

# Spearhead Finserve

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## Investment Opportunities in India

### Information Booklet

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## **INVESTMENT OPPORTUNITIES IN INDIA**

### **DEBT INSTRUMENTS**

#### **1. Can NRIs invest in government securities?**

**Ans.**

- NRI's are permitted to invest in Government securities through primary dealers.
- These funds can be repatriated freely
- Taxability would depend on nature of government security invested

#### **2. Can NRIs invest in corporate deposits/commercial papers/NCDs?**

**Ans.**

- NRI's are allowed to invest in FD's of Public Limited Companies.
- NRI's are also allowed to invest in Commercial Papers issued by Indian Companies on Non-repatriable basis. These are non-transferrable & are required to be held till maturity.
- NRI's are permitted to purchase Non-convertible debentures of Indian Companies.
- Interest/Coupon payments received in these investments are taxable in respective tax slabs

#### **3. Can NRIs invest in tax-free bonds?**

**Ans.**

- NRI's are allowed to invest in Tax free bonds issued by PSU's
- These can be invested both on repatriable & non-repatriable basis
- These are tradable in the secondary market
- Interest received from such bonds are completely tax free

#### 4. What does tax free mean?

**Ans.**

- The income by way of interest on these bonds is fully exempt from income tax & shall not be part of total income.
- No deduction of tax at source (TDS) on interest irrespective of amount of interest or status of the investor.
- Wealth tax will not be applicable on these bonds.

**Note:** If these bonds are sold before maturity through stock exchanges, there will be a capital gain/loss depending upon the sale price.

#### 5. How long would I require to be invested in these bonds?

**Ans.** Generally 10 to 15 years. However, these bonds would be traded in the secondary market & hence can be exited at any point time keeping in mind the liquidity aspects.

#### 6. Do I require a DEMAT account to invest in these bonds?

**Ans.** Not Necessarily. If you have a DEMAT Account you can easily hold online or else you have to hold it in physical form.

#### 7. Can NRIs invest in National Savings Certificate (NSC)?

**Ans.**

- NSC investment can be made by a NRI only on non-repatriable basis through a NRO account where the source of income is from India
- Interest received on NSC investment is taxable at respective slab rates

#### 8. Can NRIs invest in PPF?

**Ans.** A Non Resident Indian (NRI) cannot open a new PPF account in India. Prior to 2003, NRIs were not even allowed to make contributions into existing PPF accounts, that is, accounts opened before they became NRIs. However, in 2003, a notification was issued **permitting NRIs to continue investing in existing PPF accounts till maturity**. If you are an NRI at the time the deposit matures, you would need to withdraw the balance. **An NRI is not eligible for extension on the PPF account.**

**9. Can NRIs invest in KVP/MIS/PO RD?**

**Ans.** No.

**10. Can NRI's invest in Liquid Funds?**

**Ans.** Yes.

**11. What are Liquid Funds?**

**Ans.** Liquid Funds are a kind of mutual fund or debt fund which can be redeemed in as less as 24 hours, which means it is as good as hard cash. Just to give a comparison real estate is the least 'liquid' of all assets and a savings deposit is the most 'liquid' of all. Liquid funds are used primarily as an alternative to short-term fixed deposits. These schemes rank low on risk-return matrix and are considered to be the safest amongst all categories of mutual funds.

**12. Why Liquid Funds?**

**Ans.** These funds are suitable for ultra short term investment horizon. These funds could be utilized as investment vehicle by individual investors as a substitute to short term savings bank deposits or balances which are simply sitting in SB accounts. Banks give a fixed rate of interest in the range 4%-5.5% p.a. for a term of 15-45 days. Liquid funds can fetch returns in the range of 7-9%p.a. So liquid cash can be parked short term for higher returns till good long term investment is made.

**13. What are the tax benefits if Liquid funds?**

**Ans.** In case of a liquid fund, dividend received is tax free in the hands of the investor. Long-term capital gains on sale of units, held for a period of more than twelve months, would be taxed at the rate of 10% without indexation or 20% with indexation whichever is lower. Capital gain on sale of units within one year would be taxed at applicable tax slab of an individual.

**14. Where do these Liquid Funds invest?**

**Ans.** Liquid funds invest in money market instruments. Money market is a market for short term borrowing and lending. This market deals with debt instruments such as certificate of deposits, commercial paper and treasury bills by banks and other institutions.

## **NPS (NATIONAL PENSION SYSTEM)**

### **1. Can an NRI open an NPS account?**

**Ans.** Yes. An NRI can open an NPS account if the NRI has a bank account with a bank based in India. Contributions made by NRI are subject to regulatory requirements as prescribed by RBI and FEMA from time to time. NPS is available only to citizens of India. If the subscriber's citizenship status changes, his/ her NPS account would be closed.

### **2. What is NPS (National Pension System)?**

**Ans.**

- NPS is a *defined contribution* based pension scheme which provides investor an option to avail of reasonable market based returns over a long run.
- Contribution made by the subscriber to his/her NPS accounts gets invested through PFRDA appointed *Pension Fund Manager (PFM)* selected by the subscriber.
- At the time of maturity i.e. when you attain age 60, the *pension wealth* can be used by the subscriber to purchase an Annuity by PFRDA appointed Annuity Service Providers. Maximum 60% of pension wealth is allowed for lump sum withdrawal or in a phased manner, between the age 60 and 70. Balance pension wealth, minimum 40%, will be invested to purchase a life annuity from selected life insurance companies.
- There are two types of NPS accounts – Tier I (mandatory) and Tier II (Optional). *Withdrawal facility* is available in Tier I account, but not in Tier II a/c. The withdrawal (before attaining the age 60) is allowed only once. In that case, only 20% of the corpus would be paid in lump sum. Rest 80% would be utilized for annuity.
- Both Tier I and Tier II a/c offers three investment schemes (Asset Class) options – ECG – ‘E’ stands for **E**quity; ‘C’ stands for **C**redit risk bearing fixed income instruments and ‘G’ stands for **G**overnment securities.
- Each subscriber gets two choices to manage his/her portfolio – **Active Choice** – subscriber selects the allocation of his/her funds among three asset classes; **Auto Choice (Life Cycle Fund)** – fraction of fund invested among three asset classes is determined by pre-defined portfolio.

## **EQUITY**

### **1. Can NRI invests in shares in India through a stock exchange?**

**Ans.** Yes, NRI can purchase shares or convertible debenture of an Indian Company through stock exchanges, under the portfolio investment scheme on repatriation and /or non-repatriation basis.

### **2. Are NRIs allowed to invest in Exchange Traded Funds (ETFs)?**

**Ans.** Yes, NRIs are allowed to Invest in Exchange Traded Funds (ETFs). NRIs can invest in ETFs both on repatriation as well as non-repatriation basis.

### **3. What are the Steps that an NRI has to follow for equity trading?**

**Ans.**

- Open a bank account with approved designated bank branch
- Take approval of designated bank for issuing RBI Approval which is called **PIS (Portfolio Investment Scheme)**
- Open a Demat Account with a Depository Participant
- Open a Trading account with a SEBI registered broker to execute trades on your behalf on the Exchange

### **4. What are the tax treatments when an NRI deals in equity?**

**Ans.**

- Long-term capital gains are tax-free
- Short-term capital gains are taxed at the concessional rate of 10%
- Dividend is tax-free, however subject to a dividend distribution tax @15%
- The capital is repatriable if the original investment was made through forex remitted from abroad or through NRE accounts

### **5. Are there any guidelines set by the RBI for NRI's to be followed while investing in the Indian markets?**

**Ans.**



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- You would have to ask your bank for **Portfolio Investment Scheme (PIS)** approval. The bank may charge you a nominal fee of around Rs 1,000 to Rs 2,000 and you would be allowed to invest in the markets.
- You would **not be allowed** to day trade. Indian non-resident investors **are not allowed** to speculate on a day-to-day basis in the markets. For instance if you buy shares on Monday then you would have to wait till Wednesday to sell it.
- Portfolio Investment Scheme (PIS) is a scheme of reserve bank of India under which Non Resident Indian (NRIs) can purchase/sell shares/convertible debentures of Indian companies on Stock Exchanges under Portfolio Investment Scheme. For this purpose, the NRI/PIO has to apply to a designated branch of a bank, which deals in Portfolio Investment. All sale/purchase transactions are to be routed through the designated branch.

