

Part C – NRIs

1. Bank accounts

The Finance Minister Mr. Yashwant Sinha announced in his budget speech that all bank account schemes will become repatriable with effect from 1st April, 2002. The correct position is as under:

- 1.1 RBI had started NRNR scheme. Under the “Non-Resident Non-Repatriable Scheme”, NRIs had sent in foreign remittances. They were paid very high interest rates going up to 17% per annum (in some cases even higher). As per the scheme, the principal amount was non-repatriable. Hence all these deposits under NRNR schemes were non-repatriable.

By the Budget 2002, these amounts have been made repatriable. RBI has issued separate notification & circular. Both are enclosed herewith. The summarised provisions are that the NRNR schemes can continue until maturity. On maturity, these amounts will be credited to the NRE accounts of the concerned depositors. Thereafter, the NRI can either continue to hold the balance in NRE account; or convert the same into foreign exchange & hold in FCNR account; or remit the funds abroad.

- 1.2 There is another scheme – NRSR. Under this scheme, the principal amount and even interest were non-repatriable. Funds in this account will remain non-repatriable. On maturity of the fixed deposits under this scheme, the amounts will be transferred to NRO accounts. Once the amounts are in NRO accounts, the future interest income will be repatriable.

- 1.3 With effect from 1st April, 2002; both these schemes will be closed in the sense that no new accounts will be opened under these two schemes. Existing balances will be continued until maturity. On maturity, the amounts will be transferred.

- 1.4 The future interest income is of course repatriable. This is not as a part of the scheme. Rupee is convertible on current account since 1994 [RBI circular No. A.D. (M.A. Series) 18 dated 19th August, 1994]. Hence all revenue incomes earned by NRIs are fully repatriable (after payment of necessary taxes in India). There is nothing new in this.

Interest, dividend, rent, business income etc. revenue incomes can be repatriated abroad. Capital gains cannot be repatriated.

The procedure for remittance abroad is very simple. The NRI concerned has to maintain regular books of account. A chartered accountant should audit the accounts and give a certificate that the income pertains to revenue income for the concerned financial year; and the income-tax payable on the same has been paid. With this certificate, the NRI can approach his banker where he has maintained his bank accounts. The bank should remit the net revenue income in whatever currency the NRI wants.

- 1.5 The existing NRO accounts will continue. All non-repatriable investments continue to remain non-repatriable. The NRI can place a fixed deposit out of his NRO account. This fixed deposit will remain non-repatriable. Except for this NRO account, now no other non-repatriable bank schemes are available for NRIs.

The repatriable schemes available for them are of course NRE accounts and FCNR accounts.

2. **Inheritance**

NRIs are allowed very limited facilities for sending funds out of India which they have received as inheritance.

RBI has come out with a press release that NRIs can now remit up to U.S. \$ 100,000 per calendar year out of assets in India which acquired as inheritance. Applications have to be made to RBI for this purpose.

Later when RBI comes out with a notification, it will be possible to remit the funds without a prior approval.

3. **Repatriation of sale proceeds of immovable property — Removal of lock-in period**

NRIs and persons of Indian origin can purchase immovable property on repatriation basis. For purchasing the property on repatriation basis, the funds should be sent from abroad. Repatriation is restricted to the amount of foreign exchange remitted for the property. There is a condition that the sale proceeds can be repatriated only after a lock in period of three years.

RBI has recently come out with a press release stating that the lock in period is now removed.

However, notification for the same has yet to be issued. Till the notification is issued, application has to be made to RBI for repatriation of funds before the end of 3 years.