

## NRI FAQ's

### **PART – 1: FAQs on Banking**

#### **Q1. What types of bank accounts can be opened by NRIs/OCBs in India?**

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

#### **Rupee Accounts**

1. Non-Resident (Ordinary) Account - NRO A/c.
2. 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 authorized dealer bank, to the extent of 50% of such foreign exchange earnings, under the Exchange Earners Foreign Currency Account (EEFC) Scheme.

#### **Q2. What are the special features of each account?**

**Ans:** 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 authorized dealer, where the account is maintained, if the account holder makes an application to the authorized 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

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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.

### **Q3. What is the distinction among NRE account and NRO account?**

**Ans:** Balances held in NRE accounts can be repatriated abroad freely, whereas funds in NRO account are not generally repatriable. Repatriation of balances held in NRO accounts is allowed subject to certain conditions. Funds remitted from abroad or local funds which can otherwise be remitted abroad to the account holder can be credited to NRE accounts. Funds due to the non-resident account holder which do not qualify, under the Exchange Control regulations, for remittance outside India are required to be credited to NRO accounts. The interest income earned on NRO attracts income tax deduction at source.

### **Q4. Can I open these accounts with any Bank in India?**

**Ans:** No. Only those banks holding an Authorized Dealers' license or banks specially authorized in this regard by the Reserve Bank of India (RBI) are permitted to open these accounts on behalf of NRIs.

### **Q5. Can NRO/NRE accounts be maintained by NRIs jointly with residents?**

**Ans:** NRO accounts can be held jointly with residents. However, NRE accounts cannot be held jointly with residents. It can be held jointly only with NRIs.

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**Q6. What are the conditions regarding repatriation of balances in NRO accounts?**

**Ans:**• Repatriation is allowed up to US dollars 1 million per calendar year for any purpose from the balances in NRO accounts subject to payment of applicable taxes.

- The limit of US dollars 1 million includes sale proceeds of immovable properties held by NRIs/PIOs for a period of 10 years.
- In case a property is sold after being held for less than 10 years, remittance can be made if the sale proceeds have been held by the NRI/PIO for the balance period.

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## **PART – 2: FAQs on Legal Issues**

### **Q1. Does the Agreement of Sale have to be registered?**

**Ans.:** In many states in India, the Agreement of Sale between the builder and purchaser is required by law to be registered. You are advised in your own interest to lodge the agreement for registration within four months of the date of the Agreement at the office of the Sub Registrar appointed by the State Government, under the Indian Registration Act, 1908.

### **Q2. While purchasing real estate most developers demand a Power of Attorney in their favor, is there a way to avoid it?**

**Ans.:** One can choose not to grant the Power of Attorney (POA) to the developers. However this will mandate the mailing of all documents to your foreign residence and associated time delays. A good compromise is to grant the POA to the builder only for specific necessary items.

### **Q3. Investment Horizons for Investing in Indian Real Estate?**

**Ans.:**

**Term of Investment** - This is important as you need to hold on for at least 1 to 3 Years for a decent capital appreciation and if you sell your property within 3 years you are in for a short term capital gains which is at par with the Income Tax rules of nearly 30 to 35% as applicable. It is better to stay invested for 3 years and then plan the next investments with Capital Gains etc.

**Pre-Launch offers** - Investing in property means also an entry load by paying stamp duty and registration fees and other incidental charges to the Builder etc. If you are investing it is always wise to invest as soon as the project is launched as this gives you enough time for appreciation as usually the builder goes in the Stock Market kind of a mode in the first year of its property by hiking the prices every few months.

**Know your Builder** - It is imperative to know your Builder and the project as at the time of your exit the builder has to be extremely co-operative, the first question to shoot when you are buying an Under Construction Project is - If I sell what happens? When can I Sell? Will you charge me some transfer fees? How the paper work will be done between the Seller, Builder and the Buyer?

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**Invest with Deep Thought** - The present market is volatile in Mumbai and it is imperative for you to give a deep thought on various accounts, which begins from the Project, Infrastructure available within the Project, Outside the project in the neighbourhood, Selling prospects, Leasing prospects, Neighbourhood development, Distances to Schools, Markets, Malls, Hospitals, Highways, Airports, Railway stations etc. These should act as your analysis points.

