERABLES

- Form 9 duly signed by the Practice Unit and the Reviewer
- Final Peer Review Report
- Annexure I – Observations on General Controls and Sample Selection
- Annexure II – Compliance with SQC 1
- Preliminary Peer Review Report
- Reply of the Practice Unit and Satisfaction Report
- List of Samples Selected along with basis and confirmation
- Fee Receipt confirming peer review fee has been received
- Form 1 and Questionnaire duly filled and signed by the Practice Unit

FORMS UNDER PEER REVIEW GUIDELINES

Form No.	Purpose
Form 1	Application cum Questionnaire (PU)
Form 2	Reviewer's Acceptance cum Confidentiality Declaration
Form 3	Reviewer's Empanelment Application
Form 5	Notice for On-site Visit
Form 6	Request for Additional Information
Form 7	Joint Application for Extension of Time
Form 8	Request for Extension of Certificate Validity
Form 9	Submission of Review Report
Form 10	Notice for Revocation of Certificate

AQMM V2.0 – SECTIONWISE WEIGHTAGE, ELIGIBILITY CRITERIA & MATURITY LEVELS

1. SECTION-WISE WEIGHTAGE OF SCORES

Section Reference	Maximum Score	Weightage (%)
Section 1 – Practice Management (Assurance)	370	61.67%
Section 2 – Human Resource Management	150	25.00%
Section 3 – Digital Competency	80	13.33%
Total	600	100.00%

2. MINIMUM ELIGIBILITY CRITERIA

Section Reference	Maximum Score	Minimum Required %	Minimum Score Required
Section 1 – Practice Management (Assurance)	370	30%	111
Section 2 – Human Resource Management	150	30%	45
Section 3 – Digital Competency	80	30%	24
Total	600		

AQMM V2.0 – MATURITY LEVELS BASED ON TOTAL PERCENTAGE

Overall Percentage Score	Maturity Level	Interpretation of Maturity Level
≥ 30% and < 50%	Level 1	Nascent Stage-Firm is at an early stage of quality maturity. Significant improvements are urgently needed to avoid lagging behind industry expectations.
≥ 50% and < 70%	Level 2	Developing Stage-Firm shows measurable progress but requires further refinement to reach higher competency and robustness
≥ 70% and < 85%	Level 3	Advanced Stage-Firm demonstrates strong maturity across most quality parameters. Some fine-tuning remains to reach the highest benchmark
≥ 85% and ≤ 100%	Level 4	Optimized Stage-Firm has significantly adopted high-quality practices, standards, and systems. The focus now should be on continuous optimization and innovation

FCRA Annual Returns Precision, Pitfalls & Practice

CA JACOB BABOO

"In FCRA, there are no small mistakes."

Even a single entry in the annual return can trigger scrutiny, freeze, or cancellation.

Agenda

1 Understanding Why FCRA Annual Returns Are Different

What makes FCRA compliance unforgiving compared to other filings.

2 How to File FC-4 Correctly (Step-by-Step Breakdown)

Structure, interpretation, disclosures, and accuracy traps.

3 The Records You Must Maintain Before Filing

Books under Rule 11, documentation standards, utilization tracking, admin expense rule.

4 Bank Handling and Financial Movement Rules

SBI NDMB account, utilization account, fund flow discipline, audit alignment.

5 Compliance Watchpoints & Prohibitions (What Can Get an NGO in Trouble)

Section 7 restrictions, CSR interplay, FC-6 intimations, prohibited usage.

6 Real-World Mistakes, Notices & Enforcement Examples

Cases where errors triggered scrutiny, freeze, or cancellation.

7 The Final Review Framework & Filing Checklist

What to verify before pressing submit — and when to step back & seek expertise.

Q&A — Time Permitting

The Promise

By the end of this session, you will have:

1
Clarity
on how FCRA annual reporting really works.

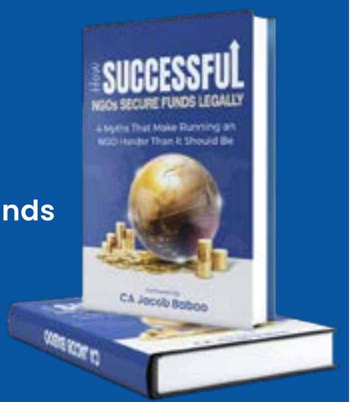
2
Confidence
to file FC-4 correctly and review filings.

3
Awareness
of the risks, red flags, and compliance traps.

4
Judgment
to know when to proceed... and when not to.

Why I Work in NGO & FCRA Compliance

- Chartered Accountant with focused practice in NGO compliance, governance, and FCRA reporting
- Experience handling FC-4 filings, FC-6 updates, renewals, late filings, and suspension-related advisory
- Supported NGOs, trusts, societies and Section 8 companies with reporting frameworks and compliance discipline
- Led response for three clients during MHA inspections — understands what inspectors review, expect, and where compliance breaks
- Author of "How Successful NGOs Secure Funds Legally."



Why FCRA Matters Now

And why it's different from other compliances.

Stricter enforcement & cancellations

No revision or correction window

Filing = declaration, not data entry

Before Filing FC-4

Three things must already be in place.

Books and financial records aligned with purpose and categories

Bank movements reconciled with utilization and reporting structure

All FC-6 changes, declarations, and compliance updated

FC-4 is the final output.

Before that comes:

- Books
- Documentation
- Bank discipline
- Program mapping
- FC-6 alignment
- Utilization logic
- Governance and approval trails

If the inputs are wrong, the filing will never be right.

The FCRA Compliance Framework

- Grant / Receipt
- Designated FCRA Bank Account (SBI NDMB)
- Utilization Account(s)
- Books of Account & Documentation
- Program Mapping & Admin % Compliance
- FC-6 Reporting (Changes: Bank / Office / Key Persons)
- FC-4 Reporting (Annual Return)
- Audit, Governance Records & Renewal Cycle

When each layer is aligned, filing is predictable. When one layer breaks, everything becomes sensitive.

