

Release of Foreign Exchange for Travel outside India

As on July 1, 2002

Reserve Bank of India
Exchange Control Department
Central Office
Mumbai

EC.CO. PCD.No.3/15.02.76/2002-03

July 15, 2002

To

All Authorised Dealers in Foreign Exchange

Dear Sirs,

Master Circular – Release of Foreign Exchange for Travel outside India

As you are aware Foreign Exchange Management Act, 1999 has been introduced with effect from June 1, 2000. In terms of Section 5 of the Act, any person may sell or draw foreign exchange to and from authorised person for a current account transaction. However, Central Government has been empowered to impose certain restrictions for current account transactions in public interest and in consultation with Reserve Bank. Accordingly, Government of India issued Notification No. GSR 381(E) dated May 3, 2000 as amended vide its Notification No.SO 301(E) dated March 30, 2001. Copy of the Notification (as amended upto March 30, 2001) is annexed.

2. Reserve Bank had issued various circulars containing directions for authorised persons for release of foreign exchange for travel outside India.

3. In order to enable the Authorised Dealers (ADs) and Full Fledged Money Changers (FFMCs) to have all the existing instructions on the subject of "**Release of foreign exchange for travel outside India**" at one place, a Master Circular had been issued by the Reserve Bank under the cover of its letter EC.CO.PCD No.17/15.02.76/2001-02 dated August 13, 2001. This Master Circular updates the instructions as on July 1, 2002, by consolidating the directions contained in the undernoted circulars:

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|------|---|-------------------|
| i) | <u>A.P.(DIR Series) Circular No.1</u> A.P.(F.L.Series) Circular No.1 | June 1, 2000 |
| ii) | A.P.(DIR Series) Circular No.19 | October 30, 2000 |
| iii) | <u>A.P.(DIR Series) Circular No.20</u> A.P.(F.L.Series) Circular No.2 | November 16, 2000 |
| iv) | <u>A.P.(DIR Series) Circular No.11</u> A.P.(F.L.Series) Circular No.1 | November 13, 2001 |
| v) | <u>A.P.(DIR Series) Circular No.12</u> A.P.(F.L.Series) Circular No.2 | November 23, 2001 |

Yours faithfully,

Grace Koshie
Chief General Manager

Master Circular for Release of Foreign Exchange for Travel Outside India

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Part I

NOTIFICATION

New Delhi, the 3rd May 2000
(as amended by Notification S.O.301(E) dated March 30,2001)

G.S.R.381(E)---In exercise of the powers conferred by Section 5 and sub-section (1) and clause (a) of sub-section (2) of Section 46 of the Foreign Exchange Management Act, 1999, and in consultation with the Reserve Bank, the Central Government having considered it necessary in the public interest, makes the following rules, namely :---

1. Short title and commencement.---(1) These rules may be called the Foreign Exchange Management (Current Account Transactions) Rules, 2000;

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

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

- 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 appended to these rules;
- d. The words and expressions not defined in these rules but defined in the Act shall have the same meanings respectively assigned to them in the Act.

3. Prohibition on drawal of Foreign Exchange.---Drawal of foreign exchange by any person for the following purpose is prohibited, namely :

- b. a transaction specified in the Schedule I; or

- c. a travel to Nepal and/or Bhutan; or
- d. a transaction with a person resident in Nepal or Bhutan.

Provided that the prohibition in clause (c) may be exempted by RBI subject to such terms and conditions as it may consider necessary to stipulate by special or general order.

4. Prior approval of Govt. of India.---No person shall draw foreign exchange for a transaction included in the Schedule II without prior approval of the Government of India, Provided that this Rule shall not apply where the payment is made out of funds held in Resident Foreign Currency (RFC) Account of the remitter.

5. Prior approval of Reserve Bank. No person shall draw foreign exchange for a transaction included in the Schedule III without prior approval of the Reserve Bank; Provided that this Rule shall not apply where the payment is made out of funds held in Resident Foreign Currency (RFC) Account of the remitter.

