Are you an NRI planning to remit funds abroad? Here's your guide to entire process

When a person becomes Non Resident Indian under Foreign Exchange Management Act 1999 (FEMA), the investments/assets held by him in India could be of different nature depending upon the mode of acquisition of such investments/assets. The same can be broadly classified as Repatriable investment or Non-Repatriable investment[1].

Majorly following assets/investments are considered as non-repatriable:

1. Assets/Investments held by the person in India prior to his becoming Non-resident
2. Assets in India received as inheritance / gift by a person after he becomes a Non-resident
3. Assets/investments made in India by such Non-Resident by remitting funds from abroad on non-repatriation basis

Transactions in connection with non-repatriable investments/assets are effected through a Non Resident Ordinary (NRO) account. NRO Account is one of the permissible accounts to be held by Non-Residents denominated in Indian Rupees for crediting their legitimate receivables in India. There are times when Non-residents want to remit money outside India from NRO Account – to relatives as gifts, for education/medical purposes, investments etc or simply transfer surplus funds to their own account in the country of residence. In this article, we are covering the essential aspects for NRIs remitting funds abroad from their NRO account.

INTRODUCTION TO ONE MILLION DOLLAR SCHEME

- Balances in NRO Account were not permitted to be remitted abroad. However, to enable the NRIs to remit their money to their foreign account, the Reserve Bank of India (RBI) has introduced the One Million Dollar Scheme.

[1] Repatriable Investment means an investment, sale or maturity proceeds of which (net of taxes), are eligible to be repatriated out of India. In case of investment on non-repatriation basis, the proceeds cannot be freely repatriated outside India.

- NRIs can remit amounts upto USD 1 Million per financial year (April - March) out of balances held in NRO Account subject to prescribed conditions.
- Remittances above the prescribed limit require approval from the RBI with emphasis on the reasons of hardship caused to such person if remittance is not made from India to him.
- One may note that if the limit is not fully utilised in a financial year, the balance limit cannot be carried forward to subsequent years. It expires at the end of the financial year.
- Current income such rent, dividend, pension, interest etc can be freely remitted without limit based on submission of appropriate documents as explained below.

BRIEF ON DOCUMENTATION

Following are the documents that need to be submitted with the AD bank:

1. Form A2 and Declaration under FEMA – It is a prescribed form to be obtained from bank. An important aspect is the **Purpose Code** of remittance. Please consult your banker or consultant to ensure correct code is filled.

2. Application form for Outward Remittance – It a bank specific form to be obtained from bank.

3. Form 15CB (Certificate by Chartered Accountant) – Since remittance of funds can involve income that is chargeable to tax in India as per the Income Tax Act, 1961, the non-resident remitter is required to obtain a Certificate from Chartered Accountant certifying the income and tax thereon. For example, if the remittance involves sale of shares or immovable property, applicable tax on computed capital gains is required to be discharged. The Form is required to be filed online on the Income tax portal and a copy of the filed form is required to be submitted with other documents.

4. Form 15CA (Declaration by Remitter) – In addition to Form 15CB, the remitter is required to file a similar online Form 15CA under his name on the Income tax portal and a copy of the filed form is required to be submitted with other documents.

5. Proof of source of funds which are being remitted alongwith proof of tax– Banks are authorized to verify the source of funds being remitted and tax paid thereon. For example, in case of proceeds of sale of

property, sale and purchase agreements may be called for. Another example is if the proceeds are from inheritance of immediate relative, a copy of Will specifying the beneficiary's name can be asked.

6. Any other documents that the AD Bank may ask to satisfy themselves on the source of the funds. They can also get into detailed verification whether the original transaction for which the proceeds are being remitted was undertaken in due compliance with FEMA regulations. One needs to maintain all the documentation pertaining to original transaction and also ensure the same are done in accordance with the terms and conditions applicable to such investment, be it property / loan / shares / FDs etc.

The above procedure is to be followed for all the remittances made outside India from the NRO account as well as for transfer of funds from NRO account to Non-Resident External (NRE) Account even though the funds are not getting transferred outside India.

CONCLUSION

India's remittance procedures require significant documentation and certain knowledge of relevant laws due to which remitting funds outside India may be challenging task for the remitter. It is essential that while making the remittances, the remitter complies with the above procedure and adheres to the regulations of FEMA and Indian income tax laws to avoid penalties in the future.

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