

Foreign Exchange Management Act, 1999
- Current Account Transactions
AP (DIR Series) Circular No.29 (March 31, 2001)

RESERVE BANK OF INDIA
CENTRAL OFFICE
EXCHANGE CONTROL DEPARTMENT
MUMBAI-400 001

AP (DIR Series) Circular No.29

March 31, 2001

To

All Authorised Dealers in Foreign Exchange

Dear Sirs,

Foreign Exchange Management Act, 1999
- Current Account Transactions

Attention of authorised dealers is invited to the Government of India Notification No.GSR.381(E) dated 3rd May 2000 notifying the Foreign Exchange Management (Current Account Transactions) Rules, 2000 in terms of which drawal of exchange for certain current account transactions has been prohibited and restrictions have been placed on certain other transactions.

2. Government of India has now issued Notification No.S.O.301(E) dated March 30, 2001, (copy enclosed) amending their Notification GSR 381(E) dated 3rd May, 2000. The authorised dealers may carefully study the changes introduced by the amendment.

3. The synopsis of the changes brought about by the amendment are given below:

A. Schedule II

(a) Remittances by any State Government or its Public Sector Undertakings require prior approval from the Ministry of Finance (DEA) for advertisement abroad in print media for any purpose **other than** for promotion of tourism, foreign investment and for international bidding (exceeding US\$ 10,000){cf: item 2}

(b) The restrictions imposed under item 10 and 11 of the Schedule on remittances for securing Insurance for health from a company abroad and for membership of P&I Club respectively will be applicable even though remittance is made out of funds held in EEFC account,

B. Schedule III

(a) Gift remittance exceeding US\$5,000 **per remitter/donor** per annum and Donation exceeding US\$5,000 **per remitter/donor** per annum, respectively will require prior approval of the Reserve Bank. The restriction would be applicable even in cases where the remittance is being made out of funds held in EEFC account. Therefore, authorised dealers may ensure that no person is allowed to make remittance of Gift/Donation exceeding US\$5,000 in a year, without prior approval of the Reserve Bank. (cf: items 3 and 4)

(b) Restrictions imposed under item 11 and 16 of the Schedule on payment of commission for sale of immovable property and on remittance for use and/or purchase of trade mark /franchise in India would also be applicable to the remittances made out of funds held in EEFC account,

(c) The ceiling of US\$5,000 per year on remittances to close relatives residing abroad as contained in item 7 of Schedule III will not be applicable in case of foreign nationals (other than Pakistani nationals), who are resident but not permanently resident in India,

(d) The remittances exceeding US \$100,000 per project for any consultancy services procured from outside India will require prior approval of the Reserve Bank. This restriction will also apply to such remittances made out of funds held in EEFC accounts,(cf: item 15)

(e) All remittances exceeding US\$100,000 for reimbursement of pre-incorporation expenses will also require prior permission from the Reserve Bank (cf: item 17).

4. Authorised dealers may bring the contents of the circular to the notice of their constituents concerned.

5. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999). Any contravention or non-observance of these directions is subject to the penalties prescribed under the Act.

Yours faithfully
K. J. UDESHI
Chief General Manager