

BASIC INFORMATION ON NRI/PIO/OCI

Non-resident Indian (NRI)

A non-resident Indian (NRI) is an Indian citizen who has migrated to another country, a person of Indian origin who is born outside India, or a person of Indian origin who resides outside India. In common usage, this often includes Indian born individuals who have taken the citizenship of other countries. NRI is a person who stays abroad for employment/carrying on business or vocation (career/profession) outside India or stays abroad under circumstances indicating an intention for an uncertain duration of stay abroad. Non-resident foreign citizens of Indian Origin are treated on par with non-resident Indian citizen (NRIs).

Person can have Indian origin, if,

- He/she, at any time, held an Indian passport, or
- Parents or any of his grand parents having Indian citizenship.

NRI can have the following investments in India.

- Maintain bank accounts in India.
- Investments in securities/shares, and deposits with Indian firms/companies.
- Investments in certain Mutual Funds.
- Investments in immovable properties in India.

Types of Non-Resident Bank Accounts:

- Ordinary Non-Resident Accounts in Rupees [NRO]
- Non-Resident (External) Accounts in Rupees [NR(E)]
- Foreign Currency (Non-Resident) Account (Bank) Scheme [FCNR(B)]

Ordinary Non-Resident Accounts in Rupees [NRO]:

An Ordinary Non-Resident Accounts in Rupees is known as NRO account. The existing accounts of Indian Nationals can be designated as Ordinary Non-Resident Accounts, upon your NRI status, or these accounts can also be opened with initial deposits paid into any bank or post office (saving a/c) authorized to open Non-Resident accounts. NRO account can be of any type: savings, current or Fixed deposit. Interest payable on NRO accounts is the same as on resident accounts. They vary from bank to bank as they have been freed from RBI regulation. You can also have a joint account with residents in India. NRO accounts may be re-designated as resident accounts on the account holder becoming resident in India.

The funds, standing to the credit of this account, cannot be repatriated outside India in foreign exchange, without prior permission of the Reserve Bank of India. Interest, earned on these accounts, is, however, eligible for repatriation outside India, net of Indian taxes.

The remittance of interest (net of taxes) will be permitted by the authorised dealer, where the account is maintained, if the account holder makes an application to the authorised dealer, in the prescribed form. No RBI permission is required for remittance of interest.

Disadvantages of NRO:

- Interest earned on balances in NRO Accounts is not exempted from Indian Income tax. Instead income tax (at present @ 20%) is deducted at source (TDS) i.e. at the time of payment of interest by the bank.
- Balance held in NRO account can neither be repatriated nor is any remittance in foreign currency allowed without prior approval of Reserve Bank.

NRE Accounts - Non-Resident (External) Accounts:

The funds, standing to the credit of this account, as well as interest earned thereon, are remittable outside India in free foreign exchange, without permission of the RBI. The interest income is not subject to Indian Income-tax. Credits to the accounts should be in the form of remittance in foreign exchange from outside India, as well as other funds, which are eligible to be remitted outside India, in free foreign exchange. Funds, emanating from local sources, are not eligible to be credited to these accounts, unless these funds are otherwise remittable outside India, in terms of the existing Exchange Control Regulations

The rates of interest on term deposit kept under NR (E) are generally higher than the rates of interest on NRO deposits.

Highlights:

- No income Tax.
- No joint account with an Indian residence.
- Non-Resident account holders can grant a power of attorney or such other authority to any residents in India for operating their NR (E) Accounts in India. Such authority is however, restricted to withdrawals for local payments. The attorney holder cannot repatriate funds held in accounts outside India under any circumstances or make payment of gifts on behalf of the account holder.

The rates of interest payable on NR (E) accounts are subject to change from time to time as per directions issued from Reserve Bank of India. An eligible Non-Resident Indian can open an account with any RBI approved authorized bank.