When Foreign Contribution Arrives

What Must Happen First

1

Foreign Contribution Received

- Verify source classification under Section 2(1)(j)
- Confirm documentation: grant letter / purpose / restrictions
- Identify category:
  - Corpus
  - Project-specific
  - General support
  - Restricted / unrestricted

2

Deposit in the Designated FCRA Account (SBI NDMB)

- Mandatory under Section 17 (Amended 2020)
- No receipt in utilisation accounts or other bank accounts
- No cash deposits

3

Transfer (If Required) to Utilisation Account(s)

- Permissible only from the designated FCRA Account
- Utilisation Account cannot receive any funds other than FC
- Refunds and reversals permitted only if traceable to FC expenditure

If compliance breaks at the entry stage, every later step becomes correction, not reporting.

Before You Record a Receipt – Classify the Source

Foreign Source

(Defined under Section 2(1)(j))

- Foreign government or foreign agency
- Foreign company / multinational corporation
- International NGO / foreign trust / foreign foundation
- Foreign citizen (including OCI / PIO unless proven otherwise)
- Indian company with more than 50% foreign shareholding
- Indian entity controlled by foreign individuals or companies

Local Source

(Not a Foreign Source)

- Indian citizens
- Indian companies with majority Indian ownership
- CSR funding from companies not classified as foreign source
- Indian trusts, societies, Section 8 companies without foreign ownership influence

Classification depends on the donor's legal status — not currency, location, or payment channel.

Foreign Contribution – Defined Under Section 2(1)(h)

The Legal Definition:

Foreign contribution includes:

- Money received from a foreign source
- Articles (gifted or transferred, above statutory value limits)
- Securities (including shares, debentures, or financial instruments)
- Income derived from foreign contribution, including:
  - ✓ Interest earned on FC
  - ✓ Refunds or reversals related to FC expenditure
  - ✓ Proceeds from assets created out of FC (if fully traceable)

Practical Focus

(What You Will See in Filing):

- Grants
- Donations
- Support funds
- Interest earned
- Refunds
- Adjustments
- Asset proceeds (case-based compliance)

Foreign contribution is defined by the source and traceability, not the transaction format.

Before You Even Consider Filing FC-4 - These Must Exist

Layer 1 — Books of Account (FCRA-Specific)

Must include:

- FCRA Receipts Ledger
- FCRA Payments Ledger
- FCRA Bank Book (Designated + Utilisation)
- Grant-wise & purpose-wise mapping in ledger structure

Layer 2 — Mandatory Supporting Documentation

Maintain and reconcile:

- FCRA receipt vouchers
- FCRA payment vouchers with purpose approval
- Fixed Asset Register (FCRA-funded assets only)
- Investment Register (where applicable)
- Donor agreements / sanction letters
- FC-6 approvals and relevant correspondence

Before You Even Consider Filing FC-4 - These Must Exist

Layer 3 — Evidence Trail (Traceability)

Must prove:

- Receipt → Donor identity → Source classification → Bank credit
- Payment → Program activity → Donor conditions → Ledger entry
- Registers reconciling with FC-4 reporting format
- Separate books or ledger segregation in software (recommended)

If traceability is incomplete, filing becomes justification — not compliance.

FCRA Receipt Vouchers – What Must Be Captured

Every Foreign Contribution Receipt Must Document:

✅ Donor Identification

- Full name
- Country of citizenship / registration
- Proof of status (Foreign / OCI / PIO / Foreign-Owned Company)

✅ Source Classification

- Reference to foreign source category under Sec. 2(1)(j)
- Matching documentation (agreement / donor letter / email trail)

✅ Purpose Linkage

- Grant purpose
- Program head / project name
- Whether corpus, general support, or restricted funds

✅ Bank Traceability

- Receipt reference number
- SBI NDMB account credit date
- Screenshot or bank slip reference number

Non-Negotiables

🚫 No receipt voucher without donor classification

🚫 No receipt voucher before actual bank credit

🚫 No grouping or bulk entries — each receipt must stand alone

A receipt is compliant only when source, intent, and bank evidence align.

FCRA Payment Vouchers – Evidence Before Expenditure

Every Payment Must Capture:

Purpose Alignment

- Clear linkage to donor-approved program
- Indicate whether program or administrative expense
- If corpus: ensure usage aligns with written terms

Supporting Documentation

- Bills, receipts, contracts, payroll records
- Activity proofs: reports, attendance, deliverables (where applicable)
- Internal approvals (project head / authorised signatory)

Donor and FC Rules Compliance

- Match donor conditions, scope, budget allocation
- Admin expense rules (20% check)
- Payment routed only through FCRA utilisation account(s)

Non-Negotiables

- No payment without supporting documents
- No cash payments beyond permitted limits
- No utilisation before donor terms are confirmed
- No mixing with domestic projects or local funds

In FCRA, expenditure is not just about money spent — it is about evidence of purpose.

Banking Discipline – The Backbone of FCRA Compliance

Designated vs Utilisation Accounts

Designated FCRA Account (SBI NDMB)

- Only account permitted to receive foreign contribution
- No cash deposits, no inward transfers from local sources
- Must reconcile with receipts register and FC-4 Schedule

Utilisation Account(s)

- Can only receive transfers from designated FCRA account
- No other credits permitted except traceable refunds
- Must map to programme-wise expenditure

Maintain clear separation:

- Separate bank book for designated and utilisation accounts
- Separate ledger series for FC receipts, FC payments, assets, and liabilities
- Software-level segregation recommended (even if not legally mandated)

Non-Negotiables

- No transfers to non-FCRA / domestic bank accounts
- No commingling of funds
- No cheque deposits from local entities
- No overdraft, loans, or advances from FCRA accounts

If the money trail is not clean in the bank, no document can repair it later.

FC-6: Change Management Before Compliance

When Must FC-6 Be Filed?

You must file FC-6 whenever there is a change in:

- Name of the Association
- Registered Office Address
- Designated FCRA Bank Account
- Utilisation Account(s)
- Key Functionaries / Office Bearers
- Objectives / Nature of Activities

(Each change has its own FC-6 form: A to E)

Compliance Rule

- Changes must be intimated to MHA within 45 days of occurrence.
- Change is NOT effective until MHA approves it.

(ROC filings, internal resolutions, bank updates ≠ compliance.)

Operational Discipline

- Do NOT operate new bank accounts before approval
- Do NOT file FC-4 with unapproved details
- Do NOT assume “we informed the bank” equals compliance

Update internal records, ledgers, letterheads only after approval

Under FCRA, compliance is based on approval — not action.

FC-6 Is Not One Form – It Is a System

When Must FC-6 Be Filed?

