



REGULATORY

India's Foreign Trade Recast: Key Takeaways from the FEMA 2026 Export–Import Regulations

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I. Introduction

On January 13, 2026, the Reserve Bank of India ("RBI") issued Notification No. FEMA 23(R)/2026-RB, promulgating the Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026 ("the 2026 Regulations"). These Regulations, which shall come into force on October 1, 2026, supersede the Foreign Exchange Management (Export of Goods & Services) Regulations, 2015, and represent the most significant overhaul of India's foreign exchange trade framework in over a decade.

The defining characteristic of this legislative exercise is its consolidated scope. Whereas the predecessor regulations governed only the export of goods and services, the 2026 Regulations introduce a unified statutory framework encompassing both export and import transactions. This consolidation carries far-reaching implications for exporters, importers, Authorised Dealers ("Ads"), and all entities engaged in cross-border trade under the Foreign Exchange Management Act, 1999.

II. Scope of Definitions and Regulatory Architecture

The 2026 Regulations establish a comprehensive definitional framework under Regulation 2, clarifying the meaning of key terms including "Authorised Dealer," "Export Declaration Form" (EDF), "Project Export," and "Software." Notably, the definition of "software" has been broadened to include any computer programme, database, drawing, design, or audio/visual signals transmitted through any non-physical medium. Furthermore, an express clarification is provided that "services," for the purpose of these Regulations, shall include "software" a distinction with direct bearing on the regulatory treatment of technology-driven service exports.

III. Export Declarations and Compliance Obligations

Under Regulation 3, exporters of goods are mandated to furnish an EDF to the Specified Authority at the time of export, declaring the full export value. For Electronic Data Interchange (EDI) ports, the EDF is deemed to have been submitted as a constituent element of the shipping bill, thereby simplifying procedural compliance. Exporters of services are afforded a period of 30 days from the close of the invoice month to submit the EDF, with provision for a single consolidated EDF where services have been exported to multiple recipients within the same month.

IV. Realisation Timelines and Repatriation Requirements

Regulation 5 prescribes the time limits within which export proceeds must be realised and repatriated. For goods and services invoiced in foreign currency, the stipulated period is fifteen months from the date of shipment or invoice, as applicable. Where exports are invoiced or settled in Indian Rupees, in furtherance of the RBI's policy objective of promoting INR-denominated international trade, the repatriation period is extended to eighteen months. Project exports retain the flexibility of being governed by the contractual payment terms. Authorised Dealers retain discretionary authority to grant extensions upon receipt of a reasoned request from the exporter.

V. Simplified Compliance for Small-Value Transactions

A noteworthy liberalisation introduced under Regulations 4 and 6 is the simplified declaration mechanism applicable to transactions valued up to INR 10 lakh, or its foreign currency equivalent. For both export and import transactions below this threshold, entries in the Export Data Processing and Monitoring System (EDPMS) and Import Data Processing and Monitoring System (IDPMS) may be closed on the basis of a self-declaration by the exporter or importer, respectively. Such declarations may be submitted on a quarterly basis for bulk closure, thereby substantially reducing the administrative burden on small and medium enterprises engaged in foreign trade.

VI. Set-Off, Third-Party Transactions and Advance Payments

Regulation 7 permits Authorised Dealers to allow the set-off of export receivables against import payables involving the same overseas buyer, supplier, or their group and associate entities, within the applicable realisation period. Regulation 8 further enables third-party receipts and payments in export and import transactions, subject to the AD's satisfaction as to the bona fides of the transaction. Regulation 10 governs advance payment arrangements, requiring that both advance receipts for exports and advance payments for imports be routed through the same Authorised Dealer, with permissible deviation only upon due notification to both ADs.

VII. Penal Safeguards and Exporter Protections

One of the most commercially significant provisions of the 2026 Regulations is the express prohibition under Regulation 19(3) against Authorised Dealers imposing charges or penalties upon its constituent (exporter or importer or merchant trader) for regulatory delays or violations by the constituent. These requirements reflect a regulatory intent to promote fairness and transparency in the conduct of foreign exchange transactions, while preventing Authorised Dealers from shifting financial burdens onto trade participants in the context of compliance-related delays or lapses.

VIII. Conclusion

The Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026 constitute a seminal development in India's foreign exchange legal architecture. By consolidating erstwhile export-centric regulations into a comprehensive bilateral trade framework, mandating enhanced EDPMS/IDPMS oversight, and introducing meaningful exporter protections, the RBI has signalled a decisive shift toward regulatory modernisation.

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