

## Frequently Asked Questions

### **GENERAL**

#### **Q1. Who is a non-resident Indian (NRI)?**

An Indian Citizen who stays abroad for employment/carrying on business or vocation outside India or stays abroad under circumstances indicating an intention for an uncertain duration of stay abroad is a non-resident. (Persons Posted in U.N. organisations and official deputed abroad by Central/State Governments and Public Sector undertakings on temporary assignments are also treated as non-temporary assignments are also treated as non-residents). Non-resident foreign citizens of Indian Origin are treated on par with non- resident Indian citizen (NRIs).

#### **Q2. Who is a Person of Indian Origin (PIO)?**

A.) For the purposes of Availing of the facilities of opening and maintenance of bank accounts and investments in shares/securities in India:

A foreign citizen (other than a citizen of Pakistan or Bangladesh) is deemed to be of Indian origin, if,

- i. he, at any time, held an Indian passport, or
- ii. he or either of his parents or any of his grand parents was a citizen of India by virtue of the Constitution of India or Citizenship Act, 1955 (57 of 1955).

Note: A spouse (not being a citizen of Pakistan or Bangladesh) of an Indian citizen or of a person of Indian origin is also treated as a person of Indian origin for the above purposes provided the bank accounts are opened or investments in shares/securities in India are made by such persons only jointly with their NRI spouses.

B.) For investments in immovable properties:

A foreign citizen (other than a citizen of Pakistan, Bangladesh, Afghanistan, Bhutan, Sri Lanka or Nepal), is deemed to be of Indian origin if,

- i. he held an Indian passport at any time, or
- ii. he or his father or paternal grand-father was a citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955 (57 of 1955).

#### **Q3. What is an OCB?**

Overseas Corporate Bodies (OCBs) are bodies predominantly owned by individuals of Indian nationality or origin resident outside India and include overseas companies, partnership firms, societies and other corporate bodies which are owned, directly or indirectly, to the extent of at least 60% by individuals of Indian nationality or origin resident outside India as also overseas trusts in which at least 60% of the beneficial interest is irrevocable held by such persons. Such ownership interest should be actually held by them and not in the capacity as nominees, The various facilities granted to NRIs are also available with certain exceptions to OCBs so long as the ownership/beneficial interest held in them by NRIs continues to be at least 60%.

**Q4. Are OCBs required to produce any certificate regarding ownership/beneficial interest in them by NRIs?**

Yes. In order to establish that the ownership/beneficial interest in any OCB held by NRIs is not less than 60%, the concerned body/trust is required to furnish a certificate from an overseas auditor/chartered accountant/certified public accountant in form OAC where the ownership/beneficial interest is directly held by NRIs, and in form OAC 1 where it is held indirectly by NRIs and further that such ownership interest is actually held by them and not in the capacity as nominees.

**Q5. What are the various facilities available to NRIs/OCBs?**

NRIs/OCBs are granted the following facilities:

1. Maintenance of bank accounts in India.
2. Investments in securities/shares of, and deposits with, Indian firms/companies.
3. Investments in immovable properties in India.

Details of these facilities are given in the below sections.

## **BANK ACCOUNTS**

**Q1. Can accounts be maintained by NRIs with any bank in India?**

Banks holding authorised dealers' licenses (i.e. banks authorised to deal in foreign exchange) or banks specifically authorised in this behalf by Reserve Bank can only maintain accounts in the names of NRIs. Certain Co-operative/commercial banks (referred to as authorised banks) have been

specifically permitted to maintain accounts of NRIs expressed in rupees even though they are not authorised dealers.

Q2. Are NRIs permitted to maintain accounts in rupees and in foreign currency?

Yes. Accounts can be maintained by NRIs in rupees as well as in foreign currency. Accounts in foreign currencies can, however, be maintained with authorised dealers only.

Q3. Can NRIs maintain current/savings/fixed deposit rupee accounts with authorised dealers/authorised banks in India?

NRO and NRE accounts can be maintained in current/savings/ fixed deposit form while NRNR accounts can be only in fixed term deposits.

Q4. What are the different types of rupee accounts permitted to be maintained?

Three types of rupee accounts Viz. Non-resident (External) Rupee Accounts (NRE account), Ordinary Non-resident Rupee Account (NRO accounts) and Non-resident (Non-repatriable) Rupee Deposit accounts (NRNR) are permitted to be maintained.

Q5. Can proceeds of foreign currency notes/traveller's cheques be credited to NRE accounts without any restriction?

Authorised dealers have been permitted to credit the proceeds of foreign currency notes/travellers cheques brought by the account holder from abroad during his visit to India provided they are tendered in person. Where the amount of foreign currency notes tendered exceeds U.S \$2,500 or its equivalent or the total amount tendered i.e. currency notes and travellers cheques, are in excess of U.S \$10,000 or its equivalent, it should have been declared to the Customs on the Currency Declaration Form (CDF) at the time of the account holder's arrival into India. Further, in the case of traveller's cheques, they should be presented by the account holder himself and discharged by him in presence of the official of the concerned bank.

Q6. Can NRE accounts be opened by the power of attorney holder in India on behalf of a non-resident?

No.

Q7. Can resident Power of Attorney holder operate on the NRE accounts?

Yes, but only for local payments to be made on behalf of the account holder. In cases where the account holder or a bank designated by him has been granted permission by Reserve Bank to make investment in India, the Power of Attorney holder (POA) is permitted to operate the account or facilitate such investment. POA holders cannot, however, make gifts from NRE accounts.

**Q8. Can Power of Attorney holder credit proceeds of foreign currency notes/ bank notes and travellers cheques to the NRE accounts?**

No.

**Q9. What is the distinction between NRE account and NRO account?**

Balances held in NRE accounts can be repatriated abroad freely, whereas funds in NRO account cannot be remitted abroad but used only for local payments in rupees. Consequently, funds remitted from abroad or local funds which can otherwise be remitted abroad to the account holder can only be credited to NRE accounts. Funds which do not qualify, under the Exchange Control regulations, for remittance outside India are required to be credited to NRO accounts.

