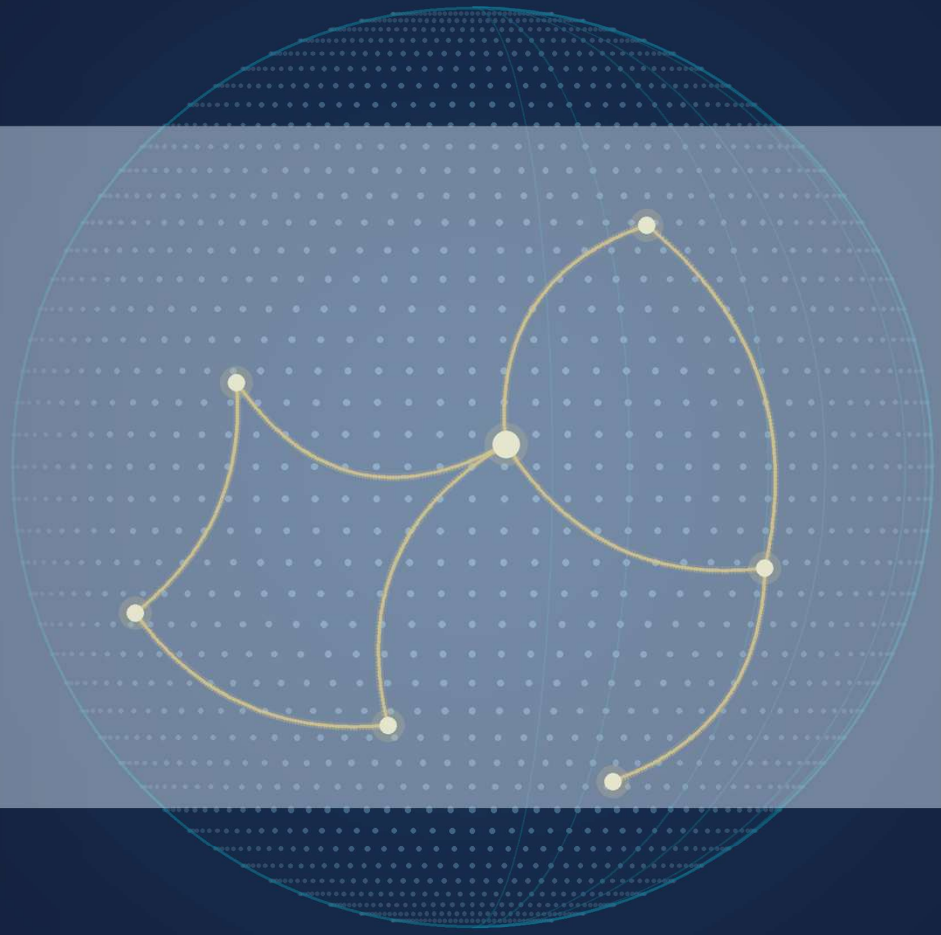
BCAS Webinar

Recent changes in FEMA Export & Import Regulations

CA Naziya Sayyed

October 22, 2026



1. Revised Regulation (FEMA 23(R)/2026-RB)
2. Panel Discussion
3. Open Forum



Revised Regulatory Framework

02-Jul-2024	Initial Drafts released - Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2025 and Directions to the Authorised Dealer (AD) Banks
04-Apr-2025	Revised drafts issued incorporating feedback received from various stakeholders
13-Jan-2026	Final FEMA Foreign Trade Regulation **(FEMA 23(R)/2026-RB)** notified replacing existing FEMA 23(R)/2015-RB dated January 12, 2016
16-Jan-2026	Revised Directions issued replacing existing Master Directions on Export of Goods and Services and Master Direction on Import of Goods and Services
22-Sep-2026	Regulation further amended vide Notification No. FEMA 23(R)/(1)/2026-RB
01-Oct-2026	Effective date for Revised Regulation and Direction to come into force

