

RBI OVERHAULS INDIA'S TRADE FRAMEWORK: KEY CHANGES UNDER THE FEMA EXPORT AND IMPORT REGULATIONS, 2026

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Introduction

Last month, the Reserve Bank of India (the “**RBI**”) notified the Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026 (the “**2026 Regulations**”), which will come into effect from October 1, 2026. The 2026 Regulations will supersede the earlier Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2015 (the “**Existing Regulations**”) and aim to rationalize the legislative framework governing trade, i.e., import and export in India. Keeping in mind the dynamic cross-border trade, the 2026 Regulations provide greater flexibility to the Authorised Dealer (“**AD**”) banks in order to promote ease of doing business in India.

Key Highlights**(i) Uniform Reporting**

The 2026 Regulations consolidate the declaration requirements for exports of goods, services, and software into a single Export Declaration Form (“**EDF**”), replacing the earlier framework that required an EDF for the export of goods and a SOFTEx form for software exports. Under the 2026 Regulations, software is now to be treated as a form of “service”. The EDF should be submitted to the relevant specified authorities which are as follows:

- (a) For goods: To the Commissioner of Customs in the Domestic Tariff Area (“**DTA**”) or to the Development Commissioner of a Special Economic Zone (“**DCSEZ**”) (if the company operates in a Special Economic Zone (“**SEZ**)).
- (b) For services other than software: To an AD bank in the DTA or to the DCSEZ (if the company operates in an SEZ).
- (c) For software: To an AD bank or the Software Technology Parks of India (“**STPI**”) in the DTA or to the DCSEZ of an SEZ (if the company operates in an SEZ).

For declaration of exports of software, the requirement of filing the SOFTEx form under the Existing Regulations has been removed. Instead, a single EDF is to be filed for all exports, including software exports. The 2026 Regulations now recognise an AD bank as a “Specified Authority” on par with the STPI. Hence, STPI certification will not be mandatory, and businesses engaged in software, information technology (IT), or information technology enabled services (ITeS) will have the option to get their software exports certified by AD banks after October 1, 2026.

(ii) Timeline for filing of EDF

Regulation 3 of the 2026 Regulations prescribes the following timelines for declaration of exports through the EDF:

| Type of export | Timeline to submit EDF |
|---|---|
| For export of goods | At the time of export of goods. For goods exported through Electronic Data Interchange (EDI) ports, EDF will be deemed to be submitted as part of the shipping bill. |
| For export of software | Within thirty (30) days from the end of month in which the invoice for services has been raised |
| For exporters of services other than software | On or before the date of receipt of payment |

We can see that even under the 2026 Regulations, the filing timelines remain unchanged. The AD bank may grant an extension for submitting the EDF if it is satisfied that the exporter's reason for delay is valid.

(iii) Import Payment and Export Realizations

For making import payments, the Existing Regulations imposed a six (6) month timeline. This timeline has been removed. Payment terms now need to be aligned with the agreed contractual terms. In case of realization of export payments, the timeline has been increased from to fifteen (15) months from the date of shipment (in case of goods) and from the date of invoice (in case of services). It was nine (9) months under the Existing Regulations. This will give more time for businesses to receive payments, thus easing the pressure to receive payments timely in today's slow-paying markets. For exports invoiced or settled in Indian Rupees ("INR"), the realization period has been extended to eighteen (18) months. This relaxation aims to incentivise trade in INR.

(iv) Action against delay in export realization

If the export proceeds remain unrealized beyond one (1) year from the due date of realization, or any extended period granted by the AD bank or the RBI, the exporter may undertake future exports only against: (a) full advance payment; or (b) an irrevocable Letter of Credit ("LC").

(v) Advance Payments for Imports

Where an importer is unable to complete the import within the original contract period or any extended period, the importer is required to repatriate the advance. In case of failure to

repatriate the advance payment, or if the IDPMS (Import Data Processing and Monitoring System) entry remains unmarked, any future advance import payments may be permitted only against an unconditional and irrevocable LC/ bank guarantee.

(vi) Set-off of import and export transactions

Under the Existing Regulations, set off of payments pertaining to goods against services is not allowed. However, set off of export receivables for goods against import payables for services, and vice versa, will now be permitted under the 2026 Regulations. Such set offs may be carried out with the same overseas counterparty or its group or associate companies, within the prescribed export realisation period or any extended period approved by the AD bank.

(vii) Merchanting Trade Transactions (“MTT”)

Under the Existing Regulations, MTTs were required to be completed within an overall period of nine (9) months, and the outlay of foreign exchange (i.e., the gap between import payment and export receipt) could not remain outstanding for more than six (6) months. In addition, third-party payments and receipts were generally not permitted.

Under the 2026 Regulations, the six (6) month limit on the outlay period continues to apply, but the fixed nine (9) month outer limit for completion of MTTs has been removed. Instead, AD banks may permit completion beyond this period, provided they are satisfied that the reasons for the delay are commercially justified. The 2026 Regulations also liberalise the MTT framework by expressly permitting third-party receipts and/or payments, subject to AD bank approval.

(viii) Smaller Value Transactions

A smaller value transaction refers to an export or import, where the value of the shipping bill (for goods) or invoice (for services) does not exceed INR1,000,000 (Indian Rupees One Million) (or its equivalent in foreign currency). Unlike transactions exceeding INR1,000,000 (Indian Rupees One Million), where the AD bank may close entries in EDPMS or IDPMS only after satisfying itself about the genuineness of the transaction, in the case of smaller value transactions, such entries may be closed in the respective monitoring systems merely on the basis of a declaration by the exporter or importer, as applicable.

For all trade transactions, the exporter/ importer may submit a declaration to the AD stating that the payment for the export/ import has been realised, either fully or partly, for closure of entries in EDPMS or IDPMS. Alternatively, such declarations may be submitted on a quarterly basis for bulk closure of entries in EDPMS (Export Data Processing and Monitoring System) or IDPMS, as applicable. Further, for such transactions, the AD bank may permit reduction of export value including non-realisation of full export value based on a declaration from the exporter.

(ix) Responsibilities of AD banks

Under the 2026 Regulations, greater responsibility is placed on the AD banks based on their internal policies and assessment of the bona fides of each transaction. The 2026 Regulations direct the AD banks to formulate an internal policy and Standard Operating Procedure (“SOP”) for handling trade transactions and reporting them, which should at least encompass the following:

- (a) List of documents, timelines, and charges for each process and approval.
- (b) Extension of the time-period for export realisation and repatriation/ import payments.
- (c) Adjustment (under, over and non-realisation) of export proceeds to be realised and repatriated.
- (d) Advance receipts for exports and advance payments for imports.
- (e) Delegation of powers for internal approvals for each process.
- (f) Export factoring and import factoring.

In addition to this, AD banks must clearly delegate transaction approval responsibilities, establish a structured escalation mechanism for customer grievances, and set up an appeal mechanism for review at higher levels. They are also required to ensure that transaction-related charges remain reasonable and proportionate. Further, AD banks are not permitted to impose any penalties for regulatory delays or compliance breaches.

Conclusion

Through the 2026 Regulations, the RBI aims to create a more business-friendly environment and promote ease of doing business by allowing greater contractual flexibility and aligning the regulatory framework with evolving cross-border trade dynamics. The RBI is reduced regulatory hurdles, which deter potential overseas trade collaborations, and is granting wider discretion to AD banks in trade-related matters by allowing AD banks to tailor their own internal policies and SOPs to suit operational requirements. The 2026 Regulations are intended to boost cross-border trade and position India as a bigger market player in the global supply chain.