**Q10. Can NRO/NRE accounts be maintained by NRIs jointly with residents?**

NRO accounts can be held jointly with residents, However, NRE accounts cannot be held jointly with residents.

**Q11. What is the rate of interest payable on such accounts?**

In the case of NRE accounts, the interest rates for deposits up to one year should not exceed Bank Rate minus 2 percentage points. Interest rates on term deposits of over one year are determined by the banks themselves. Interest rates on NRO accounts are fixed as in the case of domestic deposits.

**Q12. Are debits and credits to NRO accounts allowed freely by bank maintaining the accounts?**

Yes. Debits for local payments are allowed freely, Funds representing legitimate dues of the accounts holder or proceeds of remittances received from abroad through banking channels are permitted to be credited freely.

**Q13. What are the admissible debits and credits to NRE accounts?**

Debits for local payments/investments are allowed freely. Credits to an account, of funds emanating from a local source would be permissible only if the funds are of a repatriable nature i.e. eligible to be remitted abroad.

**Q14. Can funds in NRE/NRO accounts be repatriated outside India?**

Funds held in NRE accounts can be repatriated abroad freely. Funds held in NRO accounts which would generally be from a local source cannot be repatriated outside India. Interest earned on funds in NRO accounts during the financial year 1994-95 and onwards can however, be remitted to the extent permitted by Reserve Bank (See Answers to Question 59 and 60).

**Q15. Can funds in NRE/NRO accounts be utilised for payment of air fare to /from/in India of the account holder and/or his dependents?**

Yes. Banks maintaining the accounts have been authorised to permit such payments, Airlines/Shipping companies and their agents have also been permitted to accept payments in rupees from the funds held in NRO/NRE accounts for the purpose.

**Q16. Are temporary overdrawings permitted in NRO Savings Bank account?**

Yes. Authorised dealers may allow such overdrawings up to Rs.1,000/- subject to the condition that the overdrawings together with the interest payable thereon are cleared within a period of two weeks.

**Q17. Are NRO/NRE account holders eligible for loans/overdrafts against their fixed deposits?**

Yes. Except for the purpose of re-lending, carrying on agricultural/plantation activities or for investment in real estate business. Loans against NRE fixed deposits can, however, be utilised for investments in India on non-repatriation basis, in certain specified areas and for acquisition of flats/houses subject to prescribed conditions.

**Q18. What are the rates of interest charged on such loans?**

While interest on loans up to Rs.2 lakhs against NRO/NRE fixed deposit accounts will be charged two percent above the rates paid banks for the concerned deposits, repayment of loans will have to be made either by adjustment of the deposits or by fresh remittances from abroad. Banks are free to charge interest on loans above Rs.2 lakhs.

Q19. Can loans raised against NRE fixed deposits be repaid out of funds in NRO accounts?

The loans raised against NRE deposits can be repaid out of NRO funds but in such cases, the interest would be charged at commercial rate as in force from time to time.

Q20. Is nomination allowed in NRO/NRE accounts?

Yes.

Q21. Is repatriation of funds belonging to non-resident nominees permitted?

Funds held in NRO account will be allowed to be credited to the non-resident nominee's NRO account only and no repatriation is permitted. Repatriation of funds from the deceased person's NRE account will be permitted by authorised dealers.

Q22. Is transfer of funds between NRE accounts maintained by two different account holders permitted?

Yes. Authorised dealers can permit transfer of funds from the NRE account of one person to the NRE account of another person for bona fide personal purposes. Transfers by way of gifts are permitted subject to payment of gift tax.

Q23. At what rates are remittances to India by NRIs for credit to NRE/NRO/NRNR accounts converted into rupees?

Remittances made for credit to rupee accounts (i.e. NRE/NRO/NRNR accounts) maintained by NRIs are converted at market rate.

Q24. Is there any scheme under which non-residents other than NRIs can also keep rupee deposits with banks in India?

Yes, NRI and other non-residents can maintain NRO rupee accounts as well as keep deposits with banks in India under NRNR Rupee Deposit Scheme.

Q25. How should an account under the non-resident Non- repatriable (NRNR) Rupee Deposit Scheme be opened?

Such an account can be opened with an authorised dealer in India by remitting funds from abroad in any convertible foreign currency. Under the NRNR Scheme, deposits designated in rupees can be kept for periods

ranging from 6 months to 3 years. NRIs can also open such accounts by transferring funds from their existing NRE/FCNR accounts. No penal interest is chargeable for premature withdrawal of NRE/FCNR deposits for the purpose of making investments in the scheme, if the deposit is to be kept with the same authorised dealer.

**Q26. What is the rate of interest payable on NRNR deposits?**

Banks are free to determine the interest rate under this Scheme.

**Q27. Can the principal or the interest accrued on NRNR deposits be repatriated outside India at any time?**

The principal amount of the deposit is not eligible for repatriation. Interest earned upto 30<sup>th</sup> September 1994 is also not eligible for repatriation. Interest earned for the period beginning 1<sup>st</sup> October 1994 is, however, eligible for repatriation, or can be utilised for opening fresh NRE/FCNR deposits, or can be credited to existing NRE accounts.

**Q28. Can the principal together with the interest accrued on NRNR deposits be renewed, on maturity?**

Only the principal amount of deposit could be renewed under the scheme upto 30<sup>th</sup> September 1994. However, since interest accrued for the period from 1<sup>st</sup> October 1994 is repatriable, the principal amount together with interest accrued for the period from 1<sup>st</sup> October 1994 can be renewed under the scheme.

**Q29. Can loans/overdrafts be availed of against the security of these deposits?**

Yes. Authorised dealers are permitted to grant loans/overdrafts for purposes other than investment.

