

# Standing Committee Report Summary

## The Foreign Contribution (Regulation) Bill, 2006

- The Standing Committee on Home Affairs submitted its 134<sup>th</sup> Report on 'The Foreign Contribution (Regulation) Bill, 2006' on October 21, 2008. The Chairperson was Smt Sushma Swaraj.
- The Bill amends the Foreign Contribution (Regulation) Act, 1976, which regulates the acceptance and utilisation of foreign contribution by certain persons. The Bill requires all voluntary organisations to register in order to receive foreign contribution from a "foreign source". The definition of a "foreign source" includes all companies in which majority shareholding is held by persons who are not Indian citizens. The Committee felt that the status of Indian companies with more than 50% foreign holding is vague. Also, such companies are allowed under FDI and FII norms. It therefore recommended that such Indian companies should be excluded from the definition of foreign source in the Bill.
- The Bill does not include a provision specifically excluding receipt of scholarship/stipends from any foreign source from its purview. The Committee recommended that there needs to be a suitable provision that ensures that the recipients of scholarships/stipends from a bona fide foreign source do not face any problems.
- The Bill prohibits all organisations of a "political nature" from receiving foreign contribution. The Committee suggested that there should be a time-frame within which the government has to take a decision on specifying an organisation to be of political nature. Also, there should be an appellate mechanism to appeal the decisions of the central government.
- Both the Act and the Bill require prior government permission for all members of legislatures, officer-bearers of political parties, judges, and government servants before

accepting any foreign hospitality other than "a purely casual one". The Committee felt that the definition is not clear as to whether the person is on an official or personal visit. It recommended that the restriction should apply only when a person is on an official visit.

- The Bill prohibits the transfer of foreign contribution by a registered organisation to an unregistered one. The Committee however observed that such a provision would adversely affect smaller NGOs working in the remotest parts of the country. It proposed that an organization seeking to transfer funds should be allowed to do so if he obtains permission from the government.
- The Bill introduces a cap of 50% of foreign funds for administrative expenses. The Committee suggested that the term administrative expenses should be defined in the Bill but endorsed the 50% cap on administrative expenses.
- The Bill states that all persons or organisations must obtain a certificate of registration from the central government in order to accept foreign contribution. The Committee suggested that the government should consider prescribing a time-limit of 90 days for taking a decision on an application for grant of registration or renewal of registration. In case of delay in taking a decision, the central government should give reasons in writing.
- The Bill states that banks must report to the government the amount of foreign remittance, the source and manner in which the foreign remittance was received and any other particulars. The Committee recommended that banks should be required to report a transaction above the threshold limit of Rs 10 lakh. Every foreign remittance above the limit should be reported by the bank.

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