NEWS ALERT

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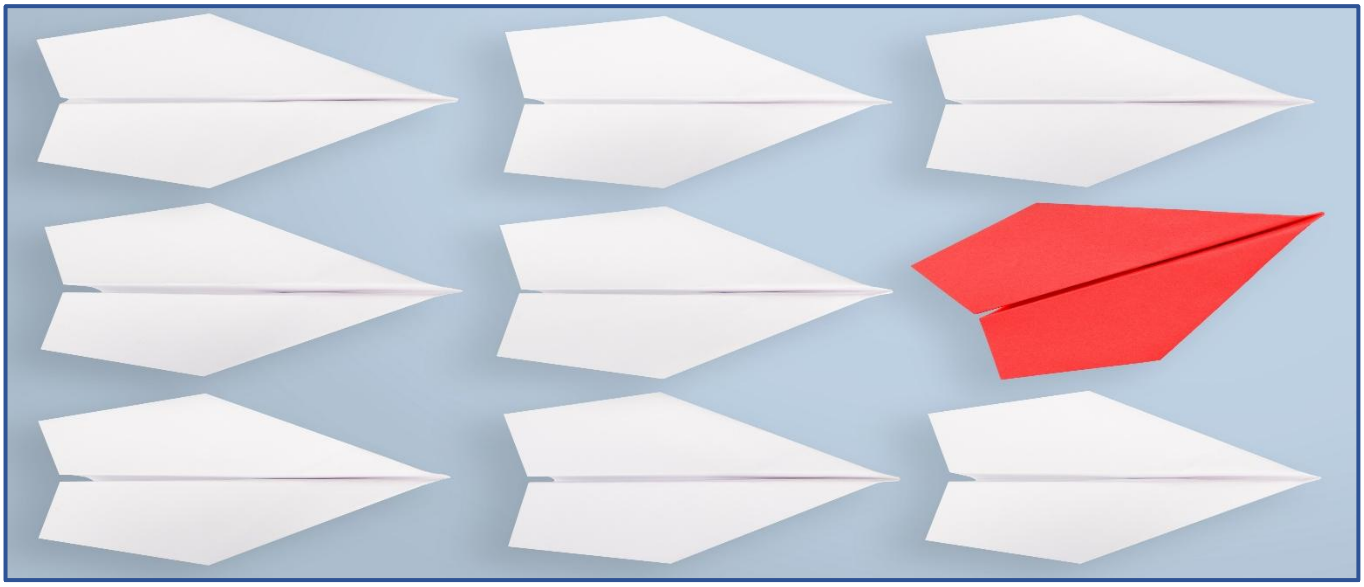

FCRA Amendment 2026 - Key changes and impact

The Ministry of Home Affairs ('MHA') has notified the Foreign Contribution (Regulation) Amendment Rules, 2026 ('Amendment Rules'), which came into force on 22 June 2026. The amendments introduce significant changes to the existing regulatory framework under the Foreign Contribution (Regulation) Rules, 2011 ('FCRA Rules'), with a focus on strengthening regulatory oversight, enhancing transparency in the utilisation of foreign contributions and establishing a purpose-based and geography-specific registration regime.

The key amendments are summarised below:

1. Expanded definition of 'Key Functionary'

The Amendment Rules introduce a comprehensive definition of the term 'Key Functionary', which now includes:

- Directors of companies;
- Partners of firms;
- Trustees of trusts;
- Karta of a Hindu Undivided Family (HUF);
- Office bearers, governing body members, managing committee members, and members of other controlling authorities of associations; and
- Any other individual exercising control over, or having responsibility for, the management or affairs of an association.

Consequential amendments have been made throughout the FCRA Rules and prescribed forms to replace references to 'office bearers' and 'members' with the broader term 'Key Functionary'.

2. Purpose-Based and Geography-Specific Foreign Contribution (Regulation) Act

A significant structural change has been introduced whereby FCRA registrations will now be granted based on:

- Specific approved purposes; and
- Specified States and Union Territories in which the association intends to operate.

Registration certificates will expressly identify the approved purpose(s) and geographical area(s) of operation. Applicants must choose their purpose(s) from a newly introduced Schedule classifying activities under five broad categories:

- Religious;
- Cultural;
- Economic;
- Educational; and
- Social

Associations already registered under FCRA are required to submit an intimation to the Central Government in the prescribed form, within one year from the commencement of the Amendment Rules specifying the purpose(s) and State(s)/UT(s) for which they wish to continue their registration.

3. Restrictions on foreign nationals as key functionaries

The Amendment Rules clarify that associations having foreign nationals (other than persons of Indian origin) as key functionaries will generally not be eligible for the grant of FCRA registration or prior permission under the FCRA.

However, the Central Government has been empowered to permit such appointments in specified circumstances, subject to prescribed conditions and safeguards.

4. Restriction on utilisation of foreign contribution

The amendments expressly provide that foreign contributions may be utilised only for activities undertaken in India and strictly for the purposes for which such contributions were received.

5. Introduction of 'reasonable activity' threshold

A new concept of 'reasonable activity' has been introduced for the purposes of renewal and cancellation of registration.

An association will generally be regarded as having undertaken reasonable activity if it has utilised foreign contribution of at least INR 1 million (~USD 10,500) during the preceding two financial years in its approved field of operation.

6. Conditions for release of subsequent instalments

The Amendment Rules impose additional compliance requirements for release of second and subsequent instalments of foreign contribution received pursuant to prior permission.

Such instalments will be released only where:

- At least 75% of the immediately preceding instalment has been utilised; and
- The utilisation has been verified through a field inquiry.

A new Form has been introduced for seeking release of subsequent instalments.

7. Standardised Activity Classification Framework

The Amendment Rules introduce a detailed Schedule prescribing standardised categories of permissible activities under the five recognised purposes, namely Religious, Cultural, Economic, Educational and Social.

The Schedule seeks to provide greater clarity, consistency, and standardisation in classifying activities for registration, renewal, reporting, and compliance purposes

8. Enhanced disclosure and reporting requirements

Expands disclosure and reporting requirements by the Amendment Rules significantly broaden disclosure obligations by requiring, among other things:

- Social media account disclosures;
- Detailed activity reports;
- Project-wise utilisation details;
- Disclosure of publications issued by the association or its key functionaries;
- Transparency regarding ultimate donors in cases involving donor-advised funds and intermediary remittance vehicles; and
- Additional declarations relating to government ownership and mandatory audit requirements by the Comptroller and Auditor General of India ('CAG').

These measures are intended to enhance transparency and accountability in the receipt and utilisation of foreign contributions.

9. Strengthened audit and compliance documentation

Annual reporting obligations have been expanded to require submission of detailed activity reports, project-wise utilisation details, publication-related disclosures and additional certification requirements including Unique Document Identification Number ('UDIN') details for audit documentation.

10. Penalty Changes

The MHA has also amended the penalty framework by introducing stricter consequences for non-compliance relating to utilisation of foreign contributions, including instances of misutilisation of funds, deployment of funds beyond the approved purpose and investments in prohibited or speculative instruments.

JMP Insights - *The amendments aim to enhance transparency, traceability, governance and risk management in the utilisation of foreign contributions but they are likely to impose additional compliance obligations on FCRA-registered non-profit organisations.*

Further, the Foreign Contribution (Regulation) Amendment Bill, 2026, which has been referred to a Joint Parliamentary Committee may introduce further changes to the regulatory framework.

Should you wish to discuss any of the above issues in detail or understand the applicability to your specific situation, please feel free to reach out to us on coe@jmpadvisors.in.

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