

**IMPORTANT REGULATIONS
&
INVESTMENT RATIONALE
FOR NRI
IN PRESENT TIMES**



Part – I

Important Regulations relating to NRI other than Income Tax



Who is a NRI for Banking & Investment purposes?



Who is a NRI for Banking & Investment Purposes ?

A) As per FEMA (Foreign Exchange Management Act), a person **RESIDENT IN INDIA** is:

A person residing in India for more than 182 days during the course of preceding financial year but does not include :

- i) A person who has gone out of India or who stays outside India, in either case -
- for or on taking up employment outside India; or
 - for carrying on a business or vocation outside India; or
 - for any other purpose, in such circumstances as would indicate his intention to stay outside India for an uncertain period.

Who is a NRI for Banking & Investment Purposes ?

- ii) A person who has come to or stay in India, in either case, otherwise than –
- for or on taking up employment inside India; or
 - for carrying on business or vocation in India, or
 - for any other purpose in such circumstances as would indicate his intention to stay in India for an uncertain period.

Person other than the above is a Non Resident

Students going abroad are treated as NRI under RBI Circular : AP (DIR Series) Circular No. 45 December 8, 2003.

Who is a NRI for Banking & Investment Purposes ?

B) Overseas Citizens of India (OCI)

Following categories of Foreign National can be considered as “OCI” and can apply for OCI Card.

1. For person who are of full age.
 - A. Citizen of India on or after 26.01.1950, or
 - B. Eligible to become citizen of India on 26.01.1950, or
 - C. Belonged to a territory that became part of India after 15.08.1947, or
 - D. Child or a grandchild or a great grandchild of such a citizen, or
2. Minor child of such persons mentioned above.

Who is a NRI for Banking & Investment Purposes ?

B) Overseas Citizens of India (OCI)

3. Who is a minor child and whose both parents are citizens of India or one of the parents is a citizen of India, or
4. Spouse of citizen of India who is of foreign origin or spouse of OCI Card holder who is of foreign origin. The marriage has to be registered and subsisted for a continuous period of not less than two years.

However persons who have ever been citizens of Pakistan & Bangladesh cannot be considered as OCI & cannot apply for OCI Card.

Who is a NRI for Banking & Investment Purposes ?

**NRI for only banking purposes :
Any Person of Indian Origin (PIO)
(Eligible to become OCI)**

NRI for banking & investment purposes :

**Non Residents (NR) as per
FEMA Regulation &
having Indian passport (citizenship)**

OR

OCI cardholder are considered as NRI (Non Resident Indian).

Eligibility for various categories of persons

Activity	Business & Portfolio Investment	Bank Accounts	Immovable Property
Eligible Persons	<ul style="list-style-type: none"> • Any Indian Citizen • OCI Cardholder 	<ul style="list-style-type: none"> • Any Indian Citizen • OCI Cardholder • PIOs (Eligible to become OCI) 	<ul style="list-style-type: none"> • Any Indian Citizen • OCI Cardholder
Foreign Citizens requiring prior approval	<ul style="list-style-type: none"> • Bangladesh • Pakistan (Govt. approval required)	<ul style="list-style-type: none"> • Bangladesh • Pakistan (RBI approval required)	<ul style="list-style-type: none"> • Bangladesh • Pakistan • Sri Lanka • Afghanistan • China • Iran • Nepal • Bhutan • Hong Kong & Macau • Korea (DPRK) (RBI approval required)