6 (1) Nothing contained in Rule 4 or Rule 5 shall apply to drawal made out of funds held in Exchange Earners' Foreign Currency (EEFC) account of the remitter.

(2) Notwithstanding anything contained in sub-rule (1), restrictions imposed under rule 4 or rule 5 shall continue to apply where the drawal of foreign exchange from the Exchange Earners Foreign Currency (EEFC) Account is for the purpose specified in items 10 and 11 of Schedule II, or item 3, 4, 11, 16 & 17 of Schedule III as the case may be.

Schedule I (See Rule 3)

1. Remittance out of lottery winnings.
2. Remittance of income from racing/riding etc. or any other hobby.
3. Remittance for purchase of lottery tickets, banned/proscribed magazines, football pools, sweepstakes, etc.
4. Payment of commission on exports made towards equity investment in Joint Ventures/ Wholly Owned Subsidiaries abroad of Indian companies.
5. Remittance of dividend by any company to which the requirement of dividend balancing is applicable.
6. Payment of commission on exports under Rupee State Credit Route.
7. Payment related to "Call Back Services" of telephones.
8. Remittance of interest income on funds held in Non-Resident Special Rupee(Account) Scheme.

Schedule II (See Rule 4)

Purpose of Remittance	Ministry/Department of Govt. of India whose approval is required
1. Cultural Tours	Ministry of Human Resources Development, (Department of Education and Culture)
2. Advertisement in foreign print media , for the	Ministry of Finance, (Department of Economic

- purposes other than promotion of tourism, foreign investments and international bidding (exceeding US\$ 10,000) by a State Government and its Public Sector Undertakings Affairs)
3. Remittance of freight of vessel chartered by a PSU Ministry of Surface Transport, (Chartering Wing)
 4. Payment of import by a Govt. Department or a PSU on c.i.f. basis (i.e. other than f.o.b. and f.a.s. basis) Ministry of Surface Transport, (Chartering Wing)
 5. Multi-modal transport operators making remittance to their agents abroad Registration Certificate from the Director General of Shipping
 6. Remittance of hiring charges of transponders Ministry of Finance, (Department of Economic Affairs)
 7. Remittance of container detention charges exceeding the rate prescribed by Director General of Shipping Ministry of Surface Transport (Director General of Shipping)
 8. Remittances under technical collaboration agreements where payment of royalty exceeds 5% on local sales and 8% on exports and lump-sum payment exceeds US\$ 2 million Ministry of Industry and Commerce
 9. Remittance of prize money/sponsorship of sports activity abroad by a person other than International/National/State Level sports bodies, if the amount involved exceeds US\$ 100,000 Ministry of Human Resources Development (Department of Youth Affairs and Sports)
 10. Payment for securing Insurance for health from a company abroad Ministry of Finance, (Insurance Division)
 11. Remittance for membership of P & I Club Ministry of Finance, (Insurance Division)

Schedule III
(See Rule 5)

1. Remittance by artiste e.g. wrestler, dancer, entertainer etc. (This restriction is not applicable to artistes engaged by tourism related organisations in India like ITDC, State Tourism Development Corporations etc. during special festivals or those artistes engaged by hotels in five star categories, provided the expenditure is met out of EEFC account).
2. Release of exchange exceeding US\$ 5,000 or its equivalent in one calendar year, for one or more private visits to any country (except Nepal and Bhutan).
3. Gift remittance exceeding US\$ 5,000 per remitter/donor per annum.

4. Donation exceeding US\$ 5000 per remitter/donor per annum.
5. Exchange facilities exceeding US\$ 5,000 for persons going abroad for employment.
6. Exchange facilities for emigration exceeding US\$ 5,000 or amount prescribed by country of emigration.
7. Remittance for maintenance of close relatives abroad,
 - i. exceeding net salary (after deduction of taxes, contribution to provident fund and other deductions) of a person who is resident but not permanently resident in India and is a citizen of a foreign state other than Pakistan.
 - ii. Exceeding US\$ 5,000 per year, per recipient, in all other cases.

Explanation: For the purpose of this item, a person resident in India on account of his employment of a specified duration (irrespective of length thereof) or for a specific job or assignment; the duration of which does not exceed three years, is a resident but not permanently resident.

