
Exchange Control Regulations Applicable to Nepal and Bhutan

**EXCHANGE CONTROL REGULATIONS APPLICABLE
TO NEPAL AND BHUTAN**

General

1. Exchange Control regulations specifically applicable to Nepal and Bhutan have been given in appropriate Chapters of the Manual. For facility of easy reference, these regulations have been brought together and amplified, wherever necessary, in this Supplement.

Transactions with Persons Resident in Nepal and Bhutan

2. In terms of Reserve Bank Notification No FERA.7/74-RB dated 1st January 1974, for purpose of transactions in Indian rupees, undernoted categories of persons, firms, companies (including banks), et. resident in Nepal and Bhutan are treated as resident in India---

- a) Indians, Nepalese or Bhutanese resident in Nepal or Bhutan.
- b) Offices and branches situated in Nepal or Bhutan of any business carried on by a company or a corporation incorporated or established under any law in force in India. Nepal or Bhutan.
- c) Offices and branches situated in Nepal or Bhutan of any business carried on as a partnership firm or otherwise by Indians, Nepalese or Bhutanese.

For purpose of transactions in foreign exchange, however, persons, firms, companies or other organisations resident in Nepal and Bhutan are treated like any other non-resident. No sales of foreign exchange can be made to them except as specifically provided in this Manual.

NOTE: The provisions in the paragraph relate only to payments between persons resident in Indian and persons resident in Nepal and Bhutan. For all other purposes, such as transactions in shares of Indian companies, carrying on any business activity in India, transactions in immovable property in India, etc., persons resident in Nepal and Bhutan are treated like any other non-residents.

Bank Accounts in India of Persons Resident in Nepal and Bhutan

3. By virtue of Reserve Bank Notification no. FERA. 7/74-RB dated 1st January 1974, rupee accounts with authorised dealers in India, of Persons, firms, companies (including banks), etc. indicated in paragraph 2 above are regarded as resident accounts. Such accounts will be opened by authorised dealers freely, provided, however, a declaration in form QA 22 has been completed and nature and sources of credits declared by the account holder do not indicate any intention to undertake transactions which may be contrary to the Indian Exchange Control regulations. Once the declaration has been furnished, operations on the accounts may be made freely.

Export of Goods to Nepal and Bhutan

4. In terms of Government of India Notifications No. F1/67/EC/73-1 and No. F1/67/EC/73-2 both dated 1st January 1974 (as amended), export of goods from India to Nepal and Bhutan is not subject to declaration of GR/PP forms.

Export of Goods from Nepal and Bhutan to Third Countries

5. Nepalese/Bhutanese goods exported from Nepal/Bhutan to countries outside India through Indian ports are not governed by the GR/PP form procedure.

Methods of Payment for Export of Goods and Services to Nepal and Bhutan

6. Rupee transfers from accounts in India of Indians, Nepalese and Bhutanese resident in Nepal and Bhutan as well as of Indian, Nepalese and Bhutanese firms, companies or other organisations (including banks) functioning in these countries against exports to these countries from India or against any other transaction can be made freely without reference to Reserve Bank. Payments from other persons in or resident in Nepal and Bhutan (such as foreign tourists, foreign nationals employed or otherwise engaged in Nepal and Bhutan, transit passengers on short visits to Nepal and Bhutan, etc.) in settlement of transactions with persons, firms and companies resident in India should be made in convertible foreign currency. If authorised dealers come across any cases where payment by such persons is settled in rupees from a resident account, they should be reported to Reserve Bank. Ordinarily, payments towards exports from India to Nepal/Bhutan financed from external assistance such as credits from World Bank, Asian Development Bank, etc. to these countries will be settled by the aid-giving agencies by payments to exporters/exporters' bankers directly in India in foreign exchange or out of their convertible rupee resources in India. If authorised dealers come across cases where such exports are paid for in rupees held by persons (including banks) resident in Nepal/Bhutan, such cases should also be promptly reported to Reserve Bank. This provision is also applicable to turnkey/construction contracts and consultancy services undertaken in Nepal or Bhutan by firms/companies in India, against external aid to Nepal and Bhutan.

Payments to Nepal through ACU Not Permitted

7. Payments between Nepal and India are not eligible for settlement through Asian Clearing Union.

Import of Goods into Nepal/Bhutan

8. Payments from India to suppliers in third countries against import of goods into Nepal/Bhutan are not permitted. Specific proposals for intermediary financing of third country imports into Nepal/Bhutan where payment from buyers in Nepal/Bhutan will be received in a permitted currency should be referred to Reserve Bank

Freight on Nepalese/Bhutanese Exports and Imports

9. Nepalese/Bhutanese exports to foreign countries will ordinarily be made through Indian ports. In respect of Nepalese/Bhutanese exports made on freight prepaid basis, therefore, freight will be paid to airline/shipping companies or their agents in India. Where shipment is made by an Indian or Nepalese/Bhutanese carrier, freight may be freely paid in rupees. Where, however, other carriers are used, freight is permitted to be collected only in convertible foreign currency. If payment in rupees is offered, it will be accepted only if the rupees have been derived by sale of convertible foreign currency to an authorised dealer and certificate issued by the latter to this effect is produced to airline/shipping company or its agents. Similar regulations are applicable where freight on imports into Nepal/Bhutan from countries outside India is payable at destination i.e., at an Indian port.

