



# Amendments to Foreign Contribution (Regulation) Act

**For Prelims:** Foreign Contribution (Regulation) Act (FCRA), 2010, non-governmental organisations (NGOs), Remittances, Forex Reserves, Trade Deficit

**For Mains:** Changes in FCRA Act and its Significance, Foreign Contribution (Regulation) Amendment Act, 2020

## Why in News?

Recently, the Ministry of Home Affairs amended certain provisions of the **Foreign Contribution (Regulation) Act (FCRA)**.

- The Ministry had made the [FCRA rules tougher in November 2020](#), making it clear that **NGOs (Non-Government Organizations)** which may not be directly linked to a political party but engage in political action like bandhs, strike or road blockades will **be considered of political nature if they participate in active politics or party politics**. According to the law, all NGOs receiving funds have to registered under the FCRA.
- The move comes after the government enhanced the **import duty on gold import from 7.5 % to 12.5 % in a bid to discourage import of gold** that leads to increase in trade deficit and puts pressure on the currency and forex reserves.
  - An increase in import duty on gold will lead to increase in cost of import and **discourage its import and consumption**.

## What is the FCRA?

- **About:**
  - The FCRA was enacted **during the Emergency in 1976** in an atmosphere of apprehension that foreign powers were interfering in India's affairs by pumping in funds through independent organisations.
    - These **concerns had been expressed in Parliament as early as in 1969**.
  - The law sought **to regulate foreign donations** to individuals and associations so that they functioned **"in a manner consistent with the values of a sovereign democratic republic"**.
- **Objectives:**
  - It **requires every person or NGO wishing to receive foreign donations to be registered under the Act**, to open a bank account for the receipt of the foreign funds and to utilise those funds **only for the purpose for which they have been received** and as stipulated in the Act.
  - The Act prohibits **receipt of foreign funds by candidates for elections, journalists or newspaper and media broadcast companies**, judges and government servants, members of legislature and political parties or their office-bearers, and organisations of a political nature.
- **Amendments:**
  - It was amended in 2010 **to "consolidate the law" on utilisation of foreign funds**,

- and **“to prohibit” their use for “any activities detrimental to national interest”**
- The law was **amended again by the current government in 2020**, giving the government tighter control and scrutiny over the receipt and utilisation of foreign funds by NGOs.

## What are the Key Changes?

- It allows Indians to receive up to Rs 10 lakh annually from their relatives abroad under FCRA.
  - The limit earlier was Rs 1 lakh.
  - If the amount exceeds, the **individuals will now have 90 days to inform the government instead of 30 days earlier.**
- It has given individuals and organisations or NGOs 45 days for the **application of obtaining 'registration' or 'prior permission'** under the FCRA to receive funds.
  - Earlier it was 30 days.
- Organisations receiving foreign funds **will not be able to use more than 20 % of such funds for administrative purposes.**
  - This limit was 50 % before 2020.
- Made five more offences under the **FCRA “compoundable”**, making 12, instead of directly prosecuting the organisations or individuals.
  - Earlier, only **seven offences under the FCRA were compoundable.**

## What are Compoundable Offences?

- Compoundable offences are those offences where, the **complainant (one who has filed the case, i.e., the victim), enter into a compromise, and agrees to have the charges dropped** against the accused. However, such a compromise should be a "Bonafide," and not for any consideration to which the complainant is not entitled to.
- The FCRA violations which have become compoundable now include **failure to intimate about receipt of foreign funds, opening of bank accounts, failure to place information** on website, etc.

## What is the Significance of the Move?

- **Enhances Remittances:**
  - It will **curb the outflow of funds** and on the other hand enhancing **inward [Remittances](#).**
- **Stabilise forex Reserves:**
  - It **will lead to an increase in inflow of funds into India** which will **stabilise the [forex reserves](#)** and also the currency.
  - Similarly, an increase in import duty on gold from 7.5 % to 12.5 % will **discourage gold import** as it will result in an increase in the price of gold in India.
- **Reduces Trade Deficit:**
  - An increase in inflow of funds and reduction in outflow of funds on account of gold imports will help **reduce the [trade deficit](#).**
    - The trade deficit in the month of April and May 2022 stood at a high of USD 20.1 billion and USD 24.6 billion respectively **making an aggregate of USD 44.7 billion in two months.**
    - By comparison the trade deficit in April and **May 2021 stood at USD 21.8 billion.**

**[Source: HT](#)**

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