Banking Regulations for NRI

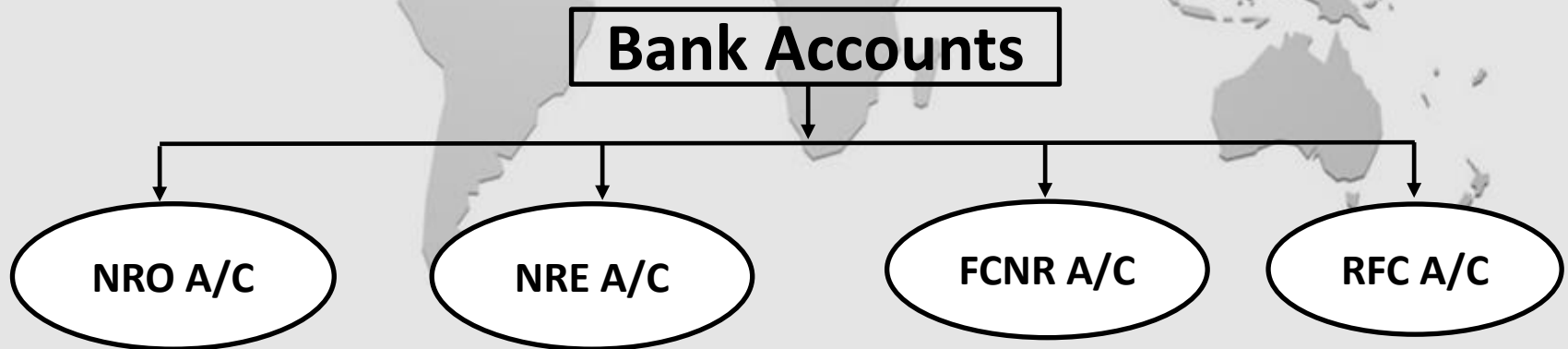


Banking Regulations for NRI

INTRODUCTION

- ✓ NRI are not allowed to keep Resident Indian savings account in India.
- ✓ Either the resident savings account is to be closed or converted in NRO account.

TYPES OF BANK ACCOUNT :



Banking Regulations for NRI

Bank Accounts by NRI

NRO Account (Non Resident Ordinary Account)

- ✓ Non-repatriable rupee account.
- ✓ When Resident Indian becomes NRI his existing account changes to NRO, banks need to be informed.
- ✓ Credits and debits of Non-repatriable funds.
- ✓ The income from the account is taxable under Income Tax.
- ✓ Joint account with another NRI / PIO or with resident can be opened.
- ✓ Loan available against this account in Indian Rupees.

Banking Regulations for NRI

Bank Accounts by NRI

NRE Account (Non Resident External Account)

- ✓ Remittance from abroad or other NRE or FCNR Accounts.
- ✓ Balance held in rupees but are repatriable.
- ✓ Proceeds on maturity of repatriable assets can be credited.
- ✓ Foreign exchange can be credited by NRI himself.
- ✓ The income from the account is exempted from Income Tax.
- ✓ Loan can be availed against the balances in this account, in Indian Rupees.
- ✓ Joint account with another NRI/PIO or with resident relative* can be opened.

* Definition of Relative / Close Relative as per Companies Act for FEMA & RBI regulations

Banking Regulations for NRI

Definition of relative / close relative as per Companies Act for FEMA & RBI regulations

- ✓ Husband & Wife.
- ✓ Father & Mother.
- ✓ Brother & Sister.
- ✓ Son, Daughter & their Spouse.
- ✓ Members of HUF.

Banking Regulations for NRI

Bank Accounts by NRI

FCNR Account (Foreign Currency Non-Resident Account)

- ✓ Deposits in specified foreign currencies.
- ✓ Different Interest rates for holding deposits in different currency. Swap between currencies possible.
- ✓ Transfer to NRE and vice versa possible.
- ✓ The income from the account is exempted from Income Tax.
- ✓ Loan can be availed against the balances in this account, in Indian Rupees and specified foreign currency.
- ✓ Joint account with another NRI / PIO or with resident relative* can be opened.

* Definition of Relative / Close Relative as per Companies Act for FEMA & RBI regulations

Banking Regulations for NRI

Bank Accounts by NRI

RFC Account (Resident Foreign Currency Account)

- ✓ This account can be maintained by returning NRIs.
- ✓ This account can be opened and maintained in any convertible foreign currency.
- ✓ The income from this account is exempted from Income Tax for individual under 'R but not OR' status.
- ✓ Loan not available against this account.
- ✓ Credits of foreign exchange assets, NRE & FCNR balances.

Banking Regulations for NRI

Permission for various categories of persons

Account type	Domestic / Resident Account	Non Resident Ordinary (NRO) Account	Non Resident External (NRE) Account	Foreign Currency Non Resident (FCNR) Account
NRI	Not Permitted	Permitted	Permitted	Permitted
Foreign Nationals on employment in India	Permitted	Not Permitted	Not Permitted	Not Permitted
Foreign Students studying in India	Not Permitted	Permitted	Not Permitted	Not Permitted
Foreign Tourists on short visit to India	Not Permitted	Permitted	Not Permitted	Not Permitted

Banking Regulations for NRI

- Comparative Analysis (1/3)

Particulars	NRE	NRO	FCNR
Currency	Indian Rupees	Indian Rupees	Any permitted currency i.e. foreign currency freely convertible
Account Type	Savings, Current or Fixed Deposit	Savings, Current or Fixed Deposit	Fixed/Term Deposit
Who can open?	NRI and PIO	NRI Or Resident before becoming an NRI	NRI and PIO
Joint account with NRI	Yes		
Joint account with resident	Only with a resident relative on 'former or survivor' basis	With any resident on 'former or survivor' basis	Only with a resident relative on 'former or survivor' basis
Can power of attorney holder open the account?	No		
Can power of attorney holder operate the account?	Yes, can make local rupee payments		

