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AN OVERVIEW OF THE FOREIGN CONTRIBUTION (REGULATION) AMENDMENT BILL, 2026

A. BACKGROUND & OBJECTIVE

1. Over the past few years, numerous non-governmental organisations ("**NGO**") have seen their registrations under the Foreign Contribution (Regulation) Act, 2010 (the "**FCRA**") cancelled, suspended, or denied, often on grounds of alleged misuse of foreign contributions or failure to utilise such funds within prescribed timelines. This trend has drawn attention to certain operational and legal gaps within the existing FCRA framework, most notably, the lack of a clear and comprehensive mechanism governing the treatment of unutilised foreign contributions and the disposition of assets belonging to NGOs whose registrations are cancelled, surrendered, or otherwise cease to remain in force.
2. Against this backdrop, the Foreign Contribution (Regulation) Amendment Bill, 2026 (the "**Bill**") was introduced in the Lok Sabha on March 25, 2026 to amend certain provisions of the FCRA. The Bill seeks to establish a structured framework for the supervision, management, and disposal of such unutilised foreign contributions and associated assets. In addition, it proposes to: (i) prescribe definitive timelines for the receipt and utilisation of funds under the prior permission route; (ii) clarify the circumstances and process governing the cessation of FCRA registration certificates; (iii) regulate the handling of foreign contributions and assets during periods of suspension; (iv) rationalise the existing penalty framework; and (v) mandate prior approval of the Central Government for the initiation of specified investigations.

B. KEY CHANGES PROPOSED IN THE BILL

1. **Introduction of a 'Designated Authority' and an 'Administrator'**. The Bill proposes to introduce a 'Designated Authority' and an 'Administrator' that have been defined as an officer or authority as may be notified by the Central Government for the purposes of the FCRA.
2. **Procedure for Vesting of Unutilized Foreign Contribution and Assets in the Designated Authority.**
 - (a) The Bill proposes to introduce Chapter IIIA to the FCRA which prescribes that the foreign contribution and the assets created out of foreign contribution of any person whose certificate has been cancelled, surrendered or ceased shall vest provisionally with the Designated Authority. However, such person may make an application to the Designated Authority for return of any portion of asset created or acquired.
 - (b) Upon vesting of these assets with the Designated Authority, it (either directly or through an Administrator) will take possession of these assets and thereafter be responsible for (i) the supervision, management, safeguarding, preserving or maintaining of such assets and (ii) if considered necessary in public interest, manage the activities of the person whose certificate has been cancelled, surrendered or ceased.
 - (c) In the event a fresh certificate is granted, or an existing certificate is renewed or restored pursuant to revision, the Designated Authority shall return the unutilised foreign contribution together with any assets that had provisionally vested in it; in all other cases, such foreign contribution and assets shall vest permanently in the Designated Authority and will be applied towards public purposes in the following manner:
 - ❖ transfer of such assets to any Ministry, Department, authority, or agency of the Central Government/ State Government/ Local Authority; or
 - ❖ dispose of such assets through sale or any other means and credit the sale proceeds along with any unutilised foreign contribution to the Consolidated Fund of India.

It is pertinent to note that neither the person whose unutilised foreign contributions and assets are sold, transferred, or credited to the Consolidated Fund of India (as applicable), nor any of their key functionaries, may directly or indirectly acquire or derive any interest whatsoever in such assets.



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- (d) Where the Designated Authority sells any immovable property vested in it, it shall, upon receipt of the sale proceeds, issue a certificate of sale in favour of the transferee. Such certificate shall constitute a valid instrument for the registration of the property in the name of the transferee, and the registration shall not be refused on the grounds of the absence of original title deeds.
- (e) Consistent with the objectives of the proposed framework, the Bill seeks to omit Section 15 of the current FCRA, which provides for the vesting of assets created out of foreign contributions in a prescribed authority. The Bill further clarifies that, upon its commencement, any assets previously vested under Section 15 shall be deemed provisionally vested in the Designated Authority.

3. **Duties and Responsibilities of persons whose foreign contribution or assets are vested in the Designated Authority.**

The Bill proposes to mandate such persons to:

- (a) afford the Designated Authority unhindered access to its books of account, records, premises, properties.
- (b) produce all books, accounts, documents, securities, keys and movable assets and hand over possession or control of bank accounts, lockers and safe deposits, as may be required by the Designated authority.
- (c) not alienate, encumber, dispose or otherwise deal with any foreign contribution except with the prior approval of the Designated authority.
- (d) keep such foreign contribution and assets intact and in the same condition, and shall carry on its activities under the supervision of, and subject to such terms and conditions as may be specified by the Designated authority.
- (e) furnish correct and complete information, returns and declarations and cause an authorised representative to appear when called for.
- (f) comply with directions as may be issued by the Designated authority or the Central Government, as may be required.