Step 1 — Identify the Type of Change

- Change in Name → FC-6A
- Change in Registered Address → FC-6B
- Change in Designated FCRA Bank Account → FC-6C
- Add/Modify/Close Utilisation Account → FC-6D
- Change in Key Functionaries / Office Bearers → FC-6E

Step 2 — Apply the Compliance Rule

- Must be filed within 45 days of the change.
- The change is NOT valid until MHA approves it.
- ROC filing, bank updates, internal resolutions ≠ FCRA compliance.

Quick Reference Blocks

Form	Used When	Critical Notes
FC-6A	Name changes	Use new name only after approval
FC-6B	Address change	Must match legal + banking records
FC-6C	Change in designated FCRA bank account	No operation until approval
FC-6D	New/modified utilisation account	FC transfers only — no direct receipts
FC-6E	KMP/governance changes	Background declaration required

Using wrong or unapproved details in FC-4 is treated as misreporting — even if unintentional.

When FC-6 Is Missed, Late, or Incorrect – What Happens

Mistake → Outcome Framework

Common Mistake	Immediate Impact	Final Consequence
Change not reported within 45 days	MHA records and NGO reality no longer match	Filing considered inaccurate
Wrong FC-6 filed (e.g., FC-6D instead of 6C)	System mismatch; file sits pending	Treated as non-compliance
Operating new bank account before approval	Ledger–bank–FC-4 disconnect	Notice or detailed scrutiny
Change in key functionaries not updated	Documents signed by unapproved signatory	Filing validity challenged
Address/name mismatch across platforms	Document trail breaks	Potential rejection or inquiry

Real Examples from Practice

- NGO operated a new utilisation account without FC-6 approval → FC-4 flagged → audit ordered.
- Key signatory changed; FC-6E not filed → entire FC-4 deemed unauthorised → suspended for 180 days.
- Address changed and updated in ROC and GST — but not FCRA → FC-4 treated as misreported → show cause notice issued.

Escalation Path

Missed FC-6

Mismatch in Records

FC-4 Filed with Old Details

Scrutiny / Clarification Demand

On-site Audit or Show Cause Notice

Suspension / Cancellation (in repeated cases)

In FCRA, errors accumulate silently — and surface at FC-4.

Admin Expense Cap – Not Just a Percentage, a Compliance Boundary

What the Rule Says

Under Rule 5 of the FCRR, administrative expenses cannot exceed 20% of the total foreign contribution received, unless prior approval is obtained from MHA.

Core Principle

- Program money must go to program work — not to running the organisation.

This applies annually, and it applies at FC level — not organisational level.

What This Rule Controls

- Governance cost
- Compliance cost
- Management and administrative overhead
- Non-program staff cost

This ensures FC is used for programmatic execution — not institutional comfort.

Most Misunderstood Clarification

- **The 20% cap does NOT apply per donor grant — it applies at the annual FC level.**

Why This Rule Exists (Strategic View)

- To prevent misuse of foreign funds
- To ensure maximum benefit reaches intended beneficiaries
- To reinforce accountability and transparency

The question is not "what did you spend?" — it is "what category does the Ministry call it?"

What Counts as Administrative Expense (and What Does Not)
Classification Controls Compliance – Not Amounts

✅ Treated as Administrative Expense

Expenses not directly tied to program delivery, including:

- Salaries of administrative staff (finance, compliance, HR, office admin)
- Office operations (rent, internet, utilities — non-program)
- Audit fees (statutory, internal, FC-4 filing)
- Professional fees (legal, compliance, advisory)
- Bank charges & payment gateway fees
- General insurance, AMC, software licenses (non-program)
- Administrative travel (meetings, approvals, governance)

→ If it runs the organisation — it is admin.

What Counts as Administrative Expense (and What Does Not)
Classification Controls Compliance – Not Amounts

✅ Not Treated as Administrative Expense

Costs directly linked to program outcomes:

- Salaries of program staff (teachers, medical staff, trainers, field workers)
- Program travel, field supervision & reporting
- Rent/utilities for program centres
- Consumables, materials, medical supplies
- Beneficiary transfers (scholarships, relief, grants)
- Technical services exclusively for program execution
- Software/tools used only for program delivery

→ **If it delivers the mission — it is programmatic.**

What Counts as Administrative Expense (and What Does Not)
Classification Controls Compliance – Not Amounts

✅ Conditional / Allocable Category

Depends on documentation, role description & allocation rationale:

- Shared roles (admin + field)
- Shared assets (vehicle, building, laptops used by both)
- Mixed travel
- Head of Organization salary — administrative unless documented otherwise

→ No documentation = treated as admin.

Most organisations don't exceed the limit — they misclassify.

Not All Expenses Are Allowed Under FCRA
Some Expenses Are Not Program. Not Admin. Just Prohibited.

🚫 Prohibited Use of Foreign Contribution

✅ **Foreign contribution must not be used for:**

- Political activity, election influence, lobbying or agitation
- Religious conversion, inducement, or proselytisation
- Spending intended to influence public policy or public opinion
- Transfer of FC to other NGOs or individuals (Section 7 prohibition)
- Personal benefit (gifts, celebrations, luxury travel, club costs)
- Speculative investment (shares, crypto, derivatives, mutual funds, deposits)
- Loan repayments, interest payments, settlement of advances or debt structuring
- Penalties, compounding charges, fines, tax defaults
- Honorarium or payments with no deliverable, evidence, or audit trail

→ **FCRA cannot support leverage, speculation, influence, or private gain.**

Not All Expenses Are Allowed Under FCRA
Some Expenses Are Not Program. Not Admin. Just Prohibited.

⚠️ High-Risk / Grey Zone (Allowed Only With Documentation)

- Advocacy or public communication campaigns
- Media, PR, visibility, influencer or marketing spend
- Overseas travel or foreign vendor payments
- Procurement from related parties
- Incentives, stipends, or performance-based payouts

→ High scrutiny ≠ illegal — but justification must be airtight.

Case Snapshots

- Project Lead salary marked 100% program — no JD split → 40% moved to admin
- Role combining trainer + admin → no time logs → treated entirely as admin
- Office vehicle claimed as program asset → no trip register → reclassified

The Compliance Reality

If you cannot defend the classification with documentation, FCRA will not accept it.

