16th June 2011 at

Gulmohar Hall, India Habitat Centre, Lodi Road, New Delhi

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Comparative Study of FCRA Provisions

This study has been undertaken to provide reference / ready material for Participants in the FCRA RoundTable. While due care has been taken to maintain the authenticity of the information, SRRF will not be responsible for any discrepancies / errors creeping in the document; or for actions taken in whatsoever manner by anyone on opinions expressed herein.

S.No.		FCRA 2010	F	CRA 1976	COMMENTS
		CHAPT	ER I : Pr	eliminary	
1.	S. 1	No major change in the scope of the Act.	S. 1		Effective from 1 st May 2011.
2.	S. 2	New Definitions b) Authorised person in foreign exchange e) certificate f) company g) foreign company k)Panchayats included in the definition of Legislature l) notification m) person p)prescribed authority r) relative <u>New Definitions as</u> <u>provided under</u> <u>rules</u> b)Chartered Accountant		S. Reform Foun	atton SiGO
3.	S. 2 (1) (h) (i)	Article above Rs ? to	S. 2 (c) (i)	Article above ₹ 1000 to be treated as foreign contribution.	Act states that the value of the Article to be defined in the Rules. However rules have not defined the same. Seems a slip.
4.	S. 2 (1) (h) Expl. 2		New	-	Currently interest treated as foreign cont. as per practice / clarifications provided by the dept., now it has been formally specified in the Act. It seems to cover any income from any investment activity.

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					However whether it can be stretched to any income earned out of any venture from FC (say a surplus earned on a training program) would seem rather far-fetched.
5.	S. 2 (1) (h) Expl. 3	Fee (incl. ones rec'd by educational bodies) as well as funds rec'd in the normal course of business to be excluded from definition of foreign contribution.	New	n & Reform From	Again doubts used to be raised towards consultancy fees. This provision clarifies the situation in this regard. Fees for education courses will also not be regarded as foreign fees. Not yet clear, if fees towards international conferences etc. would be treated as Contribution towards sale of publications, etc. may not be treated as foreign contribution as long as it is done in the ordinary course of business. Thus anything which
			10 RESUL		is not fee, (such as grants/ donations) would be regarded as foreign contribution.
6.	S. 2 (1) (m)	Person defined as - Individual, - HUF - Association, - S. 25 company	New	-	
7.	S.2 (1) (r)	Relative to be defined as per Companies Act 1956.	New	-	 S.6 defines relative as (i) members of HUF (ii) husband & wife (iii) as per a list under Schedule 1A (a very long list consisting of at least 22 relations)

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	СНАРТ	ER II : Regulation of Fo	reign	Contribution & For	reign Hospitality
	S. 3				d from accepting any
8.	S. 3 (1) c	Judge, Govt. servant or employee of any corporation or any other body controlled or owned by the Govt.	S. 4 (1) c	Judges, Govt. servant or employee of any corporation.	Earlier provisions have been retained, but employee of any other body controlled or owned by the Govt. has been added.
9.	S. 3 (1) g	Any association or company involved in production or broadcast of audio / visual news or current affairs programmes through any electronic mode, or any other electronic form as defined in clause S. (2) (1) (r) of the Information Technology Act 2000 or any other mode of mass communication. Definition of electronic form under IT Act 2000. r) "electronic form" with reference to information means any information generated, sent, received or stored in media, magnetic, optical, computer memory, micro film, computer generated micro fiche or similar device;	New	urth & Reform From	Earlier only newspapers were covered, now the Act recognises the latest modes of mass- media, such as TV channels, web, internet, etc. This could raise a number of new issues, such as will any content of an NGO which also has a web-site commenting upon Govt. policies or latest developments, fall under this definition. Further with govt. set to raise FDI in media such as DTH, Internet protocol TV, Mobile TV, Teleport platforms, etc. to 74%. While S. 4 does exempt businesses in the ordinary course, then why bring in new categories which