A NRO account can't be converted into NRE, or funds can't be transferred from NRO to NRE account without a special permission from RBI and proof of all existing funds required, which is a more complex procedure than opening a new NRE account.

The entire credit balance (inclusive of interest earned thereon) can be repatriated outside India at any time without any reference to Reserve Bank of India. Upon your returning and becoming Indian resident, NRE account can be converted into your normal Resident Rupee Account.

Disadvantages of NR (E) Accounts:

- The funds, standing to the credit of this account, as well as interest earned thereon, are remittable outside India in free foreign exchange, without permission of the RBI. The interest income is not subject to Indian Income-tax. Credits to the accounts should be in the form of remittance in foreign exchange from outside India, as well as other funds, which are eligible to be remitted outside India, in free foreign exchange. Funds, emanating from local sources, are not eligible to be credited to these accounts, unless these funds are otherwise remittable outside India, in terms of the existing Exchange Control Regulations.

- NR(E) Accounts are opened in Indian rupees, and all foreign exchange remittances received for credit of that account are first converted to Indian rupees at the buying rates by the banks. The bank will permit any withdrawal in foreign currency, by converting Indian rupees in the account to foreign currency at the selling rate. All balances in the account are held in Indian rupees and are thus exposed to exchange fluctuation risk

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.

FCNR Account - Foreign Currency (Non-Resident) Accounts:

These accounts can be opened in four foreign currencies:

- Pounds Sterling;
- US Dollars;
- Japanese Yen;
- Euro.

It is used for the purpose of opening an account where remittance in foreign exchange in the same currency should be received in India. The accounts can be opened only as fixed deposits, with a minimum maturity of one year and, a maximum maturity of three years. The principal, as well as interest, earned on these accounts, is remittable outside India, in the same currency or, in another convertible currency, as desired by the account holder. The interest, earned on these deposits, is exempt from Indian Income-tax.

The deposits under FCNR (Banks) scheme is held in foreign currency. The interest and the repayment of the deposit is also made in the same foreign currency in which the account is maintained. The depositor may at his own will, obtain repayment in Indian rupees, converted at the buying rate on the date of repayment.

Deposits under this scheme are held for the following period: 6 months and above, but less than 1 yr, 1 yr and above but less than 2 yrs, 2 yrs and above but less than 3 yrs, 3 yrs only. Premature withdrawal is allowed, but there is a penalty.

Non-Resident Account holders can grant power of attorney or such other authority to residents in India for operating their FCNR (B) accounts in India. Interest rates subject to the RBI guidelines.

Facilities available to NRIs/Overseas Corporate Bodies for making investments in India:

- Opening and maintenance of bank accounts in India.
- Investment in shares and securities of Indian companies, government securities, units of domestic mutual funds and, deposits with Indian companies/firms.
- Investment in immovable properties in India;
- Investment in proprietorship/partnership concerns in India.

A Person of Indian Origin (PIO)

A Person of Indian Origin (PIO) is usually a person of Indian origin who is not a citizen of India. A Person of Indian Origin (PIO) is a citizen of any other country but whose ancestors were Indian nationals at least four generations away.

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,
 - he, at any time, held an Indian passport, or
 - 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 (non 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.

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,
 - he held an Indian passport at any time, or
 - 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).

Overseas Citizen of India

The Indian Constitution does not provide for dual citizenship. However, with approval from the High Level Committee on Indian Diaspora the Government initiated the PIO Card Scheme in 2002.

In 2003, dual citizenship to people of Indian origin in 16 countries was granted. These countries were: Australia, Canada, Finland, France, Greece, Ireland, Israel, Italy, Netherlands, New Zealand, Portugal, Republic of Cyprus, Sweden, Switzerland, U.K. and USA. The Government of India announced in January 2005 the extension of an Overseas Citizenship Scheme.

An Overseas Citizen of India (OCI) status can be applied for by all overseas Indians who migrated after 26th January, 1950, except those who are now settled in Pakistan and Bangladesh.

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 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%.

