

FEMA Updates for the month of October 2020

Contributed by

CA G. Murali Krishna

gmk@grandhiandassociates.in

I. Changes to Foreign Trade Policy – Foreign Direct Investment in Defence Sector

Vide Press Note 4 (2020 Series) dated September 17, 2020, Department for Promotion of Industry and Internal Trade (DPIIT) brought changes to Foreign Trade Policy regarding FDI in Defence Sector. Currently investment in Defence Sector up to 49% is under automatic route and thereafter it shall be under Govt approval route. Now, the said limit for automatic route is increased to 74%. FDI up to 74% under automatic route shall be permitted for companies seeking new industrial licenses only.

This Press Note shall be effective from the date necessary amendments are carried in the FEM (NDI) Rules, 2019

II. Update on Compounding Orders issued under FEMA Regulations

a. Triterras Smart Id Systems India Pvt Ltd

Regulation	Paragraph 9(1)A and Paragraph 8 respectively, of Schedule I to Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 notified vide Notification No. FEMA 20/2000-RB dated May 3, 2000
Contravention	i. Delay in reporting of inflow of funds from a person resident outside India ii. Delay in allotment of shares to person resident outside India
Date of Order	December 31, 2019
Amount of Contravention	INR 20.24 Cr
Compounding Fee	INR 11.61 Lacs

b. William Scott Pinckney, an Australian Citizen

Regulation	Regulation 4(2) of Foreign Exchange Management (Remittance of Assets) Regulations, 2000 notified vide Notification No. FEMA 13/2000-RB, dated May 03, 2000
Contravention	Remittance of assets outside India beyond the limit (USD 1 Mn) stipulated in regulations
Date of Order	January 30, 2020
Amount of Contravention	INR 4.14 Cr
Compounding Fee	INR 3.18 Lac

c. Mr Raiomand Billimoria and Mrs Anita Nirody, US Citizens and Persons of Indian Origin

Regulation	Regulation 8 of Notification No. 21/2000-RB, dated May 3, 2000 - FEM (Acquisition and transfer of immovable property in India) Regulations 2000
Contravention	Acquisition and holding of immovable property in India by persons resident outside India without prior approval of RBI
Date of Order	June 27, 2019
Amount of Contravention	INR 1.2 Cr
Compounding Fee	INR 3.00 Lac