### **6. Can PIO (Person of Indian Origin) as well as OCI (Overseas Citizen of India) also invest in shares in India?**

**Ans.** Yes, PIOs and OCIs do have a parity with NRIs in respect of all facilities available to the NRIs in the economic, financial and educational fields except in matters relating to the acquisition of agricultural/ plantation properties.

### **7. Can NRI trade in futures & options segment of the Exchange?**

**Ans.** Yes, NRIs are allowed to invest in futures & options segment of the exchange out of Rupee funds held in India on non-repatriation basis, subject to the limits prescribed by SEBI.

### **8. Can NRI trade in Currency derivative segment of the Exchange?**

**Ans.** No, only “a person resident in India” (as defined in section 2(v) of FEMA Act 1999) is allowed to participate in currency derivative segment of the Exchange. Kindly note vide Union Budget 2013, Foreign Institutional Investor (FII) have been allowed to participate in currency derivative segment to the extent of their Indian rupee exposure in India, however NRI’s are still not allowed to trade in currency derivatives.

### **9. What are the routine things you will need to do while you invest/trade in Indian stocks?**

**Ans.**

- **STOCK SELECTION:** As always, you will need to do research before you take a plunge. So do your research and select the stocks you want to invest in.



- **CLEARANCE FROM YOUR BANK:** Contact your bank with the list of stock you are intending to invest in and your bank will clear you for trading/investing in those stocks. (As per Indian rules, NRIs cannot collectively acquire more than 24%, 40% or X % of the paid up capital of an Indian company. So RBI maintains the current levels of NRI holding in various companies through the designated branches. After you give your list to your banker, she would check her lists and make sure there is room in individual companies for NRIs to invest. If the limit is exceeded, you might not be able to invest in those stocks. So make sure you get prior clearance about your investments from your banker.)
- **PLACE TRADES THROUGH STOCK BROKER:** Place your order(s) with your stock broker. With many stock brokers, you can place now online orders. Thanks to Internet, this step is much easier now.
- **FORWARD COPY OF TRADE CONFIRMATION TO YOUR BANK.** After you order is confirmed, forward a copy of the TRADE CONFIRMATION to your bank
- **PAY TO YOUR BROKER FOR PURCHASES AND TELL HIM ABOUT YOUR DEMAT ACCOUNT:** Write a check out of your NRE/NRO account to the stock broker. On the settlement date, your stock broker will send the stocks to your demat account so you might want to verify with your depository participant if the stocks are credited in your account. If your demat account is also with the broker you are trading with, your life will be a bit simpler- one less institution to deal with. Also, thanks to the Internet, currently many banks and demat institutions offer online access to your accounts which comes handy in managing your investments in India.
- **CLOSING/ SELLING YOUR INVESTMENT:** Fortunately, repeat step 3 and 4 above. Place a SELL order with your broker. When your order is confirmed, transfer shares to your broker's clearing account from your demat account. After settlement, your broker will give you a check. Take that check and a copy of broker's bill showing the SELL transaction to your bank account for deposit. The bank will withhold some taxes on the gains you had and deposit the rest amount in your account. (Certain bank branches may require you to get a certificate about how much to withhold from your accountant or lawyer.)
- **FILE YOUR TAX RETURNS EVERY YEAR:** Most of the time, you might be able to get refund from the withholdings done by your banker. Sometimes you might owe additional taxes to Indian government. Check with your tax consultant in India.

## 10. What is a designated bank branch?

**Ans.** Reserve bank of India has authorized few branches of each authorized dealer bank to conduct the business under portfolio investment scheme on behalf of NRIs. NRI can select only one authorized dealer bank for the purpose of investments under portfolio investment scheme and route the transactions through the branch designated by the authorized dealer bank.



**11. What are the documents required to be collected from Investor to open a NRI/PIO/OCI trading account?**

**Ans.** List of documents to be taken while registering NRI/PIO/OCI Clients as may be applicable

- Document ensuring status of entity
  - In case of Indian passport - Valid passport, Place of birth as India, Valid Visa – Work/Student/employment/resident permit etc.
  - In case of foreign passport : Valid passport and any of the following
    - Place of Birth as India in foreign passport
    - Copy of PIO / OCI Card as applicable in case of PIO/OCI
- PIS Permission Letter from the respective designated bank
- PAN Card
- Overseas Address Driving License/ Foreign passport /Utility Bills/ Bank statement (not more than 2 months old)/ Notarized copy of rent agreement/ leave & license agreement/ Sale deed.
- Photograph of Investor.
- Proof of respective bank accounts & depository accounts.

**12. Is it mandatory for a client to provide local (Indian) address?**

**Ans.** At the time of client registration, client needs to provide its foreign address along with documentary proof of the same. If client so desire it can keep its local address as correspondence address. In such scenario additionally they are required to provide documentary evidence in support of local address also.

**13. Can two separate trading accounts namely (NRE & NRO) can be opened by NRI?**

**Ans.** Yes, clients can have two separate trading accounts based on NRE & NRO.

**14. What are the additional requirement with respect to contract notes?**

**Ans.** Contract notes in original for both purchase and sale transactions needs to be submitted with in the time specified by the designated bank to enable designated banks to report the same to Reserve Bank of India.

**15. Is there any ceiling on the Investments under the Portfolio Investment Scheme?**

**Ans.** NRIs are allowed to invest in shares of listed Indian companies in recognized Stock Exchanges under the PIS.



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- NRIs can invest through designated ADs, on repatriation and non-repatriation basis under PIS route up to 5 per cent of the paid-up capital / paid-up value of each series of debentures of listed Indian companies.
- The aggregate paid-up value of shares / convertible debentures purchased by all NRIs cannot exceed 10 per cent of the paid-up capital of the company / paid-up value of each series of debentures of the company.
- The aggregate ceiling of 10 per cent can be raised to 24 per cent, if the General Body of the Indian company passes a special resolution to that effect.

### **16. How payments could be made by NRIs for shares purchased on stock exchange?**

**Ans.** Payment for purchase of shares and/or debentures on repatriation basis has to be made by way of inward remittance of foreign exchange through normal banking channels or out of funds held in NRE/FCNR (B) account maintained in India. If the shares are purchased on non-repatriation basis, the NRIs can also utilize their funds in NRO account in addition to the above.

### **17. How NRIs/PIO can remit Sale proceeds?**

**Ans.** In case of NRI/PIO, if the shares sold were held on repatriation basis, the sale proceeds (net of taxes) may be credited to his NRE /FCNR (B)/NRO accounts of the NRI/PIO, whereas sale proceeds of non-repatriable investment can be credited only to NRO accounts

### **18. Can an NRI transfer shares purchased under PIS to others under private arrangement?**

**Ans.** Shares purchased under PIS on stock exchange shall be sold on stock exchange only. Such Shares cannot be transferred by way of sale under private arrangement or by way of gift (except by NRIs to their relatives as defined in Section 6 of Companies Act, 1956 or to a charitable trust duly registered under the laws in India) to a person resident in India or outside India without prior approval of the Reserve Bank.