Banking Regulations for NRI

- Comparative Analysis (2/3)

Particulars	NRE	NRO	FCNR
Permissible credits	<ul style="list-style-type: none"> - Inward remittance to India - Interest on funds in account - Current income in India (subject to taxes) - Maturity proceeds of investments if investment made from this account - Any other credit permitted by RBI 	<ul style="list-style-type: none"> - Inward remittance to India - Legitimate dues in India of account holder - Any amount received under such Regulations. 	Same as NRE
Eligible debits	<ul style="list-style-type: none"> - Local disbursements - Remittances outside India - Investment in shares/securities/commercial paper of Indian company or for purchase of immovable property in India permitted by RBI - Any other transactions permitted by RBI 	<ul style="list-style-type: none"> - All local payments including for investment - Remittances outside India of current income in India (net of taxes) - Settlement of charges on International credit cards. 	Same as NRE
Income Tax	Tax free	Taxable	Tax free

Banking Regulations for NRI

- Comparative Analysis (3/3)

Particulars	NRE	NRO	FCNR
Fund transfer to another account	Funds can be transferred from an NRE account to an NRO / NRE / Resident account	Funds can be transferred from an NRO account to an NRO / Resident account	Funds can be transferred from existing NRE/FCNR account
Repatriation	Balance fully repatriable	Repatriable subject to payment of tax and completion of formalities. Balance repatriable upto USD 1 mn per financial year	Balance fully repatriable
Change in residential status to resident	Should be designated as resident accounts or the funds may be transferred to RFC accounts	Shall be designated as resident accounts	FCNR deposits may be allowed to continue till maturity.
Best Suited For	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

Transfer of funds from NRO A/c to NRE A/c and repatriation of funds out of India



Transfer and repatriation of funds

Notification No. FEMA 13 (R)/2016 – RB on April 01, 2016.

NRI can avail the benefit of transferring funds from NRO A/c to the extent of US\$ 1 million per person per year to NRE A/c or out of India.

Requirements :

- ✓ Taxes due on funds supposed to be transferred should be paid.
- ✓ Simple procedure need to be followed for the transfer.
- ✓ Where the remittance is made in more than one instalment, the remittance of all instalments shall be made through the same authorised dealer (bank).

Transfer and repatriation of funds

Benefits Of Fund Transfer from NRO A/c to NRE A/c :

- ✓ Amounts in NRE Account is Tax Free.
- ✓ TDS would not be applicable on the interest income from NRE Account.
- ✓ The balances in the NRE Account are fully repatriable.
- ✓ Repatriation can be done at the ease of Account holder to avail the benefit of comfortable exchange rate.

Transfer and repatriation of funds

- ✓ The circular of Government for transfer of funds from NRO to NRE or abroad is just relaxation given to NRI. It is not an obligation of the government to allow such transfer. However, the transfer of money from NRE to abroad is an obligation of the government.
- ✓ The funds lying in NRE Account can be easily remitted to the country of residence without any limits and formalities.

As per RBI Notification No. FEMA 21(R)/2018-RB, in case of residential property acquired from NRE A/c balance or remittance, the repatriation of sale proceeds for NRI is restricted to maximum two such properties.

Power of Attorney for NRI



Power of Attorney for NRI

Important clauses of Power of Attorney to manage their affairs to be given by NRI

- ✓ To carry out all the operations of Depository Account including instruction for debit & credit to the demat account.
- ✓ To carry out operation of Government supported savings schemes with specific mention of names.
- ✓ To carry out the affairs of a Hindu Undivided Family (HUF) where the NRI is the Karta of his HUF.
- ✓ To carry out the affairs of Partnership or Proprietorship Concern.
- ✓ To carry out functions as a Director of a Company.
- ✓ To make and accept all claims under a WILL or under succession.
- ✓ To encash fixed deposits even before maturity and close bank accounts (subject to acceptance by the bank).

Power of Attorney for NRI

Power of Attorney (POA) – Legal formalities

For Movable properties :

- ✓ Should be notarised in India or Abroad.
- ✓ Should be stamped as per local Stamp Act, in Gujarat Rs. 300/= .

For Immovable properties :

- ✓ Should be registered with respective Registrar where the property is located in India OR

Should be executed & signed before Indian Embassy abroad and thereafter should be submitted to registrar where it will be stamped & verified by the local collector office. Giver & receiver of powers both can execute and sign out of India.

- ✓ Appropriate stamp duty has to be paid, which is Rs. 300/= for POA to close relatives and market value based stamp duty when POA given to any person other than close relative will be liable to regular stamp duty.
- ✓ Do not mention about power to collect consideration & give possession.

