

FEMA.

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Foreign Exchange Management in India (FEMA)

The foreign exchange of India is controlled by the foreign exchange management act **FEMA, 1999**. FEMA came into existence effect on June 1, 2000. It replacing the foreign Exchange Regulation Act FERA 1973. Exchange control was first introduced in India on September 3, 1939.

The objectives of FEMA 1999, highlights of the act are

1. FEMA is more transparent in application than FERA.

2. The application of FEMA may be divided into two parts - 1) capital account transaction 2) current account transaction

capital account transaction relates to the movement of capital example - transaction property and investment and lending and borrowing money.

3) (a) certain current account transactions would require RBI permission, if they exceed a certain ceiling -

(b) A few current account transactions need permission of appropriate Govt of India authority irrespective of the amount.

(c) There are seven types of current account transactions which are ~~totally~~ totally prohibited and no transaction can, therefore, be undertaken relating to them.

These include transaction relating to lotteries, football pools, banned magazines, and a few others.

Some of the ceilings pertaining to miscellaneous remittances covered by (a) above are given below.

Miscellaneous Remittances (in US Dollars)

	Limits.
1 Basic travel quota	5000
2 Gifts	5,000
Donation	5,000
3 Employment	5,000
Emigration	5,000
4 Maintenance of close relatives	5,000

4. Some other highlights of FEMA are —

— The FEMA act give full freedom to a person resident of India who was earlier resident outside India to hold or own transfer any foreign security or immovable property situated outside India and acquired.

— A residents who inherits such security or immovable property from a person resident outside India.

— A person resident outside India is permitted to hold shares, securities, and properties²⁰²⁰ acquired by him he/she was resident in India.

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NOTES

- The Exchange drawn can also be used for purpose other than for which it is drawn provided drawal of exchange is otherwise permitted for such purpose.
- certain prescribed limit have been enhanced — abroad
for example A residents now going ~~abroad~~ for business purpose or for participating Conference / Seminars will not need the RBI permission to avail themselves of foreign exchange up to US \$ 25,000/- per trip irrespective of the period of stay, basic travel quota has been increased from the earlier US \$ 3000 to US \$ 5000 per calendar year.
- The Exchange Earner's Foreign Currency (EEFC) account holders and residents Foreign Exchange (RFC) account holders are permitted to freely use the fund held in EEFC / RFC accounts for ~~the~~ payments of all permissible current account transactions.
- The rules for foreign investment in india and indian investment abroad are also comprehensive, transparent and permit indian companies engaged in certain specific sectors to acquire shares of foreign companies engaged in similar activities by share SWAP or exchange through issue of ADRs / GDRs upto certain specified limits.
- FEMA is civil law, it will be dealt through civil procedure.