Government of India
Ministry of Commerce & Industry
Department of Industrial Policy & Promotion
SIA (FC Division)

PRESS NOTE NO. 2 (2003 SERIES)

Subject : Liberalization of Foreign Technology Agreement policy and procedures

In pursuance of its commitment to progressively liberalise the FDI regime, the Government has reviewed its policy governing the payment of royalties under Foreign Technology Collaboration.

2. Presently, wholly owned subsidiaries are permitted to make payment of royalty up to 8% on exports and 5% on domestic sales to their offshore parent companies on the automatic route without any restriction on the duration of the royalty payments. However, royalty payments by other companies are allowed for a period not exceeding seven years from the date of commencement of commercial production or ten years from the date of agreement, whichever is earlier.

3. With a view to further liberalising the foreign technology collaboration agreement policy and extending a uniform policy dispensation, it has now been decided that all companies, irrespective of the extent of foreign equity in the shareholding, who have entered into foreign technology collaboration agreements may henceforth be permitted on the automatic approval route, to make royalty payments at 8% on exports and 5% on domestic sales without any restriction on the duration of the royalty payments. The ceiling on payment of lumpsum fee / royalty on the automatic route would continue to apply in all cases.

(UMESH KUMAR)
Joint Secretary to the Government of India

No. 5(5)/2003-FC dated 24th June 2003