Power of Attorney for NRI

Notification No. FEMA 5(R)/2016-RB

A POA in a NRE A/c or NRO A/c -

CAN

- ✓ Make payments & investments in Indian Rupees.
- ✓ Remit funds outside India only in the foreign account of the account holder.

CANNOT

- ✓ Make payment by way of gift to a resident on behalf of the non-resident.
- ✓ Transfer funds to any other NRO A/c from NRO A/c and NRE A/c to any other NRE A/c.



PPF & NRI

PPF & NRI

Public Provident Fund (PPF)

- ✓ NRI are not allowed to open PPF account in India.
- ✓ If the PPF account is opened as resident status and later became NRI, they are allowed to make contribution to the account and continue that account up to maturity.
- ✓ On Maturity, the NRI have to compulsorily close the account. The maturity receipts will get credited to NRO bank account.

PPF & NRI

Public Provident Fund (PPF)

- ✓ The income generated (interest income) from PPF investment is fully Tax Free. These incomes are liable to tax in respective foreign country.
- ✓ Changes in PPF Scheme on 03/10/2017 has been revoked vide Notification No. 01/10/2016 – NS. Ministry of Finance Dt. 23/02/2018.



AADHAAR & NRI

AADHAAR Card & NRI

✓ Under the AADHAAR (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act 2016.

- Resident means an individual (any nationality) who has resided in India for a period or periods amounting in all to 182 days or more in 12 months immediately preceding the date of application for enrolment.

AADHAAR Card & NRI

- ✓ Under Sec. 139AA & Subsequent notification, all PAN Card holders, who is a NRI under the Income Tax Act 1961, are :
- Supposed to link their AADHAAR Card with PAN, if they hold the AADHAAR Card.
 - If they do not hold the AADHAAR Card, they are exempted from the requirement of linking it with the PAN Card of Income Tax.
 - As per AADHAAR Act, NRI / PIO are not eligible to obtain AADHAAR Card, hence are fully exempted to produce AADHAAR for any verification.



Cash carrying limits in foreign currency

Cash carrying limits in foreign currency

- ✓ Any person coming into India from abroad can bring with him foreign exchange without any limit.
- ✓ However, if the aggregate value of foreign currency exceeds USD 5,000, it should be declared to the Customs Authorities at the Airport in the Currency Declaration Form (CDF), on arrival in India.
- ✓ Foreign exchange can be credited by NRI himself in NRO/NRE bank accounts.

Part – II

Investment Rationale for NRI in present times



Why should someone invest in India in present times ?



Impact of COVID – 19 on India

Sr. No.	Country	Population (million)	Active Cases	Death
1	United States	331	1631391	134862
2	Brazil	213	530219	68055
3	United Kingdom	68	242462	44517
4	Italy	60	13595	34914
5	France	65	61523	29965
6	Spain	47	271197	28396
7	India	1380	271354	21144
8	Iran	84	26832	12084
9	Russia	146	217614	10667
10	Germany	84	6950	9115
11	Canada	38	27450	8737
12	Turkey	84	16145	5282
13	China	1439	390	4634

(08th July 2020) Source :<https://www.worldometers.info/world-population/population-by-country/>

Indian strategy on Corona seems working till date.

**IMPORTANT REGULATIONS & INVESTMENT
RATIONALE FOR NRI IN PRESENT TIMES**

Impact of COVID – 19 on India

India has been impacted due to lockout, but Bharat (Non – Urban India) has a very limited impact.

✓ Cases of COVID 19.

<u>Urban</u>	-	High
<u>Semi Urban</u>	-	Few
<u>Rural</u>	-	Very few

✓ Rural economy has been a growth driver on account of spending in Rural India (Bharat) by Government.

✓ Agricultural & Industrial activities more in semi urban & rural areas.

Indian Economy driven by captive consumption

- ✓ There is a fear that global trade will slow down.
Share in global trade -
 - China : 17 %
 - India : 2.6 %
- ✓ India is a domestic consumption driven economy.
- ✓ Indian economy is a developing economy with a large aspiring middle class hence:
 - Consumption of basic necessities – Higher side
 - Ostentatious expenditure – Quite lower

Low commodity prices to benefit India

Price of Brent crude in US \$

2015	2016	2017	2018	2019	Mar-20	09/07/2020
49.49	40.76	52.51	69.78	64.05	22.74	42.34

Source : www.ppac.gov.in

Source: <https://www.investing.com>

India's annual crude bill (2019 – 20) : 101.4 \$ bn.

India is 85.00 % dependent on crude import.

