



The landscape of cross-border trade in India has undergone a seismic shift with the introduction of the Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026. Effective from October 1, 2026, this new framework marks the end of a fragmented regime of circulars and master directions that had governed Indian trade for over two decades.

By consolidating the previously distinct rules for exports and imports into a single, principle-based regulation, the Reserve Bank of India (RBI) aims to drastically improve the "Ease of Doing Business." This transition moves away from a rigid, paperwork-heavy model toward a digital-first, decentralised approach that empowers Authorised Dealer (AD) Banks and streamlines compliance for exporters and importers alike.

## 1. The Core Philosophy: From Fragmentation to Consolidation

For years, Indian traders navigated a labyrinth of separate regulations for goods, services, and software. The 2026 Regulations supersede the legacy *Foreign Exchange Management (Export of Goods & Services) Regulations, 2015* and various Master Directions.

### 1. The Unified Regulatory Structure

The 2026 framework brings all trade types under one umbrella:

- **Goods:** Tangible exports/imports.
- **Services:** Consulting, royalty, and professional services.
- **Software:** Formerly under the SOFTEX regime, now integrated.
- **Merchanting Trade:** Transactions where goods do not enter India.

## 2. Major Changes in Export Regulations

The most significant "deregulation" is the overhaul of how exports are reported and realised.

### A. The End of SOFTEX: Unified Export Declaration (EDF)

Previously, software exporters had to file **SOFTEX** forms through STPI/SEZ authorities, a process often criticised for its redundancy.

- **Change:** The SOFTEX form is abolished.
- **The New Rule:** All exporters (Goods, Services, and Software) will now use a single **Export Declaration Form (EDF)**.



- **Digital Integration:** For EDI ports, the EDF is deemed submitted as part of the Shipping Bill. For services and software, the EDF must be filed within 30 days from the end of the month in which the invoice was raised.

## B. Extension of Realisation Timelines

Recognising global supply chain complexities, the RBI has extended the period for bringing foreign exchange back to India.

Transaction Type	Old Timeline (2015)	New Timeline (2026)
General Goods/Services	9 Months	15 Months
INR-Invoiced Trade	9-12 Months	18 Months
Project Exports	Contractual Basis	Contractual Basis (Standardised)

## C. Empowerment of AD Banks

AD Banks are now recognised as "Specified Authorities" on par with STPI. They have the discretion to:

- Grant reasonable extensions for export realisation.
- Approve write-offs or adjustments (under/over-realisation) without seeking prior RBI approval.
- Close entries in **EDPMS** (Export Data Processing and Monitoring System) based on their internal Standard Operating Procedures (SOPs).

## 3. Major Changes in Import Regulations

The 2026 Regulations provide unprecedented contractual flexibility for importers, aligning payment terms with commercial agreements rather than rigid regulatory clocks.



### A. Alignment with Contractual Terms

Historically, normal import payments were required to be settled within 6 months of shipment.

- **Change:** The mandatory 6-month window is removed.
- **The New Rule:** Payments must now be aligned with the **agreed contractual terms** between the buyer and seller. AD Banks are empowered to approve extensions if they are satisfied with the commercial justification.

### B. Liberalised Advance Payments

The threshold for requiring a Bank Guarantee (BG) or Standby Letter of Credit (SBLC) for advance remittances has been relaxed, placing more trust in the AD Bank's assessment of the importer's track record.

### C. Enhanced Set-Off Flexibility

Under the old regime, setting off an export receivable against an import payable was restricted to the same counterparty within the same year.

- **The New Rule:** Set-offs are now permitted between **group or associate companies** of the overseas buyer/supplier, providing massive relief to Multinational Corporations (MNCs) and large conglomerates.

## 4. Merchanting Trade Transactions (MTT)

Merchandising trade, where an Indian resident acts as an intermediary for goods moving from one foreign country to another, has been greatly simplified.

- **Outlay Period:** The 6-month limit on the foreign exchange outlay remains, but the fixed 9-month "outer limit" for completion is gone.
- **AD Bank Discretion:** Banks can permit completion beyond the standard period if the delay is commercially justified.
- **Third-Party Facilitation:** The 2026 Rules expressly permit third-party receipts and payments in MTT, subject to AD Bank approval.

## 5. Case Study: GlobalTech Solutions (Software Export Transition)

**Background:** GlobalTech, an IT startup in Bengaluru, previously filed 12 SOFTEX forms annually via STPI, followed by reconciliation with their bank. This often led to a 45-day lag in entry closure in EDPMS.



### The 2026 Shift:

1. **October 2026:** GlobalTech ceases SOFTEX filings.
2. **Unified Filing:** They now file one consolidated EDF per month covering all service invoices.
3. **Bank Reconciliation:** Since their AD Bank is now the "Specified Authority," the bank certifies the EDF directly against the FIRC (Foreign Inward Remittance Certificate).

**Impact:** The reconciliation cycle dropped from **45 days to 5 days**, and the company saved approximately ₹5 Lakhs annually in compliance-related administrative costs.

### 6. Compliance Roadmap for 2026

To avoid being "Caution Listed" (a concept that has been refined but remains active via automated monitoring), businesses must adopt a proactive compliance stance.

#### Steps for CFOs and Compliance Officers:

1. **Update SOPs:** Align internal finance policies with the new 15-month realisation window.
2. **EDF Migration:** Ensure IT systems can generate data for the new unified Export Declaration Form.
3. **AD Bank Coordination:** Discuss the bank's new "Internal Trade Policy" (as mandated by RBI) to understand their specific documentation requirements for write-offs and extensions.
4. **Audit Trail:** Maintain robust contracts, as AD Banks will now rely on "commercial justification" for most approvals.

### Conclusive Summary

The **FEMA Export and Import Regulations 2026** represent a fundamental pivot from "regulation by restriction" to "regulation by monitoring." By consolidating the framework, removing the SOFTEX burden, and extending realisation timelines to 15 months, the RBI has acknowledged the dynamic nature of 21st-century global trade.

However, with greater flexibility comes greater accountability. The shift to a digital-first, real-time monitoring model (EDPMS/IDPMS) means that non-compliance will be flagged almost instantaneously. For the compliant trader, 2026 marks the beginning of a smoother, faster, and more efficient era of international commerce; for the laggard, the transparency of the new system leaves nowhere to hide.



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