

Exchange Control Department

2010-07-09

Exchange Control Circular No.30/2010

Amendments to the Exchange Control Rulings

Authorised Dealers are advised that as a further administrative reform, the following amendments to the Exchange Control Rulings have been made.

Section B.3(B)(i)(i)

The entire subsection has been deleted and substituted with the following:

“(i) rentals on fixed property including rental pool agreements, provided that rentals are substantiated by the production of a copy of the rental/rental pool agreement and that the Authorised Dealer concerned is satisfied that the amount is reasonable in relation to the property in question;”

Section B.3(C)(v)

The entire subsection has been deleted and substituted with the following:

“(v) Rentals

Income accruing to non-residents in the form of rental on their fixed property and income from rental pool agreements in which they have an interest may be remitted abroad against the production of a copy of the rental/rental pool agreement and provided that the Authorised Dealer concerned is satisfied that the amount is reasonable in relation to the property in question.”

Section B.3(D)

New subsections (iii) and (iv) have been added as follows:

“(iii) Royalties and payments in respect of the importation, distribution and resale of goods, the publication of books and the opening of franchises, etc.

(a) Authorised Dealers may approve applications by residents to make payments in respect of agreements entered into with non-residents relating to the importation, distribution and resale of goods, the publication of books and the opening of franchises, etc., provided that:

(aa) Authorised Dealers view the agreement between the licensor and licensee;

(bb) the term of the agreement may not exceed the period of five years;

(cc) the licensor is an unrelated party, i.e. none of the parties to the agreement have any direct/indirect interest or shareholding in each other;

(dd) advance payments are fully recoupable from future royalty payments;

(ee) the royalties payable are only based on net sales specifically related to the product, book, franchise, etc.;

(ff) no minimum payment clauses are included in the agreement; and

(gg) the application is accompanied by documentary evidence confirming the amount payable.”

“(iv) Fees from consultancy, management and service agreements involving services not mentioned elsewhere in the Rulings.

(a) Authorised Dealers may approve applications by residents to make payments in respect of consultancy, management and service agreements entered into with non-residents in respect of goods and services, provided that:

(aa) Authorised Dealers view the agreement entered into between the parties;

(bb) the term of the agreement may not exceed the period of five years;

(cc) the non-resident party to the agreement is unrelated, i.e. none of the parties to the agreement have any direct/indirect interest or shareholding in each other;

(dd) fees may only be based on actual costs incurred plus a profit margin of up to 10 percent, i.e. not on a percentage of turnover;

(ee) no minimum or upfront payment clauses may be included in the agreement; and

(ff) the application is accompanied by documentary evidence confirming the amount payable.”

(b) Authorised Dealers may extend the terms of the agreements authorised in (iii) and (iv) above, provided that the agreement originally entered into makes provision for an extension or an addendum to the agreement is viewed confirming the extension thereof.”

Replacement pages of the Exchange Control Rulings, incorporating the relevant amendments as well as those outlined in Exchange Control Circulars No.27/2010 and No.29/2010 dated 2010-07-09, are attached hereto.

Deputy General Manager