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foreign, from a foreign source on behalf of any person or class of persons, referred to in section 9, shall deliver such currency — (a) to any personwhether in section 10, shall any in section 10, shall in the Act.will not be deliver to any other to any other foreign source on behalf of any in section 10, shall in the Act.in the Act. <td< th=""><th></th><th>to in previous clause.</th><th></th><th>registered newspaper.</th><th>even stay in India and make their contributions electronically, there is a need to understand what exactly the Govt. wishes to control and is it likely to succeed in the same.</th></td<>		to in previous clause.		registered newspaper.	even stay in India and make their contributions electronically, there is a need to understand what exactly the Govt. wishes to control and is it likely to succeed in the same.
for which it was received. (a) to any association or organisation other than the association for which it was received.	11.	any currency, whether Indian or foreign, from a foreign source on behalf of any <u>person</u> or <u>class of</u> <u>persons</u> , referred to in section 9, shall deliver such currency — (<i>a</i>) to any <u>person</u> other than a person for which it was	(3)	receiving any currency, whether Indian or foreign, from a foreign source on behalf of any <u>association</u> referred to under S6(1) shall deliver such currency (a) to any association or organisation other than the association for which it was	prohibition was basically that funds will not be delivered to any other NGO than for which it was meant, now it is basically to cover 'persons' as defined
		•		_	- S. 4 now covers all the exceptions

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13. S.4	exceptions in regard to persons who have been prohibited from receiving the FC (i.e. political parties, media, Judges, etc.). This exception earlier in case of receipt from relative was limited to Rs 8000/-, however now no limit has been specified, thus persons under S. 3 can receive funds from relatives without limit !! Relative has been defined as under Companies Act. (see above) Rule 6 now requires that any person receiving foreign contribution in excess of Rs 1 lakh in a financial year from his relative shall need to inform the Govt. through Form FC1 within 30 days of receipt of such contribution.	S. 7	earlier section included: - salary, - payments rec'd for any transactions undertaken outside India in the ordinary course of business, - as an agent of a foreign source in relation to transactions with Govt. - any gift/ presentation accepted in accordance with regulations made by the Central Govt. - remittances rec'd in the ordinary course of business under FEMA. - from relatives upto ₹8000/	making since this seems to cover a huge population, who otherwise may not have any thing to do with the . (Rule 6). Further it is not clear on the basis of which section of the Act this rule has been created.
(g)	receipt of funds for scholarship, stipend or funds of like nature, without any limits / govt. monitoring.	~. /	funds above ₹36,000/- per academic year need to be	and scholarships have been relaxed in a significant manner. Earlier a complete section (S.7) was covering the procedure

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			(if residing outside India than 60 days).	relating to stipend / scholarships, which are just taken as exceptions under the exceptions section.
14. S. 5	ThisProvisionidentifiestheprocedurefordeclaringanorganizationof'Political nature, butnot a political party'.Thisprocedureincludes:- Govt.to specifygroundson whichan organization canbe declared as suchunder this category Govt.to give duenotice,- Affectedorganizationtogiverepresentation- All orders to bemade in a time-bound manner.	S.5	Covered only what an organisation once declared of 'Political nature, but not a political party' could receive such funds. It did not have any procedure on how Govt. could come to such a conclusion. Thus no transparency and on what relief were available to an aggrieved organization.	could not do or how they could receive
	13	10.26		However some of the rules could be a bit of political mine. As many organisations could fall foul of this rule.
15. S. 6	No foreign hospitality to be accepted by any legislator, office bearer of a political party, judge, Govt. servant, employee of	S.9	Exactly same.	New Act has made it all encompassing by adding 'any other body owned or controlled by the Govt.'
	a corporation or any other body owned or			Rule7:Priorpermissionfor

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	controlled by the Govt. shall not accept any foreign hospitality without prior approval of the Central Govt. If done in emergency illness then intimate within 30 days.			emergent medical aid above Rs 1 lakh may be made within 60 days of receipt of hospitality on a plain paper. For other hospitality only prior permission should be taken (application to be made at least 2 weeks before the proposed date of onward journey)
16. S.7	No authorized person who has received FCRA funds can transfer to another <u>non-</u> <u>registered / non-</u> <u>authorized</u> organization, except as permitted under the rules.	New	urch & Reform Found	Rule 24 (4) now permits upto a maximum of 10% of the total foreign contribution received by the transferor, provided a necessary permission for the same is obtained in Form FC10. This relaxation was brought as a recommendation by the Select Committee so that donors could help small and far-off NGOs in receiving FCRA funds. However the new Rule now requires that funds will not be trfd by the donor till central govt. takes a decision in the matter. The application has to be accompanied by recommendation of the DM of the area in which funds are likely to be utilized.

