

Acceptance and Utilization of Foreign Contribution

A. Acceptance

Q.1 From whom an association registered/granted prior permission under FCRA, 2010 can accept the foreign contribution?

Ans. Associations registered or granted prior permission under FCRA, 2010 should ensure that they received foreign contribution only for a legitimate source and for activities as prescribed under the Act.

Q.2 Are there any banned organisations from whom foreign contribution should not be accepted?

Ans. Yes. FCRA is meant to ensure that foreign contribution is received from legitimate sources and utilised for legitimate purposes by any person.

A list of banned organizations is available in MHA's website at <http://mha.nic.in/BO>

Q.3 Whether the amount of foreign contribution for which prior permission has been granted can be received by an association in installments?

Ans. Yes. There is no bar on receiving such foreign contribution in installments. However, the aggregate amount should not exceed the specified amount for which prior permission has been granted.

The association shall have to submit the mandatory online return in FC-4 form for receipt and utilization of the foreign contribution on a yearly basis, till the amount of foreign contribution is fully utilized. Even if no transaction takes place during a year, a NIL return should be submitted.

B. Administrative Expenses

Q.4 What are the administrative expenses as per FCRA, 2010?

Ans. Rule 5 of FCRR, 2011 defines that administrative expenses constitute the following:

- (i) Salaries, wages, travel expenses or any remuneration realised by the Members of the Executive Committee or Governing Council of the person;

(ii) all expenses towards hiring of personnel for management of the activities of the person and salaries, wages or any kind of remuneration paid, including cost of travel, to such personnel;

(iii) All expenses related to consumables like electricity and water charges, telephone charges, postal charges, repairs to premise(s) from where the organisation or Association is functioning, stationery and printing charges, transport and travel charges by the Members of the Executive Committee or Governing Council and expenditure on office equipment;

(iv) cost of accounting for and administering funds;

(v) expenses towards running and maintenance of vehicles;

(vi) cost of writing and filing reports;

(vii) legal and professional charges; and>

(viii) rent of premises, repairs to premises and expenses on other utilities;

Provided that the expenditure incurred on salaries or remuneration of personnel engaged in training or for collection or analysis of field data of an association primarily engaged in research or training shall not be counted towards administrative expenses:

Provided further that the expenses incurred directly in furtherance of the stated objectives of the welfare oriented organisation shall be excluded from the administrative expenses such as salaries to doctors of hospital, salaries to teachers of school etc.

C. Utilisation of funds

Q.5 Can foreign contributions be invested in Mutual Funds or other speculative investments?

Ans. No, speculative activities have been defined in Rule 4 of FCRR – 2011 as under:-

(a) any activity or investment that has an element of risk of appreciation or depreciation of the original investment, linked to marked forces, including investment in mutual funds or in shares;

(b) Participation in any scheme that promises high returns like investment in chits or land or similar assets not directly linked to the declared aims and objectives of the organization or association.

Every association shall maintain a separate register of investments. Every such register of investments maintained under sub-rule (3) shall be submitted for audit.

Q.6 Can capital assets purchased with the help of foreign contributions be acquired in the name of the office bearers of the association??

Ans. No, every asset purchased with foreign contribution should be acquired and possessed in the name of the association since an association has a separate legal entity distinct from its members.

Q.7 Can an association invest the foreign contribution received by it in profitable ventures and proceeds can be utilized for welfare activities?

Ans. No, the association should utilize such funds for the welfare purpose or activities for which it is received. The utilization should be in line with the objectives of the association. However, foreign contributions can be utilized for self-sustaining activities, not meant for commercial purposes.

Q.8 Can foreign contribution be received in and utilised from multiple Bank Accounts?

Ans. The foreign contribution should be received only in the exclusive single FC account of a Bank (also called designated FC account), as mentioned in the order for registration or prior permission granted and should be separately maintained by the associations. However, one or more accounts (called Utilization Account) in one or more banks may be opened by the association for 'utilising' the foreign contribution after it has been received in the designated FCRA bank account, provided that no funds other than that foreign contribution shall be received or deposited in such account or accounts and in all such cases, intimation in FC-6 is to be given online within 15 days of opening of such account.

Q.9 Can an association transfer foreign contribution from one utilization account to another utilization account?

Ans. No, such transfer is not allowed between utilization accounts.