GOI notifies FEMA (Compounding Proceedings) Rules, 2024

The Foreign Exchange Management Act (FEMA) was passed by the Indian Parliament in 1999 to regulate foreign exchange transactions and promote international trade. The act's objectives include:
-Facilitating external trade and payments
-Promoting the orderly development of the foreign exchange market
-Ensuring the stability of the Indian economy
-Aligning with the World Trade Organization's (WTO) guidelines

In pursuance of the Union Budget 2024-25 announcement by Union Minister for Finance and Corporate Affairs, Smt. Nirmala Sitharaman, to simplify rules and regulations for foreign investments, the Department of Economic Affairs (DEA), Ministry of Finance, has today notified the Foreign Exchange (Compounding Proceedings) Rules, 2024, under powers given under section 46 read with section 15 of the Foreign Exchange Management Act (FEMA), 1999. The amended Rules will supersede the existing Foreign Exchange (Compounding Proceedings) Rules issued in 2000.

As part of a broader initiative to streamline and rationalize existing rules and regulations to further facilitate ease of doing business, the compounding proceeding rules were comprehensively reviewed in consultation with the Reserve Bank of India.

The emphasis has been on enabling provisions to expedite and streamline the processing of compounding applications, introducing digital payment options for application fees and compounding amounts, and focusing on simplification and rationalization of the provisions to eliminate ambiguity and clarify the process.

These amendments indicate the Government's commitment to promoting 'ease of investment' for investors and 'ease of doing business' for businesses.

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