### **19. Can an NRI purchase securities by subscribing to public issue? What are the permissions/approvals required? How can those shares be sold?**

**Ans.** Yes. The issuing company may issue shares to NRI on the basis of specific or general permission from GoI/RBI. Therefore, individual NRI need not obtain any permission. While seeking the credit of sale proceeds to NRE/NRO account, the designated bank should be provided with the details regarding date of allotment and cost of acquisition to calculate the taxes, if any.

**20. Can NRI do Intra-day transactions in cash segment?**

**Ans.** No, NRI Investor has to take delivery of shares purchased and give delivery of shares sold. Short Selling is not permitted.

**21. Can trading account be opened for person's resident outside India who had been allotted shares under ESOP scheme?**

**Ans.** Listed Indian companies are allowed to issue shares under the Employees Stock Option Scheme (ESOPs), to its employees or employees of its joint venture or wholly owned subsidiary abroad who are resident outside India, other than to the citizens of Pakistan. Trading account can be opened for person's resident outside India only for the sole objective of selling of shares acquired under ESOP Scheme.

**22. Can rights/bonus shares be issued to NRI?**

**Ans.** FEMA provisions allow Indian companies to issue Rights / Bonus shares to existing non-resident shareholders, subject to adherence to sectoral cap as may be applicable.

**23. What needs to be done by NRIs for trading in Futures & Options segment of the Exchange?**

**Ans.** An NRI, who wishes to trade on the F&O segment of the exchange, is required to approach the exchange through a clearing member, through whom the NRI would like to clear his trades for allotment of custodial participant (CP) code. Clearing corporation would assign a CP code to each NRI, based on the application received from the clearing member of the NRI. Trading members should ensure that at the time of order entry CP Code of the NRI is placed in the CP Code field of the trading system. The NRI client shall have only one clearing member at any given point of time.

**24. What are the limits applicable to NRI in Exchange Traded Derivative Contracts?**

**Ans.** Position limits would be applicable on the combined position in all derivative contracts on an underlying stock at an Exchange. Position limits for NRIs shall be same as the client level position limits specified by SEBI from time to time.

**For Index based contracts** - Disclosure requirement for any persons or persons acting in concert who together own 15% or more of the open interest of all derivative contracts on a particular underlying Index.



**For Stock option and single stock futures contracts** – The gross open position across all the derivative contracts for a security for each specific client shall not exceed higher of:

- 1% of the free float market capitalization (in terms of number of shares), OR
- 5% of the open interest in all derivative contracts in the same underlying stock (in terms of number of shares)

Client level position limits security-wise, are made available to members on NSE's website ([www.nseindia.com](http://www.nseindia.com)).

## **25. How Investment positions of NRIs are monitored?**

**Ans.** Reserve Bank monitors the investment position of NRIs/FIIs in listed Indian companies, reported by designated banks, on a daily basis. When the total holdings of NRIs/FIIs under the Scheme reaches the limit of 2 percent below the sectoral cap, Reserve Bank will issue a notice (caution list) to all designated branches of designated banks cautioning that any further purchases of shares of the particular Indian company will require prior approval of the Reserve Bank.

Once the shareholding by NRIs/FIIs reaches the overall ceiling / sectoral cap / statutory limit, the Reserve Bank places the company in the Ban List. Once a company is placed in the Ban List, no NRI can purchase the shares of the company under the Portfolio Investment Scheme. List of caution/banned RBI scrip is available at [http://www.rbi.org.in/scripts/BS\\_FiiUSer.aspx](http://www.rbi.org.in/scripts/BS_FiiUSer.aspx)

## **26. In case a person who is resident in India becomes a non-resident, will he/she be required to change the status of his/her holding from Resident to Non-Resident?**

**Ans.** As per section 6(5) of FEMA, NRI can continue to hold the securities which he/she had purchased as a resident Indian, even after he/she has become a Non-Resident Indian, on a non-repatriable basis.

## **27. In case a non-resident Indian becomes a resident in India, will he/she be required to change the status of his/her holding from Non-Resident to Resident?**

**Ans.** Yes. It is the responsibility of the NRI to inform the change of status to the designated authorized dealer branch, through which the investor had made the investments in Portfolio Investment Scheme and the DP with whom he/she has opened the DEMAT account. Subsequently, a new DEMAT account in the resident status will have to be opened, securities should be transferred from the NRI DEMAT account to resident account and then close the NRI DEMAT account.

**28. In case a non-resident Indian becomes a resident in India or vice versa, will he/she be required to open a new trading account?**

**Ans.** Yes, Trading member needs to open a new trading account which needs to be uploaded with the new category code (01 – Resident Individual) & (11 – NRI) as may be applicable.

**29. How to choose a good Depository Participant to open a DEMAT a/c?**

**Ans.** While opening a DEMAT account. You can check with your banker or broker. Chances are they are also Depository Participant.

Here is a list of important factors in choosing a DP:

- Is it Depository Participant with NSDL or CDCL? NSDL is the biggest depository institution in India.
- Does it offer online account viewing?
- Does it let you transfer stocks into and out of it to your brokers' account for clearing purposes?
- What is its fee structure?
- What extra services does it offer?
- If you are going to DEMAT your old share certificates in India, make sure the DP is easily reachable in person.
- Do they seem knowledgeable about DEMAT accounts by NRIs?

**30. How to select a stock broker for trading stocks in India?**

**Ans.** Well, you need a stock broker to execute your buy and sell orders. (There are two major stock exchanges in India- Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). Each of them have several hundred members. So open an account with a stockbroker who is a member of either of the stock exchange. As NSE has nationwide coverage and is professionally run, an account with a NSE member is more desirable over an account with a BSE member.

Compare various stock brokers and choose a broker to open your stock trading account. Make sure your broker likes your banker (where you have decided to open your bank accounts.) Settlement of trades in India is now T+2 (which happens to be speedier than what you will find in advanced country like USA!

Here is a list of important factors in choosing a stock-broker in India:

- Is it registered with SEBI as a stock broker?



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- Which stock exchanges the broker is a member of? If it is a member of both NSE and BSE, it is much better.
- If you are looking to trade Indian stocks and derivatives, check if the broker is a member of Equity as well as Derivatives segments of the National Stock Exchange/Bombay Stock Exchange.
- What are the brokerage commissions?
- Does it offer online stock trading facility?
- How seamlessly does the brokers' infrastructure work with your bank and DP?
- Does it have dedicated/expert staff to handle details of investing by NRIs like yourself?

### **31. After your Bank, DEMAT and Trading account are opened, then how to proceed?**

**Ans.** Once these three accounts are in place, see if you have a local relative/representative (in India) who can spare some time for you if and when needed. Can you trust him or her? Can you give her a power of attorney? Would she be motivated to do follow up on behalf of you if needed? If you do not have such person, you may be getting into some dirty waters. So be very careful before you proceed without having a local rep for you. (Important tip about investing in India: Remember to compensate him or her for his/her services as an agent/power of attorney-holder for you.)

We strongly recommend that in order to make your investing in India smoother, please find a relative or a person who you can trust and who you think has right motivation to take care of your stuff. Give a Power of Attorney to such a person.

Get Reserve Bank of India's approval for investing in Indian stocks under Portfolio scheme. 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. Reserve Bank issues general permission for a period of 5 years which can be renewed further by authorized dealer concerned for a period of 5 years at a time. The approval you get is general approval and you don't need to get any other approval from RBI over the next 5 or so years.

The purpose of such approvals is not to reject your application but to keep records/traces of your investments in the country so most of NRIs would get this approval within around 2 weeks.

