

Quick Guide to NRI Bank Accounts under FEMA

This document provides an updated overview of the types of bank accounts available to Non-Resident Indians (NRIs) and Persons of Indian Origin (PIOs) as per the Foreign Exchange Management Act (FEMA). It also outlines operational guidelines, permitted transactions, and relevant restrictions for each account type.

1. Non-Resident External (NRE) Account

- ❖ **Purpose:**
To facilitate NRIs in holding and managing their foreign income in Indian Rupees while residing outside India.
- ❖ **Key Features:**
 - Account is maintained in INR.
 - Freely repatriable, both principal and interest can be sent abroad without restriction.
 - Can be opened as Savings, Current, Recurring, or Fixed Deposit accounts.
- ❖ **Permitted Credits:**
 - Funds remitted from outside India.
 - Transfer from another NRE/FCNR account.
 - Interest earned on the account balance.
 - Current income in India is due to the holder.
 - Maturity or sale proceeds of permissible investment in India.
- ❖ **Permitted Debits:**
 - Local payments and investments are permissible under FEMA.
 - Remittances outside India
 - Transfers to other NRE or FCNR accounts.
- ❖ **Resident Power of Attorney (POA) Holder:**
 - Can operate the account (e.g., issue cheques, deposit funds).
 - Cannot repatriate funds or make gifts from the account outside India.
 - Can make local payments on behalf of the NRI.
- ❖ **Special Note:**
 - An NRE account can continue to be designated as such even during the NRI's temporary visit to India, provided the individual intends to return abroad.

2. Non-Resident Ordinary (NRO) Account

- ❖ **Purpose:**
To manage income earned in India, such as rent, dividends, pension, or other Indian sources.
- ❖ **Key Features:**
 - Maintained in INR.
 - Repatriation is restricted to USD 1 million per financial year, subject to payment of taxes and documentation.
 - Can be opened jointly with residents or NRIs.
- ❖ **Permitted Credits:**
 - Legitimate income generated in India.

- Inward remittance from outside India or other NRO account.
- Interest earned on NRO deposits.
- ❖ **Permitted Debits:**
 - Local payments.
 - Transfers to resident accounts.
 - Repatriation (limited, subject to compliance).
- ❖ **Resident POA Holder:**
 - Can operate the account for permissible local payments.
 - Cannot repatriate funds abroad.
- ❖ **Conversion to Resident Account:**
 - Upon returning to India with the intention of staying, the NRO account must be converted to a resident account.
- ❖ **Special Situations:**
 - Foreign nationals (e.g., Bangladeshi citizens) may open NRO accounts, subject to holding a valid visa and residence permit.
 - NRO accounts can also be opened after the foreign national's employment ends and they leave India.

3. Foreign Currency Non-Resident (Bank) – FCNR (B) Account

- ❖ **Purpose:**

To enable NRIs to deposit foreign currency in India and earn interest without exchange rate risk.
- ❖ **Key Features:**
 - Maintained in designated foreign currencies like USD, GBP, EUR, JPY, etc.
 - Freely repatriable (principal and interest).
 - Fixed deposit tenure: 1 to 5 years.
 - Interest earned is exempt from income tax in India.
- ❖ **Permitted Credits:**
 - Inward remittance in foreign currency.
 - Transfer from other NRE/FCNR accounts.
- ❖ **Use of POA:**
 - A resident POA holder may operate the account as per instructions, but
 - cannot repatriate or transfer funds outside India.
- ❖ **Deposits and Loans:**
 - Loans can be availed against FCNR deposits.
 - Deposits can continue till maturity even if the NRI returns to India, but from that date, they are treated as resident deposits.

4. Other Noteworthy Provisions

- **Opening during Temporary Visit:** An NRI can open NRE or FCNR accounts even during a short visit to India.
- **Intention of Stay:** The classification of accounts (NRE/NRO) is largely dependent on the intention to stay in or outside India.

- **Investments from NRE Accounts:** Funds can be used for investments (e.g., in immovable property) provided such transactions comply with FEMA and RBI regulations.
- **Restrictions:**
 - NRIs/POAs cannot use funds for agricultural/plantation activities, real estate business, or lending.
 - Repatriation from NRO is subject to tax clearance.

Conclusion

NRIs and PIOs have multiple account options in India, depending on the source and intended usage of funds. Understanding the permitted credits, debits, repatriation limits, and compliance requirements under FEMA is essential for proper financial planning.



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