



**FOREIGN EXCHANGE LAWS**

**N. A. SHAH**  
**BULLETIN**

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INDEX

1. Amendments in Liberalised Remittance Scheme.....	4
2. Amendment in Form ECB 2.....	5
3. FDI Policy Clarification on Food Product Retailing.....	5

## EXECUTIVE SUMMARY

- Amendment in the Liberalised Remittance Scheme (LRS) mandating PAN for all remittances as well as changes in the definition of close relatives.
- Form ECB 2 for Monthly reporting of External Commercial Borrowings (ECB) has been amended.
- Clarification issued by Department of Industrial Policy & Promotion on Foreign Direct Investment (FDI) in food retailing.

## 1. Amendments in Liberalised Remittance Scheme

- a. Permanent Account Number (PAN card) is now mandatory for individuals to make any remittance under LRS whereas earlier PAN was mandatory only for remittances above USD 25,000.
- b. LRS permits remittances towards maintenance of non-resident close relatives and Indian rupee loan to non-resident close relatives. In this regards, the definition of relative has been aligned with the Companies Act, 2013.
  - i. As per Companies Act 2013, a relative is defined as under:
    - Members of the Hindu Undivided Family
    - Husband or wife
    - Father including step father
    - Mother including step mother
    - Son including step son
    - Son's wife
    - Daughter
    - Daughter's Husband
    - Brother including step brother
    - Sister including step sister
  - ii. Comparison to definition under Companies Act 1956:
    - Relatives excluded from the definition (unless they are members of the Hindu Undivided Family):  
Step daughter, Father's father, Father's mother, Mother's mother, Mother's father, Sons' daughter's husband, Daughter's son, Daughter's son's wife, Daughter's daughter, Daughter's daughter's husband, Brother's wife, Sister's husband, Son's son, Son's son's wife, Son's daughter
    - Relatives included in the definition:  
Step father

## **2. Amendment in Form ECB 2**

The Form ECB 2 has been amended whereby the hedging details to be reported in the form has been simplified. Now, the form requires the bifurcation of the hedge between financial hedge and natural hedge. Further, additional information about annual earnings before interest and depreciation of the last three years is to be reported.

## **3. FDI Policy Clarification on Food Product Retailing**

At present, 100% FDI under Government approval route is allowed in Food Product Retail Trading (FPRT) for retail trading as well as ecommerce in respect of food products manufactured and/ or processed in India. The Department of Industrial Policy & Promotion has clarified that:

- a. FPRT business to be kept in a separate and distinct manner from other businesses, by way of separate books of accounts, bank accounts etc.
- b. FPRT inventory at warehouse or retail shops should be kept, stored and/or displayed, separately from inventory of other businesses of such investee company.



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