

## Corpsec Hotline

June 26, 2003

### LIBERALIZATION OF PAYMENTS UNDER FOREIGN TECHNICAL COLLABORATION AGREEMENTS

As per the extant guidelines on foreign direct investment issued by the Ministry of Commerce and Industry, the Government of India, wholly owned subsidiaries are permitted to make payment of royalty up to 8% on exports and 5% on domestic sales to their offshore parent companies without seeking the prior approval of the Reserve Bank of India (i.e. under the automatic route) without any restriction on the duration of the royalty payments. However, companies which are not wholly owned subsidiaries, were permitted to make royalty payments under foreign technical collaboration agreements for a period not exceeding seven years from the date of commencement of commercial production or ten years from the date of execution of the collaboration agreement, whichever is earlier.

With a view to liberalizing the policy relating to foreign technical collaboration agreements, the Ministry of Commerce and Industry has issued Press Note No. 2 (2003 series) dated 24th June 2003, which permits all companies, irrespective of the extent of foreign equity in the shareholding, who have entered into foreign technology collaboration agreements to make royalty payments at 8% on exports and 5% on domestic sales without any restriction on the duration of the royalty payments.

### DISCLAIMER

The contents of this hotline should not be construed as legal opinion. View detailed disclaimer.

This Hotline provides general information existing at the time of preparation. The Hotline is intended as a news update and Nishith Desai Associates neither assumes nor accepts any responsibility for any loss arising to any person acting or refraining from acting as a result of any material contained in this Hotline. It is recommended that professional advice be taken based on the specific facts and circumstances. This Hotline does not substitute the need to refer to the original pronouncements.

This is not a Spam mail. You have received this mail because you have either requested for it or someone must have suggested your name. Since India has no anti-spamming law, we refer to the US directive, which states that a mail cannot be considered Spam if it contains the sender's contact information, which this mail does. In case this mail doesn't concern you, please unsubscribe from mailing list.

## Research Papers

### M&A In The Indian Technology Sector

February 19, 2025

### Unlocking Capital

February 11, 2025

### Fintech

January 28, 2025

## Research Articles

### Re-Evaluating Press Note 3 Of 2020: Should India's Land Borders Still Define Foreign Investment Boundaries?

February 04, 2025

### INDIA 2025: The Emerging Powerhouse for Private Equity and M&A Deals

January 15, 2025

### Key changes to Model Concession Agreements in the Road Sector

January 03, 2025

## Audio

### CCI's Deal Value Test

February 22, 2025

### Securities Market Regulator's Continued Quest Against "Unfiltered" Financial Advice

December 18, 2024

### Digital Lending - Part 1 - What's New with NBFC P2Ps

November 19, 2024

## NDA Connect

Connect with us at events, conferences and seminars.

## NDA Hotline

Click here to view Hotline archives.

## Video

### Arbitration Amendment Bill 2024: A Few Suggestions | Legally Speaking With Tarun Nangia | NewsX

February 12, 2025

**What India's Transition to New Data  
Protection Law Means for Global  
Businesses**

January 23, 2025

**India 2025: The Emerging  
Powerhouse for Private Equity and  
M&A Deals**

January 16, 2025

---