

To

All Category - I Authorised Dealer Banks

Madam/Sir,

### **Establishment of Offices Abroad**

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to sub-regulation 4A of Regulation 7 of Foreign Exchange Management (Foreign Currency Accounts by a Person Resident in India) Regulations, 2000 notified vide Notification No.FEMA.10/2000-RB dated 3rd May, 2000 and as amended from time to time and the AP(DIR Series) Circular No.32 dated April 21, 2006. At present, AD Category - I banks are permitted to allow remittance up to ten per cent and five per cent of the average annual sales/income or turnover during last two accounting years of the Indian entity for initial and recurring expenses respectively, for the purpose of normal business operations of the branch or office or representative abroad.

2. With a view to liberalising the procedure further and providing greater flexibility, it has been decided to increase the limits for initial and recurring expenses subject to existing terms and conditions as under :

#### **(i) Initial Expenses**

AD Category - I banks may allow remittance up to fifteen per cent of the average annual sales/income or turnover during the last two financial years or up to twenty-five per cent of the net worth, whichever is higher.

#### **(ii) Recurring Expenses**

AD Category - I banks may allow remittance up to ten per cent of the average annual sales/income or turnover during the last two financial years.

### **3. Acquisition of Immovable Property**

In terms of Regulation 5 (3) of Foreign Exchange Management (Acquisition and Transfer of Immovable Property Outside India) Regulations, 2000 notified vide Notification No. FEMA.7/2000-RB dated 3rd May 2000 and as amended from time to time, a company incorporated in India having overseas offices require prior permission of the Reserve Bank to acquire immovable property outside India for its business and for residential purpose of its staff, subject to such terms and conditions as may be considered necessary.

AD Category - I banks may now allow remittances by a company incorporated in India having overseas offices, within the above limits for initial and recurring expenses, to acquire immovable property outside India for its business and for residential purpose of its staff.

4. Necessary amendments to the Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) Regulations, 2000 and Foreign Exchange Management (Acquisition and Transfer of Immovable Property Outside India) Regulations, 2000 are being issued separately.

5. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

6. 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) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

**(M. Sebastian)**  
Chief General Manager