



**RESERVE BANK OF INDIA
FOREIGN EXCHANGE DEPARTMENT
CENTRAL OFFICE
MUMBAI**

RBI/2004/74
A.P. (DIR Series) Circular No.76

February 24, 2004

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Foreign Exchange Management Act (FEMA), 1999 –
Current Account Transactions – Liberalisation**

Attention of Authorised Dealers (ADs) is invited to Annexure I of A.D. (M.A. Series) Circular No.11 dated May 16, 2000 with regard to Rules relating to Current Account Transactions.

2. As a step towards further liberalisation, it has been decided to remove the following restrictions on remittances by residents.

**(i) Remittance for securing Insurance for Health
from a Company Abroad**

In terms of item No.10 of Schedule II, payment for securing insurance for health from a company abroad requires the approval of Ministry of Finance (Insurance Division). It has since been decided that Government's approval would not be required and Authorised Dealers(ADs) may freely allow such remittances.

(ii) Remittance by Artiste

In terms of item No.1 of Schedule III remittance by artistes e.g. wrestler, dancer, entertainer, etc., requires prior approval of RBI. Henceforth, ADs may freely allow such remittances.

**(iii) Commission to Agents abroad for Sale of
Residential Flats/ Commercial Plots in India**

In terms of item No.11 of Schedule III, remittance by way of commission to agents abroad for sale of residential flats/commercial plots in India, exceeding 5 per cent of the inward remittance requires RBI's approval. ADs may freely allow such remittances upto USD 25,000 or 5 per cent of the inward remittance, per transaction, whichever is higher.

(iv) Short-term Credit to Overseas Offices of Indian Companies

In terms of item No.12 of Schedule III, short term credit to overseas offices of Indian companies requires prior approval of RBI. Henceforth, ADs may allow such facility without RBI's approval.

(v) Remittance for Advertisement on Foreign Television Channels

In terms of item No.13 of Schedule III, RBI's prior approval is required in cases where the export earnings of the advertiser are less than Rs.10 lakhs during each of the preceding 2 years. Henceforth, ADs may freely allow remittances for advertisement on foreign television channels.

(vi) Remittance of Royalty and Payment of lump-sum fee

In terms of item No.14 of Schedule III, RBI's prior approval is required if the agreement for technical collaboration has not been registered with RBI. Henceforth, ADs may allow remittances for royalty and payment of lump-sum fee provided the payments are in conformity with the norms as per item No.8 of Schedule II i.e. royalty does not exceed 5 per cent on local sales and 8 per cent on exports and lump-sum payment does not exceed USD 2 million.

(vii) Remittance for Use and/or Purchase of Trademark/Franchise in India.

In terms of item No.16 of Schedule III, RBI's prior approval is required for remittance towards use and/or purchase of trademark/franchise in India. Henceforth, ADs may freely allow remittances for use of trade mark/franchise in India. However, RBI's prior approval will continue to be required for remittance towards purchase of trademark/franchise.

(viii) Remittance of Hiring Charges of Transponders.

In terms of item No.18 of Schedule III, RBI's prior approval is required for remittance of hiring charges of transponders. This item stands shifted to Schedule II of the Foreign Exchange Management (Current Account Transactions) Rules, 2000 and henceforth, the proposal for hiring of transponders by TV Channels and internet service providers will require prior approval of the Ministry of Information & Broadcasting.

3. Necessary amendments to the Foreign Exchange Management (Current Account Transactions) Rules, 2000 are being notified separately.

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

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

Yours faithfully,

Grace Koshie

Chief General Manager