

FAQs on NRI/PIO/OCI

Investment Related FAQs:

Are NRIs allowed to invest in India?

Yes, NRIs can invest in Indian. Persons of Indian origin are restricted to investment in non-agricultural businesses in the country.

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.

What does the word repatriable mean in India?

Repatriable means the balance held in the account in India can be taken out of India.

Are NRIs allowed to invest in shares and stocks in India?

Yes, either

- a) Directly by subscribing to shares and debentures of Indian companies on a repatriable or non-repatriable basis, or
- b) Through the Portfolio Investment Scheme, or
- c) In government securities, certificates and units of UTI through remittances from their domestic accounts or remittances from abroad.

Can NRIs establish a company or run a business in India?

Yes.

Are NRIs allowed to sell the stocks and bonds they hold?

NRIs can sell the stocks and shares they hold to resident individuals or through the stock exchange. Securities can also be gifted by NRIs

Can NRIs repatriate the earnings from designated non-repatriable income?

Income earned on NRI deposits and investments from 1994-95 can be repatriated, subject to certain limits

What is the procedure to be followed for repatriating income from non-repatriable assets in India?

An application to a designated branch of an authorised dealer in Form RCI has to be submitted along with a certificate from a Chartered Accountant. The dealer would then credit the amount repatriable, after due deduction of tax, to the applicant's NRE/FCNR account.

What are the 24% and 40% Schemes?

The 24% Scheme allows Indian companies, except those engaged in agricultural activities, to issue up to 24% of their shares and debentures to NRIs with repatriation benefits.

Similarly, the 40% scheme allows for purchase of equity, preference shares and convertible debentures not exceeding 51% of the face value of each issue. Repatriation of upto 40% of the new issue is allowed. Under this scheme, NRIs can invest in new projects or in expansion and diversification projects of existing companies.

Are NRIs allowed to invest in companies dealing in real estate?

Yes, upto 100% of the new issue of Indian companies engaged in construction, real estate development and funding of housing development.

Are NRIs permitted investment in the aviation sector?

Yes, 100% equity participation is allowed in accordance with the RBI's guidelines, though repatriation is permitted after 5 years of the operations, and only from the accumulated forex earnings, after due taxes are paid.

What are the norms for NRI investments in domestic mutual funds?

General permission of the RBI exists for sale of units of mutual funds to NRIs and FIIs provided the investment is being made through inward remittance through normal banking channels or by debit to the NRIs' NRE/FCNR account. The returns are accordingly paid into the investor's NRE/FCNR account.

Are bonds issued by PSUs and purchase of shares of public sector undertakings open to investment by NRIs?

Yes, with repatriation benefits. In the case of public sector undertakings, NRI holding should not exceed 1% of the paid-up capital. The investment must come from inward remittance through the authorised dealer or through the NRE/FCNR account. Applications are made through the designated SBI branch.

Are deposits with companies allowed to NRIs?

Yes, funds in Fixed Deposits are permitted with full repatriation benefits after 3 years.

Bank Account Related FAQs

What types of bank accounts can be opened by NRIs/OCBs in India?

NRIs/OCBs can open the following types of accounts with banks in India, which hold authorised dealer licences, as also other banks, specifically authorised by the Reserve Bank to maintain accounts in the names of NRIs/OCBs.

Rupee Accounts:-

- Non-Resident (Ordinary) Account - NRO A/c.
- Non-Resident (External) Rupee Account - NRE A/c.

Foreign Currency Accounts:-

- Non-Resident (Foreign Currency) Account - FCNR A/c.
(In Pounds, Sterling, US Dollars, Japanese Yen and Euro).

A person, resident in India, who is earning foreign exchange, is also permitted to maintain a Foreign Currency account in India with an authorised dealer bank, to the extent of 50% of such foreign exchange earnings, under the Exchange Earners Foreign Currency Account (EEFC) Scheme.

What are the special features of each account?

The special features are as under:

NRO A/c.: 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.

NRE A/c.: 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.

FCNR A/c.: These accounts can be opened in four foreign currencies:

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

For the purpose of opening an account, 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 other convertible currency, as desired by the account holder. The interest, earned on these deposits, is exempt from Indian Income-tax.

Can Non Resident accounts be opened/ operated by the Power of Attorney holder in India, on behalf of the non-resident?

The accounts cannot be opened by the Power of Attorney holder in India. However, the latter can operate the accounts for the purpose of local payments to be made on behalf of the non-resident account holder. The Power of Attorney holder is not permitted to make gifts from these accounts and, is not allowed to make remittances outside India.

What happens to the status of these accounts when the non-resident holder becomes a person, resident in India?

