Legislative Brief

The Foreign Contribution (Regulation) Amendment Bill, 2026

The Foreign Contribution (Regulation) Amendment Bill, 2026 was introduced in Lok Sabha on March 25, 2026.

Highlights of the Bill

- The Foreign Contribution (Regulation) Amendment Bill, 2026 introduces a framework for supervision, management and disposal of foreign contribution and assets of an organisation that ceases to have an FCRA certificate.
- An organisation may cease to have an FCRA certificate if it is cancelled by the government, surrendered by the organisation, or an application for renewal has not been made or is denied.
- The Bill creates a Designated Authority for the vesting, supervision, management and disposal of foreign contribution and assets in such cases. In case of assets that are a place of worship, the Authority must ensure that its religious character is maintained.
- The Bill reduces the maximum penalty for violation of the Act from imprisonment of five years to one year.

Key Issues and Analysis

- The Bill provides that cessation of an FCRA certificate will lead to loss of assets. This implies that organisations that have not renewed their FCRA certificates would see their assets created out of foreign funds in the past, vested in the Designated Authority.
- A related implication would be that an organisation cannot exit the FCRA framework without losing its assets created through foreign funds. To retain such assets, it would have to continue renewing its FCRA certificate. Further, FCRA Rules add spending obligations on organisations to retain their FCRA certificates.
- The Bill may be treating assets created by organisations with an FCRA certificate differently from those created through the prior permission route.
- The Act or the Bill does not provide for an appeal mechanism for cases when the central government denies renewal of an FCRA certificate. The organisation will also not get an opportunity to be heard before denying the renewal.

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PART A: HIGHLIGHTS OF THE BILL

Context

The Foreign Contribution (Regulation) Act, 2010 (FCRA) regulates the acceptance and utilisation of foreign contribution (i.e. grants or donations) by individuals, associations or companies.[1] It also aims to prevent any diversion of such contribution towards activities detrimental to national interest. All entities must obtain an FCRA certificate to receive foreign contribution for their activities. As per an earlier 1976 Act, which was replaced by the 2010 Act, this certificate's validity was not time bound.[2] The 2010 Act introduced a five-year renewable registration certificate and a prior permission route for one-time recipients.[1]

As per the Ministry of Home Affairs, 13,520 organisations received Rs 55,741 crore of foreign contribution between 2019 and 2022.[3] The FCRA portal indicates that, as of July 15, 2026, there are 14,449 active FCRA certificates, 22,498 cancelled and 15,212 deemed as expired.[4]

The Foreign Contribution (Regulation) Amendment Bill, 2026 was introduced in Lok Sabha on March 25, 2026. It creates a Designated Authority to take over, manage and dispose of assets of an organisation whose FCRA registration has been cancelled, surrendered or ceased.[5] A certificate is deemed to be ceased when the organisation fails to renew it before its five-year validity period expires. The Bill proposes to increase oversight into processes relating to the handling of assets upon cancellation, surrender, or cessation of a certificate of registration, the management of defunct organisations, and other administrative and compliance processes.

Key Features

- **Cessation of certificate**: The Act states that organisations desiring to receive foreign contribution must register with the central government and obtain a certificate. This certificate must be renewed every five years. The Act provides that the certificate may be cancelled by the central government, or surrendered by the organisation if it does not wish to further receive or use foreign contribution. The certificate may be cancelled if: (i) the holder of the certificate has made an incorrect or false statement, (ii) any terms and conditions of the certificate or the Act are violated, (iii) the government feels that the cancellation would be in public interest, or (iv) the holder of the certificate has not engaged in any reasonable activity for the benefit of society in its chosen field for two consecutive years, or has become defunct.

  The Bill adds that a registration certificate will cease if: (i) it is not renewed before expiry, (ii) no application for renewal was made, or (iii) the renewal application was denied.

- **Vesting of assets created with foreign contribution**: As per the Act, if the certificate is surrendered or cancelled, the foreign contribution and assets created out of it will vest in such Authority as may be prescribed. The Bill adds that cessation of the certificate will also lead to vesting of assets. The Bill replaces the vesting provisions from the Act with new provisions. It provides for a Designated Authority, in which foreign contribution and assets will vest, including those assets created partly from foreign contribution. Vesting will be provisional till a fresh certificate is granted, or the certificate is renewed or restored. Failing this, the vesting will be permanent. If the certificate is renewed, restored or granted fresh, the Designated Authority will return the unutilised portion of the foreign contribution or assets.

- **Actions taken after assets are vested**: The Designated Authority must use the assets permanently vested in it for public purposes. It may transfer such assets to ministries, departments, authorities or agencies of the central or state government. It may also dispose assets through sale or other processes. Proceeds from disposal along with unutilised foreign contribution will be credited to the Consolidated Fund of India.

