

**April 30, 2007**

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

**Foreign Exchange Management Act (FEMA), 1999 – Current Account Transactions –  
Remittance towards donation by Corporates - Liberalisation**

Attention of Authorised Dealer Category-I (AD Category - I) banks is invited to Foreign Exchange Management (Current Account Transactions) Rules, 2000 (the Rules) notified vide Notification No. G.S.R.381(E) dated 4<sup>th</sup> May 2000, as amended from time to time. In terms of item No. 4 of Schedule III to the Rules, remittance of donation exceeding USD 5000 per remitter / donor per annum requires prior approval of the Reserve Bank. Further, in terms of A. P. (DIR Series) Circular No.25 dated March 1, 2002, Indian corporates with proven track record desiring to contribute funds from their foreign exchange earnings for setting up chairs in educational institutions outside India and similar such purposes are required to obtain prior approval of Reserve Bank.

2. As announced in the Annual Policy Statement for the year 2007-08 (para 146 (i) i)) and with a view to further liberalise the procedure and provide greater flexibility, AD Category-I banks are now permitted to make remittances on account of donations by corporates for specified purposes as under :

- i. Creation of Chairs in reputed educational institutes;
- ii. Donations to funds (not being an investment fund) promoted by educational institutes; or
- iii. Donation to a technical institution or body or association in the field of activity of the donor Company.

The remittances are subject to a limit of one per cent of the foreign exchange earnings during the previous three financial years or USD 5 million, whichever is less. Applications for remittances for purposes other than those specified above may be forwarded to the Chief General Manager, Reserve Bank of India, Central Office, Foreign Exchange Department, Foreign Investments Division (EPD), Central Office Building, Mumbai-400 001, together with (a) details of their foreign exchange earning during the last 3 years, (b) brief background of the company's activities, (c) purpose of the donation and (d) likely benefits to the corporate.

3. The existing facility for remittance up to USD 5000 per remitter / per donor per financial year towards donations by Indian corporates would continue as hitherto.

4. Necessary amendments to Foreign Exchange Management (Current Account Transactions) Rules, 2000 are being notified 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 Section 10(4) and 11(I) 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,

**(Salim Gangadharan)**  
**Chief General Manager**