**Q29A. What is the status of NRO/NRE accounts on the return of the accounts holder to India?**

Banks have been advised to re-designate such accounts as resident accounts on return of the account holder to India.

**Q29B. Does the account holder suffer any loss of interest on such redesignation of accounts?**

No. Banks have been advised to continue to pay interest at the contracted rate till the maturity of the deposit if the deposit is held for the full term even after conversion into resident rupee account.

Q30. Can accounts be maintained by NRIs in foreign currencies?

Yes. Accounts in foreign currencies (FCNR accounts) can be maintained by NRIs with authorised dealers in India.

Q31. What are the foreign currencies in which such accounts can be maintained?

FCNR Accounts permitted to be maintained in Pound Sterling, U.S. Dollar, Deutsche Mark and Japanese Yen.

Q32. Are FCNR accounts permitted to be maintained in the form of current/savings accounts?

No. FCNR accounts can be maintained only in the form of term deposits, i.e. a deposit kept for fixed period ranging from 6 months to 3 years.

Q33. What is the maximum period of maturity for a FCNR term deposit account?

The maximum period of maturity is three years.

Q34. Is premature withdrawal of the FCNR term deposit allowed?

Yes. However, this is subject to the levy of a penalty.

Q35. What is the penalty for premature withdrawal of a FCNR deposit?

Interest in such cases is paid at one per cent below the interest rate payable for the period for which the deposit is, however, payable only if they are kept for a minimum period of six months.

Q36. If a FCNR deposit of 6 months maturity is withdrawn prematurely, would any interest be payable?

No. While the premature withdrawal would be allowed, no interest would be payable. For such premature withdrawals the bank may levy penalty as per their discretion.

Q37. Are the interest rates on FCNR deposits liable for periodical revision?

Yes. The Banks have been permitted to offer interest on such deposits at rates not more than the LIBOR prevailing on the last working day of the previous week for the relevant maturity and currency. Subject to this guideline, banks can offer either fixed or floating rate of interest on such deposits.

**Q38. What about debits to FCNR accounts for local payments?**

Debits for local payments in rupees are allowed freely. As regards debits for investments in India, please see subsequent sections.

**Q39. Are funds in FCNR accounts freely repatriable abroad?**

Yes. Authorised dealers maintaining these accounts would allow repatriation abroad of these funds.

**Q39A. Can FCNR deposits be held jointly with residents?**

No.

**Q40. Is nomination allowed in FCNR accounts?**

Yes.

**Q41. Is repatriation of FCNR funds to non-resident nominees permitted?**

Yes. (Also see Answer to Q.26 for repatriation of funds in NRE account)

**Q42. What is the status of FCNR accounts on the return of the account holder to India?**

Banks would treat the deposits held in FCNR accounts as resident deposits but would continue to pay interest at the contracted rate till maturity of the deposit.

## **INVESTMENTS IN SECURITIES/ SHARES AND COMPANY DEPOSITS**

### **GOVERNMENT SECURITIES/UNITS**

**Q1. Can NRIs invest their funds in Government securities or Units of Unit Trust of India (UTI)?**

Yes. NRIs are freely permitted to invest their funds in Government securities or Units of UTI through authorised dealers. Units can also be purchased directly from UTI.

**Q2. Can NRIs make investments in National Savings Certificates issued by Post Offices in India?**

Yes. Investments in National Savings Certificates can be made by NRIs subject to the terms and conditions applicable to the sale/issue of such certificates. However, NRIs are not permitted to invest in bearer securities like Indira Vikas Patra/ Kisan Vikas Patra.

**Q3. Can Government securities/units be freely transferred or sold?**

Yes, provided the transfers/sales are arranged through an authorised dealer. Units can, however, be repurchased directly by UTI.

**Q4. Are sale/maturity proceeds of Government securities/Units/National Savings Certificates allowed to be repatriated abroad?**

If such securities were purchased out of funds remitted from abroad or out of NRE/FCNR accounts, sale/maturity proceeds can be repatriated. Sale/maturity proceeds of securities purchased out of funds in NRO accounts can only be credited to NRO accounts and cannot be remitted abroad. Interest earned during the financial year 1994-95 and onwards can, however, be remitted to the extent permitted by Reserve Bank of India. (See Questions 59 and 60).

## **COMPANY SHARES/DEBENTURES**

NRIs are permitted to make direct investments in proprietary/partnership concerns in India as also in shares/debentures of Indian companies. They are also permitted to make portfolio investments i.e. purchase of shares/debentures of Indian companies through stock exchanges in India. These facilities are granted both on repatriation and non repatriation basis.

### **Direct Investment without Repatriation benefits**

**Q1. Is permission of Reserve Bank required for NRIs to invest in proprietary/partnership concerns on non-repatriation basis?**

No. Reserve Bank has granted general permission to non-resident individuals of Indian nationality/origin to invest by way of capital contribution in any

proprietary or partnership concern in India on non- repatriation basis provided the investee concern is not engaged in any agricultural/plantation activity or real estate business. This facility is, however, not available to OCBs.

**Q2. Is permission of Reserve Bank required for making investments in new issues of Indian companies on non-repatriation basis?**

No. Indian companies have been granted general permission to accept investments on non-repatriation basis, in shares/convertible debentures by way of new/rights/bonus issue provided the investee company is not engaged in agricultural/plantation activity or real estate business (excluding real estate development i.e. development of property and construction of houses) or chit fund or is not a Nidhi company.

**Q3. Are any formalities required to be completed by NRIs for getting the benefit of the above general permission?**

No. However, the firms/companies concerned are required to file declarations with Reserve Bank in form DIN giving particulars of the investments made within ninety days from the date of the investment.

**Q4. Can NRI individuals make investments in domestic public/private sector Mutual Funds or Money Market Mutual Funds floated by commercial banks and public/private sector financial institution on non/repatriation basis?**

Yes.

