

The Foreign Exchange Management (Permissible Capital Account Transactions) Regulations, 2000

UNION OF INDIA

India

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Rule

THE-FOREIGN-EXCHANGE-MANAGEMENT-PERMISSIBLE-CAPITAL-A- of 2000

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The Foreign Exchange Management (Permissible Capital Account Transactions) Regulations, 2000 Published vide G.S.R. 384(E), dated 3.5.2000, published in the Gazette of India, Extraordinary, Part II, Section 3(i), dated 5.5.2000. Last Updated 11th March, 2019 [11/575] In exercise of the powers conferred by sub-section (2) of section 6, sub-section (2) of section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Reserve Bank of India makes, in consultation with the Central Government, following regulations relating to capital account transactions, namely:--

1. Short title and commencement. - (i) These regulations may be called the Foreign Exchange Management (Permissible Capital Account Transactions) Regulations, 2000.

(ii) They shall come into force on the 1st day of June, 2000.

2. Definitions. - In these regulations, unless the context requires otherwise, -

(a) "Act" means, the Foreign Exchange Management Act, 1999 (42 of 1999); (b) "drawal" means drawal of foreign exchange from an authorised person and includes opening of Letter of Credit or use of International Credit Card or International Debit Card or ATM card or any other thing by whatever name called which has the effect of creating foreign exchange liability; (c) "Schedule" means a Schedule to these regulations; (d) "Transferable Development Rights" means certificates issued in respect of category of land acquired for public purpose either by Central or State Government in

consideration of surrender of land by the owner without monetary compensation, which are transferable in part or whole;(da)['Derivative' means a financial contract, to be settled at a future date, whose value is derived from one or more financial, or non-financial variables.](e)the words and expressions used but not defined in these regulations shall have the same meanings respectively assigned to them in the Act.

3. Permissible capital account transactions. - (1) Capital account transactions of a person may be classified under the following heads, namely:--

(a)transactions, specified in Schedule I, of a person resident in India;(b)transactions, specified in Schedule II, of a person resident outside India.(2)Subject to the provisions of the Act or the rules or regulations or direction or orders made or issued thereunder, any person may sell or draw foreign exchange to or from an authorised person for a capital account transaction specified in the Schedules:Provided that the transaction is within the limit, if any, specified in the regulations relevant to the transaction.

4. Prohibition. - Save as otherwise provided in the Act, rules or regulations made thereunder, -

(a)no person shall undertake or sell or draw foreign exchange to or from an authorised person for any capital account transaction:[Provided that -(a)subject to the provisions of the Act or the rules or regulations or directions or orders made or issued thereunder, a resident individual may, draw from an authorized person foreign exchange not exceeding USD 250,000 per financial year or such amount as decided by Reserve Bank from time to time for a capital account transaction specified in Schedule I.Explanation : Drawal of foreign exchange as per item No. 1 of Schedule III to Foreign Exchange Management (Current Account Transactions) Rules, 2000 dated 3rd May, 2000 as amended from time to time, shall be subsumed within the limit under proviso (a) above;(b)where the drawal of foreign exchange by a resident individual for any capital account transaction specified in Schedule I exceeds USD 250,000 per financial year, or as decided by Reserve Bank from time to time as the case may be, the limit specified in the regulations relevant to the transaction shall apply with respect to such drawal :Provided Further that no part of the foreign exchange of USD 250,000, drawn under proviso (a) shall be used for remittance directly or indirectly to countries notified as non-co-operative countries and territories by Financial Action Task Force (FATF) from time to time and communicated by the Reserve Bank of India to all concerned.](b)no person resident outside India shall make investment in India, in any form, in any company or partnership firm or proprietary concern or any entity, whether incorporated or not, which is engaged or proposes to engage -(i)in the business of chit fund, or(ii)as Nidhi Company, or(iii)in agricultural or plantation activities, or(iv)in real estate business, or construction of farm houses, or(v)in trading in Transferable Development Rights (TDRs).Explanation. - [(i) For the purpose of this regulation, "real estate business" shall not include development of townships, construction of residential/ commercial premises, roads or bridges and Real Estate Investment Trusts (REITs) registered and regulated under the SEBI (REITs) Regulations 2014.] [Substituted by Notification No. G.S.R. 859 (E) dated 16.11.2015 (w.e.f. 5.5.2000)](ii)[The Registrar of Chits or an officer authorised by the

