



Bank a/cs, LRS & \$1 million scheme

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Bank Accounts by Non-Residents



Types of Bank Accounts in India by Non-Residents

❖ **Bank Accounts by Non-Residents in India**

- NRE Account
- FCNR (B) Account
- NRO Account
- Special Non-Resident Rupee (SNRR) Account
- Escrow Account
- Other Bank Accounts
 - Foreign Shipping/ Airline Company
 - UJV of Foreign Entity(ies) with Indian Entity(ies)
 - Counter-trade arrangement
 - FPI / FVCI investments
- Resident bank account maintained by residents in India - Joint holder – liberalization

NRE Account vs. FCNR(B) Account vs. NRO Account

Particulars	NRE Account	FCNR(B) Account	NRO Account
Who can open an account	<ul style="list-style-type: none"> • NRIs and PIOs (Individual of Pakistan & Bangladesh require prior approval of RBI) 	<ul style="list-style-type: none"> • NRIs and PIOs (Individual of Pakistan & Bangladesh require prior approval of RBI) 	<ul style="list-style-type: none"> • Any person resident outside India (including NRI/PIO) (Individual/Entities of Pakistan & Entities of Bangladesh require prior approval of RBI) • A Citizen of Bangladesh / Pakistan belonging to minority communities in those countries i.e. Hindus, Sikhs, Buddhists, Jains, Parsis and Christians residing in India and who has been granted LTV or whose application for LTV is under consideration, can open only one NRO account with an AD bank subject to the conditions (Person who has obtained LTV needs to convert NRO to resident a/c upon becoming citizen. Person whose LTV is under consideration can open for 6 months max with extension every 6 months). • Post offices in India can open savings bank account on same terms of NRO.

NRE Account vs. FCNR(B) Account vs. NRO Account

Particulars	NRE Account	FCNR(B) Account	NRO Account
Who is authorized to open	<ul style="list-style-type: none"> • Authorised Dealer • Authorised Banks (including co-op bank other than AD) 	<ul style="list-style-type: none"> • Authorised Dealer 	<ul style="list-style-type: none"> • Authorised Dealer • Authorised Banks (including co-op bank other than AD)
Currency	<ul style="list-style-type: none"> • INR 	<ul style="list-style-type: none"> • Forex (Any foreign currency which is freely convertible) 	<ul style="list-style-type: none"> • INR
Type of Account	<ul style="list-style-type: none"> • Savings • Current • Recurring/Fixed Deposit 	<ul style="list-style-type: none"> • Term Deposit only 	<ul style="list-style-type: none"> • Savings • Current • Recurring/Fixed Deposit
Period for fixed deposits	<ul style="list-style-type: none"> • From 1 to 3 years (However, banks are allowed to accept NRE deposits > 3 years from their AL point of view) 	<ul style="list-style-type: none"> • Between 1 to 5 years 	<ul style="list-style-type: none"> • As applicable to resident accounts (eg: even 6 months)
Rate of Interest	<ul style="list-style-type: none"> • As per guidelines issued by the Reserve Bank of India from time to time 		

NRE Account vs. FCNR(B) Account vs. NRO Account

❖ NRE & FCNR (B) account

▪ Permitted Credits

- a) Inward remittances from o/s India thru banking channels
- b) Personal cheques of FCA outside India / travellers cheques / bank drafts deposited by the account holder in person during his temporary visit to India
- c) Tender of foreign currency / bank notes during his temporary visit to India
- d) Transfers from other NRE/ FCNR(B) accounts
- e) Interest accruing on the funds held in the account
- f) Current income in India due to the account holder, subject to payment of applicable taxes in India (like rent, dividend, pension, interest) **(no qualification of earlier investment account source i.e. original investment could have been made from either NRE or NRO a/c)**
- g) Maturity or sale proceeds of any permissible investment in India which was originally made from NRE/FCNR(B) a/c or out of inward remittances from o/s India thru banking channels **(FEM (Non-debt Instruments) Rules- Sale of immovable property in India: Credit to NRE a/c restricted to 2 properties during lifetime)**
- h) Refund of share/ debenture subscriptions to new issues of Indian companies or portion thereof, if subscription amount was paid from NRE/ FCNR(B) a/c or out of inward remittances from o/s India thru banking channels
- i) 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 / deals for purchase of residential / commercial property, together with interest, if any (net of income tax payable thereon), provided original payment was paid from NRE / FCNR(B) a/c or out of inward remittances from o/s India thru banking channels and AD is satisfied about the genuineness of the transaction

