

**April 30, 2007**

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

**Foreign Exchange Management Act (FEMA), 1999 – Current Account Transactions – Remittance for consultancy services - Liberalisation**

Attention of Authorised Dealer Category-I (AD Category-I) banks is invited to Foreign Exchange Management (Current Account Transactions) Rules, 2000 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 Rule 5 of the Foreign Exchange Management (Current Account Transactions) Rules, 2000, prior approval of the Reserve Bank is required for drawing foreign exchange for remittance exceeding USD 1,000,000 per project, for any consultancy service procured from outside India [item 15 of Schedule III to the Foreign Exchange Management (Current Account Transactions) Rules, 2000].

2. As announced in the Annual Policy Statement for the year 2007-08 (para 146 (i) ii)) and with a view to further liberalise the procedure and provide greater flexibility, it has been decided to raise the limit for remittance for consultancy service procured from outside India by Indian companies executing infrastructure projects from USD 1 million per project up to USD 10 million per project. For this purpose, infrastructure sector is defined as (i) power, (ii) telecommunication, (iii) railways, (iv) road including bridges, (v) sea port and airport, (vi) industrial parks, and (vii) urban infrastructure (water supply, sanitation and sewage projects). Accordingly, AD Category - I banks may allow remittances on behalf of Indian companies in such cases up to USD 10 million per project, after verifying the bonafides of the transaction. In all other cases, the existing limit of USD 1 million, per project, for any consultancy service procured from outside India, will continue.

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

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

5. The directions contained in this Circular have been issued under Section 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,

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