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permission. It defeats the whole		LO RESULTION SCREEN	defeats the whole
purpose of giving registration / prior			

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permission. Further the Rule does not seem to have any legislative back-up. SRRF petitioned the Dept. on behalf of the NPO sector on this inconsistency, and it must be said to the credit of the that Dept. it promptly issued a clarification that there was no need to apply for approval as long as the transferor ensured that the transferee was not being proceeded against. However the above clarification still the leaves all responsibility with the transferor. Considering the Dept.'s intervention as per S. 7 is meant only for unregistered entities. There is a need to amend the Rule 24(2) in one way or other. 17. S.8 Person receiving New Rule 4 defines (1) a funds not to utilize speculative the same for activities. It covers investment in shares 'speculative purposes'. including mutual funds. land and similar schemes promising high However returns. investment in debtbased securities has been allowed.

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18. S.8	No foreign	Norr		While intention of
	0	new		
(1) b	contribution funds			this provision seems
	to be used in a			honorable, i.e. that
	manner that these			funds meant for
	result in meeting			programmes are
	more than 50% in			used productively.
	administrative			However it is quite
	expenses.			likely that this
	I I I I I I I I I I I I I I I I I I I			provision would
				result in a lot of
				interpretations and
				'split hairs'. Rule 5
				identifies 'Admin.
				Expenses'. These
				1
				include:
				- salaries, wages,
				travel expenses
				of the executive
				committee
				members,
				- salaries, hiring
				costs, travel
				expenses for
				persons
			(March 1)	undertaking
			Con.	management
			(MYD)	activities
			S RELVI	- all consumable
			6 61,203	
			NCH ~	expenses
		200	MIL	(electricity,
		Mr.		telephone,
	100	20		postal, repairs to
	2			premises from
				where
				association is
				functioning,
				printing &
				stationary,
				transport, travel
				-
				charges by
				members of
				executive
				committee,
				- CC
				- accounting and
				administration
				costs,
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					organizing camps, could be interpreted as Admin exps.
19.	S. 9	Power of Central Govt. to prohibit receipt of foreign contribution, etc., in certain cases.	S. 10	No major change, except consequential changes of FCRA now being applicable on persons.	It is an all encompassing section, which empowers the Govt. to ask anyone to comply with FCRA provisions, whether specified under any of the other provisions or not.
					Rule 6, asking intimation for receipt of Rs 1 lakh and above which otherwise does not seem to have any power can derive its power only under this section.
20.	S.10	Power to prohibit payment of currency, article, security received in contravention of the Act. Rule 8 specifies the procedure on how the govt. will ensure issue of prohibitory order, wherever violation occurs.	S. 12	Almost same.	No major change, except the consequential changes of bringing security within the ambit of FC.

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	CHAPTER III : Registration					
21. S.11 (1) (2)	 NPOs to receive funds based on registration/ Prior permission. Prior permission to be valid for specific purpose and specific source for which permitted. 	S.6 (1) (a) & (1A)	Earlier Registration was permanent unless revoked by the Govt.	In case of any violation of the rules is established, then remaining funds cannot be utilized.		
o Rule (10)	is Registration / Prior permission issued under FCRA 1976 to & be considered as if issued under the new & Act (FCRA 2010). However the registration will be valid for a period of 5 years from the date when this section becomes applicable.		ALC REFORMETOUR	All existing registrations will be valid only for 5 years from the date when the relevant provisions become effective. Considering that all organizations having registration under previous Act will become due at the same time, the dept. would do well to plan in advance for ensuring renewal of registrations, otherwise it will cause a lot of unnecessary delays & heartburns. Perhaps that is why the dept. now requires that a renewal application be filed online 12 months prior to expiry in case of organizations running multi-year project. In other cases, it will be 6		

