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### **Payment in Foreign Currency not to be insisted upon**

It has been brought to the notice of the Reserve Bank that some of the service providers like hotels etc. quote differential tariff for foreigners in US\$ and insist that the payment be made in foreign exchange. This practice is not consistent with Foreign Exchange Management Act (FEMA), 1999 and also undermines the legality of domestic currency in India.

Earlier, under Foreign Exchange Regulation Act (FERA), 1973, the Government of India had issued a Notification dated August 20, 1981, requiring foreign tourists visiting India to make payment in foreign exchange. However, the FERA, 1973 has already been repealed. The current regime of foreign exchange regulations is framed under FEMA, 1999 which has come into effect from June 1, 2000.

It is clarified that the Reserve Bank Notification No.16 dated May 3, 2000, issued under FEMA, is only to enable persons resident in India to receive payment in foreign exchange from person resident outside India during his visit to India. For convenience of transactions, it has created an environment where a foreigner has an option to pay either in Indian Rupees or in foreign exchange for the services rendered to him. This does not give a right to residents to insist on payment in foreign exchange.

Currently, there is no instruction in force that makes it obligatory on part of non-residents to make payment in foreign exchange in such cases. Therefore, any insistence on payment in foreign exchange for services rendered in India is not consistent with the current foreign exchange regulations.

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