

**RESERVE BANK OF INDIA
(EXCHANGE CONTROL DEPARTMENT)
CENTRAL OFFICE
MUMBAI 400 001**

Notification No. FEMA 24 /2000-RB dated 3 rd May 2000

In exercise of the powers conferred by clause (h) of sub-section (2) of Section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Reserve Bank makes the following regulations to regulate investment by a person resident outside India in a partnership firm or a proprietary concern in India, namely,

1. Short title and commencement

- i) These Regulations may be called the Foreign Exchange Management (Investment in Firm or Proprietary concern in India) 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,-

- i) 'Act' means the Foreign Exchange Management Act, 1999 (42 of 1999);
- ii) 'authorised bank' means a bank including a co-operative bank (other than an authorised dealer) authorised by the Reserve Bank to maintain an account of a person resident outside India;
- iii) 'authorised dealer' means a person authorised as an authorised dealer under sub-section (1) of section 10 of the Act;
- iv) 'Non-Resident Indian (NRI)' means a person resident outside India who is a citizen of India or is a person of Indian origin;
- v) 'NRSR account' shall have the same meaning as assigned to it in the Foreign Exchange Management (Deposit) Regulations, 2000.
- vi) 'Person of Indian Origin' means a citizen of any country other than Bangladesh or Pakistan or Sri Lanka, if
 - a) he at any time held Indian passport;
or
 - b) he or either of his parents or any of his grand- parents was a citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955 (57 of 1955);
or
 - c) the person is a spouse of an Indian citizen or a person referred to in sub-clause (a) or (b);

- vii) the words and expressions used but not defined in these Regulations shall have the same meanings respectively assigned to them in the Act.

3. Restrictions on investment in a firm or a proprietary concern in India by a person resident outside India

Save as otherwise provided in the Act or rules or regulations made or directions or orders issued thereunder, no person resident outside India shall make any investment by way of contribution to the capital of a firm or a proprietary concern or any association of persons in India ;

Provided that the Reserve Bank may, on an application made to it, permit a person resident outside India subject to such terms and conditions as may be considered necessary to make an investment by way of contribution to the capital of a firm or a proprietary concern or any association of persons in India.

4. Permission for investment in certain cases

A non-resident Indian or a Person of Indian Origin resident outside India may invest by way of contribution to the capital of a firm or a proprietary concern in India, provided that -

a) the amount invested is received either by inward remittance through normal banking channels or out of an account maintained with an authorised dealer/authorised bank by the non-resident Indian or the person of Indian origin in accordance with the relevant Regulations;

b) the firm or the proprietary concern is not engaged in any agricultural/plantation activity or real estate business, i.e. dealing in land and immovable property with a view to earning profit or earning income therefrom;

c) the amount invested shall not be eligible for repatriation outside India;

d) where investment is made out of NRSR account of the non-resident investor, the income earned on investment or proceeds of investment shall be credited only to the NRSR account of the investor.

5. Permission to a firm or a proprietary concern to make payment to a non-resident Indian or a person of Indian origin who has made investment

A firm or a proprietary concern in India may make payment to or for the credit of a non-resident Indian or a person of Indian origin the sum invested by such person in that firm or the proprietary concern or the income accruing to such person by way of profit on such investment.

(P.R. GOPALA RAO)
Executive Director