8. Release of foreign exchange, exceeding US\$ 25,000 to a person, irrespective of period of stay, for business travel, or attending a conference or specialised training or for maintenance expenses of a patient going abroad for medical treatment or check-up abroad, or for accompanying as attendant to a patient going abroad for medical treatment/check-up.
9. Release of exchange for meeting expenses for medical treatment abroad exceeding the estimate from the doctor in India or hospital/doctor abroad.
10. Release of exchange for studies abroad exceeding the estimate from the institution abroad or US\$ 30,000, per academic year, whichever is higher.
11. Commission to agents abroad for sale of residential flats/commercial plots in India, exceeding 5% of the inward remittance.
12. Short term credit to overseas offices of Indian companies.
13. Remittance for advertisement on foreign television by a person whose export earnings are less than Rs.10 lakhs during each of the preceding two years.
14. Remittance of royalty and payment of lump-sum fee under the technical collaboration agreement which has not been registered with Reserve Bank.
15. Remittance exceeding US\$ 100,000/= per project, for any consultancy service procured from outside India
16. Remittances for use and/or purchase of trade mark/franchise in India.
17. Remittance exceeding US\$100,000/=, by an entity in India by way of reimbursement of pre-incorporation expenses.

Part II

Release of Foreign Exchange by Authorised Dealers

A.1 General

(a) For release of foreign exchange to the persons resident in India for travel abroad, authorised dealers should be guided by the Rules made by the Govt. of India under Section 5 of Foreign Exchange Management Act, 1999. In terms of item (b) of Rule 3 of the Govt. Notification No. GSR 381 (E) dated 3rd May 2000, no release of foreign exchange is admissible for travel to Nepal and Bhutan. For release of foreign exchange exceeding certain limits, as specified in Schedule III to the Notification, prior approval of Reserve Bank should be obtained. All applications for release of exchange exceeding the limits prescribed in Schedule III to the Govt. Notification should be referred to the Regional Office of the Exchange Control Department under whose jurisdiction the applicant is functioning/ residing.

(b) In terms of clause (b) of Rule (2) of the Government Notification No. GSR. 381(E) dated 3rd May, 2000, "Drawal" includes use of International Credit Cards, International Debit Cards, ATM cards, etc. It is, therefore, clarified that use of these instruments is also subject to the restrictions imposed under the Notification. Further, in terms of clause (h) of Section 2 of Foreign Exchange Management Act, 1999, "currency", inter-alia, includes International Credit Cards. The Reserve Bank has also, vide its Notification No FEMA 15/2000-RB dated 3rd May 2000, notified ATM Cards and Debit Cards as "Currency". Accordingly, payments made by Credit Cards, ATM Cards and Debit Cards etc. being only different methods of payment, all Rules, Regulations made and Directions issued under the Act apply to Credit Cards, ATM Cards, Debit Cards etc. also.

A.2 Sale of Exchange

- a. Where permits/ approvals have been issued by the Reserve Bank/ Government of India, foreign exchange may be sold within the period of validity stated on the permit/approval and the sale be endorsed on the reverse of the permit / original approval.
- b. On the basis of a declaration given by the traveller regarding the amount of foreign exchange availed of during a calendar year, authorised dealers may release exchange for tourism and private purposes.
- c. Authorised dealers **need not** endorse on the traveller's passport Foreign Exchange sold for travel abroad. However, **if requested by the traveller**, they may record under their stamp, date and signatures, details of foreign exchange sold for travel.
- d. In case of issue of travellers cheques, the traveller should sign the cheques in the presence of an authorised official and the purchaser's acknowledgement for receipt of the travellers cheques should be duly maintained.
- e. Out of the overall foreign exchange being sold to a traveller, exchange in the form of foreign currency notes and coins may be sold up to the limit indicated below:
 - (i) Travellers proceeding to countries other than Iraq, Libya, Islamic Republic of Iran, Russian Federation and other Republics of Commonwealth of Independent States not exceeding US \$ 2000 or its equivalent
 - (ii) Travellers proceeding to Iraq or Libya, not exceeding US \$ 5000 or its equivalent
 - (iii) Travellers proceeding to Islamic Republic of Iran, Russian Federation and other Republics of Full exchange released

Commonwealth of Independent States.