NRE Account vs. FCNR(B) Account vs. NRO Account

❖ NRE & FCNR (B) account

▪ Permitted Debits

- a) Local disbursements
- b) Remittances outside India
- c) Transfer to NRE/ FCNR(B) accounts of the account holder or any other person eligible to maintain such account
- d) Investment in shares/ securities/ commercial paper of an Indian company or for purchase of immovable property in India provided such investment/ purchase is covered by the regulations made, or the general/ special permission granted by RBI
- e) Any other transaction if covered under general/ special RBI Permission

❖ **FCNR(B):** If inward remittance is in currency other than designated currency, currency conversion costs for conversion into designated currency to be borne by remitter. Fully covered swap is permitted in such cases.

NRE Account vs. FCNR(B) Account vs. NRO Account

❖ NRO account

▪ Permitted Credits

- a) Inward remittances from o/s India thru banking channels
- b) Tender of any permitted currency during his temporary visit to India
- c) Legitimate dues in India of the account holder
- d) Transfers from other NRO accounts
- e) Rupee gift / loan made by a resident to a NRI / PIO relative within the limits prescribed under LRS

▪ Permitted Debits

- a) All local payments in rupees including payments for investments subject to compliance with the relevant regulations made by RBI
- b) Remittance outside India of current income in India of the account holder net of applicable taxes
- c) Transfers to other NRO accounts (whether of account holder or other eligible person?)
- d) Balances in the NRO account cannot be repatriated abroad except by NRIs and PIOs up to USD 1 million, subject to conditions (Limit of \$1 million over and above current income repatriation – FAQ 3 of Accounts in India by NR) (Undertaking from remitter for own funds)
- e) Funds can be transferred to NRE account within this USD 1 Million facility
- f) Settlement of charges on International Credit Cards issued by AD in India to NRIs or PIOs, up to USD 1 Million per financial year

NRE Account vs. FCNR(B) Account vs. NRO Account

Particulars	NRE Account	FCNR(B) Account	NRO Account
Repatriability	<ul style="list-style-type: none"> • Repatriable 	<ul style="list-style-type: none"> • Repatriable 	<ul style="list-style-type: none"> • Not repatriable except for all current income. • <u>Individual</u>: Balances in an NRO account of NRIs/ PIOs are remittable up to USD 1 (one) million per financial year (April-March) along with their other eligible assets. • <u>Entities</u>: RBI permission
Taxability	<ul style="list-style-type: none"> • Exempt 	<ul style="list-style-type: none"> • Exempt 	<ul style="list-style-type: none"> • Taxable
Joint account	<ul style="list-style-type: none"> • Jointly with two or more NRIs/ PIOs • Jointly with resident relative on 'former or survivor' basis (relative as defined in Companies Act, 2013) • The resident relative can operate the account as a Power of Attorney holder during the life time of the NRI/ PIO account holder. 		

NRE Account vs. FCNR(B) Account vs. NRO Account

Particulars	NRE Account	FCNR(B) Account	NRO Account
Operations by resident POA holder	<p><u>Permitted</u></p> <ul style="list-style-type: none"> • Withdrawal for local payments • Make investments in India • Remittance to account holder himself thru banking channels <p><u>Prohibited</u></p> <ul style="list-style-type: none"> • Remittance outside India to other than account holder himself • Make payment by gift to resident • Transfer funds to other NRE account 		<p><u>Permitted</u></p> <ul style="list-style-type: none"> • Withdrawal for local payments • Make investments in India • Remittance outside India of current income, net of taxes <p><u>Prohibited</u></p> <ul style="list-style-type: none"> • Remittance outside India to other than account holder himself • Make payment by gift to resident • Transfer funds to other NRO a/c
Loans outside India (Secured)	<ul style="list-style-type: none"> • AD may allow their branches/ correspondents o/s India to grant loans to NRI/PIO or to Third Parties for bona fide purpose against the security of funds held in the NRE/ FCNR (B) accounts in India, subject to usual margin requirements. • The term “loan” shall include all types of fund based / non-fund based facilities 		<ul style="list-style-type: none"> • Not permitted

