

Note on Payments into India

October 2016

Background

All cross-border remittance from/to India are governed by our Central Bank, the Reserve Bank of India (RBI) and are subject to Foreign Exchange Management Act (FEMA) regulations. FEMA regulations are available in the form of various notifications and circulars that are issued by RBI from time to time (referred as regulations). These regulations are binding on the customer as well as Authorised Dealers (ADs) (such as banks dealing in foreign currency) equally.

Under FEMA regulations, transactions are broadly classified as Capital Account and Current Account transactions.

Capital Account Transactions are defined as transactions which alter assets or liabilities including contingent liabilities outside India of persons resident in India or assets and liabilities in India of persons resident outside India. Some examples of Capital Account transactions are Foreign Direct Investment (FDI), Overseas Direct Investment (ODI) and External Commercial Borrowings (ECB).

RBI has issued regulations for specific classes of Capital Account transactions and such transactions are subject to compliance with the said regulations.

Current Account Transactions are defined as transactions other than Capital Account transactions. Such transactions are permitted, unless specified otherwise under the extant FEMA regulations.

AD banks in India are expected to perform due diligence on the permissibility of cross-border transactions.

In view of the aforesaid, in order to enable the Bank to ascertain permissibility of the transaction, it is important that customer capture details of the purpose in Tag 70 of the swift message (MT103).

The below section has been compiled to guide customers on the purpose to be mentioned in Tag 70 for common types of transactions. Please note that this is not an exhaustive list and is only meant as a reference. The nature of the transaction should be in line with the purpose being mentioned.

Please visit RBI site (www.rbi.gov.in) for obtaining details on the underlying regulations governing these transactions. It may be noted that though references to Frequently Asked Questions (FAQ) available on the RBI website on date have been provided, it would be in order to also refer specific regulations on the RBI website.

Guide on common Vostro transactions

Description of transaction	Type of transaction	Remarks	Purpose to be mentioned in Field 70 of MT103	References
1. Loan to relatives/family members in India	Capital Account Transaction	None	Purpose - Loan to <Close Relative> (mention the exact relation) with <Maturity Period> and Interest Free	FAQs on Facilities for Non-Resident Indians (NRIs) and Persons of Indian Origin (PIO): http://www.rbi.org.in/scripts/FAQView.aspx?Id=52
2. Payment against invoices for export of services from India such as professional fees, consultation fees, legal or attorney fees	Current Account Transaction	Beneficiary should be the entity in India providing the service	Purpose - Payment of fees for <exact nature of service against which fees is being paid>	
3. Payment of society maintenance fees	Current Account Transaction	The payment needs to be made to the society in India for flat/house maintenance	Purpose - Payment for society maintenance fees for <society name>	
4. Payment for school/ education/tuition fees	Current Account Transaction	Beneficiary should be the entity in India providing the service	Purpose - Payment of school/ education/tuition fees for <beneficiary>	
5. Family remittances/ family maintenance/ family expenses	Current Account Transaction	None	Purpose - For family maintenance	
6. Gift remittances/Gift to family (between individuals)	Current Account Transaction	None	Purpose - Gift remittance	
7. Payments made by overseas employer to employee/ex-employee in India - salary, medical expenses, travel, final settlement, pension, provident fund	Current Account Transaction	None	Purpose - Payment to employee for <exact nature of payment - salary, etc.>	
8. Transfer to NRE/NRO account	Capital Account Transaction	None	Purpose - Payment to NRE/ NRO account in India	
9. Donations/Foreign Contribution remittances	Current Account Transaction	None	Purpose - Donation/foreign contribution with FCRA Registration number <FCRA Registration number>	FAQs on Foreign Contributions: http://mha1.nic.in/pdfs/ForeignD-ForeignD-FCRA_FAQs.pdf
10. Transfer to own account	Current Account Transaction	Remitter and beneficiary names should be an exact match	Purpose - Transfer to own account	
11. Payment against export of goods in India	Current Account Transaction	Date of Shipment to be provided along with Purpose Code	Purpose Code - P0102 Realisation of export bills (in respect of goods) sent on collection (full invoice value) – Other than Nepal and Bhutan, P0103 Advance receipts against export contracts, which will be covered later by GR/ PP/SOFTEX/SDF – other than Nepal and Bhutan, P0109 Export realisation on account of	

			exports to Nepal and Bhutan, if any including advance	
12. Property purchase by NRI/PIO (lump sum/ instalments to builders)	Capital Account Transaction	None	Purpose - Purchase of property by NRI/PIO	FAQs on Acquisition and Transfer of Immovable Property in India by a person resident outside India http://www.rbi.org.in/scripts/FAQView.aspx?Id=33
13. FDI/Foreign investment/ Foreign direct investment/investment in equity or shares/ purchase of shares	Capital Account Transaction	FDI Declaration from remitter/ beneficiary in required format	Purpose - Foreign direct investment in India via <Automatic/Government approval> route	FAQs on Foreign Investments in India: http://www.rbi.org.in/scripts/FAQView.aspx?Id=26
14. Tax payments	Current Account Transaction	None	Purpose - Payment for statutory taxes in India	
15. Disinvestment proceeds of overseas JV/WOS of the Indian entity	Capital Account Transaction		Purpose - Disinvestment of stake in <Name of the WOS> under <UIN Number>	FAQs on ODI: http://www.rbi.org.in/scripts/FAQView.aspx?Id=32
16. Commission payment - e.g. sales commission, agent commission, marketing commission	Current Account Transaction	None	Purpose - Payment of commission for <exact nature of service against which commission is being paid>	
17. Branch office/liaison office/project office expenses	Current Account Transaction	Remitter and beneficiary names should match	Purpose - Towards Branch/ liaison/project office expenses	FAQs on BO/LO/PO: http://www.rbi.org.in/scripts/FAQView.aspx?Id=100
18. Travel expenses/Holiday expenses	Current Account Transaction	Beneficiary should be the tour/travel agent	Purpose - To travel/tour agent for travel expenses	
19. Payment to resident in India for inheritance of Will	Current Account Transaction	None	Purpose - Payment towards inheritance of Will	
20. Redemption of ESOPs	Current Account Transaction	None	Purpose - Payment towards redemption of ESOPs	
21. Royalty payment	Current Account Transaction	None	Purpose - Towards royalty payment	
22. Dividend to an Indian company from its overseas subsidiary	Current Account Transaction	None	Purpose - Towards dividend payment. Unique Identification Number issued by RBI <UIN Number>	
23. Payment against export of software from India	Current Account Transaction		P0807 Off-site Software Exports including advance, Other	

Please note that HSBC India reserves the right to ask for additional information/documentation before the credit is provided to the beneficiary. Further, HSBC reserves the right to reject the transaction if the same is not in line with the extant regulations as applicable in India.