Interest Rates

Interest Rates in India comparable to top 20 global economies

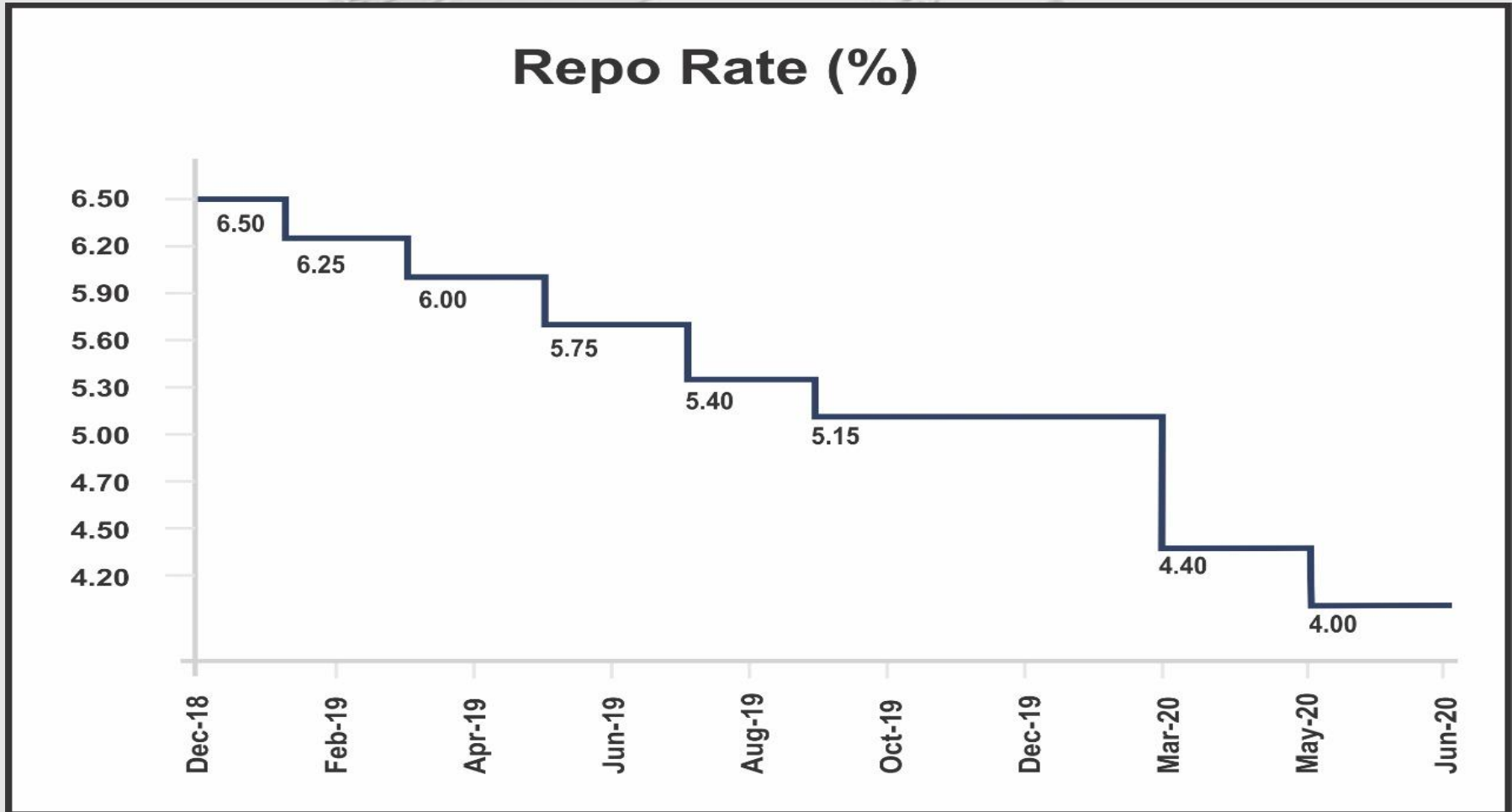
Rank	Country	Interest %
1	Turkey	8.25
2	Mexico	5.00
3	Russia	4.50
4	Brazil	2.25
5	Indonesia	4.25
6	India	4.00
7	China	3.85
8	Saudi Arabia	1
9	United States	0.00-0.25
10	Canada	0.25

Rank	Country	Interest %
11	South Korea	0.50
12	Australia	0.25
13	United Kingdom	0.1
14	Spain	0
15	France	0
16	Germany	0
17	Italy	0
18	Netherlands	0
19	Japan	-0.1
20	Switzerland	-0.75

