



Tax alert: Key changes introduced by RBI under FEMA Export and Import Regulations, 2026

6 February 2026

The Reserve Bank of India (“RBI”) has notified the Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026, vide Notification No. FEMA 23(R)/2026-RB, dated January 13, 2026 (“**FEMA Export and Import Regulations, 2026**”). These Regulations will come into force on 1 October 2026 and shall supersede the FEMA (Export of Goods & Services) Regulations, 2015, Master Direction – Export of Goods and Services and Master Direction – Import of Goods and Services. The revised framework integrates export-import rules into a single regime, enhancing procedural efficiency and materially impacting service-sector operations.

In a nutshell, under FEMA Export and Import Regulations, 2026:



- Mandatory filing introduced for service exports. Service exports now enter EDPMS formally
- Export realisation timelines extended from 9 to 15 months for export of goods and services and 18 months where invoicing or settlement is done in INR
- Import payments terms changed from 6 months for normal imports to the period specified in the underlying contract



- Stronger role of AD Banks and reduced RBI interface to:
 - Allow extensions
 - Permit write downs/ under realization
 - Monitor timelines
 - Close EDPMS / IDPMS entries
- AD Bank may allow reduction / non-realisation based on satisfaction of reasons cited
- Export / import value up to INR 10 lakhs per invoice may be closed on declaration by exporter reducing workload for high-volume low value transactions



- Mandatory SOPs and transparency from banks introduced
- AD Banks to publish internal SOPs, timelines, charges, escalation and appeal mechanism;
- AD Banks cannot levy penalties on customers for regulatory delays



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A summary of the FEMA Export and Import Regulations 2026 is provided below:

- **Definition of “Specified Authorities” prescribed for reporting of the exports**
 - For Goods:
 - Domestic Tariff Area (DTA): Commissioner of Customs
 - Special Economic Zone (SEZ): Development Commissioner of SEZ
 - For Services:
 - DTA: AD Bank
 - SEZ: Development Commissioner of SEZ
 - For Software Exports
 - DTA: AD Bank or Software Technology Parks of India
 - SEZ: Development Commissioner of SEZ
 - The term “Services” includes “Software” has been clarified as an explanation
- **Reporting of exports**
 - All exports to be reported through Export Declaration Form (EDF) to the specified authorities.
 - EDF filing introduced for service exports, including software which is to be filed within 30 days from the end of the month in which invoice is raised.
 - EDF will be deemed to be submitted as part of shipping bill for goods exported through Electronic Data Interchange (EDI) port.
 - Consolidated EDF filing permitted for exported services to one or more recipients in a month.
 - Authorised Dealer (AD) Banks may grant extensions for delayed filing of EDF for exported services based on written request and justification.
- **Manner of Receipts and Payments**
 - The receipts and payments for export and import of goods and services shall be in the manner specified in the Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2023.
 - AD bank shall make a credit / debit to the account of an exporter / importer, for receipt / payments only after having satisfied itself of the genuineness of the transaction, and simultaneously close / update the respective entry in Export Data Processing and Monitoring System (EDPMS) / Import Data Processing and Monitoring System (IDPMS).
 - For export/import invoices up to INR 10 lakh, AD banks may close EDPMS / IDPMS entries based on a simple declaration of receipt/payment. Quarterly declaration may be submitted with AD banks for bulk closure of EDPMS / IDPMS entries.
- **Export realisation timelines**
 - Payment to be realized within 15 months from the date of shipment (for goods other than exported to a warehouse outside India) or date of invoice (for services) or date of sale of exported goods from a warehouse outside India.
 - In case of exports invoiced and / or settled in INR, payment to be realized within 18 months instead of 15 months as mentioned above
 - In case of Project Exports, payment to be realized as per terms of the contract.
 - AD banks may grant extensions for realization beyond specified period subject to its satisfaction for reasons cited by exporter.