NRE Account vs. FCNR(B) Account vs. NRO Account

Particulars	NRE Account	FCNR(B) Account	NRO Account
Loans in India	<ul style="list-style-type: none"> AD can sanction loans in India to NRI/PIO/ third parties without any limit, subject to usual margin requirements. These loans cannot be repatriated outside India Should be used for: <ul style="list-style-type: none"> personal purposes or business purposes (excluding relending, carrying on agricultural/ plantation activities or investment in real estate business) making non-repat investment acquiring flat/residential house In case of loans sanctioned to a third party, there should be no direct/indirect forex consideration for NRI/PIO agreeing to pledge his deposits to enable the resident individual/firm/company to obtain such facilities In case of the loan sanctioned to the account holder, it can be repaid either by adjusting the deposits or through inward remittances from o/s India thru banking channels or out of self NRO a/c The <u>term “loan” includes all types of fund based/non-fund based facilities</u> 		<ul style="list-style-type: none"> Loans against the deposits can be granted in India to the account holder or third party subject to usual norms and margin requirement. The loan amount should be used only for personal purposes or business purposes (excluding relending, carrying on agricultural/ plantation activities or investment in real estate business) The <u>term “loan” includes all types of fund based/ non-fund based facilities</u>

NRE Account vs. FCNR(B) Account vs. NRO Account

Particulars	NRE Account	FCNR(B) Account	NRO Account
Change in residential status from Non-resident to resident	<ul style="list-style-type: none"> NRE accounts should be designated as resident accounts or Funds held in these accounts may be transferred to the RFC accounts immediately upon change of residential status 	<ul style="list-style-type: none"> FCNR (B) deposits allowed to continue till maturity at the contracted rate of interest AD should convert the FCNR(B) deposits on maturity into resident rupee deposit accounts or RFC account 	<ul style="list-style-type: none"> <u>From PROI to PRI:</u> Immediately designated as resident accounts <u>From PRI to PROI:</u> Immediately designated as NRO account

Special Non-Resident Rupee (SNRR) Account

- ❖ PROI having **business interest** in India for bonafide transaction in rupee may open SNRR account. **Business interest also includes:**
 - **Investment made in accordance with FEM (Non-Debt Instruments) Rules, 2019 and FEM (Debt Instruments) Regulation, 2019;**
 - **Import/ Export of Goods and Services;**
 - **ECB and TC Transactions;**
 - **Business transaction of IFSC units at GIFT City outside IFSC.**
- ❖ May maintain separate account for each category of transaction. Single account can also be opened if the segregation can be done;
- ❖ Shall not bear any interest;
- ❖ Debits/ Credits shall be incidental/ specific to business;
- ❖ Operations in the SNRR account should be in accordance with FEMA;
- ❖ Tenure of the SNRR shall not exceed 7 years. Approval of RBI for renewal. However, 7 years limit will not apply to the business interest as stated above;
- ❖ Balance in SNRR account shall be eligible for repatriation;
- ❖ Transfer from any NRO account is prohibited;
- ❖ Transaction in SNRR account will be subject to applicable taxes in India;
- ❖ Can be designated as resident rupee account on account holder becoming a resident;
- ❖ Amount can be paid to non-resident nominee of a deceased account holder may be credited to NRO/NRE account of the nominee or by remittance through normal banking channels;
- ❖ Opening of SNRR account by Pakistan/ Bangladesh Nationals/ Entities require prior RBI approval.