Source : www.cbrates.com

Interest Rates

Low cost of funds to benefit India



Forex Reserves (in \$ bn)

Year	2014	2015	2016	2017	2018	2019	2020	30-June-20
Amount	312	351	360	375	415	418	475.56	505.57

Source: <https://tradingeconomics.com/india/foreign-exchange-reserves>

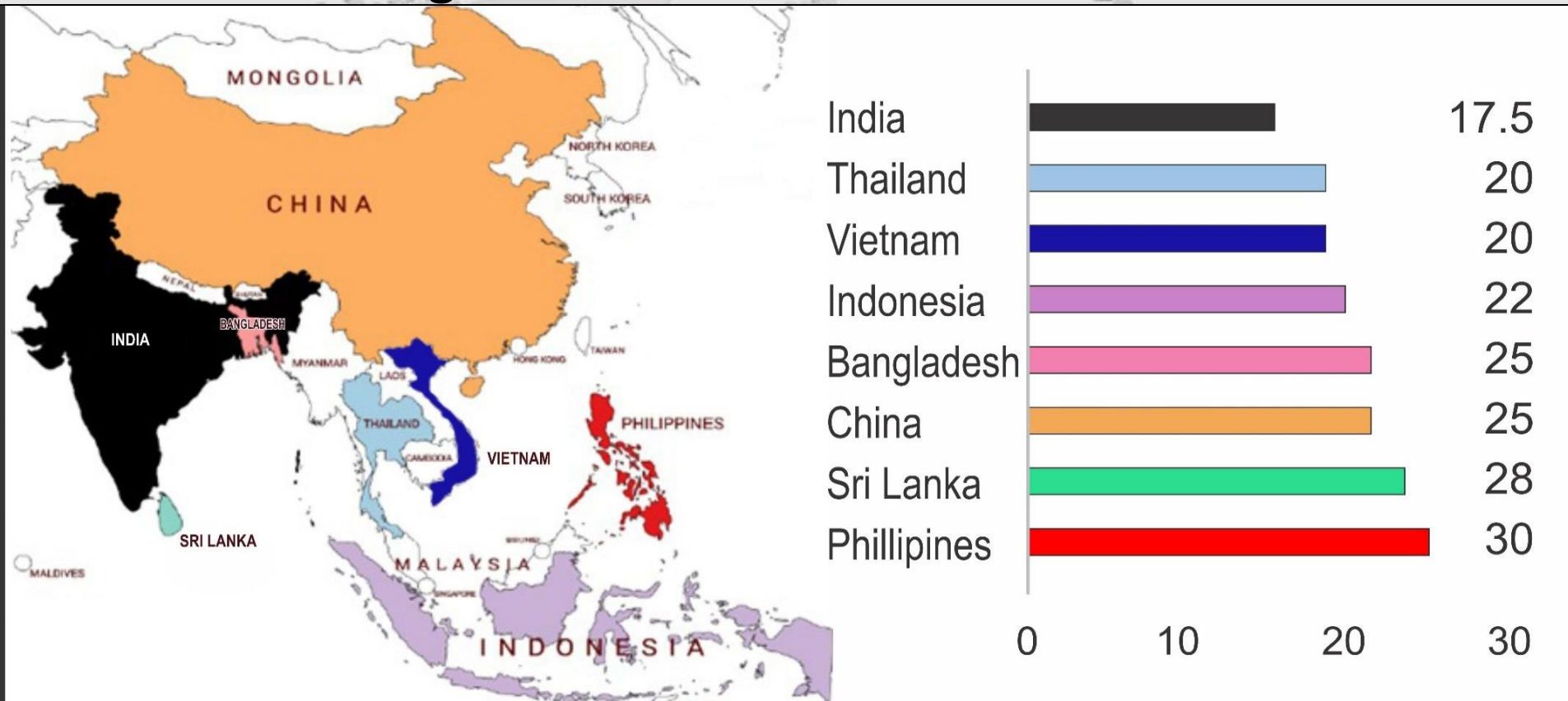
Healthy Forex Reserves

The new economic order

- ✓ Shift of manufacturing dependence from China. India reaching out to prospective countries & specific companies.
- ✓ Labour laws relaxed for new manufacturing in India.
- ✓ Land earmarked by the State Governments for industries shifting from China.

The new economic order

✓ Globally competitive rates of taxation for new manufacturing entities in India.



