

BANK ACCOUNTS THAT CAN BE HELD BY NON-RESIDENTS IN INDIA

India provides a host of investment opportunities which attracts Non-residents globally. Investing in the various avenues is permitted through normal banking channels and therefore, a valid bank account becomes absolutely essential. Each bank account type has different characteristics, purposes for which it can be used, different operational guidelines, repatriability facilities etc. Therefore, based on objectives and needs, Non-Residents should be aware of the type of account they wish to hold in India. The following types of accounts are generally opened by Non-residents in India:

1. Non-Resident Ordinary Rupee (NRO) Account
2. Non- Resident (External) Rupee (NRE) Account
3. Foreign Currency (Non-Resident) (FCNR(B))Account
4. Special Non-Resident Rupee (SNRR) Account

Certain important definitions for terms referred in the note are as follows:

1. Non-Resident Indian (NRI) : A person resident outside India who is a citizen of India
2. Person of Indian Origin (PIO) : A person resident outside India who is a citizen of any country other than Bangladesh or Pakistan or such other country as may be specified by the Central Government, satisfying the following conditions:
 - a) Who was a citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955 or
 - b) Who belonged to a territory that became part of India after the 15th day of August, 1947 or
 - c) Who is a child or a grandchild or a great grandchild of a citizen of India or of a person referred to in clause (a) or (b) or
 - d) Who is a spouse of foreign origin of a citizen of India or spouse of foreign origin of a person referred to in clause (a) or (b) or (c)

The expression 'Person of Indian Origin' includes an 'Overseas Citizen of India' (OCI) cardholder within the meaning of Citizenship Act, 1955.

	NRO A/c	NRE A/c and FCNR(B) A/c	SNRR A/c
Brief	It an INR account held by Non-residents for making investments on non-repatriation basis.	NRE is an INR account which is freely repatriable whereas FCNR are term deposits that can be held in foreign currency	SNRR is a special type of INR account for Non-residents with business interest for a limited period
Eligible Person	Any non-resident subject to conditions prescribed.	NRIs and PIOs	Any non-resident, having a business interest in India for the purpose of bonafide transactions.
Type of account	Savings, current, recurring or fixed deposit.	Savings, current, recurring or fixed deposit However, FCNR(B) A/c can be maintained in the form of fixed deposits only.	The tenure of the account shall be concurrent to the tenure of the contract / period of business of the accountholder and in no case shall exceed 7 years except for certain specified purposes this restriction of 7 years shall not apply. RBI Approval to be obtained for renewal.
Joint Account	- Jointly with residents on 'former or survivor' basis - Jointly with other NRIs and PIOs.	- Jointly with residents on 'former or survivor' basis - Jointly with other NRIs and PIOs	--
Permissible credits	<ul style="list-style-type: none"> ✓ Inward remittance to India ✓ Legitimate dues in India ✓ Transfers from other NRO A/c ✓ Rupee gift/ loan by Resident relative within the limit prescribed under Liberalised Remittance Scheme. 	<ul style="list-style-type: none"> ✓ Inward remittance to India ✓ Transfer from other NRE/ FCNR(B) A/c ✓ Maturity proceeds if such investments were made from NRE/FCNR(B) A/c or inward remittance through banking channels ✓ Current incomes like rent, dividend, interest etc. subject to applicable tax ✓ Refund of share/ debenture subscriptions to new issues of Indian companies or portion thereof, if the amount of subscription was paid from the NRE/ FCNR (B) A/c of the 	<ul style="list-style-type: none"> ✓ The debits and credits in the SNRR A/c shall be specific/ incidental to the business proposed to be done by the account holder ✓ The balances in the SNRR A/c shall be eligible for repatriation after applicable taxes in India. ✓ Transfers from any NRO A/c to SNRR A/c are prohibited.

		<p>accountholder or by remittance from outside India through banking channels.</p> <ul style="list-style-type: none"> ✓ Refund of application/earnest money/ purchase consideration made by the house building agencies/ seller on account of non-allotment of flat/plot/ cancellation of bookings for purchase of residential/ commercial property, together with interest, if any (net of taxes), provided the original payment was made out of NRE/ FCNR(B) account of the account holder or remittance from outside India through banking channels. 	
Permissible Debits	<ul style="list-style-type: none"> ✓ Local payments ✓ Transfer to other NRO A/c ✓ Remittance of current income outside India net of applicable taxes ✓ Settlement of charges on International Credit Cards ✓ Remittance outside India of sale/maturity proceeds under USD 1 million scheme, net off taxes, per financial year. 	<ul style="list-style-type: none"> ✓ Local payments ✓ Transfer to other NRE/ FCNR (B) A/c ✓ Remittances outside India ✓ Investment in shares/ securities/ commercial paper of an Indian company or for purchase of immovable property in India provided such investment/purchase is within regulations or if general/special permission granted by the RBI. 	
Rate of Interest	As per the guidelines issued by the RBI from time to time		No interest
Taxation	Interest is taxable	Interest is exempt from Income tax.	-
Change in residential status of Account-holder	<p>From Resident to Non-Resident – Existing resident account will be designated as NRO A/c</p> <p>From Non-Resident to Resident – NRO A/c</p>	<p><u>NRE A/c:</u> NRE A/c should be re-designated as resident A/c or the funds can be transferred into RFC A/c, at the option of holder immediately on becoming a</p>	SNRR A/c may be designated as resident rupee account on the accountholder becoming a resident.