- **Reduction in export realisation / write-off**
 - AD banks may permit reduction or non-realisation / write-off of export proceeds based on satisfactory reasons cited by exporter.
 - For invoices up to INR 10 lakh, reduction may be permitted based on a declaration from exporter.
- **Set off export receivables against import payables**
 - AD banks may allow set-off of export receivables against import payables, from/to the same overseas buyer or supplier or with their overseas group or associate companies, within the stipulated / extended period.
- **Third Party Payment**
 - Third-party (other than parties undertaking export / import) receipts and payments allowed, subject to AD bank satisfaction with the bonafides of the transaction.
- **Import Payment Settlement**
 - Import payments to be settled within the timelines specified in the underlying contract which will be monitored by AD banks through IDPMS.
 - AD banks may grant extensions for payments beyond specified period in the contract subject to its satisfaction for reasons cited by importer.
- **Advance receipt for Exports / Imports and delayed payments for imports**
 - Advance receipts / payments for exports / imports and realisation / payments towards the same must be routed through the same AD bank. However, Exporter / Importer may route transactions from other AD banks after intimating change to both AD banks.
 - Interest payable on advance receipts or delayed payments shall not exceed all-in-cost ceiling applicable to Trade Credit in terms of the Foreign Exchange Management (Borrowing and Lending) Regulations, 2018.
 - AD bank may allow advance remittance for imports after verifying the genuineness of the requirement and may prescribe thresholds beyond which a standby Letter of Credit or guarantee is required.
 - Advance payments for the import of gold / silver are not allowed.
 - Non-materialised import advances to be repatriated within the contractual or extended period.
 - If the advance payment is not repatriated within the contract or permitted extended period, or the IDPMS entry is not marked off as required, any future advance import payment shall require an unconditional, irrevocable standby Letter of Credit (LC) or a guarantee from an international bank of repute, or an AD bank guarantee backed by a counter-guarantee from international bank of repute.
 - If export proceeds remain outstanding for over one year after the due date or extended period allowed by AD bank, further exports are allowed, only against full advance payment or an irrevocable LC.
- **Project Exports**
 - AD banks may permit receipts/ payments for project exports as per the underlying contract, after satisfying itself of the genuineness of the project.
- **Merchanting Trade Transactions**
 - Both outward remittance and inward remittance must be completed within six months. AD banks may grant extensions subject to its satisfaction of the reasons cited.
 - Payments must be made only to the overseas seller and receipts are received only from the overseas buyer. Third-party payments/receipts permitted with AD bank approval subject to its satisfaction of the reasons cited.

- AD bank may debit / credit account of customers for any cross border MTT subject to its satisfaction of the genuineness and close respective EDPMS / IDPMS entries.
- **Reporting and monitoring – EDPMS / IDPMS entries**
 - AD banks are required to enter all export and import transaction details into EDPMS and IDPMS within five working days of receiving the relevant documents.
 - AD banks shall continuously monitor and follow up for closure of outstanding entries.
 - AD banks must mark-off and close entries of exports on realisation and imports on payment.
 - AD bank may close entries for advance or reduced-value transactions (exports/imports) and MTT entries on request, subject to its satisfaction of its genuineness.
 - AD banks shall report all foreign trade transactions in the Foreign Exchange Transactions Electronic Reporting System (FETERS).
- **Mandatory SOPs and Transparency from Banks**
 - AD banks are required to make comprehensive internal policy and Standard Operating Procedures (SOPs) covering all processes relating to export / import and MTT. This policy / SOPs must clearly lay out timelines, documentation requirements, applicable charges, and the internal escalation and appeal mechanisms available to customers
 - The regulations expressly provide that AD banks cannot levy penalties or charges on customers for regulatory delays or violations.
 - AD bank shall disclose policy and main features of SOP on its website.

Key considerations and action points before FEMA Export and Import regulations 2026 are effective from 1 October 2026:

- Importer / Exporters to review their existing transactions and align with new regulation requirements for export / import of goods, services and software.
- Align export realisation and import payment terms with revised timelines and contract-driven settlement norms.
- To align internal systems / compliances for reporting of all service exports including software exports.
- To settle the advance receipts / payments for export / import within the due dates to avoid restrictions on future export / imports and requirements of LC / Guarantee.
- To redefine the reporting process and align with the internal policy and SOPs of AD bank.

Conclusion:

The FEMA Export and Import Regulations, 2026 mark a significant shift towards a simplified, consolidated and bank-driven compliance framework. By unifying goods and services regulations, mandating system-based reporting, extending realisation timelines and delegating key approvals to AD banks, the regime reduces RBI interface while enhancing operational flexibility. At the same time, clearer timelines, reporting obligations and consequences for delays strengthen compliance discipline, making the framework more predictable and efficient for cross-border trade transactions.



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