FEMA Hotline

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NEW STIMULUS FOR FOREIGN TECHNOLOGY COLLABORATIONS: RESTRICTIONS ON REMITTANCES TO BE RELAXED

In a significant relaxation of a decades old policy, the Government of India has approved a proposal to remove existing restrictions on outbound remittance of royalties and lumpsum fee for transfer of technology, use of trademark and brand name.

The proposal has been welcomed by the industry as a positive move towards liberalization of foreign exchange norms in India. The G overnment is shortly expected to issue a press note clarifying its new policy as well as the post-remittance reporting framework under which the Indian collaborator would only have to provide details of the nature of technology and the amount of consideration.

The Government, in its foreign direct investment policy has recognized that foreign technology collaboration agreements help in promoting the technological capability and competitiveness of Indian industry.

Under the existing regulatory norms[1], remittances made by Indian residents to a foreign collaborator are permissible without any prior regulatory approvals to the extent of a lumpsum fee of USD 2 million and royalty payment of 5% on domestic sales and 8% on exports. However, payments in excess of the specified caps would require a prior approval from the Government.

The relaxation of these restrictions on remittance would provide considerable relief to several foreign companies who can now expect to obtain a fair return on the licence of technologies which in many cases have been developed through considerable R&D and investment. India is also poised to gain significantly from the Government's decision by having easier access to cutting-edge technology from around the world.

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1 Foreign Exchange Management (Current Account Transactions), Rules, 2000

- **Mahesh Kumar** & **Kishore Joshi**

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