Payment of General Insurance Claims arising in Nepal and Bhutan

10. General Insurance Corporation of India and its subsidiaries may freely make payment of claims in Indian rupees to Indians, Nepalese and Bhutanese resident in Nepal and Bhutan as well as offices and branches of Indian, Nepalese and Bhutanese firms, companies or other organisations in these two countries against insurance policies (marine as well as non-marine). Payments in foreign currency towards claims under insurance policies are not permissible without specific approval of Reserve Bank, except where premiums thereon were also collected in foreign currency.

Basic Travel Quota (BTQ)

11. Nepalese and Bhutanese nationals resident but not permanently resident in India are not eligible to avail of BTQ.

Issue of Rupee Travellers Cheques to Foreign Tourists Visiting Nepal

12. Exchange Control in Nepal does not permit transit passengers and foreign tourists (other than Indian nationals and foreign nationals resident in India) bringing rupee instruments including travellers cheques to Nepal. Before issuing rupee travellers cheques to foreign tourists in India, authorised dealers should ascertain whether such tourists are also visiting Nepal and if so, the relevant regulations should be brought to their notice and they should be advised to carry with them foreign currency travellers cheques instead of rupee travellers cheques in order to avoid inconvenience in Nepal. Rupee travellers cheques issued to such persons may be prominently endorsed as 'Not valid for negotiation in Nepal'.

Remittances on account of Foreign Tourists Visiting Nepal

13. Under Exchange Control regulations prevailing in Nepal, travel agents and hoteliers in that country will accept only free foreign exchange towards payment/reimbursement on account of services rendered to foreign tourists (other than Indian nationals and foreign nationals resident in India) visiting that country under arrangements made through travel agents in India. That part of foreign exchange remittances received in India against such consolidated tour arrangement which pertains to services rendered by travel agents and hoteliers in Nepal, will be permitted to be remitted from India to Nepal in free foreign exchange.

Consolidated Tour Arrangements in Bhutan

14. Travel agents in India may freely arrange consolidated tours to Bhutan for foreign tourists against payment from the tourists or from overseas tour operators in foreign exchange. Indian travel agents may remit the dues of travel agents and hoteliers in Bhutan through authorised dealers. (See paragraph 8B.7)

Import of Indian Currency from Nepal

15. Any person may bring with him from Nepal currency notes of Government of India and Reserve Bank of India notes (other than notes of the denominations of above Rs.100/-).

Export of Indian Currency to Nepal

16. Any person may take or send to Nepal, Indian currency notes other than notes of denominations of above Rs.100/- and Indian coins without limit.

Exemption from Surrender obligation for Currencies of Nepal and Bhutan

17. The obligation placed in terms of Government of India Notification F.No.10/22/90-NRI Cell dated 17th July 1992 for surrender of foreign exchange to an authorised dealer is not applicable to currencies of Nepal and Bhutan.

Joint Ventures in Nepal

18. Although there are no restrictions on export of goods from India to Nepal or on transactions in Indian rupees with Indian and Nepalese individuals, firms, companies, etc. in Nepal the setting up of joint ventures in Nepal by firms, companies etc. resident in India requires approval of Reserve Bank in case any remittance towards equity capital or loan even in Indian rupees or export of goods/services towards equity contribution to the joint ventures is involved.

Issue/Transfer of Shares and Securities to Persons Resident in Nepal and Bhutan

19. Issue and transfer of Indian rupee shares and securities to persons, firms, companies, etc. resident in Nepal require prior permission of Reserve Bank in terms of Section 19 of FERA 1973, even though the underlying sale transaction may be settled in Indian rupees. Purchase of such shares and securities of Indian company by persons, firms, companies resident in Nepal and Bhutan also requires approval of Reserve Bank under Section 29(1)(b) of FERA 1973. Remittance of dividend/interest on shares/securities held by persons, firms, companies, etc. resident in Nepal and Bhutan in Indian rupees is not, however, subject to restriction.

Acquisition, Holding, etc. of Immovable Property in Nepal and Bhutan

20. Indian nationals resident in India and firms/companies registered/incorporated in India are required to obtain permission of Reserve Bank under Section 25 of FERA 1973, to acquire,

hold, transfer or dispose of by sale, mortgage, lease (for a period exceeding five years), gift, settlement or otherwise, any immovable property situate in Nepal and Bhutan even though the transactions may be settled in Indian rupees.

Acquisition, Holding, etc. of Immovable Property in India by Nepalese/Bhutanese Nationals/Companies

21. Nepalese/Bhutanese nationals, whether resident in India or not, should obtain prior permission of Reserve Bank under Section 31 of FERA 1973, to acquire, hold, transfer or dispose of by sale, mortgage, lease (for a period exceeding five years), gift, settlement or otherwise, any immovable property in India even though the transactions may be settled in Indian rupees. (See paragraph 11 E.4 regarding general permission).

Project Exports of Nepal and Bhutan

22. All project export proposals to Nepal and Bhutan require the clearance of the concerned authorities like the authorised dealer/Exim Bank/Working Group on Project Exports depending upon the value and other terms and conditions of the bid/tender and Reserve Bank's post facto approval for payment terms. The general permission granted for opening of foreign currency bank account, temporary site office, payment of agency commission and availing of temporary overseas borrowings vide RBI notification No. FERA, 98/91-RB dated 18th November 1991 are applicable, mutatis mutandis, in respect of project exports to Nepal and Bhutan.

Investment facility of NRIs resident in Nepal and Bhutan

23. NRIs resident in Nepal and Bhutan will be permitted to make investments in India provided the funds for the purpose are remitted in free foreign exchange through proper banking channels. Such investments will either be on repatriation or on non-repatriation basis depending on the terms and conditions applicable under the existing schemes for NRI investment.