Source: <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-corporate-tax-rates.pdf>

Stock Market performance (01/07/2019 to 30/06/2020)

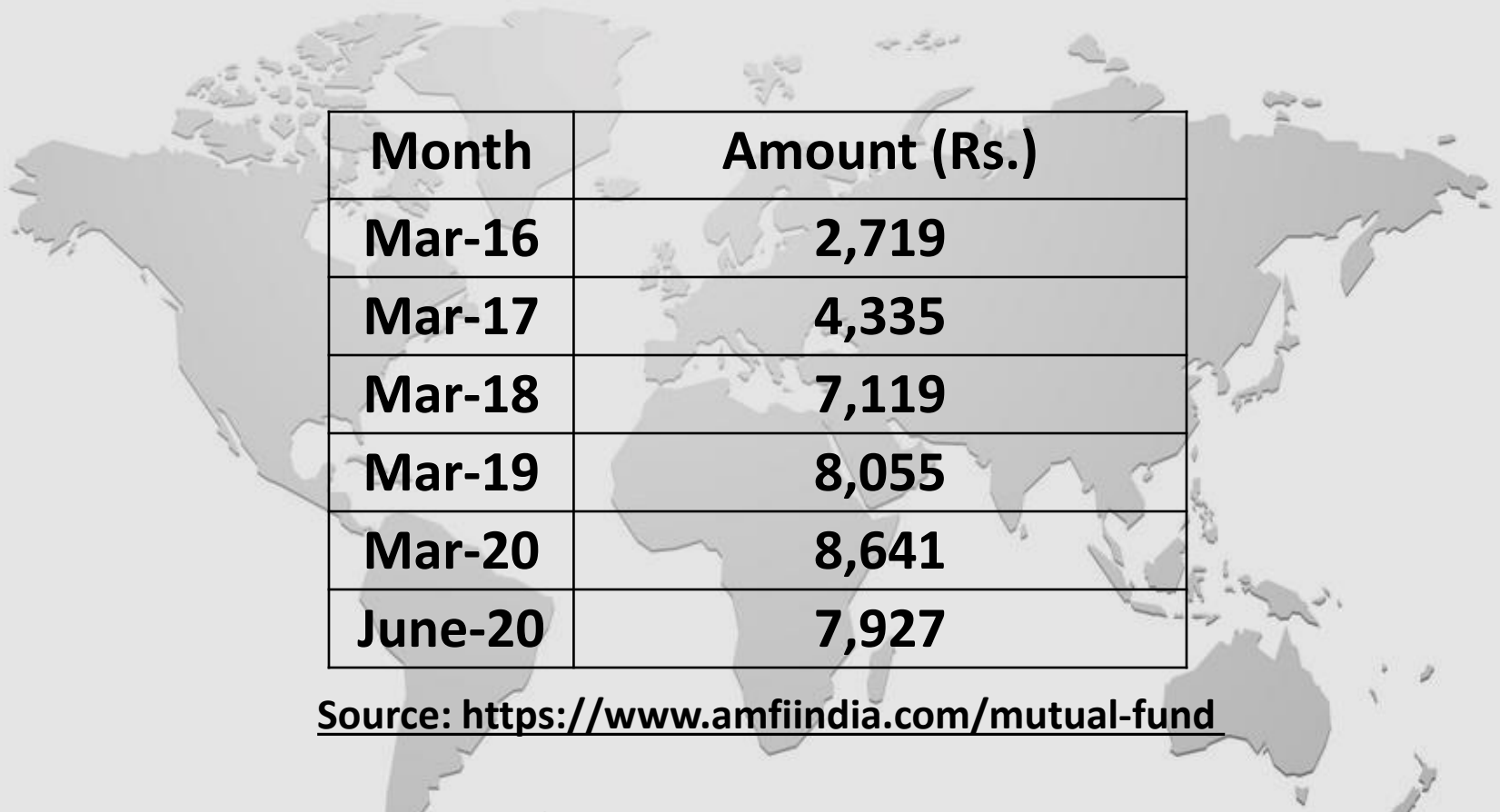
Rank	Country	Change in %
1	USA - Nasdaq	25.64
2	Turkey - BIST 100	20.77
3	Russia – MOEX	-0.82
4	Switzerland - SMI	1.49
5	China - Shanghai Composite	0.19
6	Japan - NIKKEI 225	4.76
7	Netherlands - AEX	-0.36
8	Canada - S&P/TSX Composite	-5.29
9	Korea - KOSPI	-1.05
10	Germany - DAX	-0.71

Rank	Country	Change in %
11	Australia - S&P/ASX 200	-10.89
12	India – Sensex	-11.37
13	Brazil - Bovespa	-5.85
14	France - CAC 40	-10.89
15	Mexico - S&P/BMV IPC	-12.61
16	Italy - FTSE MIB	-08.76
17	UK -FTSE 100	-16.91
18	Saudi Arabia - Tadawul All Share	-18.11
19	Indonesia - IDX	-25.83
20	Spain - IBEX	-21.39

Source: <https://www.investing.com/indices>

Indian equity market less vulnerable to global fund flows

Assured flows from Domestic Investors.