- f. The forms A2 relating to sale of foreign exchange for travel abroad should be retained for a period of one year by the authorised persons together with the related documents for the purpose of verification by their Internal Auditors.

A.3. Medical Treatment

A person who has fallen sick after proceeding abroad may also be released foreign exchange for medical treatment outside India in accordance with Rule 5 of Government Notification No GSR 381(E) dated 3rd May, 2000.

A.4 Cultural Tours

Dance troupes, artistes, etc. who wish to undertake tours abroad for cultural purposes should apply to Ministry of Human Resources Development (Department of Education and Culture), Government of India, for recommendation regarding their foreign exchange requirements. Authorised dealers may release foreign exchange, on the strength of the sanction from the Ministry, to the extent and subject to conditions indicated therein.

A.5 Private visits

Foreign exchange for private visit can also be released to a person who is availing of foreign exchange for travel outside India for **any purpose**.

A.6 Follow-up of utilisation of foreign exchange in certain cases

Where an authorised dealer has released exchange on the basis of estimates, e.g. for medical treatment or medical check up abroad etc. the authorised dealer is required to follow-up and ensure that the details of actual expenses are invariably submitted by the applicant to the branch of the authorised dealer which released foreign exchange, within a fortnight of his returning to India. Non-submission of the details within reasonable time should be reported to the Regional Office of Reserve Bank under whose jurisdiction the applicant is residing.

A.7 Period of surrender of foreign exchange

In case the foreign exchange purchased for any purpose is not used for the purposes or for any other purpose for which purchase or acquisition of foreign exchange is permitted under the provisions of FEMA, 1999 or Rules or Regulations made thereunder, the same or the unused portion thereof is required to be surrendered to an authorised person within a period of 60 (sixty) days from the date of its purchase (cf. Notification No. FEMA 9/2000-RB Dated 3rd May 2000).

*Note: In cases where a person approaches an authorised person for surrendering foreign exchange after 60 days, the authorised person should **not** refuse to purchase the foreign exchange on the ground that the prescribed period of 60 days has expired*

A.8 Unspent Foreign Exchange

Unspent foreign exchange brought back to India by a traveller should be surrendered to an authorised person within 90 days from the date of return of the traveller if the unspent foreign exchange is in the form of currency notes. If such foreign exchange is in the form of traveller cheques, the same should be surrendered to an authorised person within 180 days from the date of return. Exchange so brought back can be utilised by the traveller for his subsequent visit abroad during the period specified above. However, a returning traveller is also permitted to retain with him, foreign currency travellers cheques and Notes upto an aggregate amount of US \$ 2000 and foreign coins without any ceiling (cf. Notification No.FEMA 11/2000-RB dated 3rd May 2000). Foreign exchange so retained can be utilised by the traveller for his subsequent visit abroad.

*Note: Where a person approaches an authorised person for surrender of foreign exchange after the prescribed period authorised person should **not** refuse to purchase the foreign exchange on the ground that the prescribed period has expired*

A.9 Remittances for Tour Arrangements, etc.

- I. Authorised dealers may remit foreign exchange upto a reasonable limit, at the request of a traveller towards his hotel accommodation, tour arrangements, etc., in the countries proposed to be visited by him, provided it is out of the foreign exchange purchased by the traveller from an authorised person (including exchange drawn for private travel abroad) in accordance with the Rules, Regulations and Directions in force.
- II. Authorised dealers may effect remittances at the request of agents in India who have tie up arrangements with hotels/agents, etc., abroad for providing hotel accommodations or making other tour arrangements for travellers from India provided the authorised dealer is satisfied that the remittance is being made out of the foreign exchange purchased by the concerned traveller from an authorised person (including exchange drawn for private travel abroad) in accordance with the Rules, Regulations and Directions in force.
- III. Authorised dealer may open foreign currency accounts in the name of agents in India who have tie up arrangements with hotels/agents, etc., abroad for providing hotel accommodations or making other tour arrangements for travellers from India provided :-
 - a. the credits to the account are by way of depositing
 - i. collections made in foreign exchange from travellers, and
 - ii. refunds received from outside India on account of cancellation of bookings/tour arrangements, etc., and
 - b. the debits in foreign exchange are for making payments towards hotel accommodation, tour arrangements, etc., outside India, in accordance with (ii) above.