  For permanently vested assets that are fully or partly a place of worship, the Designated Authority must entrust its management to such person and in a manner as prescribed. It must also ensure that the religious character of the place of worship is maintained.

- **Conditions for entities with prior permission:** Under the Act, entities that are not registered with the central government with an FCRA certificate must obtain prior permission from the central government before receiving foreign contribution. Prior permission is given for the specific purpose for which it is obtained, and from a specific source. The Act also states that such prior permission will be valid for the specific purpose or specific amount of foreign contribution received. The Bill adds that such foreign contribution shall be received and utilised within such time period as may be prescribed.

- **Role of Key Functionaries**: Under the Act, criminal liability for offences committed by a company is borne by its directors and other individuals responsible for its conduct. This Bill defines "key functionaries" who will be held responsible. These key functionaries include: (i) the directors of a company, (ii) a partner in a firm, (iii) a trustee of a trust, (iv) the Karta of a Hindu undivided family, (v) an office bearer, member of the governing body, managing committee or any other controlling authority of a society, trust, trade union or association of individuals, and (vi) any other person responsible for the management of an organisation. A key functionary is presumed liable for an organisational offence, unless he can establish that the offence was committed without his knowledge or that he exercised due diligence. Where an organisation ceases to exist or becomes defunct, the Bill places a statutory duty on the last key functionaries to notify the central government. Failing this, the foreign contribution of the organisation will vest permanently in the Designated Authority.

- **Offences and penalties**: As per the Act, contravening its provisions or the Rules under it is punishable with imprisonment up to five years, a fine, or both. The Bill reduces the maximum imprisonment term to one year. It adds that prior approval of the central government will be required to initiate an investigation for any offence under the Act.

PART B: KEY ISSUES AND ANALYSIS

Non renewal of license leading to asset vesting

Act: Sections 14, 14A, 15, 16
Bill: Clause 11

The Act regulates the use of foreign funds received by certain entities, and prohibits its use for activities which may be detrimental to national interest. Such entities may receive foreign funding only if they are granted a certificate. The certificate must be renewed every five years. The government may cancel the FCRA certificate if the entity violates any provision of the law or under other specified circumstances. These include violating terms and conditions of the certificate or renewal, not engaging in any reasonable activity in its chosen field for two consecutive years, or if the government thinks it is necessary in public interest. The Act was amended in 2020 to allow for an entity to also surrender its FCRA certificate, if permitted.[6] If an entity's FCRA certificate is cancelled or if it surrenders its certificate, the foreign contribution and assets created out of such contribution will vest with a prescribed authority.

The Bill adds that an FCRA certificate will be deemed to have ceased if: (i) no application for renewal was made, (ii) renewal is denied, or (iii) renewal is not obtained before expiry. In addition to cancellation and surrender, non-renewal of the FCRA certificate would also lead to the entity's assets and the foreign funds being vested in a Designated Authority. This Authority will manage the assets and activities of the organisation and return the unutilised assets once the organisation has obtained a fresh certificate or renewed it. If the organisation fails to do so within a prescribed time period, the foreign funds and assets will permanently vest in the Designated Authority. The Authority may transfer such assets to ministries, departments, or agencies of the government. The assets can also be disposed through sale or other processes, and the proceeds will be credited to the Consolidated Fund of India.

Retroactive impact of vesting assets upon cessation of certificate

There may be organisations that had an FCRA certificate, but did not renew it and continued their operations using domestic funds. Under the Bill, such an organisation would see its assets created out of foreign funds vested in the Designated Authority. For example, a healthcare entity has built a hospital using FCRA funds. It has been operating the hospital on domestic funds for the past few years, and has not renewed its FCRA certificate. Under the Bill's proposed framework, the hospital will be vested in the Designated Authority. This Authority will have the power to transfer the hospital to the health ministry or a state health department, or sell it.

No method to opt out of FCRA without the loss of assets

The example above also shows that an organisation cannot exit the FCRA framework without its assets created through foreign funds being vested in the Designated Authority. Both surrender and non-renewal of certificate would lead to loss of assets. Even if an entity does not receive FCRA funding currently, in order to retain its assets, it would have to continue to renew its certificate in perpetuity. The FCRA Rules add further conditions that organisations must meet to retain their FCRA certificate.[7] Thus, organisations which have stopped relying on foreign funding must continue fulfilling obligations under the Act and the Rules, failing which their assets created out of foreign funds will be vested.