**Q5. Can Overseas Corporate Bodies make similar investments in mutual funds on non-repatriation basis?**

OCBs can make such investments only in domestic public/ private sector Mutual Funds. They can also make investments in Money Market Mutual Funds.

**Q6. Can NRIs make investments in non-convertible debentures of Indian companies?**

Yes. Applications for necessary permission should be made to Reserve Bank (Central Office) by the concerned Indian Company.

**Q7. Can NRIs purchase existing shares/debentures of Indian companies by private arrangement?**

Yes. Reserve Bank permits NRIs, on application in form FNC 7, to purchase shares/debentures of existing Indian companies on non-repatriation basis. An undertaking about non-repatriation is to be given in form NRU.

**Q8. Is it necessary for a resident, holding securities in Indian companies, to secure any approval from Reserve Bank on his becoming a non-resident for holding such securities?**

No. Reserve Bank has granted general permission to companies in India to enter the overseas addresses of the shareholders in their books in such cases provided the companies obtain undertakings from the holders that they will not seek repatriation of any income or sale proceeds of the security.

**Q9. Is income/interest earned on investments/deposits held in India by NRIs on non-repatriation basis allowed to be repatriated?**

Yes. Income/interest accruing during the financial year 1994-95 and onwards on bank deposits and investments held by NRIs with non-repatriation benefits will be eligible for repatriation as under:

- a. Up to U.S\$ 1,000 or its equivalent in full and one-third of the balance income earned during the financial year 1994-95;
- b. Up to U.S\$ 1,000 or its equivalent in full and two third of the balance income earned during the financial year 1995-96;
- c. The entire income earned during the financial year 1996-97 and onwards.
- d. The entire income earned during the financial year 1996-97 and onwards.

Note: The investment/principal amount of deposits made/held on non-repatriation basis will, however, not be allowed to be repatriated abroad.

**Q10. What is the procedure to be followed for seeking repatriation in such cases?**

NRIs should designate a branch of an authorised dealer through whom the remittance of income is to be made and make an application in form RCI to the designated branch giving details of incomes earned during the previous financial year along with a Chartered Accountant's Certificate. The designated branch will allow the remittance of net amount (i.e. after payment of tax) or credit it to NRE/FCNR account of the applicant.

## **Direct Investment with Repatriation benefits**

**Q1. What are the schemes available to NRIs for direct investments in India with repatriation benefits?**

NRIs can make investments in new issues of shares/convertible debentures of Indian companies under direct investment schemes such as 24% scheme/40% scheme/100% scheme. They can also invest in the schemes of domestic Mutual Funds floated by public/private sector institutions/companies and bonds issued by public sector undertakings, Non-resident investors are not required to apply for permission to invest but the company concerned will have to obtain permission from Reserve Bank.

**Q2. What is 24% Scheme?**

Under the 24% scheme, Indian companies engaged or proposing to engage in any activity including finance, hire purchase, leasing, trading or other services, establishment of schools/colleges. etc.(except agricultural/plantation activities) are allowed by Reserve Bank to issue shares/debentures to NRIs with repatriation benefits to the extent of 24% of the new issue.

**Q3. What is 40% Scheme?**

Under the 40% Scheme, Indian companies engaged or proposing to engage in the following activities are allowed by Reserve Bank to issue shares/debentures to NRIs with repatriation benefits to the extent of 40% of the new issue.

1. Industrial and Manufacturing units
2. Hotels with 3, 4 or 5 star category
3. Hospitals and diagnostic centres
4. Shipping companies
5. Development of computer software
6. Oil exploration services

**Q4. Is remittance of interest/dividend to NRI investors freely allowed under the 24% /40% Scheme?**

Yes. There is no ceiling or restriction on the amount of remittable dividend. Remittance of interest/dividend to NRI investors will be allowed by authorised dealers under the powers delegated to them.

**Q5. What are the specified industries under the 100% Scheme?**

Under 100% Scheme, NRIs are permitted to invest in high priority industries listed in Annexure III to the Statement on Industrial Policy dated 24th July 1991 of the Government of India up to 100% of the new issue.

Q6. Is dividend/interest earned in respect of investment made under the 100% Scheme freely remittable to the NRIs abroad?

Dividend/interest can be remitted freely except in the case of consumer goods industries where the outflow on account of dividend is required to be balanced by export earnings of the company either in the year of declaration of dividend or in the years prior to the declaration of dividend, This requirement is enforced for a period of seven years from the commencement of commercial production.

Q7. How does an NRI obtain permission of Reserve Bank for investment under the 24% or 40% or 100% Scheme?

The NRI investor need not apply to Reserve Bank. Application for necessary permission under the schemes should be made by the Indian company/firm to the Central Office of Reserve Bank in Mumbai in form ISD/ISD(R).

Q8. Besides the 24%, 40% and 100% Schemes is there any other scheme for investment by NRIs in the equity of Indian companies?

Yes. NRIs are permitted to undertake revival of sick industrial units by making bulk investment in them to the extent of 100 per cent either by way of purchase of existing equity shares or in the form of subscription to new equity issues.

Q9. Is the capital brought into India for revival of a sick Industrial unit allowed to be repatriated?

Yes.

Q10. How can an NRI obtain permission of Reserve Bank for investment in a sick industrial unit?

Application for necessary permission should be made by the Indian company to the Central Office of Reserve Bank in Mumbai in form RSU.

Q11. Under the existing Industrial Policy, investment by foreign collaborators upto 51% of the equity is allowed by Reserve Bank on repatriation basis in

certain high priority industries. Can NRIs take up the balance 49% equity in such cases on repatriation basis?

Yes.

Q12. Can NRIs make investments in companies engaged in real estate development in India?