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months. prior Neither а permission nor а registration application may be moved for a period of 6 months, if the previous application has lapsed. For example, if hard copy is not submitted within 30 days of online filing. (Rule 9(1)b) Persons who have applied under FCRA 1976 and their applications are pending will be treated as applications filed under the new Act and hence would need to deposit fees as required. (Rule 9(5) In case applications are not filed within due date. compounding is possible if an application is moved within 4 months of expiry. After which the registration will no longer be valid. R.12(8) 23. S. Gives power to the S. Earlier 11 this Gives sweeping to 10 (3)central govt. power powers to the was require prior (d) limited only to Central Govt. to permission person control receipt of bv or notifying: class of foreign funds by - any person / class anywhere. persons, anyone, of persons, or now Normally when the however - the areas in which Govt. is given such it has been

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	FC can be utilized, or - purpose for which FC can be utilized, - or the sources from whom FC can be accepted.		expanded empowering the Govt. in a major way.	powers, there are safeguards as legislation normally specifies the grounds under which such powers can be used, so that the courts can examine if the powers were used judiciously. Such safeguards are missing.
24. S. 12 (1) Rule 9 (1b) & (2b) S. 12 (3)	 made online in Form FC3 for registration alongwith a fee of Rs 2000/- /FC4 for prior permission alongwith a fee of Rs 1000/ Hardcopy of application has to reach Dept within 30 days of online submission. If not done application so filed would cease. Issue of registration 	S.11	- In case of prior permission, Dept. was bound to reply in 90 days, plus 30 days period (if reasons provided why response cannot be given). Otherwise one could deem	Earlier while prior permission had to be given / rejected within a maximum of 120 days, now the Govt. can take longer by providing written reasons. In case someone is not able to submit hard copy within 30 days then not only application ceases, but also new application cannot be made only after six months, thus delaying the entire process.

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25. S. 12 (4)	Conditions to fulfill for registration / prior permission. - Person should not be benami, - Not likely to use FC for personal gains etc. - Not found guilty for diversion / mis- utilisation of funds - Not prosecuted or convicted for any offence. - Office bearers / directors of applicant organization have not been prosecuted / convicted - Not prosecuted // convicted for conversion through inducement - Not prosecuted // convicted for convicted for convicted for conversion through inducement - Not prosecuted // convicted for convicted fon	New	that the prior permission has been granted.	These provisions basically codify what the Govt. was ensuring internally (when IB officials made Inspection).
26. S. 13 Rule	inducement - Not prosecuted / convicted for creating communal	New	ich & Retonn	Although specific power of suspension

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	13	certificate for upto a maximum period of 180 days, during which no funds can be rec'd. In case of suspension of registration, 25% of unutilized amount may be utilized after obtaining prior approval.			of certificate is not specified in the old Act, however it had power to prohibit utilization of funds, thus giving almost similar powers.
27.	S. 14	Authority to cancel the certificate, after giving due opportunity to be heard. Once a certificate is cancelled, no further certificate / permission will be granted for a minimum of 3 years.	New		Surprisingly this power was not available under the previous Act.
Socio Research & Reform Found					

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28. S. 15	In case of			
	cancellation, assets			
14	procured out of FC,			
	whose certificate has			
	been cancelled will			
	vest as follows			
	(i) remaining FC funds			
	with the bank till			
	the Govt. issues			
	further directions.			
	(ii) If a person			
	whose certificate			In Rule (ii) there
	has been cancelled			appears to be a
	transfers FC to any			typographical
	other person rule	/		errors. As Rule 12
	12 (a) will apply to			(a) does not exist.
	the person who has			Could be 13 (a)
	rec'd such funds.			could be 10 (a)
	(iii) Movable or			
	immovable assets			
	of the person who			
	is in possession of			Could have several
	movable /			implications on
	immovable assets			recordkeeping of the
	acquired from FC,		Mr.	assets.
	and if that person's		Com	
	registration is		a form	
	cancelled or ceases		. & Rep.	
	to exist or becomes		ch Quint	
	defunct, then	1920	ILLI	
	interim custody of	Mr.		
	such assets vests	2		
	with the District			
	Magistrate.			
29. S. 16	Certificate will need to	New		Again until now the
	be renewed within 6			Govt was following
	months of before the			the principle of time-
	expiry date. Normally			bound approval.
	Dept. will renew the			Govt. seems to be
	same within 90 days of			moving away from
	the receipt of the			that principle.
	application. However if			PP
	the Govt. is not able to			
	do the same, it will			
	communicate its			
	reasons for the same.			
	reasons for the sume.	I		