FC-4 Is Not a Form – It Is a Legal Statement to the Government.

1. What FC-4 Represents

Annual declaration of:

- Foreign contribution received
- Foreign contribution utilised
- Foreign contribution carried forward

Confirmation that usage aligns with:

- Approved objects and purposes
- FCRA Act & Rules
- Administrative expense limits
- Section 7 — no unauthorised transfer

Cross-check across:

- Books of account
- Bank statements (designated & utilisation)
- FC-6 filings
- Programme / project reports
- Asset register
- Governance & audit records

→ Every number in FC-4 must have a defensible audit trail.

FC-4 Is Not a Form – It Is a Legal Statement to the Government.

2. Mindset Shift

Filing View   Compliance View

→ "This is an annual form I have to submit."
"This is a legal disclosure I am accountable for."

3. Why FC-4 Matters

Defines your compliance posture in the Ministry's eyes

First document examined during:

- Scrutiny
- Inspection
- **Renewal**
- **Enforcement review**

FC-4 Is Not a Form – It Is a Legal Statement to the Government.

3. Why FC-4 Matters

Can become the basis for:

- Show-cause notices
- Suspension / cancellation
- Compounding and penalties
- Prosecution under Sections 35 & 37

→ FC-4 is often the first enforcement document they open — not the last.

4. Legal Anchor

Required under Rule 17, and directly tied to Section 11 (receipt & utilisation) and Section 19 (record keeping).

If FC-6 or books are wrong, FC-4 will reveal it.

FC-4 Part I: Registration & Identity Details

✅ What This Section Requires

- Legal name of association (as per FC-6 record)
- Address of association (registered & functional)
- Nature of association (Trust / Society / Section 8 Company / Other)
- FCRA Registration Number & Date
- PAN of the Association (not individual PAN)

→ These must match FC-6B — not MCA, trust deed, website, stationery, or branding.

✅ Compliance Rule

- Before filing FC-4 → verify identity against FC-6.
- If something changed → update FC-6 first → then file FC-4.

FC-4 Part I: Registration & Identity Details

⚠ Frequent Errors & Their Impact

Common Error	Why It Fails	Result
PAN of Chief Functionary used	System sees a different entity	Filing rejected / flagged
Address updated in MCA but not FC-6B	Inconsistent identity trail	Clarification or hold
Different name formats used (Trust / Centre / Foundation)	Treated as separate entity	Scrutiny triggered
Legal status changed with ROC but not FC-6	Regulatory mismatch	Treated as non-compliant

Micro Case

An NGO submitted FC-4 with its updated MCA address. FC-6B still reflected the old address.

Outcome: Filing placed under review → renewal delayed. Not because funds were misused — but because identity did not match.

Identity correctness is not formatting — it is authentication.

FC-4 Part 2: Receipts of Foreign Contribution

How the Form Classifies Receipts

Category	Examples	Compliance Requirement
Foreign Organisation	Foundations, UN bodies, Universities	Must match grant letter
Foreign Individual	Foreign passport holders	Must maintain identity proof
Indian Entity Treated as Foreign Source	Foreign-controlled companies	Verify Section 2(1)(j) applicability
Interest, Refunds, Sale Proceeds	Bank interest, vendor refund, asset disposal	Always treated as FC

→ This section is source-logic based — not accounting-logic based.

FC-4 Part 2: Receipts of Foreign Contribution

What This Section Captures

Report

- Opening Balance (as per last filed FC-4)
- Foreign Contribution received during the year, categorised as:
  - From foreign organisations
  - From foreign individuals
  - From Indian entities deemed foreign source — Section 2(1)(j)
- Interest, refunds or other FC-treated receipts
- Total FC available during the year
- Closing balance carried forward

FC-4 Part 2: Receipts of Foreign Contribution

High-Risk Mistakes Observed in Scrutiny

Mistake	Why It Fails	Consequence
Ignoring opening balance	Breaks continuity with prior FC-4	Filing treated as inaccurate
Interest not shown as FC	Misclassification	Notice / clarification
Donor name inconsistencies across years	Identity uncertainty	Scrutiny triggered
Reporting remitter bank instead of donor	Missing source trail	Verification failure
Numbers not matching SBI NDMB records	System mismatch	Return flagged for review

Micro Case

NGO omitted opening balance but correctly disclosed new receipts.
Ministry reconciliation with bank statements failed.
Outcome: Filing marked incomplete → clarification issued → renewal delayed 6 months.

If it entered the FCRA banking system — it must appear here.

FC-4 Part 3: Utilisation of Foreign Contribution

Spending Must Match Purpose — and Be Defensible.

What This Section Requires

Disclose:

- Purpose-wise utilisation of foreign contribution
- Total amount utilised during the year
- Whether utilisation is full or partial
- Closing balance carried forward

→ This is where the Ministry checks alignment of expenditure with approved objectives.

Category	Examples	Compliance Rule
Program / Project Expenditure	Training, health camps, educational materials, documented program roles	Must match grant purpose & FCRA objects
Administrative Expenditure (Part IV)	Governance, finance, HR, rent, utilities, compliance	Must adhere to Rule 5 & 20% cap
Capital Expenditure (Part V)	Vehicles, equipment, building, digital assets	Not shown here, but must reconcile

→ Incorrect classification is one of the top scrutiny triggers.

FC-4 Part 3: Utilisation of Foreign Contribution

Mandatory Reconciliation Formula

- Opening Balance
- Receipts (Part II)
- Utilisation (Program + Admin)
- Closing Balance

→ This must match books, bank statements, and previous FC-4 filings.

If Funds Are Not Fully Utilised

You must confirm that:

- Balance remains in authorised FC bank account
- No diversion or transfer occurred
- Record trail exists

→ Unspent FC is acceptable — undocumented unspent FC is not.

Documentation Expectations

(Even if Not Asked in the Form)

- Beneficiary registers
- Attendance sheets
- Distribution lists
- Program reports
- Supporting invoices and deliverables

→ If expenditure relates to beneficiaries — evidence must prove it.

FC-4 Part 3: Utilisation of Foreign Contribution

Common Failure Patterns

Error	Why It Fails	Risk
Reporting utilisation as one line item	No granularity	Clarification notice
Misclassification between admin vs program	Breaks Rule 5	Admin violation
Utilisation shown but invoices missing	No audit trail	Treated as unverifiable
Utilisation shown but not reflected in bank	Breaks traceability	Inspection trigger

You don't just report utilisation — you justify it.