The accounts are to be re-designed as resident accounts, when the non-resident account holder becomes a person, resident in India. In the case of fixed deposits opened by the account holder, before becoming resident in India, the contracted rate of interest will be paid till maturity of the deposits. Similarly, FCNR deposits will be eligible to be held in respective currencies till maturity of the deposits, even after the non-resident holder become a resident in India. He will, however, cease to get tax exemption on interest on the erstwhile deposits (NRE/FCNR deposits), after he becomes resident in India. In certain situations, it might be advisable for the account holder to convert the account to a Resident Foreign Currency Account Deposit (RFC)

What are the various facilities available to NRIs/OCBs?

The facilities available to NRIs/OCBs for making investment in India are as follows:

- 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.

Are NRIs permitted to send remittances outside India out of the assets in India that are inherited by them?

Yes. RBI will consider application from NRIs for remittance of assets, inherited by them in India. Such remittance may be permitted up to US\$ 100,000 per year.

Can a person of Indian origin acquire any immovable property in India by way of inheritance?

A person of Indian origin, resident outside India, may acquire any immovable property in India by way of inheritance from a person, resident outside India, who had acquired such property in accordance with the provisions of foreign exchange law in force at the time of acquisition by him or the provisions of Foreign Exchange Management (Acquisition and Transfer of Immovable Property in India) Regulations, 2000. Immovable property, by way of inheritance, can also be acquired by a person of Indian origin resident outside from a person resident in India.

Can NRIs and Overseas Corporate Bodies (OCBs) invest in India?

The Government of India has adopted a liberal policy, with respect to investments by NRIs and OCBs in India. Such investments are allowed, both, through the RBI route and also through the Government route, i.e., through the Foreign Investment Promotion Board (FIPB) NRIs and OCBs are permitted to invest up to 100% equity in real estate development activity and civil aviation sectors. Investment, made by the NRIs and OCBs, are fully repatriable, except in the case of real estate, which has a 3 year lock-in period on original investment and, 16% cap on dividend repatriation.

For those proposals that do not qualify under the automatic route, Government approval is granted through FIPB.

What is the extent and application of Foreign Exchange Management Act (FEMA)?

FEMA extends to the whole of India. It also applies to all branches, offices and agencies outside India, owned or controlled by a person, resident in India. It also applies to any contravention, there under, committed in or, outside India, by any person to whom the Act applies.

What is the penalty for contravention of FEMA?

Any person, contravening FEMA, shall be liable, upon adjudication, to a penalty up to three times the sum involved in such contravention, where such amount is quantifiable, or up to Rupees Two hundred thousand, where the amount is not quantifiable. In addition, where such contravention is a continuing one, the person will be liable to further penalty, which may extend to Rupees Five thousand for every day after the first day, during which the contravention continues.

Can a person of Indian origin resident outside India gift properties acquired earlier in terms of the provisions of FERA/FEMA?

Yes. A person of Indian origin resident outside India may transfer residential or commercial property in India by way of gift to a person resident in India or to a person resident outside India who is a citizen of India or to a person of Indian origin resident outside India. A Person of Indian origin resident outside India may also transfer by way of gift agriculture land/farm house/plantation property in India to a person resident in India who is a citizen of India.

Can an NRI account be opened in the name of crew members of shipping companies?

Yes. NRI accounts can be opened in the name of crew members of shipping companies if their posting is not based in India and they derive their income from abroad in foreign currency.

What are NRI accounts?

What are commonly known as "NRI accounts" are Indian accounts opened for NRIs.

Can one open an "NRI account" in New York branch?

"NRI accounts" are Indian accounts opened for NRIs. These can, therefore, be opened only at our Indian branches. You can use the services of New York branch for sending remittance for opening these accounts at select branches. The account opening form is available on the website of our Indian operations (www.statebankofindia.com, lower left side of the home page, through the "Forms" option). To select branches in India, New York branch may also send your account opening form free of cost, along with the remittance.

For more information, please refer to the "NRI Banking" section on the home page of the website referred above.

Usual charges are payable for remittances for opening of new accounts also.

What does the word repatriable mean in India?

Repatriable means the balance held in the account in India can be taken out of India.

What is nomination in India?

Under the banking rules in India, you are permitted to nominate one person who will receive the money of your account if you pass away. We strongly recommend that you nominate on all your accounts that you open in India. Remember, each account requires separate nomination. Similarly, renewal of fixed deposit accounts also requires fresh nomination at the time of each renewal, even if the original deposit was nominated and even if the deposit was renewed automatically.

Is interest earned on "NRI Accounts" tax free outside India?

Please refer to the taxation provisions of the country of your residence.

Indian Equities Related FAQs

How popular is investment in real estate and stocks and shares among NRIs?