Ease of Doing Business and Single Regulatory Document

Regulatory Framework

Present

- Foreign Exchange Management (Export of Goods & Services) Regulations, 2015 (FEMA 23(R)/2015-RB) dated January 12, 2016 updated as on June 5, 2026
- Master Direction on Export of Goods & Services
- Master Direction on Import of Goods & Services

Valid until September 30, 2026

Revised

- Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2025 (FEMA 23(R)/2026-RB) dated January 13, 2026 as amended from time to time
- AP DIR Circulars

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AD Bank(s) Internal Policy

W.e.f. October 1, 2026

Key changes in Definitions

<table>
<tr><th>Term</th><th>Amendment made</th></tr>
<tr><td>Export</td><td>Existing definition in FEMA 23(R) deleted - 'export' includes the taking or sending out of goods by land, sea or air, on consignment or by way of sale, <u>lease, hire-purchase, or under any other arrangement by whatever name called</u>, and in the case of software, also includes transmission through any electronic media;

Section 2(l) of FEMA - “export”, with its grammatical variations and cognate expressions, <u>means</u> (i) the taking out of India to a place outside India any goods, (ii) provision of services from India to any person outside India;</td></tr>
<tr><td>Specified Authority for filing Form EDF</td><td>
<table>
<tr><th>Export of</th><th>Export from</th><th>Specified Authority</th></tr>
<tr><td rowspan="2">Goods</td><td>DTA</td><td>• Commissioner of Customs and</td></tr>
<tr><td>SEZ</td><td>• Development Commissioner of SEZ</td></tr>
<tr><td rowspan="2">Software</td><td>DTA</td><td>• Authorised Dealer or STPI</td></tr>
<tr><td>SEZ</td><td>• Development Commissioner of SEZ</td></tr>
<tr><td rowspan="2">Service</td><td>DTA</td><td>• Authorised Dealer</td></tr>
<tr><td>SEZ</td><td>• Development Commissioner of SEZ</td></tr>
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Exports Declaration

- **Service Exporters are also required to file declaration in Form EDF**

- No separate definition prescribed for export of service – Section 2(l) "export" and Section 2 (zb) "service" under FEMA to be referred to
  - *"service" means service of any description which is made available to potential users and includes the provision of facilities in connection with banking, financing, insurance, medical assistance, legal assistance, chit fund, real estate, transport, processing, supply of electrical or other energy, boarding or lodging or both, entertainment, amusement or the purveying of news or other information, but does not include the rendering of any service free of charge or under a contract of personal service.*

- It is clarified that term Services shall include Software. Definition of term Software retained
  - "Software" means any computer programme, database, drawing, design, audio/video signals, any information by whatever name called in or on any medium other than in or on any physical medium.

- Bulk reporting in single form for multiple exports in a month permitted

- Timelines for submission
  - Exporter of Service – **Shall furnish** - Within 30 days from the end of month in which invoice is raised
  - *Exporter of Service* ***other than Software – May submit - On or before the date of receipt of payment***

- AD granted power to extend the period of EDF submission after satisfying itself of reason for delay

Single form prescribed for all Exporters - Goods as well as Services including Software

Exports Declaration

- **Exemption from filing EDF contained in Regulation 4 of FEMA 23(R) deleted – No GR waiver required - Export Value to be declared as Nil if export is without any consideration**