Yes. Investment upto 100% in the new issue of equity shares/convertible debentures of Indian companies engaged in the followed areas is allowed-

- i) Development of serviced plots and construction of built up residential premises;
- ii) Real estate covering construction of residential and commercial premises including business centres and offices;
- iii) Development of township;
- iv) City and region level urban infrastructure facilities including roads and bridges;
- v) Manufacture of building material;
- vi) Financing of housing development.

Q13. What is the procedure for obtaining Reserve Bank permission in this regard?

Applications for the purpose should be made by the concerned Indian company to the Central Office of Reserve Bank in Mumbai in form ISD(R).

Q14. Will repatriation of the original investment and/or dividend income be freely permitted?

Yes. Repatriation of original investment will be permitted after a lock-in period of three years from the date of issue of the equity shares/convertible debentures. In addition, OCBs will be permitted to repatriate net profit (upto 16%) arising from the sale of such investment after the lock-in period of three year. Annual dividend/interest on equity shares/debentures can, however, be freely remitted subject to payment of tax.

Q15. Are investments in Air Taxi operations permitted to be made by NRIs?

Yes. Investments upto 100% equity participation for carrying on Air Taxi operations are permitted in terms of the guidelines issued by the Director General of Civil Aviation for Air Taxi operations. Applications for the purpose should be made to Reserve Bank (Central Office) in form ISD(R) by the concerned Indian company.

Q16. Are there any restrictions on repatriation of the investment made under this scheme or income earned thereon?

No. However, repatriation of the investment and /or remittance of dividend will be permitted only after the expiry of five years of operation and only out of accumulated net foreign exchange earnings.

Q.17 Can NRIs invest in non-convertible debentures on repatriation basis?

Yes. Applications for necessary permission should be made to Reserve Bank (Central Office) by the concerned Indian company in form ISD.

Q.18 What is the procedure to be followed for making investment in the schemes of domestic Mutual Funds or public sector bonds with repatriation benefits?

The concerned Fund/Public Sector Undertaking should obtain necessary permission from Reserve Bank for issue of units/bonds to NRIs. Applications for the purpose are required to be made to the Central Office of Reserve Bank in form ISD(R).

Q.19 Can NRIs invest in 100% Export Oriented Units on repatriation basis?

Yes. NRIs will be permitted to invest up to 100% in 100%Export Oriented Units subject to obtaining approval from the Government of India, Ministry of Industries (SIA) for setting up the EOU. In the case of units located in Export Processing Zones, approval from the Development Commissioner of the concerned zone is required to be obtained. Thereafter an application should be made to the concerned regional office of Reserve Bank in form ISD along with copy of Government approval for necessary clearance under FERA 1973.

Q. 20 Can NRIs acquire shares disinvested by Government of India in Public Sector Enterprises (PSEs) by inviting sealed tenders?

Yes. Reserve Bank has granted general permission to NRIs to acquire shares of PSEs on their bids being successful provided the holding of a single NRI investor does not exceed one per cent of the paid up capital of the PSE concerned, the purchase consideration /bid money is paid by way of remittance from abroad or by debit to his NRE/FCNR accounts.

Q.21 What is the procedure for issue of rights entitlement to NRIs?

The concerned company should approach Reserve Bank for issue of rights entitlement to NRIs in the prescribed form if on repatriation basis. However, rights entitlement on non-repatriation basis would be covered by the general permission (Please see Answer to Question No. 52 and 53).

**Q.22 What is the procedure required to be followed by NRIs for renunciation of rights entitlement?**

NRIs can make an application to Reserve Bank by a letter detailing therein the folio number of the shares held and the manner in which the rights are being sold.

**Q.23 What is the procedure for issue of bonus shares?**

The concerned Indian company should approach Reserve Bank for issue of bonus shares to NRIs if the original investment is on repatriation basis. Issue of bonus shares in respect of investment on non-repatriation basis is covered by general permission (Please also see Answer to Question No. 52).

**Q.24 Can NRIs obtain loans abroad against the collateral of share/debentures of Indian companies?**

Yes. Authorised dealer have been permitted to grant loans/overdrafts abroad to NRIs through their overseas branches and correspondents against collateral of the shares/debentures of Indian companies held by them, provided the concerned shares/debentures were acquired on repatriation basis.

**Q.25 Can sale proceeds of the shares/debentures be remitted abroad for liquidation of outstanding against such loans/overdrafts?**

Yes, subject to payment of Income tax, Capital Gains tax etc. payable, if any.

## **Portfolio Investment Scheme**

**Q.1 What is the Portfolio Investment Scheme?**

Under this scheme, NRIs are permitted to acquire shares /debentures of Indian companies or units of domestic Mutual Funds through the stock exchange/s in India.

**Q.2 What is the procedure for making applications?**

The application is to be submitted to Reserve Bank through a designated branch of a bank in India in one of the prescribed forms, i.e. NRC/NRI/RPC/RPI.

### Q.3 What is a designated branch?

Reserve Bank has authorised a few branches of each bank to conduct the business under Portfolio Investment Scheme on behalf of NRIs. These branches are the main branches of major commercial banks located close to the stock exchange/s. NRIs will have to route their applications through any of the designated bank branches who have authorisation from Reserve Bank.

### Q.4 Whether NRI can apply through more than one designated branch?

No. Each NRI has to select one branch for this purpose for investment on repatriation/ non-repatriation basis.

### Q.5 Is it necessary to maintain a bank account with the designated branch through whom the application is made?

It is advisable to maintain a bank account with the designated branch for administrative convenience.

### Q.6 What is the validity period of Reserve Bank approval for the purchase of shares/debentures of Indian companies or units of domestic Mutual Funds?

Reserve Bank approval is valid for a period of five years from the date of issue. This can be renewed further by making a request by means of a simple letter.