**For NRIs** - especially before coming to India, make sure you are carrying most of the relevant papers with you. You should always have an **NRE and an NRO account** in India and if you are looking to invest in Mumbai then one should have an account in **Mumbai** for easiness. Review your **NRI** allowances by the Government of India every budget etc.

**Home Loans** - You can set off your EMI's if you invest wisely in a property as the rates are presently around 8% and your rental returns are around 4-6%. You can be a happy man if you do this fool proof homework as your EMI can be hedged off against the rent receipts to a certain degree.

**Re-Sale Properties** - In a booming market every property owner wants to cash on in his property at the best value. A few issues which we face are the commitment level of the seller and we can stumble on to good transactions at times, but this is more of a time consuming process at times. The repair value, old building and other property documentation issues can be challenging in certain transactions.

**Returns** - It is always advisable to take a conservative approach in both Capital Appreciation and Rental returns. However one can safely expect appreciations anywhere upwards of 15% Per Year and Rental Yields of 4 to 6%.

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## **PART – 3: FAQs on NRI - Taxation**

### **Q1. What does the term Residential Status under the Income Tax Act mean?**

**Ans.:** Under the Income-tax Act, 1961, the three residential status are defined: Resident and Ordinarily Resident (ROR) Resident but Not Ordinarily Resident (RNOR) **Non Resident Indian (NRI)**.

### **Q2. What are the tax benefits available to an NRI?**

**Ans.:**• Bank Deposits investment in shares, units of Mutual Funds etc. are exempt from wealth tax in India.

- Interest earned on **NRE and FCNR** accounts is completely tax-free.
- Gift tax has been abolished for all types of gifts from the 1st October 1998.
- However, gifts received on the occasion of marriage or from relative or under will or inheritance would not be subject to tax.

### **Q3. How can NRIs, residing in other countries, take benefit of 'Double Taxation Avoidance Agreements (DTAA)?**

**Ans.:** To avail benefit of lower rates of tax as per double taxation avoidance treaty entered in by India, NRIs need to submit the Residency Certificate issued by Tax Authorities of the country of his residence. These documents should be submitted to the designated bank branch at the time of opening the bank account or subsequently. New TDS rate shall be applied only after the acceptance of the Residency Certificate by the designated bank.

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## **PART – 4: FAQs on NRI – Buying immovable property in India**

### **Q1. Do non-resident Indian citizens require permission of Reserve Bank to acquire residential/commercial property in India?**

**Ans.:** Regulations regarding acquisition and transfer of immovable property in India by a person resident outside India has been notified vide RBI Notification No. FEMA 21/2000-RB dated May 3, 2000 as amended vide Notification No. FEMA 64/2002-RB dated June 29, 2002 and Notification No. FEMA 65/2002-RB dated June 29, 2002 and relevant directions issued in the form of A.P. (DIR Series) Circulars.

These are available on RBI website: [www.fema.rbi.org.in](http://www.fema.rbi.org.in)

### **Q2. Do foreign citizens of Indian origin require permission of Reserve Bank to purchase immovable property in India for their residential use?**

**Ans.:** General Permission is available to purchase only a residential/commercial property in India to a person resident outside India who is a citizen of India (NRI) and who is a Person of Indian Origin (PIO).

### **Q3. In what manner the purchase consideration for the residential immovable property should be paid by foreign citizens of Indian origin under the general permission?**

**Ans.:** For the purpose of acquisition and transfer of immovable property in India, a PIO means an individual (not being a citizen of Pakistan or Bangladesh or Sri Lanka or Afghanistan or China or Iran or Nepal or Bhutan), who (i) at any time, held Indian passport; or (ii) who or either of whose father or grandfather was a citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955 (57 of 1955).

### **Q4. What are the formalities required to be completed by foreign citizens of Indian origin for purchasing residential immovable property in India under the general permission?**

**Ans.:** NRI/PIO who has purchased residential/commercial property under general permission is not required to file any documents with the RBI.