Non-resident Indians are increasingly inclined towards ploughing back redemption proceeds from various NRI deposit schemes and investing them in real estate and stock markets. They are picking up equity stakes in Indian companies and form a major component of the country's foreign direct investment (FDI).

What basics should be kept in mind to invest for long term in equities?

Knowing your time horizon of investment, risk and return expected on the investment and scrutinizing your overall financial position and long term goals before investing is the key to a wise investment.

What are the chosen routes through which NRIs can invest in India?

Equities, Property and Mutual Funds are the three most sustaining ways for an NRI to invest.

Why are mutual funds considered to be the best way to enjoy the benefits of investing in Indian equities?

Mutual funds are managed by professionals who know the nitty-gritty of it. Local broker can be unreliable.

Is approval for RBI required to invest in mutual fund scheme?

For an NRI, no specific approval for investing or redeeming from mutual fund is required. Only OCBs and FIIs require approvals for it.

Can government securities/ UTI units be transferred or sold?

Yes, provided the transfers/sales are arranged through an authorized dealer. Repurchase can be done directly by UTI.

Can proceeds of National Saving Certificate or government securities be repatriated?

Sale/maturity of proceeds of such securities can be repatriated if the purchase was made out of funds remitted from abroad or out of NRE/FCNR accounts. In case of the purchase being made out of NRO accounts, it can only be credited to NRO accounts and cannot be remitted abroad.

What is Portfolio Investment Scheme?

The Portfolio Investment Scheme allows NRIs to acquire shares/debentures of Indian companies or units of domestic Mutual Funds through the stock exchange(s) in India.

Is there any ceiling on investment under the Portfolio Investment Scheme?

There is an overall ceiling of 5% of paid-up share capital of the company/paid-up value of each series of convertible debentures for purchase by NRIs/OCBs. However the ceiling can be raised to 24% if the company concerned passes a resolution to that effect in its general body meeting.

NRIs/OCBs can make investment up to 1% of the paid-up share capital/each series of convertible debentures. For domestic mutual funds, there is no ceiling.

What specific conditions need to be fulfilled for investing in mutual funds schemes on repatriable basis?

In order to invest on a repatriable basis, you must have an NRI or FCNR bank account in India. The mutual fund should comply with the terms and conditions stipulated by SEBI, the amount representing investment should be received by inward remittance through normal banking channels or by debit to NREAccount/ FCNR account of the NRI. The dividend/interest of units may be remitted through normal banking channels or credited to NCR/FCNR account of the investor.

When can earnings on investments be repatriated?

For investments made on a repatriation basis, the net income or capital gains after tax arising out of investment is eligible for repatriation subject to regularity guidelines at the time of the repatriation. In the case of investment is made on a non-repatriation basis, only the net income, i.e., dividend arising out of investment is eligible for repatriation.

Can loans be granted abroad against collateral of the shares/debentures of Indian companies?

Yes. Authorized dealers have the power to grant loans/overdrafts abroad to NRIs through their overseas branches and correspondents against collateral of the shares/debentures of Indian companies only if the concerned shares/debentures were acquired on repatriation basis

For how long is the permission valid for buying shares/debentures and units of domestic mutual funds?

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

Investing In Indian Companies Related FAQs

Are foreign Institutional Investors (FIIs), Non-Resident Indians (NRIs), and Persons of Indian Origin (PIOs) allowed to invest in Indian companies?

Yes, they are allowed to invest in the primary and secondary capital markets in India through the portfolio investment scheme (PIS). Under this scheme, FIIs/NRIs can acquire shares/debentures of Indian companies through the stock exchanges in India.

What are the maximum overall investments one FII, NRI or PIO?

The upper limit for overall investment for FIIs is 24%, of the paid up capital of the Indian company, and 10% for NRIs and PIOs. The limit is 20% of the paid up capital in case of public sector banks, including the State Bank of India.

Can the upper limit of the investments be raised under any special cases for FII, NRI or PIO?

Yes, the upper limit of 24% for FII investment can be raised up to sectoral cap/statutory ceiling, subject to the approval of the board and the general body of the company passing a special resolution to that effect. And the maximum limit of 10 % can be raised to 24% subject to the approval of the general body of the company passing a resolution, to that effect.

For Non-convertible debentures of Indian companies, can NRIs investments still be made?

Yes, an NRI can make investment in non-convertible debentures but they need to require necessary permission (submit application) from Reserve Bank (Central Office) by the concerned Indian Company in form ISD.

Can OCBs (Overseas Corporate Bodies) make similar investments in mutual funds on non-repatriation basis?

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

Is the ceiling for FIIs dependent of the ceiling of 10/24 per cent for NRIs/PIOs?

No.