  - ❑ Trade samples of goods and publicity material supplied free of payment;
  - ❑ Ship's stores, trans-shipment cargo and goods supplied under the orders of specified authorities for military, naval or air force requirements;
  - ❑ Tugs or Tug Boats, Dredgers and Vessels used for providing offshore support services, subject to their re-import into India
  - ❑ Gift of goods accompanied by a declaration by the exporter that they are not more than five lakh rupees in value
  - ❑ Aircrafts or aircraft engines and spare parts for overhauling and/or repairs abroad subject to their reimport into India after overhauling /repairs, within a period of six months from the date of their export;
  - ❑ Re-export of leased aircraft/helicopter and/or engines/auxiliary power units (APUs), either completely or in partially knocked down condition re possessed by overseas lessor and duly de-registered by the DGCA or any other termination or cancellation of the lease agreement between the lessor and lessee subject to permission by DGCA/Ministry of Civil Aviation for such export/s;
  - ❑ Goods imported free of cost on re-export basis;
  - ❑ Goods which are permitted by the Development Commissioner of the SEZs, EHTPs, STPs or FTZs to be re-exported, namely:
    - imported goods found defective, for the purpose of their replacement by the foreign suppliers/collaborators;
    - goods imported from foreign suppliers/collaborators on loan basis;
    - goods imported from foreign suppliers/collaborators free of cost, found surplus after production operations.
  - ❑ Replacement goods exported free of charge in accordance with the provisions of Foreign Trade Policy in force, for the time being.
  - ❑ Goods sent outside India for testing subject to re-import into India;
  - ❑ Defective goods sent outside India for repair and re-import provided the goods are accompanied by a certificate from an authorised dealer in India that the export is for repair and re-import and that the export does not involve any transaction in foreign exchange.
  - ❑ Exports permitted by the RBI, on application made to it, subject to the terms and conditions, if any, as stipulated in the permission.

- Personal effects of travellers, whether accompanied or unaccompanied shall not be treated as export

Export Due Realisation

- **Manner of Receipt and Payment**
  - Payment and receipt for export/import shall be in compliance with Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2023, as amended from time to time.
  - An AD shall make a credit or debit to the account of an exporter or an importer, for receipt of export or payment for import, only after having satisfied itself of the genuineness of the transaction, and shall, simultaneously close or update the respective entry in EDPMS or IDPMS.
  - **In case of Export/Import of Goods or Services up to value of INR 10 lakh (or equivalent foreign currency), entry in EDPMS/IDPMS can be closed based on declaration from the exporter to the effect that payment against the shipping bill/invoice has been realized either in full or otherwise.**
    - **Option also provided to submit such declaration on quarterly basis for bulk closure of entries**.

Export Due Realisation

- **Period within which full export value to be realised:**

Nature of Export	FEMA 23(R)/2026	FEMA 23(R)(1)/2026*
Export of Goods & Services	15 months* from date of shipment in case of goods and date of invoice in case of service	**9 months** from date of shipment in case of goods and date of invoice in case of service**
Export of Goods to Warehouse outside India	15 months* from the date of sale of goods from the warehouse	**9 months** from date of sale from the warehouse**
Project Exports	As per contract terms	**As per contract terms**
*Extended period of 18 months permitted in cases where export of goods and services is invoiced or/and settled in Indian Rupees		
Extended period of 12 months permitted in cases where export of goods and services is invoiced or/and settled in Indian Rupees		

Export Due Realisation

- **AD Bank can allow extension of time for realisation of export proceeds beyond the specified period subject to AD's satisfaction**
  - Until now, AD could approve in cases meeting specified conditions, **cases other than those required prior RBI approval**. Some of the key conditions were:
    - Export transaction is not under investigation by ED/CBI/other investigative agencies
    - Extension can be granted up to a period of six months at a time
    - While considering extension beyond one year from the date of export, the total outstanding of the exporter does not exceed USD one million or 10 per cent of the average export realizations during the preceding three financial years, whichever is higher.
    - In cases where the exporter has filed suits abroad against the buyer, extension may be granted irrespective of the amount involved / outstanding

No time cap specified for extension to be granted

Reduction in Export Realisation

- An AD who has handled the relevant export documents may, on request from the exporter citing reasons for **under-realisation or non-realization of full export value, allow reduction in realisation of export value, provided the AD is satisfied of the reasons cited.**
  - No limits or conditions specified
  - **Relaxation to small exporters – In case of export value is up to INR 10 lakh (or its equivalent in foreign currency) per shipping bill (goods) or invoice (services), the reduction of export value (including non-realisation of full export value) may be permitted on self declaration basis.**