Privileges enjoyed by Overseas Citizens of India

- Lifelong visa to India for any number of visits, and for any purpose.
- Exclusion from registration with the FRRO.
- Enjoy the same benefits as NRIs in economic, financial and educational fields except in purchase of agricultural property.

The OCI status however does not confer any political rights, or entitle him/her to enjoy the rights extended to an Indian citizen under Article 16 of the Constitution. Persons registered as OCI cannot stand for election to either House of Parliament or state council or assembly or hold Constitutional posts such as President, Vice President, and Judge of the Supreme Court or High Courts.

The OCI registration certificate, which is printed like the Indian passport, carries an OCI visa sticker on the holder's foreign passport.

Application for an OCI Card:

NRIs/PIOs can apply for the OCI card at all Indian missions outside India and to Foreigners Regional Officers/CHIO and OCI Cell in Foreigners Division of Ministry of Home Affairs in India.

Proof to be submitted for registration:

- Documents proving applicant's parents/grand parents migration from India after 26th January, 1950
- Documents showing proof of residence in territories like Goa, Pondicherry, Sikkim which merged with the Indian Union after 15th August, 1947.
- Proof of relationship with parents/grand parents, on whose basis the applicant is seeking the OCI card.

The application form will have to be accompanied with a demand draft of USD 275 or equivalent in the local currency as application fees. If the application is rejected, USD 250 or equivalent in the local currency will be returned to the applicant after deducting USD 25 as processing fees.

Persons, who have been registered as PIOs by the Government of India and wish to apply for an OCI status, may submit their application with a fee of US\$ 25 or equivalent in the local currency.

A normal application would be serviced within a month, but in case of a criminal record, the processing could take 4 months. Every case will be scrutinized by the security agencies of the Central Government so that an OCI certificate acquired on the basis of concealed information or falsification can be cancelled. Such persons would be permanently blacklisted for entry into India.

Difference between NRI, PIO and OCI

	NRI	PIO	PIO Card Holder	OCI
Definition	A citizen of India, holding an Indian passport, but residing abroad	A foreign national who has Indian origins or Indian ancestors.	A PIO holding a PIO Card, as per the Scheme of The Ministry of Home Affairs, 2002	Overseas Indians who migrated from India after 26th January, 1950, except those from Pakistan and Bangladesh
Apply to			1) Any Indian Mission abroad or, 2) Any of the Foreigners Regional Registration Offices in India 3) The Joint Secretary (Foreigners), Ministry of Home Affairs	
Charges			Rs.15,000 or equivalent for adults Rs.7,500 for minors	USD 275 or equivalent in applicant's local currency. PIO card holders pay only USD 25 or equivalent
Privileges	<p>NRI can have the following investments in India.</p> <ul style="list-style-type: none"> ▪ Maintain bank accounts in India. ▪ Investments in securities/shares, and deposits with Indian firms/companies. ▪ Investments in certain Mutual Funds. ▪ Investments in immovable properties in India. 	<ul style="list-style-type: none"> ▪ No extra-ordinary benefits Require visa for any trip to India ▪ Required to register at local FRRO in India upon arrival ▪ Maintain bank accounts in India. ▪ Investments in securities/shares, and deposits with Indian firms/companies. ▪ Investments in certain Mutual Funds. ▪ Investments in immovable properties in India. ▪ Persons of Indian origin are restricted to investment in non-agricultural businesses in the country 	<p>Exempt from</p> <ul style="list-style-type: none"> ▪ Visa to India for 15 years ▪ Registration at FRRO if stay in India is within 180 days ▪ If stay exceeds 180 days, registration at FRRO within 30 days ▪ At par with NRIs in all spheres of activity except purchase of agricultural property 	<ul style="list-style-type: none"> ▪ Lifelong multiple entry visa to India ▪ No registration at FRRO for any length of stay ▪ At par with NRIs in all spheres of activity, except purchase of agricultural property.