Month	Amount (Rs.)
Mar-16	2,719
Mar-17	4,335
Mar-18	7,119
Mar-19	8,055
Mar-20	8,641
June-20	7,927

Source: <https://www.amfiindia.com/mutual-fund>

That is Rs. 95,124/- (7,927 X 12) Crores annually.

Indian equity market less vulnerable to global fund flows

Foreign Institutional Investment (FII)

V/s.

Domestic Institutional Investments (DII).

(Amount in Cr.)

Year	2015	2016	2017	2018	2019	Till 30/06/20
FII	-20373	-10582	-44018	-73212	39880	-69662
DII	67586	35362	90738	109661	42257	88212

Source : <https://www.moneycontrol.com/stocks/marketstats>

Limited depreciation of Indian Rupee in last 6 Years



2014 – 15	2015 – 16	2016 – 17	2017 – 18	2018 – 19	2019 – 20	30/06/2020
61.14	65.5	67.1	64.5	69.9	75.34	75.52

Source: <https://www.investing.com/currencies>

Indian Rupee has depreciated against the US\$ at the rate of 3.36% p.a. on a compounded basis in last six years.

What can go wrong ?

- ✓ Growth rate, Inflation & Government Finances would be in trouble, if COVID-19 continues to impact longer.
- ✓ Inadequate government support to the economy.
- ✓ Financial sector is damaged on account of non-intervention by the government at appropriate places.

Points for consideration to build a NRI Investment Portfolio



Investment in NRO / NRE Accounts in India

CONCEPT OF REAL RETURN ON INVESTMENTS

	India	USA	UK
Rate of Return on Fixed Deposit / CD NOMINAL RATE	5.40 %	1.0 %	1.18%
Less : Inflation in respective economy (CPI)	5.84 %	0.10%	0.50%
REAL RATE OF RETURN	-0.44 %	0.90 %	0.68%

Source: www.bankrates.com

Source: www.sbi.co.in

Source: www.trandingeconomics.com

Points for consideration to built a NRI Investment Portfolio

On the basis of geographical location of NRI

NRI from developed economies (US, Canada, UK, Germany, Australia, etc.)

- ✓ Debt based option (Fixed Income) is not a worthwhile option for investment in India as the real rate of return between India and Western World is not so significant.
- ✓ Equity oriented options are attractive to participate in India growth story and diversify their investment exposure.
- ✓ Investment in the Equity oriented option through Equity oriented Mutual Funds & Portfolio Management Services (PMS), Insurance etc. are the best routes. These portfolios should be built with good quality seasoned advisors.

Points for consideration to built a NRI Investment Portfolio

On the basis of geographical location of NRI

NRI from developed economies (US, Canada, UK, Germany, Australia, etc.)

- ✓ Tax compliance in India & abroad is not difficult if you have proper Investment & Tax Advisors in India.
- ✓ Real estate in India is not advisable as they might never ever have to come back to India structurally. Managing, dealing & liquidating real estate in India is a tough task.
- ✓ Investment in India should be made with a clear mandate that it can be liquidated and repatriated from remote location and online modes.
- ✓ Every decision should be taken with a perspective that the future generation may not be comfortable for taking care of the investments and the formalities, if they are complex.

Points for consideration to built a NRI Investment Portfolio

On the basis of geographical location of NRI NRI from Developing Economies (UAE, Africa, etc.)

- ✓ Debt based option (Fixed Income) is worthwhile option for investment in India as that can give them security in case of any unforeseen eventualities and India is safe destination to park funds.
- ✓ Equity oriented options are attractive to participate in India growth story and diversify their investment exposure.
- ✓ Investment in the Equity oriented option through Equity oriented Mutual Funds & Portfolio Management Services (PMS), Insurance etc. are the best route. These portfolios should be built with good quality seasoned advisors.

Points for consideration to built a NRI Investment Portfolio

On the basis of geographical location of NRI NRI from Developing Economies (UAE, Africa, etc.)

- ✓ It is advisable to hold a guarded residential house and a shop / office, in case any emergencies or change of plans. It is not advisable to keep raw real estate like urban or agriculture lands.
- ✓ Investment in India should be made with a clear mandate that it can be liquidated and repatriated as fast as possible from remote location and online.

Message to Investors in India



**The reason to invest in India is “4D”
Democracy Demography Demand Decisiveness**

**Prime Minister Mr. Narendra Modi
to
Global Investors**

Disclaimer

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Thank you...

Questions ?

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