### Q.7 Is there any ceiling on the investment under the Portfolio Investment Scheme?

There is an overall ceiling of 5% of paid-up equity share capital of the company/paid-up value of each series of convertible debentures for purchase by NRIs /OCBs. The overall ceiling can be raised to 30% if the company concerned passes a special resolution to that effect in its general body meeting and a board resolution. Individually, NRIs/OCBs can make investment upto 1% of the paid-up equity share capital/each series of convertible debentures. However, there is no ceiling on investment in domestic Mutual Funds.

## **COMPANY DEPOSITS**

Q. 1 Can NRIs keep deposits with companies in India with repatriation benefits?

Yes. NRIs are permitted to keep deposits with public limited companies in India for a minimum period of three years subject to certain ceilings/conditions. Application for the purpose is required to be made by the company receiving the deposits through an authorised dealer.

Q.2 Do NRIs need permission of reserve Bank for placing funds in fixed deposits with firms/companies on non- repatriation basis?

Yes. Permission for placement of funds in fixed deposits with firms/companies in India is granted by Reserve Bank on application by the depositor or the deposit accepting firm/company, on non-repatriation basis, subject to certain ceilings/conditions.

Q.3 Are NRIs permitted to invest in Commercial Paper (CP) issued by Indian companies?

Yes. General permission has been granted by Reserve Bank to Indian companies to issue CP to NRI individuals subject to the conditions that the amount invested will not be repatriated outside India and the CP will not be transferable.

## **SALE/ TRANSFER OF SHARES /SECURITIES**

Q.1 Is permission of Reserve Bank required for sale/transfer of Government securities/units?

No. Authorised dealers have been permitted to undertake sale of Government securities/units on behalf of NRIs without prior approval of Reserve Bank. Sale/maturity proceeds can be remitted abroad if the original investment was made out of funds remitted from abroad or funds in NRE/FCNR accounts. Otherwise, they will have to be credited to NRO account of the holder.

Q.2 Is permission of Reserve Bank required by NRIs for sale/transfer of shares/debentures of Indian companies to other NRIs?

No. Transfer of shares/debentures of Indian companies by NRIs to other non-residents does not require permission of Reserve Bank. However, the

transferee NRI would need permission for purchase of such shares for which an application is required to be made to Reserve Bank in form FNC7.

**Q.3 Can NRIs transfer/sell their shares/ debentures/bonds held on non-repatriation basis to residents freely?**

Yes. General exemption has been granted by Reserve Bank for transfer/sale of shares/debentures/bonds by NRIs/OCBs through stock exchanges if such transfers are made in favour of an Indian citizen or a person of Indian origin or a company incorporated in India and sale proceeds thereof are credited to NRO account.

**Q.4 What is the procedure for sale/transfer of shares/debentures/bonds held by NRIs with repatriation benefits?**

In the case of shares /debentures /bonds acquired by NRIs through stock exchanges under the Portfolio Investment Scheme, general exemption has been granted for transfer through stock exchanges provided the sale is arranged through the same designated branch through whom they were purchased. In other cases, applications for necessary permission are required to be made to Reserve Bank in form TS 4.

**Q.5 What is the procedure to be followed by NRIs for sale/transfer of shares /debentures to residents by private arrangements?**

NRIs are required to submit application in form TS 1 to Reserve Bank for sale of shares/debentures by private arrangements.

**Q.6 Can shares/debentures be given away as gifts to relatives?**

Yes. Reserve Bank has granted general permission to NRIs to transfer, by way of gift, shares, bonds and debentures of Indian companies held by them with Reserve Bank's permission to their resident close relative/s.

## **INVESTMENT IN IMMOVABLE PROPERTY**

**Q.1 Do non-resident Indian citizens require permission of Reserve Bank to acquire residential/commercial property in India?**

No.

**Q.2 Do foreign citizens of Indian origin require permission of Reserve Bank to purchase immovable property in India for their residential use?**

Yes. However, Reserve Bank has granted general permission to foreign citizens of Indian origin, whether resident in India or abroad, to purchase immovable property in India for their bona fide residential purpose. They are, therefore, not required to obtain separate permission of Reserve Bank.

**Q.3 In what manner the purchase consideration for the residential immovable property should be paid by foreign citizens of Indian origin under the general permission?**

The purchase consideration should be met either out of inward remittances in foreign exchange through normal banking channels or out of funds from NRE/FCNR accounts maintained with banks in India.

**Q.4 What are the formalities required to be completed by foreign citizens of Indian origin for purchasing residential immovable property in India under the general permission?**

They are required to file a declaration in form IPI 7 with the Central Office of Reserve Bank at Mumbai within a period of 90 days from the date of purchase of immovable property or final payment of purchase consideration along with a certified copy of the document evidencing the transaction and bank certificate regarding the consideration paid.

**Q.5 Can such property be sold without the permission of Reserve Bank?**

Yes. Reserve Bank has granted general permission for sale of such property. However, where the property is purchased by another foreign citizen of Indian origin, funds towards the purchase consideration should either be remitted to India or paid out of balances in NRE/FCNR accounts.

**Q.6 Can sale proceeds of such property if and when sold be remitted out of India?**

In respect of residential properties purchased on or after 26th May, 1993, Reserve Bank considers applications for repatriation of sale proceeds up to the consideration amount remitted in foreign exchange for the acquisition of the property for two such properties. The balance amount of sale proceeds if any or sale proceeds in respect of properties purchased prior to 26th May, 1993, will have to be credited to the ordinary non-resident rupee account of the owner of the property.

Q.7 Are any conditions required to be fulfilled if repatriation of sale proceeds is desired?

Applications for repatriation of sale proceeds are considered provided the sale takes place after three years from the date of final purchase deed or from the date of payment of final installment of consideration amount, whichever is later.

Q.8 What is the procedure for seeking such repatriation?

Applications for necessary permission for remittance of sale proceeds should be made in form IPI 8 to the Central Office of Reserve Bank at Mumbai within 90 days of the sale of the property.

Q.9 Can foreign citizens of Indian origin acquire or dispose of residential property by way of gift?