## **COMMODITIES**

### **1. What are the major benefits of investing in commodities?**

**Ans.**

- Attractive Returns
- Protection against inflation
- Part of a diversified investment portfolio

### **2. What is the difference between delivery in physical form and delivery in DEMAT form?**

**Ans.** In case of physical delivery, a person gets a warehouse receipt in paper form, while in case of delivery in DEMAT form, he gets a credit entry in his DEMAT account.

### **3. Which are the commodities available for trading in DEMAT form?**

**Ans.** Currently, gold, silver, copper, zinc, lead and nickel are available. NSEL plans to introduce all other non-perishable commodities in DEMAT soon.

### **4. How to buy commodities in DEMAT form?**

**Ans.** One has to first register yourself as a client with any member of National Spot Exchange. You are also required to open a DEMAT account with any of the DPs empanelled with NSEL. No custodial charges for storing commodities in DEMAT form.

### **5. Is there a necessity to open a separate DEMAT with NSEL even though one already has a DEMAT for Equity?**

**Ans.** Yes.

### **6. What are the benefits of holding commodities in DEMAT form?**

**Ans.**

- No risk of Commodity custody/theft
- No worry for daily Mark to Market pay in/ payout as in Derivative market

- Liquidity – any time buying & selling of commodity
- Hassle free / low cost transaction

## 7. What are the ways of investing in Gold?

**Ans.**

**a. Physical gold:** One can hold it in the form of Jewellery, gold bars and coins.

- **Advantages:** You can touch, feel and see.
- **Disadvantages:**
  - Quality- Unless it has been bought from reliable source, its quality is always questionable.
  - Cost of holding-Gold has to be safeguarded; hence locker rent is an additional cost.
  - Premium-Banks and Jewellers sell gold at a premium than the market price. There is no standardization because of which the price differs from vendor to vendor. Markup in prices varies from 5 % -10%
- **Resale Value:** Resale value of Jewellery/bar/coin is always less than the market price.
- **Wealth Tax:** Physical gold is considered as wealth asset, so it is taxed under wealth tax.

**b. Gold ETF's:** Exchange traded funds referred as ETF's are instruments which represent ownership in gold equivalent to the rupee amount of the investment. They are open-ended funds which track prices of physical gold. It is bought and sold as any other share transaction.

- **Advantages:**
  - **Convenience:** It is held in dematerialized format. So there is no storage cost and also no worry about security.
  - **Quality:** Since it is a paper gold, no question of quality arises
  - **Premium:** Pricing is always at market price, matching demand and supply. No question of buying and selling at a premium, it is always at market price.
- **Note:** There are many options to invest in gold ETF's in the market. It needs to be evaluated on other parameters like expense ratio, tracking error, etc.





**c. Gold Funds:** Gold funds are funds which invests in gold ETF's or other underlying. These funds aim to give near return of gold in the market.

- **Advantages:**

- No DEMAT account required
- Systematic investments are possible
- Easy to invest and liquidate

- **Disadvantages:**

- Dual recurring and loads
- Investor has to bear recurring expenses of funds as well as underlying schemes in which the fund of fund schemes makes investments.

## REAL ESTATE

### 1. Can NRIs invest in Indian property market?

**Ans.** Yes.

- General permission is available to an NRI, being an Indian Citizen, to invest in immovable property in India (**except agricultural and farm land**), provided funds are sourced from outside India or through NRE/ FCNR accounts.
- NRIs / PIOs can freely rent out their immovable properties, without seeking any permission from RBI.

<b>Transactions in Non-Agricultural Properties by NRI</b>				
<b>S.No</b>	<b>Details</b>	<b>Transactions With</b>		
		<b>Resident</b>	<b>ROI</b>	<b>PIO</b>
1	Purchase of Immovable properties from	Allowed	Allowed	Allowed
2	Sell of Immovable properties to	Allowed	Allowed	Allowed
3	Receive Gift from	Allowed	Allowed	Allowed
4	Give Gift to	Allowed	Allowed	Allowed

<b>Transactions in Agricultural Properties by NRI</b>				
<b>S.No</b>	<b>Details</b>	<b>Transactions With</b>		
		<b>Resident</b>	<b>ROI</b>	<b>PIO</b>
1	Purchase of Immovable properties from	Not Allowed	Not Allowed	Not Allowed
2	Sell of Immovable properties to	Allowed	Not Allowed	Not Allowed
3	Receive Gift from	Not Allowed	Not Allowed	Not Allowed
4	Give Gift to	Allowed	Not Allowed	Not Allowed

**2. What are the tax treatment for NRIs as far as investment in property is considered?**

**Ans.**

- The property owner is liable to pay property taxes every year
- Taxability arises on sale of such properties.
  - Short-term capital gains arises if the property is sold within 36 months from the date of purchase. Indexation is not applicable. Capital gains tax is applicable as per respective tax slabs.
  - Long-term capital gains arises if the property is sold after 36 months from the date of purchase. Indexation is applicable. Capital gains tax is applicable at 20%.

**3. What are the important aspects that are to be noted regarding investment in immovable properties in India?**

**Ans.** In reference to property investments in India, it is important to note that a citizen of Pakistan, Bangladesh, Sri Lanka, Afghanistan, China, Nepal, Iran or Bhutan is neither allowed to purchase an immovable property nor take it on lease without the permission of RBI

## **INSURANCE**

### **1. Can NRI's buy Insurance in India?**

**Ans.**

- Non-Resident Indians: A citizen of India (holding a valid passport issued by Govt. of India) and temporarily residing in the country of his / her present residence.
- Person of Indian Origin: A citizen of any country other than Bangladesh or Pakistan, if:
  - At any time held Indian passport; or
  - He or either of his parents or grandparents were a citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955 (57 of 1955); or
  - The person is a spouse of an Indian citizen or a person referred to in sub-clauses above
  - Foreign Nationals: A person, who is a citizen of a foreign country but based in India

**Note:** All persons of Indian origin, whether citizens of India or not are allowed to take a life insurance policy in India.

- Most Term Policies offered by most insurance companies in India can be purchased by a Non Resident Indian, NRI or a Person of Indian Origin, PIO simply by filling an additional NRI Questionnaire.
- They are not separate policies but the same policies that are offered to resident Indians as well.

### **2. Can life insurance policies be offered to NRI & PIO? If yes, what are the basic considerations and what is the minimum and maximum life insurance cover allowed?**

**Ans.** YES, a life insurance policy can be offered to NRI & PIO. There is no minimum or maximum limit on the applicable life cover. The offer is subject to current country of residence, his financial capacity, medical condition and company's underwriting norms.

### **3. Are there any exceptions?**

**Ans.** All types of plans are allowed subject to the conditions that

- Critical Illness Benefit is not granted.
- Term Rider Benefit would be restricted to certain limit of Sum assured
- Sum Assured would be restricted in respect of term insurance plans.

#### **4. What are the restrictions with respect to NRI insurance?**

**Ans.** NRIs may obtain insurance cover under **Non-Medical (Special) scheme** subject to certain restrictions, some of which are listed below:

- Applicable if insurance is obtained during visit to India or through Mail Order Business
- Maximum age at entry would be 45 years
- Plans with high risk cover and term rider benefits would not be allowed.
- The proposer should be employed in Government or reputed commercial firm or should be a professional such as Chartered Accountant, Doctor, Teacher, Lawyer, Accountant, Engineer, etc.

#### **5. Does the NRI have to be present in India at the time of buying the policy?**

**Ans.** No, the NRI can purchase the policy from overseas through written communication with the insurance company in India. There may be certain additional costs in such case. However some companies insist that the documentation is done while the person to be insured is in India.

#### **6. What are the documents required for issuing a policy to NRI / PIO?**

**Ans.**

- Completely filled and signed proposal form.
- NRI Questionnaire.
- NRI E Mail Indemnity Letter.

