Flash News

29 June 2026

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FCRA Amendments 2026 – Key changes and impact

Executive summary

The Ministry of Home Affairs, *vide* notification dated 22 June 2026,[1] amended the Foreign Contribution (Regulation) Rules, 2011 ('FCRA Rules') to enhance transparency, accountability and traceability.

The amended FCRA Rules lead to a change from a flexible regime to a more structured and controlled regime with focus on:

- Purpose-based registration
- Geographical monitoring
- Expanded accountability via key functionaries
- Stronger compliance and reporting

Overall, the amendments ensure foreign funds are used only for declared and legitimate purposes under stricter oversight.

The amended FCRA Rules are effective from 22 June 2026.

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[1] Notification number: S.O. 3272(E)

Key highlights

The amendments introduce several structural, operational, and compliance related changes to the FCRA framework.

1. Structural changes

The amendments introduce key structural changes:

- Definition of "Key functionary" introduced to specify persons responsible for governance. "Key functionary" include directors, trustees, partners etc. and any individual exercising control over management.
- Specific explanation inserted to re-emphasize that Organisations having foreign nationals (other than PIO/OCI)[2] as key functionaries shall ordinarily not be eligible for FCRA registration/ prior permission, unless specifically permitted.

2. Operational changes

A major operational change is the introduction of purpose specific and geography specific registration, wherein applicants must:

- select their objectives from a predefined Schedule of permitted activities;
- specify the States/UTs where such activities will be undertaken;
- pay nominal fee of INR 300 for each extra purpose and State/UT; and
- apply in a specified form for any modification of purpose / geography.

Additionally, utilisation of foreign contribution is now restricted strictly to the declared purposes and the declared geographical areas, thereby eliminating flexibility in fund deployment.

3. Compliance enhancements

From a compliance standpoint, the amendments provide for:

- a detailed classification of permissible activities from the prescribed schedule;
- explicit prohibition of proselytization;
- enhanced reporting requirements, including project-wise disclosures of expenses and administrative costs;
- increased focus on traceability of funds, including identification of ultimate donors (particularly in Donor Advised funds/ other intermediary

[2] Person of Indian origin/ Overseas Citizen of India

remittance vehicles) and tracking of utilisation across declared purposes and geographies.

4. Quantitative compliance conditions

Further, the amendments introduce specific quantitative compliance conditions, such as:

- *Restriction on release of subsequent instalments in cases of prior permission*: Subsequent instalments require application in Form FC-3BB, at least 75 per cent utilisation of the previous instalment, subject to field verification.
- *Minimum activity threshold for renewal / non-cancellation:* Reasonable activity is recognised only if at least INR 10 lakh utilised over the last two financial years.

5. Penalty changes[3]

The scope for Offence punishable under section 37 has been expanded to include two additional violations, with stricter, percentage-based penalties:

- Utilisation of foreign contribution in speculative activities: Penalty of INR 1 lakh or 30 per cent of amount invested (whichever higher) and 100 per cent of returns earned therefrom.
- Utilisation for purpose other than those for which it was received: Penalty of INR 1 lakh or 30 per cent of amount misutilised (whichever higher).

The scope for Offence punishable under section 35 has been expanded to include:

- Utilisation of foreign contribution for a purpose or in a State or Union territory for which registration has not been granted: Penalty of INR 1 lakh or 30 of foreign contribution utilised for such purpose or in such state (whichever higher).

What NGOs should do now

FCRA-registered entities should undertake a comprehensive re-evaluation of their activities, processes etc. focusing on the following:

- Review alignment of activities with the prescribed purpose categories under the new Schedule
- Verify geographical alignment to ensure operations are restricted to declared States/UT’s
- Identify all key functionaries and assess governance and compliance risks
- Strengthen internal systems / SOPs to meet enhanced reporting, disclosure, and utilisation requirements
- Continuous monitoring of activity and fund utilisation to ensure alignment with declared

[3] Notification number: S.O. 3287(E) dated 22 June 2026

purpose, minimum utilisation thresholds, and reasonable activity requirements

- Commence collating details for annual activity report
- Develop robust compliance frameworks with proper controls and documentation

Our comments

While the Government's intent is to enhance transparency, traceability, governance, and risk management in the utilisation of foreign contributions, the changes may lead to additional obligations for the registered non-profit organisations such as:

- Higher compliance and documentation requirements including timely filing of revised forms (e.g., FC-6F, FC-3BB) and transition to new annual return format from FY 2025-26
- Reduced operational flexibility due to specific purpose and geographic restrictions
- Increased dependency on regulatory approvals for expansion or modification of activities
- Need for alignment with foreign donors, particularly due to project-wise reporting and detailed utilisation disclosures
- Increased exposure to penalties, pursuant to the notification dated 22 June 2026 revising penalties for non-compliance under FCRA

Overall, the amendments reflect a clear policy shift towards greater regulatory oversight at the cost of operational autonomy.

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