FC-4 Part 4: Administrative Expenses

The 20% Rule Applies to Foreign Contribution Received — Not Utilised.

What This Section Requires

You must:

- Report total administrative expenses incurred from foreign contribution
- Answer the exact form question:

  "Whether administrative expenses exceed twenty per cent of foreign contribution received."
- If the answer is YES → confirm whether prior written approval of the Central Government was obtained.

→ This is a compliance declaration — not a calculation exercise.

How the Percentage Must Be Calculated

Admin % = (Administrative Expenses from FC ÷ Foreign Contribution Received) × 100

- Administrative expenses must follow Rule 5 definition
- "Foreign contribution received" includes:
  - Direct FC receipts
  - FC from Indian entities deemed foreign under Section 2(1)(j)
  - Interest, refunds, and FC-linked income

→ Using utilisation as the base is non-compliant.

FC-4 Part 4: Administrative Expenses

High-Risk Errors Seen in Scrutiny

Filing Error	Why It Fails	Consequence
Calculating % on FC utilised	Contradicts Act & form wording	Filing treated incorrect
Shifting overheads into program cost without documented allocation	Seen as concealment	Forced reclassification → breach
Exceeding 20% without prior approval	Direct statutory violation	Notice → penalty → renewal hold
Claiming verbal approval with no written order	No evidentiary support	Treated as "No Approval"

Real Case Snapshot

Organisation calculated admin % based on utilisation and remained "within limit." Ministry recalculated using FC received (as per form + Rule 5). The % exceeded 20%.

Outcome: Administrative breach → notice → renewal moved to observation list.

This section reveals whether compliance discipline existed during the year — not just during filing.

FC-4 Part 5: Assets Created Out of Foreign Contribution

Assets Aren't Just Purchases — They Are Compliance Commitments.

✅ What FC-4 Requires (Exact Fields)

You must disclose FC-funded assets under:

- (ba) Movable Assets — laptops, furniture, medical equipment, vehicles, IT devices, etc.
- (bb) Immovable Assets — land, buildings, construction, or major improvements.

→ Reporting is as on 31 March — not expense-wise or invoice-wise.

How the Form Expects Disclosure

FC-4 Field	Meaning	Compliance Expectation
Description of Asset	What was purchased (ambulance, laptop, water purifier, etc.)	Must match invoice + asset register
Location/Address	Where the asset exists today	Must be verifiable and traceable
Value at Beginning of FY	Last year's FC-4 closing value	Must reconcile with previous filing
Value Added During Year	New assets purchased using FC	Invoice + payment trail required
Total Value at End of FY	Opening value + additions	Should match books (gross — no depreciation)

→ FC-4 never reports WDV — always report full purchase value.

FC-4 Part 5: Assets Created Out of Foreign Contribution

NIL Reporting Rule

✅ If the organisation has no FC-funded assets, you must report:

"NIL" — never leave this section blank.

→ Blank = missing reporting → not zero.

⚠ Common Compliance Failures

Mistake	Why It Matters	Outcome
Asset purchased but RC/registration in personal name	Ownership not proven	Treated as diversion
Asset exists but location undocumented	No traceability	Inspection or field verification
Asset sold, transferred, or disposed without approval	Requires permission under Section 9	Violation → enforcement
Asset in books but missing in FC-4	Data inconsistency	Filing marked unreliable

FC-4 Part 5: Assets Created Out of Foreign Contribution

Case Example

An organisation purchased project vehicles but registered them in staff names. During scrutiny, the Ministry treated it as diversion despite proper usage.

→ Result: Case moved to inspection; renewal placed under observation.

FC assets remain accountable until formally transferred — not until fully depreciated.

Case Example: Asset Ownership Error

Purchase Right. Registration Wrong. Compliance Failed.

An organisation used foreign contribution to purchase:

- Two two-wheelers
- One four-wheeler

All were:

- Paid from the FC designated account
- Recorded as fixed assets in the books

However:

- Vehicle RCs were in volunteers' personal names
- No document showed the NGO as legal owner

→ Books said the NGO owned it — documents said individuals did.

Case Example: Asset Ownership Error

Purchase Right. Registration Wrong. Compliance Failed.

Why This Is a Compliance Failure

- Legal ownership of FC-funded assets cannot be proven
- Custody & control are unclear
- Traceability breaks at:
  - Ownership
  - Custody
  - FC-4 reporting

This creates risk of:

- Diversion of foreign contribution
- Private / personal benefit
- Misuse of FC-funded resources

→ FCRA does not care who uses the vehicle — it cares who owns it on paper.

Case Example: Asset Ownership Error

Purchase Right. Registration Wrong. Compliance Failed.

✅ **To repair the compliance position:**

- Transfer legal title & registration to the association's name
- Update:
  - Asset register
  - FC-4 Part V disclosure
  - Custody / usage documentation
  - Insurance and related records
- Maintain a written correction note explaining the change

For FCRA, an asset without documented ownership is treated as diverted — even if used for the right purpose

FC-4 (Part 6): Bank Accounts & Reconciliation

Foreign Contribution Begins and Ends With the Bank Trail.

✅ **What This Section Requires**

You must disclose:

- The Designated SBI NDMB Receipt Account
- All Utilisation Account(s)
- Any old FCRA accounts still operational (pre-2020)
- Bank balances and reconciliation confirmation

→ Every account that touches FC must appear in FC-4 — even if inactive.

✅ **Post-2020 Banking Rule**

Account Type	Role	Compliance Requirement
SBI NDMB Account	Receives FC	Only permissible receipt channel
Utilisation Account(s)	Spending	Cannot receive FC directly
Old FCRA Accounts (pre-2020)	Legacy accounts	Must be reported; treated as utilisation

→ Receiving FC anywhere except SBI NDMB is a breach — even ₹1.

FC-4 (Part 6): Bank Accounts & Reconciliation

Foreign Contribution Begins and Ends With the Bank Trail.

Foreign Contribution

⬇

SBI NDMB (Mandatory Receipt)

⬇

Utilisation Account(s)

⬇

Books of Account → FC-4 → Reconciliation

✅ **Reconciliation Checklist**

FC-4 numbers must match:

- SBI NDMB statements
- Utilisation account statements
- Books of accounts
- FC-6 filings
- Opening + Receipts – Utilisation = Closing Balance

→ If numbers do not reconcile → scrutiny is automatic.