A.10 Payment in Rupees

Authorised dealers may accept payment in cash up to Rs 50,000 (Rupees fifty thousand only) against sale of foreign exchange for travel abroad (for private visit or for any other purpose). Wherever the sale of foreign exchange exceeds the amount equivalent to Rs 50,000, the payment

must be received only by a (i) crossed cheque drawn on the applicant's bank account, or (ii) crossed cheque drawn on the bank account of the firm/company sponsoring the visit of the applicant, or (iii) Banker's Cheque/Pay Order/ Demand Draft.

Note: Where the rupee equivalent of foreign exchange drawn exceeds Rs 50,000 either for any single drawal or more than one drawal reckoned together for a single journey/visit it should be paid by cheque or draft as explained above.

A.11 Advance Remittance

Authorised dealers may allow advance remittance for any current account transaction for which the release of foreign exchange is admissible, provided the amount of advance remittance does not exceed US \$ 25,000 or its equivalent. Where the amount exceeds US \$ 25,000 or its equivalent, a guarantee from a bank of International repute situated outside India or a guarantee from an authorised dealer in India, if such a guarantee is issued against the counter-guarantee of a bank of International repute situated outside India, should be obtained from the overseas beneficiary. The authorised dealer should also follow up to ensure that the beneficiary of the advance remittance has fulfilled his obligations under the contract or agreement with the remitter in India.

Part III

Release of Foreign Exchange by Full Fledged Money Changers (FFMCs)

A.1 General

Attention of the Full Fledged Money Changers (FFMCs) is invited to para 4 of A.D.(MA Series) Circular No.11 dated 16th May 2000 wherein it has been indicated that the directions contained therein shall be applicable, mutatis-mutandis to money changers and they shall continue to be governed by the provisions of FLM/RLM as amended from time to time. In terms of FEMA, 1999, the current regulations stand modified as under :

A.2 Quantum of exchange permitted to be released for the approved purposes

(a) Exchange not exceeding US \$ 5000 or its equivalent per person in one calendar year for one or more private visits to any country (except Nepal and Bhutan) as against the quantum of exchange now allowed under BTQ (para 10 of FLM).

(b) Exchange not exceeding US \$ 25000 to a person irrespective of period of stay for business travel as against various scales of exchange existing as of now (para 11 of FLM).

A.3 Documentation

The Reserve Bank will not, henceforth, prescribe the documents which should be verified by the Money Changers while releasing foreign exchange. In this connection attention of Money Changers is drawn to sub-section (5) of Section 10 of the Foreign Exchange Management Act,

1999 (42 of 1999) which provides that an authorised person shall before undertaking any transaction in foreign exchange on behalf of any person require that person to make such a declaration and to give such information as will reasonably satisfy him that the transaction will not involve and is not designed for the purpose of any contravention or evasion of the provisions of the Act or any rule, regulation, notification, direction or order issued thereunder. Money Changers are advised to keep on record any information/documentation on the basis of which the transaction was undertaken for verification by the Reserve Bank. The said clause further provides that where the said person (applicant) refuses to comply with any such requirement or makes unsatisfactory compliance therewith, the authorised person shall refuse in writing to undertake the transaction and shall if he has reasons to believe that any contravention/evasion is contemplated by the person, report the matter to Reserve Bank.

A. 4 Endorsement on Passport

It is **not mandatory** for authorised persons to endorse the amount of foreign exchange sold for travel abroad. However, **if requested by the traveller**, they may record under their stamp, date and signature details of foreign exchange sold for travel.

A.5 FLM Provisions

FFMCs shall continue to be governed by all other provisions of FLM.