**The following self-attested documents are required:**

- Copy of Passport (All filled pages).
- Copy of valid visa/work permit.
- Copy of overseas address proof.
- A recent passport size Photograph to be pasted on proposal form.
- Income proof, if required as per existing guidelines.
- Copy of proof of residence (Current and permanent).

### **7. Is any proof of income required?**

**Ans.**

- Personal Financial Questionnaire (PFQ) and /or Proof of income in the form of income tax returns, copy of employment contract where emoluments are mentioned
- Certificate from Chartered Accountant, etc. would be required if the sum assured is high or if the proposal is submitted through Mail Order Business.

### **8. How can premiums be paid?**

**Ans.** An NRI can pay premiums by any of these modes:

- Remittance in foreign currency
- NRO bank account
- NRE/ FCNR bank account

### **9. What is the denomination of the policy issued by the insurance company?**

**Ans.**

- Insurance companies are allowed to issue policies denominated in either Indian rupees or foreign currency to NRIs.
- If the policy is foreign currency denominated, the premiums are to be collected in foreign currency from abroad or out of NRE/FCNR accounts of the insured or insured's family members held in India.
- For rupee denominated policies issued to NRIs, funds held in NRO accounts are to be used to pay premiums. However not all insurance companies offer foreign currency denominated policies.

### **10. What are the Premium Payment Options?**

**Ans.** NRIs have the flexibility of making payments through an Indian or foreign bank account as per their convenience.

**11. Can Initial Premium payment made in Indian Rupee?**

**Ans.** Can be paid in Indian Rupee from any of their following Indian Bank accounts, held in the name through Cheque / Demand Draft / NEFT / RTGS:

- Non-Resident (External) Rupee Account (NRE Account)
- Non-Resident Ordinary Account (NRO Account)
- Foreign Currency Non-Resident (FCNR) Deposits
- Resident Foreign Currency Account (RFC)

The initial premium can pay in Indian Rupee equivalent foreign currency from your foreign bank account:

- Through foreign currency cheque
- Please note: Clearance time maybe 30 - 40 days
- Usually insurers do not accept premiums through Credit Cards issued outside India.

**12. Are premiums higher for NRIs as compared to resident Indians? Are there any limits on the sum assured?**

**Ans.**

- No, the premiums are the same for both residents and non residents.
- However, if NRIs are living in countries where risks are higher, premiums may be higher.
- In case of LIC policies, if the NRI chooses to conduct his medical examination in the foreign country, the sum assured will be limited to Rs. 1crore. If the NRI has his medical examination done on a visit to India, then he can get a higher cover.

**13. What are the rules regarding death and maturity proceeds?**

- **Ans.** The insurance policy purchased in India will cover death that occurs anywhere in the world.
- Maturity and death proceeds are repatriable to the extent of premium paid in foreign currency in relation to the total premium paid.
- If premiums are paid fully in Indian rupees through the NRO account, the death or maturity proceeds will not be repatriable.

**14. If policy was taken before becoming NRI?**

**Ans.** This does not affect the status of the policy and the proceeds remain repatriable to the extent of premium paid in foreign currency in relation to the total premium paid.

**15. Should an NRI buy life insurance in India?**

**Ans.** There are a few things to consider here:

- Cost - Will the policy be cheaper in the country of residence?
- Tax regulations - In India, benefits from a life insurance policy, including earnings, whether on death or maturity are treated as tax-free.
- However, if an NRI will have to pay tax on his global income in his country of residence and the taxability of this global income would be on the basis of the tax laws prevailing in the country of his residence, he must look closely at tax provisions in his country of residence.

**16. What are the Settlement Guidelines?**

**Ans.**

- Remittance of bonus, maturity proceeds, surrender value or claims proceeds in respect of Rupee policies, issued to foreign nationals who are not permanent residents in India, may be paid in Indian Rupees or may be remitted abroad, if the claimant so desires.
- Remittance of bonus, maturity proceeds, and surrender value or claims proceeds shall be made in Indian Rupees.
- In the event the premium is paid in foreign currency, the remittance will be permitted only in proportion to the premium paid in the foreign currency.
- Remittances in respect of policies issued to NRIs, for which premium have been collected in non-repatriable Rupees may be paid only in Rupees by making credit to the NRO account of the beneficiary. This would also apply in cases of death claims being settled in favour of non-resident assignees / nominees.
- Remittances in respect of Rupee policies issued to foreign nationals who are not permanent residents in India may be paid in Indian Rupees or may be remitted abroad, if the claimant so desires.



**17. Can NRI secure policy under MWPA (Married Woman Property Act)?**

**Ans.** Yes, NRI's can certainly secure policy under MWPA. It is possible to secure a policy under the MWP Act. The policies under this Act need to be mapped separately. All such policies should follow the process for MWP.

**18. For a policy denominated in Indian Rupees, can the premium be paid in foreign currency?**

**Ans.** Yes, premium may be paid in foreign currency for a policy denominated in Indian Rupees. The premium should be paid means of approved and legitimate channel.

**19. In what currency would the claims / maturity proceeds / surrender value of a policy issued in favour of NRI or foreign nationals be settled?**

**Ans.**

- The claims / maturity proceeds / surrender value of a rupee life insurance policy issued in favour of NRI, PIO or foreign national shall be settled in Indian Rupees.
- Payments in foreign currency will be permitted only in proportion to the amount of premium paid in foreign currency from the total premium Payable and as per business guidelines & existing RBI/FEMA policies at the time of payment.

**20. For Rupee policies, can the claim be settled in foreign currency, irrespective of whether the premium has been paid in foreign currency or Indian Rupees?**

**Ans.** No, the claim payments will be settled in foreign currency only in proportion to the amount of premium paid in foreign currency and as per existing guidelines.

**21. Can NRIs or foreign nationals repatriate the claims / maturity proceeds / surrender value of the policy outside India?**

**Ans.**

- Yes, NRIs or foreign nationals can repatriate claims, maturity proceeds or surrender value of policy outside India, however, this would depend on the source of fund/account from which the premium has been remitted/paid and the manner in which the claims, etc. are to be repatriated.

- Freely repatriation is directly linked to type of funds/source used at the time of investment and it depends on existing RBI guidelines at the time of repatriation.

## 22. What are the tax benefits available to NRIs on life insurance policies?

**Ans.** Following are the tax benefits available to NRIs whose income is assessed in India and who files an income tax return in India:

- **Under section 10(10A):** Any payment received in commutation of pension received from a pension fund set up by an insurance company is exempt from tax
- **Under section 10(10D):** Any sums received under a life insurance policy are tax free.
- **Under section 80C:** Premium paid towards a life insurance policy is eligible for deduction from the taxable income of the assessee. This is subject to the overall cap of Rs. 1 Lakh
- **Under section 80CC:** Premiums paid towards pension funds is eligible for deduction from the taxable income of the assessee. This is subject to the overall cap of Rs. 1 Lakh

## 23. Can the policy holder assign the policy?

**Ans.**

- The policyholder can assign the policy without any monetary consideration in favour of his non-resident wife or other dependant relatives.
- In other cases assignment is permitted with the prior permission of Reserve Bank of India.
- Policies can also be assigned in favour of banks for obtaining loans provided the loan amount is paid in Indian rupees to the policyholder or his close relatives or by credit to the policyholder's NRE / NRO /FCNR Account.

## 24. What is the Surrender Value?

**Ans.**

- The policy will acquire a surrender value as per the normal surrender rules applicable to each product.
- The proceeds bank account (NRE / NRO/ FCNR / Resident Account) or by cheque drawn in Indian Rupees on an Indian bank in the name of the Policyholder on the surrender of the policy will be paid in India in Indian Rupees by credit to the designated.