- Until now, reduction in invoice value was permissible subject to compliance with specified conditions up to following limits:
  - **Small value exports (less than INR 10 lakh) – No limit specified – on Self declaration basis**
  - Exporters in export business for more than three years with satisfied track record (export outstanding do not exceed 5% of the average annual export realization during preceding three financial years) – No limit
  - Others - 25% of invoice value

- Until now, write off was permissible up to following limits :
  - Self Write off – 10%* for Status Holder Exporter and 5%* for Others
  - With AD Approval – 10%*
  - Cases not covered within specified limits and conditions referred to RBI for prior approval

  *of the total export proceeds realised during the calendar year preceding the year in which the write-off is being done

Export Dues Set off

- **Set off of export receivables against import payables**
  - An AD may allow set-off of export receivables against import payables from/to the same overseas buyer or supplier or with their overseas group or associate companies **within the stipulated period for realization of export proceeds or extended period, if any, allowed by the AD.**
    - Until now, also permissible with AD approval subject to all specified terms and conditions
    - Some of the key conditions that were specified under earlier Master Directions are as under:
      - **Set-off of export receivables against goods shall not be allowed against import payables for services and vice versa**
      - Set off shall be in respect of same overseas buyer/supplier
      - Set-off shall be allowed between the export and import legs taking place during the same calendar year
      - Settlement within the group/associates companies shall be backed by a written, legally enforceable agreement/contract
      - Third party guidelines should be adhered to
      - The export / import transactions with ACU countries are kept outside the arrangement

Goods against Service set off allowed?

Third Party Receipts and Payments

- An AD may permit receipt from or payment to a third party for export and import transactions provided the AD is satisfied with the bonafides of the transaction
- **Requirement of having the third party declared in Form EDF/ Invoice/ Shipping Bill/Bill of Entry is done away with?**
- Until now, third party payments in case of exports was permitted for export of **goods/software** and in case of import only for **goods – Now third-party payments for Services also permitted**

Import Due Payment

- Existing time period of 6 months from date of import changed to **within the period specified in the contract** between the importer and overseas seller.

- This time period **can be further extended by the AD** on request from the importer subject to AD's satisfaction.
  - While the revised Regulation does not specify period of extension, AD will be guided by FEMA 3(R) on Trade Credits
    - Import of capital goods - Maximum up to 3 years
    - Import of non capital goods - Maximum of 1 year or the operating cycle, whichever is less. For shipyards / shipbuilders it can be up to 3 years.
  - Extension time period for Import of Services?
  - **Until now, AD could approve in cases meeting specified conditions, cases other than those required prior RBI approval.** Some of the key conditions were:
    - Extension can be granted up to a period of six months at a time and maximum up to 3 years
    - While considering extension beyond one year from the date of shipment, the total outstanding of the importer does not exceed USD one million or 10 per cent of the average import remittances during the preceding two financial years, whichever is lower.

Advance for Exports and Imports

- Advance for export and import - Entire transaction should be routed through same AD Bank. Change permitted provided change is intimated to both ADs

- Advance for import
  - AD may permit advance subject to its satisfaction of the genuineness of the transaction
  - **AD may consider specifying threshold for advance payment, limit beyond which the payment may require Letter of Credit or Guarantee**
  - Presently different limits are specified for different category of importer

- Interest on advance export/import should not exceed all-in-cost ceiling of Trade Credits as per FEMA 3(R)
  - FCY denominated Trade Credit - Benchmark rate plus 300 bps
  - INR denominated Trade Credit - Benchmark rate plus 250 bps
  - Interest on advance against export gets increased from present threshold of 100 basis points over benchmark rate

- **Time limit for completing shipment against advance was extended from one year to three years vide amendment made in November 2025 – Failure to comply with this timeline required RBI approval for both refund of unutilized advance or interest payment thereon – This provision has been deleted from Revised Regulations – Implications?**