The FCRA Amendment Rules, 2026 add that for renewal of FCRA certificate, an organisation will be deemed to have undertaken reasonable activity in its chosen field for the benefit of society if it has utilised at least Rs 10 lakh of foreign contribution in the last two financial years.[8] This implies that if an organisation receives less than Rs 10 lakh of foreign contribution in two years, or is unable to spend that amount, its license could get cancelled, and consequently its assets could get seized. For example, an organisation receives FCRA funding to set up and run a library in a rural area. The cost of establishing the library was Rs 20 lakh, and the annual cost of running the library is around four lakh rupees. The organisation receives foreign funding according to its expenditure. This organisation will be unable to renew their certificate (as foreign funding received will be less than Rs 10 lakh over two years), and lose the library, which will vest in the Designated Authority. The organisation may also be able to run the library with domestic funds. However, to retain the library, it must continue to receive foreign funding.

Therefore, any organisation with assets created out of foreign funds would have to continue to receive foreign funds if it desires to retain the assets. This provision may be contrary to the objective of the Act, which is to regulate funding from foreign sources.

Assets created only partially by foreign contribution will also be subject to vesting

The Bill states that regardless of whether an asset was created or acquired partly by foreign funds, it shall entirely vest in the Designated Authority. The organisation whose asset has been seized can make an application to the Designated Authority to return any distinct or ascertainable portion of the asset created by domestic sources. Upon being satisfied, the Authority would return that portion of the asset to the applicant. This could lead to a situation where assets that are funded by a mix of domestic and foreign sources will entirely vest with the Designated Authority. For example, if a hospital raised both domestic and foreign donations to build a new ward, it may not be possible to identify a "distinct or ascertainable portion" that was created from domestic funds.

Differential treatment for assets created through prior permission route

Act: Sections 11, 12
Bill: Clauses 5, 11

Under the Act, entities that are not registered with the central government with an FCRA certificate must obtain prior permission from the central government before receiving foreign contribution. Prior permission is given for receiving foreign funds from a specific source and for a specific purpose. The Act also states that such prior permission will be valid for the specific purpose or specific amount of foreign contribution received. The Bill may be treating assets created by organisations with an FCRA certificate, and those created through the prior permission route differently.

The Bill provides that non-renewal of an FCRA certificate triggers vesting of assets in the Designated Authority, regardless of whether the organisation continues to receive foreign contribution. However, this does not apply to assets created under the prior permission route. For example, Organisation A receives prior permission to receive foreign funding for two years to set up a school. Once the two-year term has ended, it is able to run the school using domestic funds. Organisation B obtains an FCRA certificate and sets up a school using foreign funds. In two years, it is able to operate the school using domestic funds and decides to not renew the FCRA certificate. The school created by organisation A does not get vested with the Designated Authority, while the school created by organisation B gets vested.

Lack of appeal mechanism in case of non-renewal of FCRA certificate

Act: Sections 14, 16, 28, 29, 30, 31
Bill: Clause 11

The Act allows an organisation to appeal against an order of the central government on cancellation of its FCRA certificate or rejection of an application for a certificate. Appeals may also be made against confiscation of currency obtained in contravention of the Act. The appeal will lie with the High Court within whose jurisdiction the organisation operates. The Act does not provide an appeal mechanism for cases when the central government does not renew the FCRA certificate. The Bill provides that the FCRA certificate of an organisation will be deemed to have ceased if renewal of the certificate is denied. Non-renewal of FCRA certificate would lead to the organisation losing its assets, which would vest with the Designated Authority. The Bill does not provide a mechanism for the organisation to appeal against such decisions of the government.

Neither the Act nor the Bill provide for the concerned organisation to be given a reasonable opportunity to be heard before denying renewal of their certificate. The Act provides for such opportunities to the organisations in case of cancellation of certificate, and confiscation of currency obtained in contravention of the Act. Thus, if the government does not renew an organisation's FCRA certificate, it will lose all its assets created out of foreign funds, without getting an opportunity for a hearing or appeal against the decision.

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1. The Foreign Contribution (Regulation) Act, 2010.
2. The Foreign Contribution (Regulation) Act, 1976.
3. Unstarred Question No 2544, Ministry of Home Affairs, Lok Sabha, December 19, 2023, https://sansad.in/getFile/loksabhaquestions/annex/1714/AU2544.pdf?source=pqals.
4. FCRA Portal Dashboard, Ministry of Home affairs, as accessed on May 6, 2026, https://fcraonline.nic.in/fc_dashboard.aspx.
5. The Foreign Contribution (Regulation) Amendment Bill, 2026.
6. The Foreign Contribution (Regulation) Amendment Act, 2020.
7. The Foreign Contribution (Regulation) Rules, 2011.
8. Foreign Contribution (Regulation) Amendment Rules, 2026, S.O. 3272(E), Ministry of Home Affairs, June 22, 2026, https://fcraonline.nic.in/home/PDF_Doc/fc_gaz_23062026.pdf.