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	СНАР	TER IV : Accounts, Intin	nation,	Audit & Disposal	of Assets, etc.
	S.17 (1) 1 st Proviso Rule 9 (1) (e) & Rule 9 (2) (e)	Opening of more than one bank accounts allowed in the same bank or even in other banks both in case of registrations as well as prior permissions. Opening of more than bank account needs to be informed to MHA within 15 days of opening any such accounts.	S.11		This is long pending demand of the sector as the original rule of one bank account created often rules which could not be complied with. This is certainly welcome.
	S. 18 Rule 12 S. 17 (2) Rule 15	 In case a company receives more than Rs 1 crore in a financial year, it has to provide details both of receipt as well as utilization in public domain. Banks will report to the Govt. wherever FC has been rec'd without receipt of the necessary certificate. Banks will report to Govt. all cases where more than Rs 1 crore of FC is rec'd either in single transaction or in aggregate within a duration of 30 days by any person, whether registered or not under the Act. 	New	A S Reform Found	 While this is a good move from the angle of transparency, however it may be noted that past attempts on similar disclosure had to be withdrawn by the Govt. after a short time. Govt. wants to independently monitor who all are receiving foreign funds. Seems a Herculean task.
32.	S. 18 Rule 20	Everypersonreceiving FC based oncertificatepermissionwouldsubmitareportin	4 (a) &		While most of the old rules have been followed, however requirement of submission of bank

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		Form FC-6, accompanied by I&E, R&P & Balance sheet within 9 months of the closure of the financial year. The report has to be duly certified by a chartered accountant. The return has to be submitted alongwith bank statements of the related FCRA bank a/c.			statement is new. Further there are no significant changes between old Form FC3 & new Form FC6.
		A Nil report to be submitted even if no contribution rec'd.			
	S. 19	Every person who has been granted a certificate or given prior approval to maintain accounts in the manner as prescribed for the FC rec'd and how these have been utilized.	13 & Rule 8	Earlier Rule 8 prescribed that a cash book and ledger account to be maintained in double-entry basis and that a separate bank account to be maintained.	maintained for FC
	S. 20	Power to the Govt. to enter any premises at any reasonable time for the purpose of the auditing the said books of accounts. Officer who can undertake the audit can be only a Gazetted officer holding a Group A post under central govt.	15A	No change.	
35.	S. 21	If a candidate receives	New		While a candidate is
	Rule	FC within 180 days			prohibited from

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	18	immediately preceding the date of nomination as a candidate, then s/he will have to give intimation to the Dept. in form FC-9 within 45 days of being nominated as a candidate.			receipt of funds, once a person has been nominated as a candidate for election. However this provision covers, even 6 month period prior to election period.
36.	S.22	In case a person who has rec'd FC and who becomes defunct or ceases to exist then all the assets of such person would be disposed of in the manner as laid down under applicable law in force. In case there is no such law applicable, then Govt. will specify the procedure.	New		No specific rule prescribed for such situation.
		Sac	0 RESEA	rch & Reform Found	Mu

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C	CHAPTER V, VI : Inspection, Search & Seizure, Adjudication						
37. Ss. 23	0		Generally	- Thus a precaution			
- 30	Inspection, Search &		same, except				
	Seizure, Adjudication	21	in case of a	party has been			
	& Appeal		political organisation,	taken away. - S. 26(3) now lays			
	S. 26 now provides a		old rules	down exact			
	detailed procedure for		stated that	procedure of			
	disposal of assets,		the Group A	inventorising and			
	including their		officer must	getting the			
	inventorising.		have been one	correctness of the			
			at least for last 10 years.	inventory certified by a Magistrate.			
			last 10 years.	- S 26 (4) refers to			
				an application			
				under sub-section			
				(2), while in actual			
				fact application is made under sub-			
				section (3).			
L				(Y)			
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	CHAPTER VII : Appeal & Revision							
38.	S. 31	Provisions relating to appeal against confiscation orders.		No change				
39.	S 32	 (1) Power of Revision accorded under the Act, either by the Govt. on its own or on application moved by a FCRA registered person. (2) However Govt. on its own would not revise any order which is more than 1 year old. (3) Applicant has to move within 1 year when the order was communicated or he otherwise came to know of it, whichever is earlier along with a fee of ₹1000/- 	New	Some found	This is a welcome provision.			
	Research & Repair							
		Sac	10 10					

