

FOREIGN CONTRIBUTION REGULATION ACT : POLITY

NEWS: Foreign funds through prior permission valid only for four years: Home Ministry

WHAT'S IN THE NEWS?

The Ministry of Home Affairs has mandated that foreign contributions received under FCRA prior permission must be utilized within four years from approval. This ensures time-bound use of funds and tighter compliance, with violations treated as legal offences under the FCRA, 2010.

New Validity Rules for Foreign Funds under FCRA Prior Permission

- The Ministry of Home Affairs (MHA) recently introduced a significant change regarding the validity of foreign contributions received through the **'prior permission'** route under the **Foreign Contribution (Regulation) Act (FCRA), 2010**.
- The update was issued via a formal notice to **all scheduled banks** across the country, signaling the seriousness of implementation and compliance.

Key Change Introduced by MHA

- **Fixed Utilization Period Introduced:**
All foreign contributions received under prior permission must now be **fully utilized within four years** from the **approval date**.
Previously, there was **no fixed time limit** for utilization—funds could be used until exhausted, regardless of the time taken.
- **Legal Implication of Delay:**
Failure to use the funds within this four-year window will be **treated as a violation** of the **FCRA, 2010**.
This could invite **punitive legal action**, including cancellation of FCRA rights and blacklisting of the organization.
- **Deadline for Receiving Funds:**
Organizations or individuals must **receive the approved foreign contribution within three years** of the approval date.
This prevents indefinite postponement of fund transfers, ensuring funds are linked to active projects.
- **Utilization Timeline for Existing Approvals:**
For prior permissions already granted where the **project duration exceeds three years**, the four-year period will begin from **April 7, 2025**, which is the date of the new MHA order.
- **Scope for Extensions:**
MHA has stated it may **consider extensions** on a **case-by-case basis**, depending on the **merits of the situation** and the reason for delay.
However, this is not automatic and would require a formal justification.

About Foreign Contribution under the FCRA, 2010

- **Definition:**
A **foreign contribution** includes any **donation, delivery, or transfer** received from a **foreign source**, in the form of:
 - **Currency** (Indian or foreign)
 - **Articles** (excluding personal gifts below ₹25,000 in value)
 - **Securities** (shares, stocks, bonds, debentures, etc.)
- **Indirect Transfers Also Covered:**
Even if a foreign source sends money to one Indian individual or NGO, and they further transfer it to another, it will still be treated as a **foreign contribution**.
- **Who Can Receive:**
Individuals, associations, companies, NGOs, and even journalists or editors may receive foreign contributions, though **strict regulations apply**, especially for **political parties and public servants**.

Examples:

- An Indian NGO receiving a donation from a **UK-based trust**.
- A foreign national gifting a **large amount to an Indian journalist**.

About FCRA Prior Permission

- **Purpose:**
FCRA **prior permission** is a type of provisional approval for entities that **do not yet have permanent FCRA registration** but seek to receive **specific foreign contributions** for a defined project or activity.
- **Approval Specificity:**
It is granted for:
 - A **specific project** or activity
 - A **specific foreign donor**
 - A **specific amount**
The permission is **not a blanket license** and cannot be reused across multiple projects or donors.
- **Typical Applicants:**
Usually newly registered NGOs or civil society organizations seeking their **first foreign donation** opt for this route.

Eligibility Requirements for Prior Permission

- The applying organization must be registered under one of the following:
 - **Societies Registration Act, 1860**
 - **Indian Trusts Act, 1882**
 - **Section 25 of Companies Act, 1956 (now Section 8 of Companies Act, 2013)**
- A **commitment letter** from the donor is required. This must specify:
 - The **exact amount** of the foreign contribution
 - The **intended purpose** or project to which the funds will be applied
- If the **donor and recipient share any board members or office bearers**, additional **declarations and safeguards** must be provided to avoid **conflict of interest**.

Recent Trends in Prior Permission Use

- In **2024**, 58 prior permission applications were processed by the Ministry.
- In **2025**, 20 NGOs successfully received foreign contributions through the prior permission route.
- This suggests a relatively small but crucial channel for first-time or project-based foreign funding in the civil society ecosystem.

Feature	FCRA Prior Permission	FCRA Registration
Purpose	One-time/project-specific foreign donation	Regular and continuous receipt of foreign funds
Eligibility	New organizations or first-time applicants	NGOs/Entities with 3+ years of proven activities
Approval Type	Specific donor, specific amount, and specific project	General approval for multiple donors and projects
Validity of Funds	Funds must be utilized within 4 years (as per 2025 rule)	No fixed validity; use as per project cycle
Fund Receipt Deadline	Within 3 years of approval	Continuous as per registration terms
Ideal For	Newly formed NGOs and one-time collaborations	Established NGOs with consistent foreign inflow
Governed By	Foreign Contribution (Regulation) Act, 2010	Foreign Contribution (Regulation) Act, 2010
Extension Possible?	Yes, case-by-case basis by MHA	Not applicable; registration renewable every 5 years

Conclusion

- The MHA's move to fix a four-year validity period for utilization introduces **greater accountability and transparency** in the use of foreign funds.
- While it may tighten compliance requirements, it also ensures that **foreign contributions serve their intended purpose within a reasonable timeframe**, improving regulatory oversight and public trust.

Source: [https://www.thehindu.com/news/national/foreign-funds-through-prior-permission-valid-only-for-four-years-home-ministry/article69424529.ece#:~:text=Getty%20Images%20FiStockphoto-.The%20Ministry%20of%20Home%20Affairs%20\(MHA\)%20said%20on%20Monday%20\(the%20entire%20fund%20was%20utilised.](https://www.thehindu.com/news/national/foreign-funds-through-prior-permission-valid-only-for-four-years-home-ministry/article69424529.ece#:~:text=Getty%20Images%20FiStockphoto-.The%20Ministry%20of%20Home%20Affairs%20(MHA)%20said%20on%20Monday%20(the%20entire%20fund%20was%20utilised.)