**25. Is there any Nomination facility?**

**Ans.**

- A foreign national can be a nominee depending upon the existence of insurable interest.
- However the foreign national in his capacity as a nominee is entitled to the same treatment as regards the proceeds as would be applicable in the case of NRI Policyholder.

**26. Are there any provisions on General Insurance for NRI's?**

**Ans.**

- **Health Insurance/Critical Illness Insurance**
  - NRIs can buy health insurance in India, however any claims will only be payable if the hospitalization expenses arise in India i.e. if you are treated in India.
  - The claims will be settled in Indian Rupees only through cashless facility or reimbursement to the policy holder.
  - Premiums have to be paid in Indian Rupees only. As of now there are no options for making premium payments in foreign currencies.
  - Based on the Sum Insured desired the insurer may call for income proof.
- **Personal Accident Insurance**
  - Not all companies offer Personal Accident policies to NRIs, however a few do.
  - Accidents occurring anywhere in the world would be covered. This is referred to as worldwide coverage.
  - Rest of the rules are as in health insurance.
- **Home Insurance**
  - Rules are same as mentioned under health insurance, however if at any time the house is going to be unoccupied then a notice has to be given to the insurance company before leaving the house unoccupied.

## TAXATION

Sl. No.	Particulars	Tax (%)
1	Interest Income (payable by Govt. or Indian Concern)	20%
2	Royalty & Fees for Technical Services (payable by Govt. or Indian Concern): <ul style="list-style-type: none"> <li>- Agreement executed before 01-06-1997</li> <li>- Agreement executed b/w 01-06-1997 &amp; 01-06-2005</li> <li>- Agreement executed after 01-06-2005</li> </ul>	30% 20% 10%
3	Capital Gain Transactions: <b>Mutual Funds:</b> <b>A. Long-Term Capital Gains:</b> <ol style="list-style-type: none"> <li>1. Equity Oriented Schemes</li> <li>a. Other than Equity Oriented Schemes (listed):               <ol style="list-style-type: none"> <li>i. Without indexation</li> <li>ii. With indexation</li> </ol> </li> <li>b. Other than Equity Oriented Schemes (unlisted):               <ol style="list-style-type: none"> <li>i. Without indexation</li> <li>ii. With indexation</li> </ol> </li> </ol> <b>B. Short-Term Capital Gains:</b> <ol style="list-style-type: none"> <li>1. Equity Oriented Schemes</li> <li>2. Other than Equity Oriented Schemes</li> </ol> <b>Foreign Exchange Assets:</b> <ul style="list-style-type: none"> <li>- Shares in Indian Company</li> <li>- Debentures issued by Public Limited Company</li> </ul>	Nil  TDS would be deducted @ 20% 10% 20%  TDS would be deducted @ 10% 10% Not Applicable  15% 30%  The term 'Foreign Exchange Asset <sup>1</sup> means any of the following assets acquired, purchased or subscribed to in convertible



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	<ul style="list-style-type: none"> <li>- Deposits in a Public Limited Company</li> <li>- Securities of the Central Government</li> </ul> <p>A. Long-Term Capital Gains B. Short-Term Capital Gains</p>	foreign exchange in accordance with Foreign Exchange Regulation Act
		10%
		20%
4	Winnings from lotteries, crossword puzzles, card games, horse races	30%
5	Income from House Property	30%
6	Any Other Income	30%

Details of **Security Transaction Tax** is shown in the table below:

Transaction	Rates	Payable By
Purchase/ Sale of equity shares	0.1%	Purchaser/ Seller
Purchase of units of equity oriented mutual fund (delivery based ) on recognized stock exchange	Nil	Purchaser
Sale of units of equity oriented mutual fund (delivery based ) on recognized stock exchange	0.001%	Seller
Sale of equity shares, units of equity oriented mutual fund (non-delivery based)	0.025%	Seller
Sale of an option in securities	0.017%	Seller
Sale of an option in securities, where option is exercised	0.125%	Purchaser
Sale of a futures in securities	0.010%	Seller
Sale of unit of an equity oriented scheme to the Mutual Fund	0.001%	Seller

**Note:** Surcharge @ 10% & Education Cess @ 3% would be charged in addition to the rates mentioned in the table above. If the tax liability would be lower than the TDS rate, the NRI has the following options:

1. Submit a Tax Exemption Certificate to concerned tax deductor
2. File his Income Tax Return & claim a refund



A person who is non-resident is liable to tax on that income only which is earned by her/him in India. Income is earned in India if it is directly or indirectly received in India or it accrues in India or the law construes it as having accrued in India.

## **GENERAL**

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

**Ans.** Non-Resident Indian (NRI) means a “person resident outside India” who is a citizen of India or is a “person of Indian origin”[as per FEMA regulations]

### **2. Who is a person of Indian Origin?**

**Ans.** For the purposes of investments in shares/securities in India, person of Indian origin means a citizen of any country other than Pakistan or Bangladesh, if

- He, at any time, held an Indian passport; or
- He, or either of his parents for any of his grand parents was a citizen of India by virtue of the constitution of India or Citizenship Act, 1955 (57 of 1995); or
- The person is a spouse of an Indian citizen or a person referred to in clause (a) or (b)

### **3. Who is an overseas citizen of India (OCI)?**

**Ans.**

- Under OCI Scheme operational from 02nd Dec 2005 government of India decided to grant overseas citizenship of India (OCI) commonly known as “dual citizenship”.
- A foreign national, who was eligible to become a citizen of India on 26.01.1950 or was a citizen of India on or at any time after 26.01.1950 or belonged to a territory that became part of India after 15.08.1947 and his/her children and grandchildren, provided his/her country of citizenship allows dual citizenship in some form or other under the local laws, is eligible for registration as an Overseas Citizen of India (OCI).
- Minor children of such person are also eligible for OCI. However, if the applicant had ever been a citizen of Pakistan or Bangladesh, he/she will not be eligible for OCI.

#### 4. What are the differences between PIO Card & OCI Card?

**Ans.**

PIO Card	OCI Card
A person of Indian origin who is a citizen of any country, other than Pakistan, Bhutan, Afghanistan, China and Nepal	A foreign national who was eligible to become a citizen of India on 26.01. 1950 or was a citizen of India on or after that date.
A person may apply for a PIO card if he/she held an Indian Passport at any time. He/She is a spouse of an Indian citizen or a person of Indian Origin.	The country of the citizenship of the applicant must allow dual citizenship in some form. Applications from citizens of Bangladesh, Pakistan, are not allowed

#### 5. Who is a Foreign National?

**Ans.** “Foreign Nationals – Others” are people who are neither Indian Citizens nor are they PIOs as defined above. They are technically citizens by birth and by location of countries other than India.

#### 6. What are the different types of bank accounts which can be maintained by an NRI / PIO in India?

**Ans.**

##### A. Non-Resident Ordinary Rupee Account (NRO Account)

NRO accounts may be opened / maintained in the form of current, savings, recurring or fixed deposit accounts.

- Savings Account - Normally maintained for crediting legitimate dues /earnings / income such as dividends, interest etc. Banks are free to determine the interest rates.



