

Regulatory Hotline

November 06, 2009

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 Government 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 norms¹, 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.

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

- Mahesh Kumar & Kishore Joshi

DISCLAIMER

The contents of this hotline should not be construed as legal opinion. View detailed disclaimer.

This Hotline provides general information existing at the time of preparation. The Hotline is intended as a news update and Nishith Desai Associates neither assumes nor accepts any responsibility for any loss arising to any person acting or refraining from acting as a result of any material contained in this Hotline. It is recommended that professional advice be taken based on the specific facts and circumstances. This Hotline does not substitute the need to refer to the original pronouncements.

This is not a Spam mail. You have received this mail because you have either requested for it or someone must have suggested your name. Since India has no anti-spamming law, we refer to the US directive, which states that a mail cannot be considered Spam if it contains the sender's contact information, which this mail does. In case this mail doesn't concern you, please unsubscribe from mailing list.

Research Papers

Horizon Technologies

January 21, 2025

Compendium of Research Papers

January 11, 2025

FAQs on Setting Up of Offices in India

December 13, 2024

Research Articles

INDIA 2025: The Emerging Powerhouse for Private Equity and M&A Deals

January 15, 2025

Key changes to Model Concession Agreements in the Road Sector

January 03, 2025

The Revolution Realized: Bitcoin's Triumph

December 05, 2024

Audio

Securities Market Regulator's Continued Quest Against "Unfiltered" Financial Advice

December 18, 2024

Digital Lending - Part 1 - What's New with NBFC P2Ps

November 19, 2024

Renewable Roadmap: Budget 2024 and Beyond - Part I

August 26, 2024

NDA Connect

Connect with us at events, conferences and seminars.

NDA Hotline

Click here to view Hotline archives.

Video

"Investment return is not enough" Nishith Desai with Nikunj Dalmia (ET Now) at FI18 event in Riyadh

October 31, 2024

Analysing SEBI's Consultation Paper

on Simplification of registration for
FPIs

September 26, 2024

Scope of judicial interference and
inquiry in an application for
appointment of arbitrator under the
(Indian) Arbitration and Conciliation
Act, 1996

September 22, 2024