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 c**omplainant (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 wil**l 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 2**022 s**tood 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