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- Term Deposits - Banks are free to determine the interest rates. Interest rates offered by banks on NRO deposits cannot be higher than those offered by them on comparable domestic rupee deposits.
- Account should be denominated in Indian Rupees.
- Permissible credits to NRO account are transfers from rupee accounts of non-resident banks, remittances received in permitted currency from outside India through normal banking channels, permitted currency tendered by account holder during his temporary visit to India, legitimate dues in India of the account holder like current income like rent, dividend, pension, interest, etc., sale proceeds of assets including immovable property acquired out of rupee/foreign currency funds or by way of legacy/ inheritance.
- Eligible debits such as all local payments in rupees including payments for investments as specified by the Reserve Bank and remittance outside India of current income like rent, dividend, pension, interest, etc., net of applicable taxes, of the account holder.
- NRI/PIO may remit from the balances held in NRO account an amount not exceeding USD one million per financial year, subject to payment of applicable taxes.
- The limit of USD 1 million per financial year includes sale proceeds of immovable properties held by NRIs/PIOs.
- The accounts may be held jointly with residents and / or with non-resident Indian.
- The NRO account holder may opt for nomination facility.
- NRO (current/savings) account can also be opened by a foreign national of non-Indian origin visiting India, with funds remitted from outside India through banking channel or by sale of foreign exchange brought by him to India. The details of this facility are given in the FAQs on “Accounts opened by Foreign Nationals and Foreign Tourists” available on the RBI website.
- Loans to non-resident account holders and to third parties may be granted in Rupees by Authorized Dealer / bank against the security of fixed deposits subject to certain terms and conditions.

### **B. Non-Resident (External) Rupee Account (NRE Account)**

- NRE account may be in the form of savings, current, recurring or fixed deposit accounts. Such accounts can be opened only by the non-resident himself and not through the holder of the power of attorney.
- NRIs as defined in Notification No. FEMA 5/2000-RB dated May 3, 2000 may be permitted to open NRE account with their resident close relatives (relative as defined in Section 6 of the Companies Act, 1956) on ‘former or survivor ‘ basis. The resident





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close relative shall be eligible to operate the account as a Power of Attorney holder in accordance with the extant instructions during the life time of the NRI/PIO account holder.

- Account will be maintained in Indian Rupees.
- Balances held in the NRE account are freely repatriable.
- Accrued interest income and balances held in NRE accounts are exempt from Income tax and Wealth tax, respectively.
- Authorized dealers/authorized banks may at their discretion/commercial judgement allow for a period of not more than two weeks, overdrawings in NRE savings bank accounts, up to a limit of Rs.50,000 subject to the condition that such overdrawings together with the interest payable thereon are cleared/repaid within a period of two weeks, out of inward remittances through normal banking channels or by transfer of funds from other NRE/FCNR accounts.
- Savings - Banks are free to determine the interest rates.
- Term deposits – Banks are free to determine the interest rates of term deposits of maturity of one year and above. Interest rates offered by banks on NRE deposits cannot be higher than those offered by them on comparable domestic rupee deposits.
- Permissible credits to NRE account are inward remittance to India in permitted currency, proceeds of account payee cheques, demand drafts / bankers' cheques, issued against encashment of foreign currency, where the instruments issued to the NRE account holder are supported by encashment certificate issued by AD Category-I / Category-II, transfers from other NRE / FCNR accounts, sale proceeds of FDI investments, interest accruing on the funds held in such accounts, interest on Government securities/dividends on units of mutual funds purchased by debit to the NRE/FCNR(B) account of the holder, certain types of refunds, etc.
- Eligible debits are local disbursements, transfer to other NRE / FCNR accounts of person eligible to open such accounts, remittance outside India, investments in shares / securities/commercial paper of an Indian company, etc.
- Loans up to Rs.100 lakh can be extended against security of funds held in NRE Account either to the depositors or third parties. Such accounts can be operated through power of attorney in favour of residents for the limited purpose of withdrawal of local payments or remittances through normal banking channels to the account holder himself.

### **C. Foreign Currency Non Resident (Bank) Account – FCNR (B) Account**

- FCNR (B) accounts are only in the form of term deposits of 1 to 5 years



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- All debits / credits permissible in respect of NRE accounts, including credit of sale proceeds of FDI investments, are permissible in FCNR (B) accounts also.
  - Account can be in any freely convertible currency.
  - Loans up to Rs.100 lakh can be extended against security of funds held in FCNR (B) deposit either to the depositors or third parties.
- 
- The interest rates are stipulated by the Department of Banking Operations and Development, Reserve Bank of India. In respect of FCNR (B) deposits of all maturities contracted effective from the close of business in India as on November 23, 2011, interest shall be paid within the ceiling rate of LIBOR/SWAP rates plus 125 basis points for the respective currency/corresponding maturities (as against LIBOR/SWAP rates plus 100 basis points effective from close of business on November 15, 2008). On floating rate deposits, interest shall be paid within the ceiling of SWAP rates for the respective currency/maturity plus 125 basis points. For floating rate deposits, the interest reset period shall be six months.
  - When an account holder becomes a person resident in India, deposits may be allowed to continue till maturity at the contracted rate of interest, if so desired by him.
  - Terms and conditions as applicable to NRE accounts in respect of joint accounts, repatriation of funds, opening account during temporary visit, operation by power of attorney, loans/overdrafts against security of funds held in accounts, shall apply mutatis mutandis to FCNR (B). NRI can open joint account with a resident close relative (relative as defined in Section 6 of the Companies Act, 1956) on former or survivor basis. The resident close relative will be eligible to operate the account as a Power of Attorney holder in accordance with extant instructions during the life time of the NRI/ PIO account holder.

**7. What are the differences between NRE, NRO and FCNR deposits?**

**Ans.**

	<b>NRE</b>	<b>NRO</b>	<b>FCNR</b>
<b>Best Suited for</b>	To park overseas savings remitted to India by converting to INR	To park Indian earnings like rent, Indian salary, dividend, etc	To maintain account in Foreign Currency.



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<b>Currency</b>	Indian Rupees	Indian Rupees	Foreign currencies designated by Presently in US\$, GBP, EURO, Japanese Yen , Australian \$ and Canadian \$.
<b>Eligibility</b>	NRI	NRI, PIO	NRI, PIO
<b>Type of Accounts</b>	Savings, Current, Recurring Deposit or Fixed Deposits.	Saving, Current, Recurring and Fixed Deposits account.	Can be opened as Fixed Deposits.
<b>Mode of Deposit</b>	Foreign Exchange transfer from abroad; transfer from account holder's or other NRI's NRE/ FCNR Account held with another bank or by deposit of foreign exchange during NRI's visit to India.	Income from domestic non-repatriable sources or realisations from local investments / sources , transfer from NRE/FCNR accounts ; forex remittance from abroad or deposit of foreign exchange during visit to India .	Foreign Exchange remittance from abroad/ NRE / FCNR Account or deposit of Foreign Exchange during visit to India.
<b>Joint Holding With Resident</b>	No	yes	No
<b>Joint Holding With NRI</b>	Yes	yes	Yes
<b>Nomination</b>	Permissible.	Permissible with NRIs as well as Residents.	Permissible.
<b>Repatriation</b>	Principal & Interest-both Fully Repatriable.	Interest Repatriable- subject to payment of tax , Balance repatriable upto US\$ 1 mn per financial year [under US \$ one million scheme]	Principal and Interest - both Fully Repatriable.