FC-4 (Part 6): Bank Accounts & Reconciliation
Foreign Contribution Begins and Ends With the Bank Trail.

⚠ Common Failures (Observed in Scrutiny)

Issue	What It Signals	Result
Receipt into old/non-SBI account	Law bypassed	Show-cause / audit
Not reporting utilisation accounts	Concealment risk	Clarification notice
Statement balance ≠ FC-4 reported balance	Data inconsistency	Verification
Interest not kept & reported in FC account	Treated as local income	Correction + compliance flag

In FCRA, the bank statement is the truth — the return must match it, not reinterpret it.

FC-4 (Part 7): Donor-Wise Disclosure
This Is One of the Most Scrutinised Sections.

✅ What Must Be Declared

For each donor, you must report:

- Name of donor
- Country of origin / nationality
- Donor type:
  - Individual
  - Organisation / Foundation / Entity
  - Foreign source under Section 2(1)(j)
- Purpose of contribution
- Amount received during the year
- Mode of receipt (bank reference required)
- Grant / Contract / Letter reference

→ This establishes legitimacy, source transparency, and traceability.

✅ Rules You Must Follow

- **The donor's legal identity must be verifiable**
- The country of origin = nationality, not where the amount was sent from
- Donor classification must match FCRA definitions
- Purpose disclosure must align with:
  - Registration scope
  - Actual utilisation
  - Approved objectives

→ Incorrect donor classification affects the compliance posture of the entire return.

FC-4 (Part 7): Donor-Wise Disclosure

⚠ High-Risk Scenarios

Situation	Regulatory Interpretation	Outcome
Indian bank remittance from a foreign passport holder	Foreign source	Filing error if shown as local
Reporting intermediary instead of original donor	Breaks transparency	Clarification / notice
Reporting remitter bank instead of donor	Identity unverifiable	Scrutiny trigger
Donor name mismatch between FC-4 and bank statement	Source cannot be validated	Treated as suspicious

FC-4 (Part 7): Donor-Wise Disclosure

Common Errors vs Correct Filing

Wrong Entry	Why It Fails	Correct Format
"ABC Foundation, USA – $50,000"	Missing donor classification + reference	"ABC Foundation (US Non-profit) — Grant Ref: EDU-2024 — Purpose: Scholarship Support — USD 50,000"
"NRI – ₹3,20,000"	"NRI" is not a legal donor identity	Name + nationality + legal classification
"CSR Contribution – XYZ Pvt Ltd"	CSR is not a donor category	Determine if company qualifies as foreign source

If the Ministry cannot verify the donor, the contribution becomes questionable — even if utilisation was proper.

FC-4 (Part 8): Section 7 – Transfer of Foreign Contribution

No Foreign Contribution May Be Transferred — Directly or Indirectly.

✅ What the Law Says (Section 7)

- Another NGO
- Any individual
- Any trust, society, company, institution, collective, or legal person
- Even if the receiving entity also holds FCRA registration

→ Only the registered recipient may own, utilise, and account for the FC.

✓ The Only Permitted Scenario — Service Contracts

Payments are allowed only where:

- Payment is for services rendered (not program execution rights)
- Deliverables, reporting, and monitoring remain with the FCRA holder
- No financial autonomy is shifted to another entity

→ Work performed ≠ funds transferred.

⚠ Common Violations Observed

Practice Seen	Why It Violates Section 7	Ministry Interpretation
Sub-granting to another NGO	Delegates accountability	Treated as transfer
Reimbursing expenses of field partners	Shows indirect control elsewhere	Considered onward transfer
Sending FC to branch units without separate FCRA	Creates a second "recipient"	Treated as unauthorised receipt
Paying lump sums with no deliverables	No link to service output	Classified as fund distribution

Enforcement Reality

Case 1: ₹18 lakh given to another FCRA NGO → called partnership →
Outcome: Treated as transfer → show-cause + 180-day suspension.

Case 2: Staff reimbursement to partner NGO instead of paying vendor or issuing service contract →
Outcome: Treated as indirect transfer → return flagged + audit ordered.

If anyone else controls spending, the Ministry treats it as a transfer — regardless of terminology.

Reporting In-Kind Foreign Contribution in FC-4

It's Not a Separate Section — It's a Mandatory Line in the Receipts Table.

Where It Appears in FC-4

- In-kind foreign contribution is reported under Part II — Receipts, in the line:

→ "Foreign Contribution received in cash/ kind (value)"

- There is no separate annexure or block — only this line item.
- However, the value must still be measurable, recorded, and traceable.

What Must Be Documented Before Reporting

Requirement	Purpose
Donor identity & nationality	Proves foreign source
Description of items received	Defines what entered custody
Valuation basis (invoice / donor declaration)	Ensures meaningful reporting
Stock / asset register entry	Traceability
Evidence of movement or utilisation	Compliance audit trail

→ If the item entered your organisation because a foreign entity funded it — it is FC, even if no money moved.

Reporting In-Kind Foreign Contribution in FC-4

⚠ Common Errors (Silent Triggers for Scrutiny)

Mistake	Why It's a Problem
Reporting cash receipts only	In-kind FC becomes "missing"
Treating donated goods as program expense not FC	Breaks reconciliation trail
Zero-value reporting	Appears as concealment
No stock register	No utilisation traceability

Quick Real Case Example

Case : A relief NGO received medical supplies routed through a foreign foundation.
They used everything correctly — but reported ₹0 in-kind FC because no funds came into the bank.

Result: Filing treated as incomplete → ministry clarification → renewal delayed.

If the goods came from a foreign source — they must appear in the receipts table.

FC-4 Final Step: Chief Functionary Declaration

This Signature Is Not a Format — It Is Legal Responsibility.

What the Declaration Says (As Per FC-4)

"I hereby declare that the information furnished in this return is true and correct and the foreign contribution has been utilized for the stated purposes in compliance with the Act and Rules."

What This Actually Means (Decoded for CAs and NGOs)

By signing, the Chief Functionary confirms that:

- All numbers in FC-4 are accurate
- All utilisation is purpose-aligned
- All reporting matches:
  - Bank statements
  - Books of accounts
  - **Bank statements**
  - **Books of accounts**
- No diversion, transfer, misclassification or concealment has occurred.