Non Materialised Transactions

- **Import not materialised**
  - Importer unable to import within the contract period or the extended period granted by AD, advance payment if any, shall be repatriated
  - **If Importer is unable to repatriate the advance or where IDPMS entry has not been marked off, any future advance payment shall require an unconditional, irrevocable SLC or a BG as specified therein.**
- **Unrealised export**
  - **Exporter having unrealized export proceeds for a period beyond one year from the due date of realization or extended period permitted by an AD, if any, further exports can be undertaken only against receipt of full advance or an irrevocable Letter of Credit.**

Tracking EDPMS/IDPMS on real time basis now non negotiable

Project Export

- **AD may permit receipts/payments for project exports as per the underlying contract, after satisfying itself of the genuineness of the project**
  - Requirement of obtaining post award approval from AD/EXIM before execution of contract deleted
  - Reference to Memorandum of Instructions on Project and Service Exports (PEM-July 2014) which required the exporter to file various intimations and periodic filings to the AD right from post award approval to project completion has been deleted.
  - Provision on permissibility of issuing guarantee prior to issuance of post award approval deleted – No impact since FEMA Guarantee Regulations amended to permit such guarantees if underlying transaction is permissible under FEMA

- Deployment of temporary surplus permitted as hitherto, in short-term instruments (with original or residual maturity of one year or less) including in treasury bills and in deposits with banks outside India. However, recommended minimum rating criteria removed.

Merchanting Trade Transactions

- The period between the outward remittance and inward remittance or vice a versa does not exceed six months - **AD can approve time extension subject to its satisfaction**
- Time limit to close the MTT within a period of 9 months removed - Presently even one day delay over 9 months is being referred for RBI approval
- **Third party payment permitted subject to AD satisfaction**
- **MTT also brought within EDPMS/IDPMS compliance requirement**
- Condition of keeping export proceeds received prior to import payment in EEFC account or INR account strictly earmarked for import payment deleted
- Provision on Agency Commission deleted
- **Provision on making advance payment for import deleted – will it be covered under regulation 10?**
- **Provision on write off of unrealised export leg of MTT deleted - will it be covered under regulation 6?**
- Caution listing of merchant traders having more than 5% of their annual export earning outstanding removed

Reporting of Export/Import

- AD to enter details of foreign trade within five working day from receipt of EDF/documents (Draft had suggested one working day)
- **Import of Services shall also be reported through IDPMS – No form specified**
- Cases where no export has been made and where refund of such advance is not possible, AD may on exporters request close the entry relating to export advance in EDPMS subject to its satisfaction
- Cases where no import has taken place and where repatriation of such advance is not possible, AD may on importers request close the entry relating to import advance in IDPMS subject to its satisfaction
- In case of import transaction settled at reduced value, AD may on request close the entry subject to its satisfaction

AD level Internal Policy and SOP

- AD instructed to put in place a separate, comprehensive, well-documented internal policy and SOP, on or before October 1, 2026, for handling transactions (including the reporting thereof) related to export and import of goods and services as well as MTT. Such internal policy should at least have the following
  - List of document, timelines and charges for each processes and approval
  - Extension of the time period for export realization and repatriation/import payments
  - Adjustment (under, over and non-realization) of export proceeds to be realized and repatriated
  - Delegation of powers for internal approvals for each process
  - Export factoring and Import Factoring

- Policy shall have
  - Clear delegation across internal levels for approving transaction
  - Escalation process for handling customer grievance
  - **Appeal Mechanism wherein appeal is handled at a higher internal level - Final decision in hands of higher internal level**

- AD to ensure charges are reasonable and proportionate to service rendered - AD not to levy any charges or penalty for any regulatory delay/violation by its constituent (exporter or importer or merchant trader)

- **The Policy and main features of the SOP to be disclosed on AD Bank's website**

Appeal against AD's decision?