Resident bank account maintained by residents in India - Joint holder - liberalization

- ❖ Individuals resident in India are permitted to include non-resident Indian (NRI) close relative (s) (NRI as defined in regulation 2(vi) of Notification No FEMA 5(R)/ 2016-RB dated April 1, 2016, as amended from time to time and relative as defined in Section 2(77) of the Companies Act, 2013 as a joint holder(s) in all types of resident savings bank accounts on “**Either or Survivor**” basis subject to the following conditions:
- ❖ Such account will be treated as resident bank account for all purposes and all regulations applicable to a resident bank account shall be applicable.
- ❖ **Cheques, instruments, remittances, cash, card or any other proceeds belonging to the NRI close relative shall not be eligible for credit to this account.**
- ❖ The NRI close relative shall operate such account only for and on behalf of the resident for domestic payment and not for creating any beneficial interest for himself.
- ❖ Where the NRI close relative becomes a joint holder with more than one resident in such account, such NRI close relative should be the close relative of all the resident bank account holders.
- ❖ **Where due to any eventuality, the non-resident account holder becomes the survivor of such an account, it shall be categorized as Non-Resident Ordinary Rupee (NRO) account as per the extant regulations.**
- ❖ Onus will be on the non-resident account holder to keep AD bank informed to get the account categorized as NRO account and all such regulations as applicable to NRO account shall be applicable.
- ❖ The above joint account holder facility may be extended to all types of resident accounts including savings bank account.

Foreign Currency Accounts by Residents



Foreign Currency Accounts by Indian Residents

❖ Foreign Currency Accounts in India

- EEFC Account
- RFC(D) Account
- RFC Account
- DDA Scheme
- Other Accounts by:
 - Indian agent of foreign shipping / airline company
 - Ship-manning / crew managing Indian agency
 - Project Office in India
 - Organiser of International Seminar / Conferences / Conventions in India
 - Exporter for Project Exports and Service Exports
 - FDI Investee Company
 - SEZ Unit

EEFC Account vs. RFC(D) Account vs. RFC Account

Particulars	Exchange Earners Foreign Currency (EEFC) Account	Resident Foreign Currency (Domestic) [RFC(D)] Account	Resident Foreign Currency (RFC) Account
Who can open the account	<ul style="list-style-type: none"> Exchange Earners (including individuals, companies, etc.) 	<ul style="list-style-type: none"> Individuals 	<ul style="list-style-type: none"> Individuals
Joint account	<ul style="list-style-type: none"> Jointly with eligible persons; or With resident relative(s) on former or survivor' basis 	<ul style="list-style-type: none"> Jointly with eligible persons 	<ul style="list-style-type: none"> Same as EEFC
Type of Account	<ul style="list-style-type: none"> Current only 	<ul style="list-style-type: none"> Current only 	<ul style="list-style-type: none"> Current Savings Term deposits
Interest	<ul style="list-style-type: none"> Non-interest earning 	<ul style="list-style-type: none"> Non-interest earning 	<ul style="list-style-type: none"> De-regulated (As decided by the AD bank)

A. P. (DIR Series) Circular No. 124 dated 10th May 2012: The facility of EEFC scheme is intended to enable exchange earners to save on conversion/transaction costs while undertaking forex transactions in future. This facility is not intended to enable exchange earners to maintain assets in foreign currency, as India is still not fully convertible on Capital Account.

EEFC Account vs. RFC(D) Account vs. RFC Account

Part.	Exchange Earners Foreign Currency (EEFC) Account	Resident Foreign Currency (Domestic) [RFC(D)] Account	Resident Foreign Currency (RFC) Account
Permitted Credits	<ul style="list-style-type: none"> • 100% of forex recd on account of export transactions • Advance remittance towards export of goods or services • Repayment of loans given to foreign importers • Professional earnings like director's/ consultancy/ lecture fees, honorarium and similar other earnings received by a professional by rendering services in his individual capacity • Re-credit of unutilised foreign currency earlier withdrawn from the account 	<ul style="list-style-type: none"> • Foreign exchange received as payment for services/ gift/ honorarium while on visit abroad or from a non-resident who is on a visit to India • Unspent amount of foreign exchange acquired from AD for travel abroad • Gift from close relative • Earning through export of goods/ services, royalty, honorarium • Disinvestment proceed on conversion of shares into ADR/ GDR 	<ul style="list-style-type: none"> • Foreign exchange received by him as pension/ superannuation/ other monetary benefits from overseas employer • Foreign exchange realised on conversion of the assets referred to in Sec 6(4) of FEMA • Gift/ inheritance received from a person referred to in Sec 6(4) of FEMA • Foreign exchange acquired before the July 8, 1947 or any income arising on it held outside India with RBI permission