	<p>will be designated as Resident Rupee A/c.</p>	<p>resident of India. Where the holder is only on a short visit to India, the account can continue as NRE A/c even during his stay in India.</p> <p><u>FCNR(B) A/c:</u> When an accountholder becomes a person resident of India, deposits may be allowed to continue till maturity at the contracted rate of interest. However, except the provisions relating to rate of interest and reserve requirements as applicable, for all other purposes such deposits shall be treated as resident deposits from the date of return of the accountholder to India. AD Banks should convert FCNR(B) deposits on maturity into rupee account or RFC A/c at the option of the accountholder.</p>	
<p>Loans against Deposit</p>	<p><u>To Accountholders</u> Loan can be used for:</p> <ul style="list-style-type: none"> • Personal purposes or for carrying on business activities except for the purpose of relending or carrying on agricultural/ plantation activity or for investment in real estate business. • AD bank may permit overdraft in the account of the accountholder subject to its commercial judgement and compliance with the directives. <p><u>To Third parties</u> Loans to resident individuals/ firms/</p>	<p><u>To Accountholders</u> Loan can be used for:</p> <ul style="list-style-type: none"> • Personal purposes or for carrying on business activities except for the purpose of relending or carrying on agricultural/ plantation activities or for investment in real estate business. • Making direct investment in India on non-repatriation basis by way of contribution to the capital of Indian firms/ companies or acquiring house property in India for residential purpose subject to the relevant Regulations. <p>Repayment shall be made either by adjustment of the deposit or by fresh inward remittances from</p>	<p>-</p>

	<p>companies in India may be granted against the security of deposits held in NRO A/c, subject to the following terms and conditions</p> <ul style="list-style-type: none"> • The loans shall be utilised only for meeting personal requirements or business purpose and not for carrying on agricultural/ plantation activities or real estate business or for relending. • Regulations relating to margin and rate of interest as stipulated by RBI shall be complied with. • The usual norms applicable in the case of advances to trade/industry shall be applicable for such facilities. 	<p>outside India through banking channels or out of NRO A/c of the borrower.</p> <p><u>To Third parties:</u></p> <p>Loans to resident individuals/ firms/ companies in India may be granted against the collateral of fixed deposits held in NRE/FCNR (B) A/c subject to the following conditions:</p> <ul style="list-style-type: none"> • The loan should be utilised for personal purposes or for business activities except for the purpose of relending or carrying on agricultural / plantation activities or for investment in real estate business. • There should be no direct or indirect foreign exchange consideration for the non-resident depositor agreeing to pledge his deposits to enable the resident individual/ firm/ company to obtain such facilities. • The usual norms applicable in the case of advances to trade/ industry shall be applicable to such credit facilities. 	
Loans outside India	Not Permitted	AD Banks may allow their branches outside India to grant loans to non-resident depositor or to third parties at the request of depositor for bonafide purpose except for the purpose of relending or carrying on agricultural/plantation activities or for investment in real estate business, against the security of funds held in the NRE/FCNR (B)A/c in	-

		India	
Power of Attorney (POA)	<p>AD banks may allow resident POA holder appointed by Non-resident to operate NRO A/c for:</p> <ul style="list-style-type: none"> all local payments in rupees including payments for eligible investments subject to compliance Remittance outside India of current income in India of the non-resident account holder, net of taxes. <p>Note: Resident POA holder cannot repatriate outside India funds held in NRO A/c other than to non-resident accountholder himself nor can make payment by way of gift to a resident on behalf of the non-resident accountholder nor transfer funds to another NRO A/c.</p>	<p>AD Banks may allow resident POA holder appointed to operate NRE A/c for local payments or remittance to the accountholder himself through banking channels.</p> <p>Note: In cases where the account holder or a bank designated by him is eligible to make investments in India, the POA holder may be permitted to operate the account to facilitate such investment.</p> <p>Resident POA holder cannot repatriate outside India funds held in the account other than to the accountholder himself, nor can make payment by way of gift to a resident on behalf of the accountholder nor transfer funds from the account to any NRE A/c.</p>	-
Payment to/ by Nominees	<p>Amount due to non-resident nominee of a deceased accountholder, shall be credited to NRO A/c of the nominee in India.</p>	<ul style="list-style-type: none"> Remittance of funds lying in the NRE/ FCNR (B) A/c of the deceased account holder to his non-resident nominee is permitted. Remittance abroad by resident nominee for meeting any liabilities of the deceased accountholder can be after RBI approval. 	<p>Amount due to non-resident nominee of a deceased accountholder, shall be credited to NRO/NRE account of the nominee in India or by remittance through normal banking channels.</p>

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