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EY Regulatory Alert

RBI issues Export and Import Regulations, 2026

Executive summary

EY Alerts cover significant tax news, developments and changes in legislation that affect Indian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor.

The Reserve Bank of India ('RBI') has issued the Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026 ('Regulations') on 16 January 2026 post public consultation on the draft Export and Import Regulations and Directions released in July 2024 and thereafter, in April 2025 ('Draft EXIM guidelines').

The Regulations shall come into force on 01 October 2026.

This Alert summarizes the key changes introduced under the Regulations.

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Background:

- The Regulations consolidate and update India's cross-border trade framework by bringing goods, services, and software under a unified structure, introduce uniform reporting requirements, and outline revised norms for payments, documentation, and operational processes.

Key aspects covered under the Regulations

- **Payment/Realization timelines**
  - **Imports**: The earlier 6-month timeline for import payments has been removed, and the payment timeline needs to be aligned with the agreed contractual terms.
  - **Exports**: Export realization timeline of 15 months from date of shipment (goods) and date of invoice (services) continues in line with the existing guidelines.
  - **Exports invoiced and/or settled in Indian Rupees ('INR')**: Realisation period for INR extended to 18 months.
- **Delay in export realization beyond 1 year**

  The export proceeds remaining unrealized beyond one year from the due date of realization, or any extended period granted by the Authorized Dealer ('AD') Bank or RBI, the exporter may undertake future exports only against (i) full advance payment or (ii) an irrevocable Letter of Credit ('LC').
- **Advance and Delayed Payments for Exports and Imports**
  - The existing USD 200,000 limit on import advance payments has been replaced with a limit to be prescribed by the AD Bank, beyond which a standby LC or bank guarantee may be required.
  - All-in-cost ceiling prescribed for trade credit now applies on any interest payable on export advances or delayed import payments as prescribed under External Commercial Borrowing ('ECB') guidelines.
  - **Import advances not adjusted:**
    - 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 Import Data Processing and Monitoring System ('IDPMS') entry remains unmarked, any future advance import payments may be permitted only against an unconditional and irrevocable LC / bank guarantee.
- **Permissions for closing advance transactions**
  - AD Banks may close IDPMS or Export Data Processing and Monitoring System ('EDPMS') entries relating to advance transactions where no export/import materialised, provided they are satisfied that:
    - refund is not possible, and
    - the request is bona fide
- **Reduction in export invoice value**
  - The Regulations authorize AD Banks to permit reduction in realization of invoice value on account of under-realisation or non-realisation of full export value subject to bona fides of the transaction and supporting documentation.
  - Where the invoice value is up to INR 10 lakh per shipping bill / invoice (as may be applicable), AD Banks may allow reduction based on a self-declaration from the exporter.
- **Set-off of import and export transactions**

  Set-off flexibility has been expanded, export receivables against goods can now also be set off against import payables towards services, and vice versa.
- **Import of gold and silver**
  - Advance remittance is no longer permitted for the import of gold and silver.
  - The restriction of 90-day credit period on suppliers'/buyers' credit and LC usance period for import of gold, has been relaxed.
  - Other precious and semi-precious metals may be governed as per the general timelines for import applicable for other than Gold and Silver.
- **Merchanting Trade Transactions ('MTT')**
  - MTT means where goods are bought from one foreign country and sold to another foreign country without it entering the Domestic Tariff Area ('DTA').
  - The entire MTT was required to be completed within 9 months, with an

additional condition that no outlay of foreign exchange could remain outstanding beyond 6 months.

- The earlier overall 9-month timeline for completion of MTT has been removed under the Regulations.

- Under the Regulations, the maximum gap between the outward remittance and the corresponding inward remittance, or vice versa should not exceed 6 months, in line with the existing guidelines.

- While third-party payments and receipts have not been permitted under existing guidelines on MTT, the Regulations allow AD Banks, upon being satisfied with the reasons cited, to permit receipt from and/or payment to a third party under MTT.

- **Uniform reporting - Export Declaration Form ('EDF')**

  - A single consolidated form EDF should also be applicable for reporting export of services and software (replacing the earlier SOFTEX form).

  - The form should be submitted to the relevant specified authorities, i.e., Customs, AD Banks, Software Technology Park of India (STPI) and Special Economic Zone ('SEZ') authority.

  - Corresponding entries may be generated in the EDPMS by the specified authority.

  - Timeline for submission of EDF:

    - **Goods**: Submitted as part of the shipping bill, in line with extant guidelines, for goods exported through an Electronic Data Interchange ('EDI') port.

    - **Services & software**: One EDF can cover all service and software exports made in the month and to be submitted within 30 days from end of month in which invoice is raised.

    - **Services (other than software)**: EDF may be submitted on or before the date of receipt of payment.

- **Standard operating procedure (SOP')**

  The Regulations direct the AD Banks to formulate an Internal Policy and SOP for handling trade transactions and should capture the following:

  - List of documents, timelines and charges for each process and approval;

  - Extensions for export realisation and import payments;

  - Reduction in export value (including under/over/non-realisation adjustments);

  - Set-off of export receivables against import payables;

  - Third party receipts and payments;

  - Permission for export/import advances, subject to internal risk thresholds;

  - Export factoring and import factoring.

Comments

The revised Regulations mark a shift toward simplifying compliance and enhancing the ease of doing business, particularly for smaller exporters. By bringing goods, services and software transactions under a unified framework and streamlining key timelines, the new regime reduces procedural complexity and aligns India's cross border processes with contemporary digital trade practices.

While cross border transactions continue to require coordination with multiple regulatory bodies, including Customs and sector specific authorities, the revised framework reduces the need for RBI's routine involvement. With greater delegation of operational powers to AD Banks, approvals relating to extensions, reductions, set offs and third party transactions can now be handled closer to the underlying commercial activity. Supported by digital platforms such as EDPMS and IDPMS, AD Banks have been vested with enhanced discretion and a more central supervisory role in ensuring compliance and monitoring trade flows.

The deferred enforcement of these Regulations allows AD Banks to design internal policies, governance mechanisms and SOPs to manage cross border transactions within their delegated authority. It may be interesting to observe how these internal frameworks evolve, particularly in the context of RBI's more limited day to day involvement.

Overall, the revised Regulations represent a transition to a more streamlined, principle based foreign exchange management structure. Businesses may benefit from greater operational flexibility and predictability, while AD Banks may gradually take on enhanced responsibilities in assisting with regulatory adherence and providing oversight across cross-border payment arrangements.

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