

Foreign Technology Collaboration – Royalty Payment – Liberalisation
A.P. (DIR Series) Circular No.5 (July 21, 2003)

Reserve Bank of India
Exchange Control Department
Central office
Mumbai - 400 001

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July 21, 2003

To
All Authorised Dealers in Foreign Exchange

Madam / Sirs,

Foreign Technology Collaboration –
Royalty Payment – Liberalisation

Attention of authorised dealers is drawn to the Government policy on payment of royalty under Foreign Technology Collaboration. Presently, only wholly owned subsidiaries are allowed to pay royalty to offshore parent companies abroad without any restriction on the duration of payment under the automatic route.

2. With a view to further liberalising the foreign technology collaboration agreement policy and extending a uniform policy dispensation, Government of India has issued a Press Note No.2 (2003 Series) dated June 24, 2003 (copy enclosed), in terms of which all companies, irrespective of the extent of foreign equity in the shareholding, who have entered into foreign technology collaboration agreements may henceforth be permitted on the automatic approval route to make royalty payments at 8% on exports and 5% on domestic sales without any restriction on the duration of royalty payments.

3. All cases of payment of royalty under the automatic route will continue to require prior registration with Reserve Bank in terms of Rule 5 read with item 14 of Schedule III of the Foreign Exchange Management (Current Account Transactions) Rules, 2000 as notified under the Notification No.G.S.R.381(E) dated May 3, 2000 of the Government of India.

4. The ceiling on payment of lumpsum fee/royalty on the automatic route would continue to apply in all cases.

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

6. The directions contained in the circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

Grace Koshie
Chief General Manager