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<b>Taxation</b>	Interest exempt from Income Tax. Balance not subject to Wealth Tax. No Gift Tax provisions in India. However w.e.f. 1-4-2006 amount received in excess of Rs.50,000 by way of gifts from persons other than specified relatives is included in donee's income and chargeable to income tax.	Interest income liable to tax. Balance not subject to Wealth Tax. No Gift Tax provisions in India. However w.e.f. 1-4-2006 amount received in excess of Rs.50,000 by way of gifts from persons other than specified relatives is included in donee's income and chargeable to income tax.	Same as NRE Account
<b>Interest</b>	Rate linked to the LIBOR being notified by Reserve bank of India from time to time. Compounded quarterly.	Banks can offer at par with resident accounts.	Rate linked to the LIBOR being notified by Reserve bank of India from time to time. Compounded Half Yearly.
<b>Loans</b>	Available to account holder as well as third party resident in India. LOANS IN INDIA-To ACCOUNT HOLDER: For business, investment in shares & securities, purchase of house property for own residential purpose and any other	Available to account holder as well as third party resident in India.	Same as NRE Account



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	<p>personal purpose subject to a max of INR 10 mn. LOANS IN INDIA-To 3RD PARTY: For personal or business purpose subject to a max of INR 10 mn. LOANS OVERSEAS: Fund based/ non fund based facility for any bonafide purpose.</p>		
<b>Transfers</b>	<p>Transfer to NRE/FCNR Account of the account-holder or any other NRI permitted. Gift to Resident/NRI permitted [POA cannot make a Gift on behalf of an NRI ]</p>	<p>Permissible in account holder's other NRO accounts</p>	<p>Same As NRE Account</p>
<b>Power of attorney</b>	<p>An attorney can operate an account but cannot open the account, make gift, transfer funds to another NRE Account nor remit abroad. However an attorney can withdraw for local payments or remittance to the account holder himself through normal banking channels provided specific powers are granted.</p>		<p>An attorney can operate an account but cannot open the account, make gift, transfer funds to another NRE Account nor remit abroad. However an attorney can withdraw for local payments or remittance to the account holder himself through normal banking channels provided specific powers are granted.</p>



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<b>Renewal / Switching of Account</b>	Can be renewed and easily transferred to account holder's another NRE / FCNR account. Transfer to another NRI's NRE / FCNR account permitted. Transfer abroad by way of remittance - Allowed. The account can also be shifted from one bank to another bank in India.		Same As NRE Account
<b>Returning NRI's</b>	NRE account is to be redesignated as resident account immediately upon return, or Funds be transferred to Resident Foreign Currency (RFC) a/c.	NRO account is to be redesignated as resident account immediately upon return,	Can be continued and maintained as FCNR upto maturity and thereafter transferable to:- Residential Foreign Currency ( RFC) Account or balance converted into INR and retained in a resident rupee account.

**8. What are the facilities for returning NRI's/PIO's?****Ans.**

- Returning NRIs/PIOs may continue to hold, own, transfer or invest in foreign currency, foreign security or any immovable property situated outside India, if such currency, security or property was acquired, held or owned when resident outside India
- The income and sale proceeds of assets held abroad need not be repatriated.

**9. Is it compulsory to have a PAN card for an NRI?**

**Ans.** Permanent Account Number (PAN) card is issued to anybody who pays or will have to pay taxes in due time in India. NRI's are required to have a PAN card. It's mandatory to have a PAN for Residents making any remittances.

**10. Is KYC compliance necessary? What are its requirements?**

**Ans.** All the investments of all the investors should be compliant with 'Know Your Customer' requirements. These investments cover banks for bank deposits, Depository Participants for shares, units for MF's life and general cover for insurers, etc.

**11. While choosing a bank, what are the factors – an NRI should consider?**

**Ans.** Here is a list of some important factors in choosing a bank:

- Does the bank have a branch in your local town/city in India?
- Does it have a branch in your current city of residence abroad (Ex. USA, England, Russia) wherever you are living?
- Does the bank offer online banking facility?
- Does it have dedicated staff for providing trading/investing needs of NRI investors?
- Is the bank-branch a designated branch by RBI under Portfolio Scheme (for investment by NRIs thro stock exchangers)?
- Does the bank prefer or work with any SEBI registered stock brokers?
- Does the bank itself offer any stock broking/brokerage services?
- Is the bank Depository Participant? Does it open Individual's DEMAT accounts?

**12. Can an individual resident Indian borrow money from his close relatives outside India?**

**Ans.** Yes, an individual resident Indian can borrow sum not exceeding USD 250,000 or its equivalent from his close relatives staying outside India, subject to the conditions that:

- The minimum maturity period of the loan is one year;
- The loan is free of interest; and
- The amount of loan is received by inward remittance in free foreign exchange through normal banking channels or by debit to the NRE/FCNR (B) account of the NRI.

**13. Can an individual resident lend money to his close relative NRI / PIO?**

**Ans.** Yes, an individual resident can lend money by way of crossed cheque /electronic transfer within the overall limit of USD 200,000 per financial year under the Liberalised Remittance Scheme, to meet the borrower's personal or business requirements in India, subject to conditions. The loan should be interest free and have a maturity of minimum one year and cannot be remitted outside India.

**14. Can an individual resident repay loans of close relative NRIs to banks in India?**

**Ans.** Yes, where an authorised dealer in India has granted loan to a non-resident Indian such loans may also be repaid by resident close relative (relative as defined in Section 6 of the Companies Act, 1956), of the Non-Resident Indian by crediting the borrower's loan account through the bank account of such relative.

**15. Can a resident individual holding a savings bank account include nonresident close relative as a joint account holder?**

**Ans.** Yes, individuals resident in India are permitted to include non-resident close relative(s) as a joint holder(s) in their resident bank accounts on 'former or survivor' basis.

However, such non- resident Indian close relatives shall not be eligible to operate the account during the life time of the resident account holder.

**16. Can a resident individual gift shares/securities/convertible debentures etc to NRI close relative?**

**Ans.** Yes, a resident individual is permitted to gift shares/securities/convertible debentures etc to NRI close relative up to USD 50,000 per financial year subject to certain conditions.

**17. Can a resident individual give rupee gifts to his visiting NRI/PIO close relatives?**

**Ans.** Yes, a resident individual can give rupee gifts to his visiting NRI/PIO close relatives by way of crossed cheque/electronic transfer within the overall limit of USD 200,000 per financial year for the resident individual and the gifted amount should be credited to the beneficiary's NRO account.



**18. What types of services can be provided by a resident individual to his / her nonresident close relatives?**

**Ans.** A resident may make payment in rupees towards meeting expenses on account of boarding, lodging and services related thereto or travel to and from and within India of a person resident outside India who is on a visit to India.

**19. What are the investments for NRIs that do not come with repatriation benefits?**

**Ans.** Investments without repatriation benefits:

- **INVESTMENT IN NON CONVERTIBLE DEBENTURES:** Proposals for investment in non-convertible debentures by NRIs/PIOs/OCBs on non-repatriation basis will be considered by the Reserve Bank of India on case to case basis. The Indian company has to apply in form ISD to Reserve Bank of India.
- **MONEY MARKET MUTUAL FUNDS:** NRIs/PIOs (not OCBs) can invest on non-repatriation basis in the money market mutual funds floated by the commercial banks/private sector financial institutions. The concerned bank/institution is required to apply to the Reserve Bank of India and get necessary authorization for this.
- **DEPOSITS WITH COMPANIES:** Deposits with companies are permitted in the case of NRIs/PIOs (not OCBs) with prior approval and within the prescribed ceilings. The depositor/Accepting Company/ firm has to obtain prior permission from the Regional office of the Reserve Bank of India for deposits under the public deposit Scheme. The Indian company/firm has to apply through authorized dealers to the regional office of the Reserve Bank of India.
- **COMMERCIAL PAPERS:** The Reserve Bank of India has granted general permission to Indian companies to issue commercial papers to NRIs/PIOs/ (not OCBs). Commercial papers are non-transferable. The amount invested is non-repatriable.

## **CONTACT US**

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The tax provisions mentioned above are based on broad understanding of the prevailing tax laws and are subject to change as per changes in tax laws.

The person making the investment is advised to get tax specific advice from an independent tax professional with respect to questions on taxation & tax treatment.

**“Live like you will die tomorrow,  
plan like you will live for 100 years”**