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		CHAPTER VIII	: Offe	ences & Penalties	
40.	S. 33	If any person knowingly gives false intimation / concealment of information about (i) FC rec'd while he was prohibited to receive the same [S 9(c)], or (ii)provides false information while filing returns as required of FC rec'd and utilized (iii) or seeks prior permission / registration then he can be convicted by a court for a maximum of 6 months imprisonment or fine or both.	New	Com Found	Now for giving false information, a prson can be convicted of fine or 6 months imprisonment or both.
41.	S. 34	For transfer of article, currency, security in contravention of S.10 where s/he had been prohibited from such transfer, s/he may be punished with imprisonment for a term of 3 year or with fine or with both.	S. 22	No change.	

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42.	S. 35	Whoever accepts or		No change.	
		assists in accepting FC in contravention of any provision of this Act, shall be punishable with an imprisonment for a term of 5 years or with fine or with both.	S. 23	Punishment for acceptance of foreign hospitality upto 3 years or with fine or both.	•
43.	S.36	Penalties in case of confiscation of article, currency, security. Fine could be 5 times the value of such confiscation of Rs 1000/- whichever is more.		No change except security now added.	
44	S.37	If non-compliance of the Act for which no specific penalty is provided then the punishment can be upto a maximum of I year imprisonment or with a fine or both.	and the second s	Same, except under old provision fine was limited to ₹1000/ In the provision fine amount has not been specified.	has not been specified under new
45.	S.38	If a person is convicted under S. 35 or S.37 in regard to acceptance /utilization of FC second time then s/he cannot accept FC for next 5 years from the date of 2 nd conviction.		Basically same provision, except period for which funds cannot be accepted is 3 years.	Restriction enhanced from 3 to 5 years.
46.	S. 39	Offences by companies	S. 26	No change.	Considering company has been defined under the Act, still a new definition of company (to include

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					body corporate, fir, society, trade union or other association of individuals) has been given. This seems to be inconsistent and appears to have happened, simply because exactly the same provision as earlier has been reproduced.
46.	S. 40	Court to take cognizance of offence only after previous sanction of the govt.		No change	
47.	S.41 (1)	An application to Secretary may be made for any offence which is not punishable by 'imprisonment only' for compounding. The above will not apply to an individual or officer/ employee of an association who has committed an offence previously and was compounded within last 3 years.	New	rch & Reform Found	Compounding is a welcome provision.

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CHAPTER IX : Miscellaneous								
48.	S. 42	- Power to call for information or documents	New					
	S.43	- Investigation powers are same as that of an officer- in-charge at Police Station	S. 28	No change				
	S.44 (Rule 21)	- CBI or any other agency investigating cases under the Act to furnish quarterly return on progress on all cases.	New					
	S. 45	- No suit / other legal proceedings against any of the Govt. agencies or their officer for acting in good faith in pursuance of this Act.	S. 29	No change				
	S. 46 – 48	Certain administrative powers and power to make rules.	S.30					
	S. 49	Procedure for laying of rules in parliament.	S.30					
	S.50	Power to exempt organizations fro from of all or any provisions of this Act.	S.30 (3) S. 31					
	S. 51	Not to apply to transactions between GoI and foreign	01					

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	governments.			
S. 52	Provisions of this Act are in addition to, and not in derogation of the provisions of any other law.			
S. 53	Power of GoI to remove any provisions which are found inconsistent, within 2 years of the commencement of the Act.			
S. 54	Provisions relating to repealing of FCRA 1976			
		0 96,500	rth & Reform Found	ation MGO