→ This is a compliance oath — not an administrative closure.

FC-4 Final Step: Chief Functionary Declaration

⚠ High-Risk Scenarios Where This Signature Creates Liability

Scenario	Compliance View	Risk
CF signs based on trust in staff	Considered negligence	Liability remains personal
Misreporting discovered later	Signature treated as intentional misrepresentation	Show-cause / cancellation
Mismatch between books vs FC-4	Filing considered unreliable	Renewal impact / audit
Signing without verifying FC-6 updates	Treated as incorrect declaration	Filing may be invalid

Silent Rule (Not Written, Always Applied)

If you sign it, you own it — even if someone else prepared it.

Updated CA Certification Requirement in FC-4

This Is No Longer Just a Reconciliation Certificate — It Now Includes a Compliance Declaration.

✅ Latest Mandatory Text (As Per Updated FC-4 Format)

Certificate by Chartered Accountant

"I/We have verified the Foreign Contribution accounts and related records of ____ (name and address of the Association) with their books of accounts and certify that the figures reported in Form FC-4 are in agreement with the audited accounts and books maintained by the Association."

I/We further confirm that:

☐ No violation of the provisions of the Foreign Contribution (Regulation) Act, 2010 and Rules made thereunder was noticed during the course of verification.

OR

☐ Violation noticed (details attached).

Name of Chartered Accountant: ___________________________________

Membership No.: ___________________________

Firm Registration No. (if applicable): ___________________________

Email ID: ____

Date of Certification: ____________________________

Signature with seal: _____________________________

What's New (Compared to the Older Format)

Earlier Requirement	Updated Requirement
Only reconciliation & reporting accuracy	Mandatory compliance attestation
No requirement to report violation	Must explicitly declare "No violation" or attach details
Limited identity fields	Additional fields: Email, FRN, date, seal
UDIN implied	UDIN now essential for validity

→ This moves the CA's role from "verifier" to "compliance witness."

Scenario	Ministry View	Risk
Blind signature without verification	Negligence	ICAI action + rejection of filing
Signing despite known non-compliance	Complicity	Possible prosecution under Section 33
UDIN not generated or traceable	Treated as uncertified	Filing invalid / rejected
Violation discovered later	CA viewed as failing due diligence	Scrutiny for multiple filings

If you certify "no violation" without evidence, you certify the risk.

Top Filing Mistakes That Trigger Scrutiny in FC-4

Scrutiny Doesn't Start Randomly – It Starts With These Errors.

⚠️ The 9 Most Common Triggers

Mistake	Why It Triggers Scrutiny
1 FC-4 data doesn't match SBI NDMB statement	Bank is the primary evidence
2 Opening balance ≠ previous year closing balance	Indicates unreliable reporting
3 Interest, refunds, or sale proceeds not reported as FC	Shows misunderstanding of FC definition
4 Admin % calculated on utilisation instead of receipts	Declared formula violated
5 Assets created but not reported in Part V	Appears like concealment / diversion
6 Donor name mismatch between bank entry and FC-4	Breaks source traceability
7 Unreported utilisation accounts	Suggests parallel banking
8 Section 7 violations disguised as "expenses"	Treated as structural breach
9 In-kind contribution not declared in receipts table	Creates unexplained movement of value

Top Filing Mistakes That Trigger Scrutiny in FC-4

🚩 Patterns the Ministry Reads as Red Flags

- Sudden unexplained drop or spike in utilisation
- Zero admin spending (usually unrealistic)
- High closing balance with no justification
- Filing after FC-6 changes that don't reconcile

→ Patterns speak louder than numbers.

One Governing Principle

If it cannot be traced, justified, and matched — it will be questioned.

Mandatory Uploads Along With FC-4 Filing

Filing FC-4 Is Not Complete Until These Are Uploaded.

✅ Required Attachments (As Per Current Portal Requirement)

Attachment	Format	Requirement
1 FC-4 Form (System-Generated PDF)	PDF	Must be physically signed by Chief Functionary and sealed with organisation seal. Upload the signed scan. (DSC not required here.)
2 CA Certificate (Updated Format)	PDF	Must have CA signature + CA seal + UDIN. Ensure the new declaration wording is included.
3 FCRA Financial Statements	Single PDF	Must include: Balance Sheet, Income & Expenditure, Receipts & Payments Account (FCRA-specific) and must reconcile with FC-4.
4 SBI NDMB Bank Statement	PDF	Must be stamped and signed by bank manager. Covers full reporting period.
5 Utilisation Account Statement(s)	PDF	Required only if utilisation accounts exist. Must also be stamped and signed.

Mandatory Uploads Along With FC-4 Filing

✅ Upload Rules

- Only PDF format allowed — no image uploads unless embedded.
- Naming convention should be clean and traceable, e.g.:
  - FC4_Signed.pdf
  - CA_Certificate_2024.pdf
  - SBI_NDMB_Statement.pdf
- Ensure no password protection on PDFs — otherwise portal rejects upload.

⚠ Frequent Failure Points

Mistake	Result
Uploading unsigned FC-4	Treated as incomplete submission
CA certificate without UDIN	Rejected during scrutiny
Bank statements without seal & signature	Treated as unverifiable
Financials not matching FC-4 values	Filing flagged for clarification

If it affects a number in FC-4, the proof must be attached.

Penalty for Non-Filing of FC-4

Non-filing isn't a delay — it's a violation.

Compliance Obligation

FCRA Status	Result	Note
Active Registration	✅ Yes	Mandatory every year — even NIL FC.
Pending Renewal	✅ Yes	Filing continues until decision.
Under Suspension	✅ Yes	Suspension ≠ exemption.
Cancelled / Non-Renewed	❌ No	Filing stops from the next FY only.

Statutory Penalty Formula

Penalty = Higher of:
- 5% of Foreign Contribution received
- ₹1,00,000

- Applies even for late NIL returns
- Must be paid before the portal allows filing
- No waiver, no discretion
- Must be paid from local / domestic funds — not FC

Enforcement Reality

- System issues automated reminders
- Defaults delay or block renewal process
- Continued non-filing → Cancellation in ~6 months

If you remain registered, you must file — until the Ministry formally says otherwise.

Part 8: The YES/NO Trap in FC-4

Every "YES" Requires Evidence.