EEFC Account vs. RFC(D) Account vs. RFC Account

Particulars	Exchange Earners Foreign Currency (EEFC) Account	Resident Foreign Currency (Domestic) [RFC(D)] Account	Resident Foreign Currency (RFC) Account
Permitted Credits	<ul style="list-style-type: none"> • Disinvestment proceeds on conversion of ADR/ GDR • Interest earned on the funds held in the account • Payments recd in forex by 100% EOU / unit in EPZ/STP/EHTP • Payment recd in forex by DTA unit from SEZ unit • Payment recd by exporter for purpose of counter trade • Payments received in forex by an Indian startup arising out of sales / export made by the startup or its overseas subsidiaries 	<ul style="list-style-type: none"> • Foreign exchange received as proceeds of LIC claims/ maturity/ surrendered value settled in forex from an Indian insurance company 	<ul style="list-style-type: none"> • Foreign exchange received as proceeds of LIC claims/ maturity/ surrendered value settled in forex from an Indian insurance company • Balances in NRE/ FCNR(B) accounts on change in residential status

EEFC Account vs. RFC(D) Account vs. RFC Account

Particulars	EEFC Account	RFC(D) Account	RFC Account
Permitted Debits	<ul style="list-style-type: none"> • Any permissible current / capital account transaction • Payment for Cost of goods purchased in forex from 100% EOU / unit in EPZ/STP/EHTP • Payment of Customs duty • Giving Trade related loans & advances to account holder's importer customer • Payment in forex to PRI for airfare/hotel expd booking 	<ul style="list-style-type: none"> • Any permissible current / capital account transaction 	<ul style="list-style-type: none"> • No restrictions on utilization in / outside India
Tenure	Balance to be converted into INR by end of succeeding calendar month after adjusting for utilization of the balances for approved purposes or forward commitments (A. P. (DIR Series) Circular No. 12 dt. 31 st July 2012)		No time limitation
Change of Residential Status	Balances of EEFC a/c and RFC(D) a/c can be credited to NRE / FCNR(B) a/c		Balance from NRE / FCNR(B) a/c can be credited to RFC A/c

RFC vs. RFC(D): RFC by returning Indian who was NRI/PIO earlier whereas RFC(D) by resident individual even if not NRI/PIO previously

Foreign Currency Accounts by Indian Residents

❖ Foreign Currency Accounts outside India

- **Accounts by:**
 - **AD and its branch**
 - **Indian shipping / airline company**
 - **Insurance / reinsurance companies**
 - **Indian entity having foreign office / branch / representative abroad**
 - **Exporter for Project Exports and Service Exports**
 - **Student gone abroad for studies**
 - **PRI on visit to foreign country**
 - **PRI participating in exhibition / trade fair abroad**
 - **Resident Individual under LRS**
 - **Employees of Foreign entity / Indian entity for Salary payments**
 - **Indian entity raising ECB / funds through ADR/GDR**
 - **Indian party for Outbound Investment**
 - **Indian Start-up**

Section 6(4) – Clarification

- ❖ In terms of sub-section 4 of Section (6) of FEMA, a person resident in India is free to hold, own, transfer or invest in foreign currency, foreign security or any immovable property situated outside India if such currency, security or property was acquired, held or owned by such person when he was resident outside India or inherited from a person who was resident outside India.
- ❖ **Sub-section 4 of Section (6)** of FEMA covers the following transactions:
 - **Foreign currency accounts** opened and maintained by such a person when he was resident outside India;
 - **Income earned through employment or business or vocation outside India** taken up or commenced while such person was resident outside India, or **from investments made** while such person was resident outside India, or **from gift or inheritance received** while such a person was resident outside India;
 - **Foreign exchange including any income arising** therefrom, and conversion or replacement or accrual to the same, held outside India by a person resident in India acquired by way of inheritance from a person resident outside India.
 - A person resident in India may freely utilise all their eligible assets abroad as well as income on such assets or sale proceeds thereof received after their return to India for making any payments or to make any **fresh investments abroad without approval of Reserve Bank**, provided the cost of such investments and/ or any subsequent payments received therefor are met exclusively out of funds forming part of eligible assets held by them and the transaction is not in contravention to extant FEMA provisions.