Additionally, even persons whose FCRA registration has been suspended are prohibited from alienating, encumbering or otherwise dealing with any asset created out of foreign contribution without the prior approval of the Central Government.

4. **Other obligations and powers of the Designated Authority and the Administrator.**

- (a) Obligations of the Designated Authority. The Designated Authority shall be responsible for: (i) maintaining proper records, registers, inventories accounts of the foreign contributions and assets vested in it; (ii) reporting any violations of the FCRA or any fraudulent activities that comes to its notice to the Central Government; (iii) submission of periodic reports to the Central Government; (iv) any other ancillary or incidental functions as may be prescribed.
- (b) Powers of the Designated Authority and the Administrator. The Bill proposes to grant the Designated Authority and the Administrator with the powers of a civil court under the Code of Civil Procedure, 1908, as well as that of a 'public servant' under the Bharatiya Nyaya Sanhita, 2023.

5. **Definition of a 'Key Functionary'.** The Bill seeks to introduce a specific definition of the term 'Key Functionary' to mean and include the director of a company, a partner in a firm, trustee of a trust, karta of a HUF, an office bearer, member of a governing body, or any other officer or person who has control or responsibility for management of affairs. In regard thereof, the Bill also clarifies that for where any offence under the FCRA is committed by a person other than an individual, every 'Key Functionary' of such person responsible for the conduct of the business shall be deemed guilty of the offence.



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6. **Prescribed timelines for utilization of foreign contribution.** The Bill proposes that foreign contributions received by a person granted prior permission under the FCRA must be utilised within such period as may be prescribed.

It is important to note that, in a public notice dated April 7, 2025, the Ministry of Home Affairs clarified, among other points, that the validity period for utilising foreign contributions received through prior permission is four years. The notice further stated that utilisation beyond this period would constitute a violation of the FCRA. It remains to be seen whether the Bill, once enacted, will prescribe the same timeframe, in line with the guidance provided in the public notice.

7. **Cessation of Certificate.** The Bill proposes to insert a new Section 14B into the FCRA, clarifying that an FCRA certificate shall be deemed to have ceased upon its expiry in the following cases: (a) no application for renewal has been submitted; (b) the application for renewal has been rejected by the Central Government; or (c) the certificate has not been renewed before its expiry. The Bill further prohibits any person whose certificate is deemed to have ceased from receiving or utilising foreign contributions unless the certificate is subsequently renewed.
8. **Procedural safeguards and reduction of penalties.** While the Bill envisages a stringent framework governing the vesting and management of unutilized foreign contribution and assets, it also introduces certain relaxations and procedural safeguards insofar as:
- (a) A requirement that no investigation into any alleged offences under the FCRA may be initiated without the prior approval of the Central Government; and
 - (b) A proposed reduction in the general penalty (*vide* the proposed amendment to Section 35) for acceptance, utilization, or assistance in the use of any foreign contribution in contravention of the FCRA, from an imprisonment term of up to five (5) years to up to one (1) year (or a fine, or both).
9. **Revision and Appeal.** The Bill extends the right of a person (or its 'Key Functionary') whose certificate has been cancelled/ surrendered/ ceased, to apply for revision of an order passed by the Designated Authority within a period of 90 days from the date of the order. Additionally, the Bill provides the right to appeal against such an order to the court of the District Judge or such judicial officer not below the rank of a civil judge of senior division as specified by the Central Government within a period of 90 days.

C. POTENTIAL IMPACT OF THE BILL

1. The Bill proposes significant reforms to the regulatory framework governing NGOs receiving foreign contributions under the FCRA, particularly in cases where registrations are cancelled, suspended, or otherwise lapse. By granting the Designated Authority broad powers to take possession of, manage, and dispose of foreign contributions and associated assets, the Bill could significantly reshape the operational and regulatory landscape for these organisations, underscoring the need for careful oversight and prudent management of foreign funds.
2. In addition, the Bill seeks to rationalise penalties and requires prior approval from the Central Government before initiating certain investigations, reflecting a more centralised and structured approach to regulation. Together, these measures are likely to transform the compliance environment, making robust governance, rigorous internal controls, and careful oversight of foreign contributions essential for NGOs.
3. It is important to note that, as of now, the Bill remains pending before the Lok Sabha and will come into force only upon approval by both houses of Parliament (with or without amendments) and subsequent receipt of the President's assent.