Every "NO" Is a Legal Declaration.

Part 8 is not a data table — it is a compliance affidavit with 15 regulatory questions covering:

- Banking violations
- Fund transfers
- Asset misuse or sale
- Administrative expense breaches
- Speculation
- Non-program spending
- Security & public interest concerns

Each answer is treated as a statement under the Act — not a checkbox.

Part 8: The YES/NO Trap in FC-4

⚠ Why It's a Trap

Response Type	Meaning to the Ministry	Risk Outcome
YES	"There was a compliance deviation."	Details required → scrutiny → possible show-cause
NO	"We certify under law that this never occurred."	If later disproven → treated as false declaration (Section 33 offense)

→ The danger is not answering YES — it is answering NO casually.

How to Answer Safely

Before answering each question:

- Check the bank trail
- Verify vouchers, approvals & FC-6 filings
- Match FC-4 with books, CA certificate & donor terms
- Document evidence for every YES
- Never answer NO unless you can prove it

In FCRA, "I don't remember" is not a defense.

Part 8: The YES/NO Trap in FC-4

High-Risk Questions in This Section

- Was any FC transferred to another entity? (Section 7 trigger)
- Was FC received in any account other than SBI NDMB?
- Was any domestic money mixed with FC?
- Were admin expenses >20% without approval?
- Was any FC used for speculative activity?
- Was any FC-funded asset sold or diverted?
- Were any funds utilised outside India?

→ These are not compliance queries — they are violations screening.

This section tells the regulator whether the NGO followed the law — not whether the books match.

The New Admin Carry-Forward Table (A-I)
Unused Admin Headroom Is Not a Relaxation – It Is a Disclosure.

Why This Table Exists

- The FC-4 now asks whether the organisation has:

→ Unused administrative expense allowance (≤20%) that is being carried forward into future years.

- This is NOT permission to exceed 20% in the next year — it is simply a mechanism to track year-wise compliance.

What You Must Report

Row	What It Means	Key Compliance Point
A–E (Previous Years Data)	Prior year FC received vs admin spent	Must match past FC-4 filings — cannot be reinterpreted
F	Total admin allowance up to current year	Mathematical cumulative value
G	Total admin expense incurred till current year	Must match books + CA certificate
H	Unspent admin allowance (F-G)	This becomes the carry-forward balance
I	Closing balance of available admin margin	Disclosure — not flexibility

→ Use the numbers exactly as filed — no retrospective reclassification.

⚠ Common Mistakes Seen

Mistake	Why It's Wrong	Result
Treating carry-forward as additional admin allowance next year	Law still caps each year at max 20%	Misreporting → scrutiny
Entering revised figures from internal audit	FC-4 must match prior FC-4, not late adjustments	Data mismatch flag
Leaving table blank	Portal treats blank ≠ zero	Treated as incomplete filing
Claiming admin saving as "available buffer"	Buffer ≠ permission	Misinterpretation risk

✅ What This Table Really Signals to MHA

- Whether your spending pattern is disciplined and consistent
- Whether administrative cost is being inflated or disguised
- Whether there is a trend toward rising admin expense ratios

The table is not for benefit — it is for regulatory pattern analysis.

**The rule has not changed — the limit is still 20%.
This table just tells the system whether you stayed within it — year after year.**

Foreign Nationals in Leadership (FC-4 Part 5)
Disclosure is Mandatory – Silence Is Misrepresentation.

✅ What FC-4 Asks

The form requires you to declare whether any of the following are foreign nationals:

- Board Members / Trustees
- Directors / Office Bearers
- Chief Functionary
- Key managerial personnel
- Anyone associated with FC decision-making or authorised signatory roles

✅ If YES, you must provide:

- Name
- Nationality
- Role/position
- Passport number
- Country of residence

Compliance Check	Risk Trigger
National security & public order	If nationality belongs to sensitive jurisdictions
Influence or control of organisation	If decision-making rests predominantly with foreign persons
Alignment with FCRA Section 12(4) conditions	Activities touching religious conversion, protests, policy advocacy
Declaration consistency	Name must match FC-6, bank KYC & governing documents

→ This disclosure connects governance → funding → compliance posture.

Foreign Nationals in Leadership (FC-4 Part 5)

⚠ Common Red Flags

Scenario	Ministry Interpretation
One foreigner holds majority control	Organisation may be foreign-influenced
Foreign chief functionary without proper disclosure	Integrity of filing questioned
Passport nationality differs from Form-16 / PAN nationality	Identity mismatch — treated as unreliable filing
Declared in MCA filings but not in FC-4	Omission → possible concealment

Inspection Pattern (Real Case)

Case : A Section 8 company had one foreign director.
They declared him in MCA but not in FC-4.

Result: Return flagged → clarification demanded → renewal placed "under review."

The rule is not about permission — it is about transparency.

Two Paths Ahead

File casually	File with control
• Hope it's fine	• Know it's compliant
• Guesswork	• Documented accuracy
• Risk of penalty & scrutiny	• Confidence during audit or renewal

Compliance Calendar December 2025

Income Tax

07 Dec	TDS/TCS payment (for Nov 2025)
10 Dec	ITR filing for Audit Cases (AY 2025-26)- Extended by CBDT
15 Dec	Advance Tax – 3rd instalment
30 Dec	Forms 26QB / 26QC / 26QD / 26QE
31 Dec	Belated & Revised ITR (AY 2025-26)

GST

10 Dec	GSTR-7 & GSTR-8 (GST TDS & TCS)
11 Dec	GSTR-1 (Monthly)
13 Dec	GSTR-1 (IFF – QRMP)
20 Dec	GSTR-3B (Monthly)
31 Dec	GSTR-9 & GSTR-9C (FY 2024-25)

MCA / ROC

31 Dec	AOC-4
31 Dec	MGT-7 / MGT-7A

FCRA

31 Dec	Annual return due

This month programmes at a glance

CPE Seminar on Latest Changes Introduced by MCA

Mega Career Counselling Programme


Kottayam Branch of SIRC of ICAI

DISA

Career Counselling Progamme

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up by an Act of Parliament)

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1. Compliant with Code of Ethics
2. Ensure Confidentiality and privacy.
3. Trustworthy- Provided by ICAI

For any queries, please write to

caconnect@icai.in/esb@icai.in