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EY Regulatory Alert

Foreign Contribution Rules amended revising registration and reporting framework

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Executive summary

The Ministry of Home Affairs, Government of India, *vide* Notification (bearing reference no. S.O. 3272(E)) dated 22 June 2026, has notified Foreign Contribution (Regulation) Amendment Rules, 2026 ('Amendment Rules'), amending the Foreign Contribution (Regulation) Rules, 2011 ('FCRA Rules') and revising the regulatory framework under the Foreign Contribution (Regulation) Act, 2010 ('FCRA').

The Amendment Rules introduce key changes to the registration, governance, compliance and reporting framework, including, inter alia, the formal definition of "key functionary"; purpose- and geography-specific registration; a prescribed Schedule of permissible activities; restrictions relating to foreign nationals as key functionaries; and enhanced activity-level and donor-level reporting requirements.

The Amendment Rules have come into force from the date of their publication in the Official Gazette, i.e., 22 June 2026.

This Alert summarizes the key changes introduced pursuant to amendment.

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Background

- The FCRA regulates the acceptance and utilization of foreign contribution by persons and associations in India, with the objective of ensuring that foreign funds are received and utilized in accordance with the prescribed framework.
- The Amendment Rules represent a revision to the existing FCRA compliance framework, with an emphasis on defining the scope of registration, identifying persons responsible for governance and control, and strengthening transparency in the utilization and reporting of foreign contribution.
- The Amendment Rules also introduce a prescribed schedule of purposes for which registration may be sought and require existing FCRA-registered associations to align their current registration with the revised framework within the prescribed timeline.

Key takeaways

Definition of "Key Functionary"

- The Amendment Rules have defined "Key Functionary" to include directors, partners, trustees, Karta of Hindu Undivided Family ('HUF'), office bearers, members of governing body or any other person who exercises effective control over the management and affairs of the association.
- Correspondingly, references to office bearers and governing body members in certain provisions have been replaced with "Key Functionary", which may indicate a shift towards centralising accountability on persons exercising effective control

Purpose and geography specific registration framework

- The Amendment Rules provide that associations applying for FCRA registration are required to specify their purpose(s) and the state or Union Territory ('UT') in which they intend to operate.
- In this regard, a new Schedule has been introduced prescribing the permissible categories of activities, and such purpose(s) are required to be selected from the specified list. The prescribed broad categories include:
    - Religious
    - Cultural
    - Economic
    - Educational
    - Social
- The Schedule provides a detailed listing of activities under each category.
- Further, the existing registered associations may be required to file an intimation in the prescribed Form within one year, specifying the purpose(s) and geographical scope for which they seek to retain their FCRA registration.
- Any subsequent change in the approved purpose(s) or any State or UT specified in the certificate of registration, prior approval may be required through submission of prescribed form.

Restriction relating to foreign nationals as key functionaries

- The Amendment Rules provides that an association having foreign nationals, other than persons of Indian origin, as its key functionaries may ordinarily not be considered eligible for grant of registration or prior permission under the FCRA.
- However, the Central Government may specify cases or circumstances where foreign nationals may be permitted to act as key functionaries of an association for the purposes of registration or prior permission, subject to the conditions that may be prescribed.

Release of subsequent instalments under prior permission

- An association which has received prior permission may file a prescribed form for seeking release of second or subsequent instalments of foreign contribution.
- The release may be considered subject to utilisation of at least 75% of the previous instalment and field verification thereof.

Reasonable activity threshold

- The Amendment Rules provide that association may be required to demonstrate utilisation of at least INR 10 lakh of foreign contribution over the preceding two financial years to be considered as undertaking "reasonable activity" for the purposes of renewal and regulatory assessment.
- It is further clarified that the expression "reasonable activity" may include only such activity as is undertaken out of, or by utilising, foreign contribution received in accordance with the FCRA.

Detailed Activity Report

- The associations are required to furnish a detailed activity report as part of:
    - Annual return; and
    - Registration/ Renewal applications

Enhancement of disclosures and revisions to reporting forms

- The Amendment Rules have revised various forms to introduce enhanced disclosures, including:
    - governance-related disclosures, such as status of Government ownership and applicability of Comptroller and Auditor General of India (CAG) audit;
    - details in respect of publications made

by the associations;

- details of ultimate donors in case of Donor Advised Funds/Other intermediary remittance vehicles
- requirement for Unique Document Identification Number ('UDIN') in auditor certification

Comments

a. The Amendment Rules introduce a shift in the FCRA framework from broad, association-level registration to a purpose and geography-specific approach. The introduction of a schedule comprises an exhaustive list of permissible purposes that may bring standardization in defining the permissible scope of acceptance and utilization of foreign contribution by associations.

b. The definition of 'key functionary', coupled with the restriction on foreign nationals occupying such positions, indicates a move toward tighter governance oversight. Since the definition extends beyond formal designations to persons exercising control over, or responsibility for, the affairs of an association, associations may need to review their governance, advisory and operational structures to assess whether any reporting, approval, or governance changes are required.

c. Overall, the Amendment Rules are expected to increase compliance requirement and move the FCRA framework toward more granular, transparent and substance-based reporting. FCRA registered associations that may need to undertake a review of the approved purposes, geographical scope, key functionaries, donor arrangements and reporting mechanism to assess the alignment with the Amendment Rules.

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