### **Q5. Can such property be sold without the permission of Reserve Bank?**

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

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**Q6. Can sale proceeds of such property if and when sold be remitted out of India?**

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

**Q7. Are any conditions required to be fulfilled if repatriation of sale proceeds is desired?**

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

**Q8. What is the procedure for seeking such repatriation?**

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

**Q9. Can foreign citizens of Indian origin acquire or dispose of residential property by way of gift?**

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

**Q10. Can foreign citizens of Indian origin acquire commercial properties in India?**

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

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**Q11. Can they dispose of such properties?**

**Ans.:** Yes.

**Q12. Can sale proceeds of such property be remitted out of India?**

**Ans.:** Yes. Repatriation of original investment in respect of properties purchased by foreign citizens of Indian origin on or after 26th May 1993 will be allowed to be remitted up to the consideration amount originally remitted from abroad provided the property is sold after a period of three years from the date of the final purchase deed or from the date of payment of final installment of consideration amount, whichever is later. Applications for the purpose are required to be made to the Central Office of Reserve Bank within 90 days of the sale of property in form IPI 8.

**Q13. Can the properties (residential/commercial) be given on rent if not required for immediate use?**

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

**Q14. Can NRIs obtain loans for acquisition of a house/flat for residential purpose from financial institutions providing housing finance?**

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

**Q15. Can authorized dealer grant loans to NRIs for acquisition of a flat/house for residential purposes?**

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

**Q16. Can Indian companies grant loans to their NRI staff?**

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

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**Q17. What are the options available for obtaining guarantors while applying for a HDFC/LIC loan?**

**Ans.:** One will need a guarantor for a loan mainly for collateral security. The guarantor will have to demonstrate appropriate net worth to cover for the loan. Usually one can have a guarantor in any city where the loan issuer has a branch. Talk to loan issuers they will work something out for NRIs and foreign banks.

**Q18. While purchasing real estate most developers demand a Power of Attorney in their favour, is there a way to avoid it?**

**Ans.:** One can choose not to grant the Power of Attorney (POA) to the developers. However this will mandate the mailing of all documents to your foreign residence and associated time delays. A good compromise is to grant the POA to the builder only for specific necessary items.

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## **PART – 5:**

### ***FAQS on NRI – Home Loans***

#### **Q1. For what kinds of property is a NRI eligible for Home loans?**

**Ans.:** A **home loan** is sanctioned to the NRIs for any of the following housing finance schemes:

- a) To **purchase a house** either ready-built, under construction or from a second owner.
- b) For self-construction of a property on a plot of land.
- c) To finance the **purchase of a plot** of land allotted by a society / development authority.
- d) For renovation or improvement of an existing **property in India**.

#### **Q2. What is the eligibility for obtaining NRI Home Loans?**

**Ans.:** Your eligibility is calculated in the same way as it is calculated for resident Indians. More emphasis is laid on the following criteria in the appraisal of a **NRI** case:

- a) Qualifications - the NRI applicant has to be graduate.
- b) Current job profile & Past experience.
- c) Probability of continuing abroad for the loan tenure.
- d) Probability of servicing the loan with an extended tenure in case you have to return to India.

#### **Q3. What is the repayment period for a NRI Home Loan?**

**Ans.:** The housing finance offered to NRIs normally do not exceed 5 years. However, some HFCs offer loans for a term of 7 years. The repayment for the loan is by way of EMIs. The EMIs begin only after the entire loan is disbursed. In case of a part disbursement, you pay simple interest at the rate applicable on the loan amount that is disbursed to you.

#### **Q4. How is the mode of payment for NRI home loans?**

**Ans.:** The loan towards the house has to be paid upfront for the entire tenure of the loan by way of direct remittances from abroad through normal banking channels or from such accounts as may be permitted by RBI from time to time. As of today, the payments are done through **NRO, NRE, NRNR and FCNR accounts**. These accounts change on the basis of RBI permissions to each HFC.

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## **Q5. What are the Tax Benefits applicable to Non-Resident Indians?**

**Ans.:** No tax benefits are available for NRI customers unless you file returns and thereby become eligible to avail of the tax benefits as mentioned under Home Loans.

## **Q6. What are the documents required for obtaining NRI Home Loans?**

**Ans.:** NRIs are required to submit additional documents than is normally required for a resident Indian.

- a) A copy of the passport.
- b) A copy of the works contract (also sometimes referred to as the contract card/labor card).
- c) The power of attorney (POA). The POA is required because the borrower is not based in India and in such a scenario; the HFC would need a representative 'in lieu of' the NRI to deal with as required. Although not mandatory, the POA is usually drawn on the NRI's parents, wife or children.

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