Who monitors the maximum limits on FII, NRI or PIO investment in Indian companies on a daily basis?

The Reserve Bank of India (RBI).

Does it require permission from the 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 FNC.

Is permission of RBI required if an NRI intends to invest in new issues of Indian companies on non-repatriable 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 invested company has not undertaken agricultural/plantation activity and/or real estate business excluding real estate development i.e. development of property and construction of houses.

PIO Related FAQs

Who is a PIO?

A Person of Indian Origin (PIO) is a citizen of any other country but whose ancestors were Indian nationals at least four generations away.

What is a PIO card?

A PIO card is issued to PIOs other than Bangladeshi and Pakistani nationals with Indian origins, holding a foreign passport.

Who issues the PIO card?

- a) All Indian Embassies, High Commissions and Indian Consulates abroad. An officer at the Indian Mission notified for the purpose carries the authority to issue a PIO card.
- b) Foreigners Regional Registration offices in New Delhi, Mumbai, Kolkata and Chennai
- c) Joint Secretary (Foreigners), Ministry of Home Affairs, New Delhi

Which documents are required to apply for the card?

- a) All relevant documents which substantiate claim to Indian origin
- b) In the case of children, a copy of the parent's passport if parent still an Indian citizen, or old passport or birth certificate
- c) 4 passport size photographs, front view
 1. PIO card fee – US\$ 310 for adults; US\$ 155.00 for children, by a cheque favouring Embassy of India/Consulate General of India (as applicable)

Who is eligible to apply for a PIO Card?

15 million people of Indian origin living abroad will benefit from the Card. It is eligible for Indians who hold a foreign passport living abroad till the fourth generation. The People of Indian Origin Card, will allow visa free entry to Indian origin people living abroad, and give them all the rights enjoyed by Non-Resident Indians (NRIs)

Who is not eligible for a PIO Card?

- It would not be issued to people of Indian origin living in Pakistan and Bangladesh.
- It does not give voting rights to the holders of the Card.

What are the benefits of the PIO Card?

- Purchase of non-agricultural land, excluding Jammu & Kashmir.
- The PIO Card holder would be exempt from registration if his stay in India does not exceed 180 days. However, if the stay exceeds 180 days, the PIO Card holder will have to register within 30 days of the expiry of 180 days with the concerned Foreigners Registration Officer at district headquarters.
- The PIO Card holder would be able to admit their children to educational institution in India under the NRI category. These include the IITs and Indian institutes of Management.
- They can also benefit from housing schemes of the Life Insurance Corporation, State Governments and other Government agencies.

How can one apply for the PIO Card?

- An application for issue of a PIO Card shall be made to an Indian Mission in the country where the applicant is ordinarily resident.
- Applicants already in India on Long Term Visa (more than one year) and living in the areas mentioned below should apply for issue of a PIO Card to the following authorities:
 - Delhi: Foreigners Regional Registration Officer, Hans Bhavan, I.P.Estate New Delhi - 110002.
 - Mumbai: Foreigners Regional Registration Officer, Annex II, Commissioner of Police, Crawford Market, Mumbai - 400001.
 - Calcutta: Foreigners Regional Registration Officer, 237, Acharya Jagdish Calcutta - 700020
 - Chennai: Chief Immigration Officer, Bureau of Immigration, Shastri Bhavan Annex, No.26, Haddows Road, Chennai- 600006.
- Those residing in areas other than the ones mentioned above should apply to:
 - Joint Secretary (Foreigners). Ministry of Home Affairs, 1st floor, Lok Nayak Bhavan, Khan Market New Delhi-110003.

What are the fees for the PIO Card?

Fee for PIO Card is US \$ 310.00 for adult and for children below the age of 18 years is US \$ 155.00 (effective from September 15, 2002).

How long is the PIO Card valid for?

A PIO Card shall be valid for a period of twenty years subject to the validity of the passport of the applicant.

Can the PIO Card be cancelled?

The Central Government may by order, cancel the PIO Card, if it is satisfied that:

- The PIO Card was obtained by means of fraud, false representation or the concealment of any material fact; or
- The PIO Card holder has shown himself by act or speech to be disaffected towards the Constitution of India and other laws of India; or
- The PIO Card holder is a citizen or subject of any country at war with, or committing external aggression against India; or of any other country assisting the country at war with, or committing such aggression against India; or

- The PIO Card holder has been sentenced in India for indulging in acts of terrorism, smuggling of narcotics, arms, ammunitions etc, or has been sentenced for committing an offence punishable with imprisonment up to one year or fine up to rupees ten thousand;or
- It is not conducive to the public interest that the person should continue to hold a PIO Card.
- No reasons shall be assigned for withdrawal of the Card.