state Government in this behalf, may, in consultation with the State Government concerned, permit any chit fund to accept subscription from Non-resident Indians. Non-resident Indians shall be eligible to subscribe, through banking channel and on non-repatriation basis, to such chit funds, without limit subject to the conditions stipulated by the Reserve Bank of India from time to time.] [Inserted by Notification No. G.S.R. 283 (E) dated 2.3.2015 (w.e.f. 5.5.2000)](c)[No person resident in India shall undertake any capital account transaction which is not permissible in terms of Order S.O. 1549(E) dated April 21, 2017, as amended from time to time, of the Government of India, Ministry of External Affairs, with any person who is, a citizen of or a resident of Democratic People's Republic of Korea, or an entity incorporated or otherwise, in Democratic People's Republic of Korea, until further orders, unless there is specific approval from the Central Government to carry on any transaction. [Inserted by Notification No. G.S.R. 198(E), dated 7.3.2019 (w.e.f. 5.5.2000).](d)The existing investment transactions, with any person who is, a citizen of or resident of Democratic People's Republic of Korea, or an entity incorporated or otherwise in Democratic People's Republic of Korea, or any existing representative office or other assets possessed in Democratic People's Republic of Korea, by a person resident in India, which is not permissible in terms of Order S.O. 1549(E) dated April 21, 2017, as amended from time to time, of the Government of India, Ministry of External Affairs shall be closed/liquidated/disposed/settled within a period of 180 days from the date of issue of this Notification, unless there is specific approval from the Central Government to continue beyond that period.]

5. Method of payment for investment. - The payment for investment shall be made by remittance from abroad through normal banking channels or by debit to an account of the investor maintained with an authorised person in India in accordance with the regulations made by the Reserve Bank under the Act.

6. Declaration to be furnished. - Every person selling or drawing foreign exchange to or from an authorised person for a capital account transaction shall furnish to the Reserve Bank a declaration in the form and within the time specified in the regulations relevant to the transaction.

I

[See regulation 3 (1)(a)]Classes of Capital Account Transactions of Persons Resident in India(a)Investment by a person resident in India in foreign securities(b)Foreign currency loans raised in India and abroad by a person resident in India(c)Transfer of immovable property outside India by a person resident in India(d)Guarantees issued by a person resident in India in favour of a person resident outside India(e)Export, import and holding of currency/currency notes(f)Loans and overdrafts (borrowings) by a person resident in India from a person resident outside India(g)Maintenance of foreign currency accounts in India and outside India by a person resident in India(h)Taking out of insurance policy by a person resident in India from an insurance company outside India(i)Loans and overdrafts by a person resident in India to a person resident outside

India(j)Remittance outside India of capital assets of a person resident in India(k)[Undertake derivative contracts]

II

[See regulation 3(1)(b)]Classes of Capital Account Transactions of Persons Resident Outside India(a)Investment in India by a person resident outside India, that is to say,-(i)issue of security by a body corporate or an entity in India and investment therein by a person resident outside India; and(ii)investment by way of contribution by a person resident outside India to the capital of a firm or a proprietorship concern or an association of persons in India.(b)Acquisition and transfer of immovable property in India by a person resident outside India.(c)Guarantee by a person resident outside India in favour of, or on behalf of, a person resident in India.(d)Import and export of currency/currency notes into/from India by a person resident outside India.(e)Deposits between a person resident in India and a person resident outside India.(f)Foreign currency accounts in India of a person resident outside India.(g)Remittance outside India of capital assets in India of a person resident outside India.(h)[Undertake derivative contracts] [Added by Notification No. G.S.R. 162(E), dated 26.2.2019 (w.e.f. 5.5.2000).]