

Regulatory Update

**Foreign Contribution
(Regulation) Amendment
Rules 2024**



Understanding the Recent Amendments to the Foreign Contribution (Regulation) Rules, 2011

On December 31, 2024, the Ministry of Home Affairs introduced amendments to the Foreign Contribution (Regulation) Rules, 2011, effective January 1, 2025. These changes aim to increase transparency and offer greater operational flexibility for organizations receiving foreign contributions (FC).

Below is a detailed account of the amendments, supported by direct excerpts from the official notification.

Key Changes and Corresponding Extracts from the Notification

1. Rule 5: Carry Forward of Administrative Expenses

Earlier Regulation: Administrative expenses up to 20% of the total FC received in a financial year were to be used within the same financial year.

In the Foreign Contribution (Regulation) Rules, 2011 (hereinafter referred to as said rules), in rule 5, after second proviso, the following proviso shall be inserted, namely:—

Amended Regulation:

"Provided also that the association shall have the option to carry forward the unspent part of allowable administrative expenses in a financial year to the immediately succeeding financial year, for reasons to be mentioned in Form FC-4."

This amendment allows organizations to manage administrative expenses more effectively, providing a detailed record in Form FC-4.

2. Form FC-4 Updates

a. Declaration of Income-Tax Refunds Involving Foreign Contribution

A new field under Form FC-4 mandates disclosure of any income-tax refund transferred from non-FCRA bank accounts:

(a) in serial number 2, in clause (i), in sub-clause (b), after item (ii), the following item shall be inserted, namely:-

"Transfer of Foreign Contribution part of income-tax refund from non-FCRA bank account."

b. Carry Forward of Unspent Administrative Expenses

A new section has been added for declaring and justifying unspent administrative expenses carried forward.

Accordingly, a new section under Form FC-4 requires organizations to provide the following details in a Tabular format to justify the carry forward of unspent administrative expenses:

"Carry forward of unspent part of allowable administrative expenses in a financial year."

Tabular Format for Reporting

Sl. No.	Particulars	Amount (in Rs.)
A	Brought forward unspent part of allowable administrative expenses	[Specify]
B	Total foreign contribution received during the year	[Specify]
C	Allowable administrative expenses for the year [20% of B]	[Specify]
D	Total administrative expenses incurred during the year	[Specify]
E	Administrative expenses of current year utilized out of A above	[Specify]
F	Administrative expenses of current year utilized out of C above	[Specify]
G	Unspent part of C above available to be carried forward	[Specify]
H	Out of G above, amount to be carried forward to next financial year	[Specify]
I	Reason for carry forward of unspent allowable administrative expenses to the next financial year	[Specify]

This detailed structure ensures clarity on how funds are carried forward and mandates a rationale for the same.

c. Details of Chartered Accountant (CA) Certification

Form FC-4 now requires additional details about the CA issuing the compliance certificate:

after serial number 8, the following shall be inserted, namely:-

“ 9. Details of Chartered Accountant issuing the certificate under sub-rule (5) of rule 17:

- Name, address, Member Registration Number, and email address.
- Date of issue of the certificate.
- Whether any violation of the FCRA Act was identified, and specific details, if applicable.

3. Updated Wording for Chartered Accountant Certification

CAs must now certify FCRA compliance in a revised format. Below is the mandatory declaration introduced under Rule 17(5):

"I have examined all relevant books and records, including the items mentioned in column 8 of FC-4, and to the best of my knowledge and belief, (name of the person/association) has (strike out whichever is not applicable):

- 1. not violated any provisions of the Foreign Contribution (Regulation) Act, 2010 or rules made thereunder or notifications issued thereunder; or*

2. *violated the provisions of Foreign Contribution (Regulation) Act, 2010 or rules made thereunder or notifications issued thereunder.*

The details of the violation(s) are as under:....."

This new provision emphasizes the need for thorough scrutiny of financial records by auditors.

Analysis and Impact

1. **Operational Flexibility:** The ability to carry forward administrative expenses ensures better fund management, especially when utilization is delayed.
2. **Enhanced Accountability:** The new reporting format for income-tax refunds and administrative expenses aligns with global transparency norms.
3. **Stringent Audit Practices:** Additional CA disclosures may increase compliance costs but ensure robust accountability and fraud prevention.

Conclusion

These amendments showcase the government's intent to balance financial flexibility with tighter regulatory oversight. Organizations and auditors must adapt to these changes to ensure compliance and operational efficiency.

For more details, please refer the notification at:

https://fcraonline.nic.in/home/PDF_Doc/fc_gaz_01012025.pdf

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