Yes. Reserve Bank has granted general permission to foreign citizens of Indian origin to acquire or dispose of properties up to two houses by way of gift from or to a relative who may be an Indian citizen or a person of Indian origin whether resident in India or not, provided gift tax has been paid.

Q.10 Can foreign citizens of Indian origin acquire commercial properties in India?

Yes. Under the general permission granted by Reserve Bank properties other than agricultural land/farm house/plantation property can be acquired by foreign citizens of Indian origin provided the purchase consideration is met either out of inward remittances in foreign exchange through normal banking channels or out of funds from the purchasers' NRE/FCNR accounts maintained with banks in India and a declaration is submitted to the Central Office of Reserve Bank in form IPI 7 within a period of 90 days from the date of purchase of the property/final payment of purchase consideration.

Q.11 Can they dispose of such properties?

Yes.

Q. 12 Can sale proceeds of such property be remitted out of India?

Yes. Repatriation of original investment in respect of properties purchased by foreign citizens of Indian origin on or after 26th May 1993 will be allowed to be remitted up to the consideration amount originally remitted from abroad provided the property is sold after a period of three years from the

date of the final purchase deed or from the date of payment of final installment of consideration amount, whichever is later. Applications for the purpose are required to be made to the Central Office of Reserve Bank within 90 days of the sale of property in form IPI 8.

**Q. 13 Can the properties (residential/commercial) be given on rent if not required for immediate use?**

Yes. Reserve Bank has granted general permission for letting out of any immovable property in India. The rental income or proceeds of any investment of such income has to be credited to NRO account.

**Q.14 Can NRIs obtain loans for acquisition of a house/flat for residential purpose from financial institutions providing housing finance?**

Reserve Bank has granted general permission to certain financial institutions providing housing finance e.g. HDFC, LIC Housing Finance Ltd., etc, to grant housing loans to non-resident Indian nationals for acquisition of houses/flats for self-occupation subject to certain conditions.

**Q.15 Can authorised dealer grant loans to NRIs for acquisition of a flat/house for residential purposes?**

Authorised dealers have been granted permission to grant loans up to non-resident Indian nationals for acquisition of house/flat for self-occupation on their return to India subject to certain conditions. Repayment of the loan should be made within a period not exceeding 15 years out of inward remittance through banking channels or out of funds held in the investments' NRE/FCNR accounts.

**Q.16 Can Indian companies grant loans to their NRI staff?**

Reserve Bank permits Indian firms/companies to grant housing loans to their employees deputed abroad and holding Indian passport subject to certain conditions.

## **FACILITIES TO RETURNING INDIANS**

### **OVERSEAS ASSETS**

**Q.1 Are Returning Indians permitted to retain their assets abroad even after return to India?**

Effective 17th July, 1992, the Central Government has granted exemption from the surrender requirement to persons who return to India after a continuous stay abroad of one year and above in respect of funds/assets acquired by them abroad otherwise than in contravention of FERA 1973 or out of foreign exchange earned through employment, business or vocation outside India taken up or commenced while they were resident outside India. persons satisfying the conditions of general exemption can retain their foreign currency accounts within bank abroad and/or hold, transfer or dispose of their other foreign currency assets such as shares, securities or investments in business, etc. and immovable properties.

**Q.2 Are they required to obtain any permission from Reserve Bank for holding these assets?**

No.

**Q.3 Do they enjoy any freedom in regard to utilisation of these overseas assets?**

Yes. They would enjoy complete freedom for utilisation of these assets as well as income earned or sale proceeds received subsequently.

**Q.4 Can they bring back the overseas assets to India and hold them with separate identity?**

Yes. They can repatriate these assets to India and hold them separately in India with authorised dealers under the Resident Foreign Currency Accounts Scheme (See Part B Below).

## **RESIDENT FOREIGN CURRENCY (RFC) ACCOUNTS SCHEME ASSETS**

**Q.1 What is the Resident Foreign Currency (RFC) Account Scheme?**

This is a Scheme approved by Reserve Bank permitting persons of Indian nationality or origin, who have returned to India on or after 18th April 1992 for permanent settlement (Returning Indians), after being resident outside India for a continuous period of not less than one year, to open foreign currency accounts with banks in India for holding funds brought by them to India. Persons who have returned to India before 18th April 1992 can also open RFC account if (a) they are holding foreign currency assets abroad with Reserve Bank's permission or (b) they are in receipt of pension or other monetary benefits from their erstwhile employers abroad.

Q. 2 Is any permission from Reserve Bank required for opening such accounts with authorised dealers?

No.

Q.3 In which currencies can RFC accounts be maintained?

RFC accounts can be maintained in any convertible currency.

Q.4 What funds can be credited to RFC accounts of Returning Indians?

The entire amount of foreign exchange brought to India at the time of their return to India for permanent settlement as well as the balances standing to the credit of their NRE and FCNR accounts at the time of return can be credited to RFC accounts. However, the foreign exchange brought to India in the form of foreign currency notes/bank notes/travellers cheques should have been declared to Customs at the time of arrival on the Currency Declaration Form( CDF) if it exceeded U.S. \$ 10,000 or its equivalent. In the case of foreign currency/bank notes, such a declaration on form CDF is compulsory if the amount exceeds U.S. \$ 2,500 or its equivalent.

Q.5 Can income received from their overseas assets in the form of dividends etc. or sale proceeds of such assets be credited to RFC accounts?

Yes. The entire income from such assets or sale proceeds of such assets repatriated to India can be credited to RFC accounts.

Q.6 Can pension received by the account holder from abroad be credited to his RFC account?

Yes. The entire amount of pension received from abroad can be credited to his RFC account.

Q. 7 NRIs returning to India for permanent settlement were granted RIFEE facility. Is this facility still available?

No. RIFEE facility has been replaced by the RFC accounts facility.