Other provisions

- **Import of Gold and Silver -** Advance remittance not permitted except as otherwise provided in the Act, Rules, Regulations or Directions made there under
  - AP DIR Circulars permitting advance of 11 days to qualified jewelers in IFSC continued

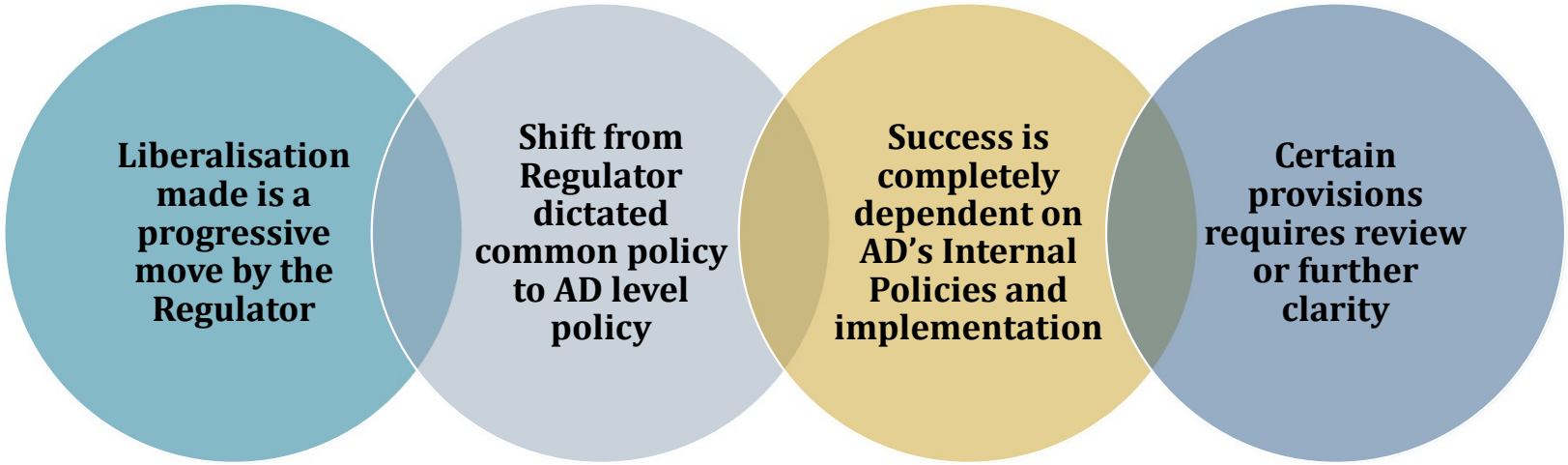
- **International Trade Invoicing and Settlement in Indian Rupees (INR) -** Framework and instructions on invoicing and settlement of cross border trade in INR notified by A.P. (DIR Series) Circular No.10 dated July 11, 2022 continues

- **Following matters as contained in present Master Direction on Exports has no mention in Revised Regulation**:
  - Export of machinery, equipment, etc. on lease, hire basis requires prior RBI approval
  - Export on elongated credit terms requires prior RBI approval
  - **Exporter's Caution Listing**

Directions to AD

- Directions contained to AD in **A.P. (DIR Series) Circular No. 20 dated Jan 16, 2026** are effective from October 1, 2026.
- Revised Directions replaces earlier Master Direction Export of Goods and Services and Master Direction – Import of Goods and Services.
- AD shall ensure adherence to FEMA, and Rules, Regulations & Directions issued under FEMA, and extant Foreign Trade Policy issued by the Government of India, while handling transactions related to Export and Import of Goods and Services, including merchanting trade transactions
- AD shall
  - send all references to the Reserve Bank through PRAVAAH portal.
  - inform any doubtful transaction to the Directorate of Enforcement (DoE).
- **ADs shall handle transactions related to the export and import of goods and services, as well as merchanting trade, undertaken prior to October 01, 2026, which hitherto required approval of the RBI**

Final Thoughts



Thank You

For feedback/queries connect at nssayyed.co@gmail.com