Q.8 Can funds in RFC accounts be remitted abroad?

Yes. Funds in RFC accounts can be remitted abroad for any bona fide purpose of the account holder or his dependents including exchange required for travel and other personal purposes and investments.

Q. 9 Can funds in RFC accounts be utilised for local payments?

Yes. Funds in RFC accounts can be withdrawn freely for local payments in rupees.

Q.10 Can a Returning Indian desiring to go abroad again for employment, business or vocation transfer his funds in RFC account to NRE/FCNR account?

Yes.

Q.11 Can persons who have returned to India after a short assignment of less than one year open RFC accounts?

Their applications for opening such accounts would be considered by Reserve Bank. Persons who have gone abroad for studies, training ,etc. are, however, not eligible for this facility.

### **IMPORT OF GOLD BY NRIs**

Q.1 Can NRIs bring gold into India?

Yes. NRIs can bring into India gold upto 10,000 grams as part of their baggage once in six months provided they have stayed abroad for a continuous period of six months.

Q.2 In what form can the gold be brought into India?

The gold may be brought into India in any form, including ornaments (other ornaments studded with stones and pearls).

Q.3 Are NRIs required to pay customs duty on the gold brought by them into India?

Yes. They are required to pay customs duty in any convertible foreign currency at a rate equivalent to Rs.220/- per 10 grams of gold.

Q.4 How often can a NRI bring gold into India?

An NRI can bring gold into India once in six months.

Q. 5 Is it necessary that the NRI should have stayed abroad at least for a minimum period of six months prior to his return to India for being eligible to bring gold?

Yes

### **IMPORT OF SILVER BY NRIs**

Q. 1 Can NRIs bring silver into India?

Yes. NRIs can bring to India silver upto 100 kilograms as part of their personal baggage.

Q.2 What is the rate of duty payment on such import?

The rate of duty on import of silver is Rs. 500 per kilogram which is payable in foreign currency.

Q.3 Can they bring both gold and silver?

Yes.

Q.4 Can NRIs sell gold/silver imported by them to residents?

Yes. Gold/silver so brought by NRIs can be sold to residents against payment in rupees. Reserve Bank has granted general permission to persons resident in India to make payment to NRIs in Indian rupees by means of a crossed cheque in India and that such rupees are credited to Ordinary Non-resident Rupee (NRO) account of the NRI seller.

### **MISCELLANEOUS**

Q.1 Are any tax concessions available to NRIs on balances/deposits held in NRE/FCNR accounts?

Yes. Income from interest on moneys standing to the credit of NRE/FCNR accounts is exempt from Income-tax. Gifts from such accounts to close relatives are also free of Gift-tax.

Q.2 Are similar concessions available in respect of balances held in NRO accounts?

No.

Q.3 What are the tax benefits to the NRNR deposit account holders?

They enjoy the following tax benefits:

- i. Income from the deposits will be free from Indian Income-tax.
- ii. The deposit will also be exempt from Gift tax for one-time gifting (in the case of NRIs only).
- iii. Exemption from Income-Tax will not be available to resident donee and those residents, who being joint holders, become owners of the deposit as survivor of the non-resident depositor.

#### Q.4 What about tax benefits on funds held in FCNR accounts?

Tax Exemption on interest earned on deposits held in foreign currency is available to non-residents and persons who are not ordinarily resident in India as defined under Income-tax Act, 1961.

#### Q.5 What is the approved method of sending remittances into India?

The approved method of sending remittances into India is through normal banking channels.

#### Q.6 At what rates are remittances in foreign currencies made by NRIs converted by banks into rupees?

Such remittances will be converted by banks at the market rate of exchange.

#### Q.7 Can remittances be sent into India otherwise than through the medium of a bank in the country of residence of the remitter?

Yes. Exchange House in the Gulf countries has been permitted to send remittances into India by means of DDs, MTs and TTs drawn on banks in India.

#### Q.8 Can Exchange Houses draw drafts in foreign currencies?

Yes. Exchange House can draw drafts in U.S. dollar or Pound sterling on a limited number of branches of the drawee bank in India, if they have entered into such an arrangement with the drawee bank.

#### Q.9 Can NRIs remit funds through Exchange Houses for investment in Government securities, National Savings Certificates and Units of Unit Trust of India?

Yes

Q.10 Can NRIs remit funds through Exchange Houses for investment in shares/debentures of Indian companies?

Yes, subject to general/specific permission of Reserve Bank for such investment.

Q. 11 Can NRIs send drafts issued by Exchange Houses for acquisition of residential flats in India?

Yes. NRIs can send drafts issued by Exchange Houses in favour of co-operative housing societies/estate developers for acquisition of residential flats in India in individual names.

Q.12 Can NRIs remit premia on policies issued by the Life Insurance Corporation of India by means of drafts issued by Exchange Houses in favour of the Corporation?

Yes.

Q.13 Can NRIs remit tuition/boarding/examination fees of their children studying in India by means of drafts issued by Exchange Houses in favour of schools, colleges, universities, technical and educational institutions in India?

Yes.

Q.14 Can NRIs take out of India precious stones or jewellery purchased by them during their visit to India?

Yes. NRIs can take out of India precious stones and jewellery (both gold and non-gold) purchased by them in India, without any limit, provided the purchase is made against payment in any convertible foreign currency.

Q.15 Can assets held in India by NRIs prior to their becoming non-resident be repatriated outside India?

No.

Q.16 Can NRIs take out of India household articles such as carpets, curios, etc. purchased out of funds in NRO accounts during their temporary visit to India?

Yes. RBI permits on application such requests received from NRIs up to the value of Rs. 20,000 for such articles (other than those made of gold or silver or those banned for export).

Q.17 Can NRIs settle their hotel bills in India in Indian rupees?

Yes.

*Source: Indian Investment Centre. Subject to amendments made by the Reserve Bank of India from time to time.*