Remittance of Assets O/s India



Remittance of Assets o/s India by NRI/PIO

- ❖ AD Bank may allow to **remit upto \$ 1 million per year** (popularly known as \$1 million scheme):
 - out of :
 - ✓ balances in NRO
 - ✓ sale proceeds of assets
 - ✓ assets acquired in India by way of inheritance/ legacy;
 - in respect of assets acquired under a deed of settlement made by either of his / her parents or a relative as defined in Companies Act, 2013. The settlement should take effect on the death of the settler;
 - in case settlement is done without retaining any life interest in the property i.e. during the lifetime of the owner/ parent, it would tantamount to regular transfer by way of gift and remittance of sale proceeds of such property would be guided by instructions on remittance of balance in the NRO account mentioned above

- ❖ NRI/PIO to give **declaration** that
 - Remittance is out of balances held in the account arising from his / her legitimate receivables in India
 - Remittance is not by borrowing from any other person
 - Remittance is not a transfer from any other NRO account

LRS Provisions under FEMA



Liberalised Remittance Scheme (LRS)

❖ Liberalised Remittance Scheme:

- AD may freely allow remittances by **resident individuals up to USD 2,50,000 per Financial Year** (April-March) for any permitted current or capital account transaction or a combination of both.
- The Scheme is available to all resident individuals including minors.
- The Scheme is **not available to corporates, partnership firms, HUF, Trusts, etc.**
- The LRS limit has been revised in stages consistent with prevailing macro and micro economic conditions. During the period from February 4, 2004 till date, the LRS limit has been revised as under:

Date	Feb 4, 2004	Dec 20, 2006	May 8, 2007	Sep 26, 2007	Aug 14, 2013	Jun 3, 2014	May 26, 2015
LRS limit (USD)	25,000	50,000	1,00,000	2,00,000	75,000	1,25,000	2,50,000

- Remittances under the Scheme can **be consolidated in respect of family members** subject to individual family members complying with its terms and conditions.
- However, **clubbing is not permitted by other family members for capital account transactions** such as opening a bank account/investment/purchase of property, **if they are not the co-owners/co-partners** of the overseas bank account/ investment/property.
- The limit of USD 2,50,000/- per FY also **subsumes remittance made for private visit/ gift/ donation/ medical treatment abroad/ studies abroad.**

Liberalised Remittance Scheme (LRS)

❖ Permitted current account transactions for which Resident Individuals can avail of foreign exchange facility

- Private visits to any country (except Nepal and Bhutan)
- Gift or donation
- Going abroad for employment
- Emigration
- Maintenance of close relatives abroad
- Travel for business, or attending a conference or specialised training or for meeting expenses for meeting medical expenses, or check-up abroad, or for accompanying as attendant to a patient going abroad for medical treatment/check-up
- Expenses in connection with medical treatment abroad
- Studies abroad
- Any other current account transaction

Liberalised Remittance Scheme (LRS)

❖ Permitted capital account transactions for which Resident Individuals can avail of foreign exchange facility

- Opening of **foreign currency account abroad** with a bank
- Purchase of **property abroad**
- Making **investments abroad**-
 - acquisition and holding **shares** of both **listed and unlisted** overseas company or **debt instruments**;
 - acquisition of **qualification shares** of an overseas company for holding the post of Director;
 - acquisition of **shares** of a foreign company **towards professional services rendered** or in **lieu of Director's remuneration**;
 - investment in **units of Mutual Funds, Venture Capital Funds, unrated debt securities, promissory notes**
- Setting up **overseas WOS / JV** as per Reg. 20A of FEMA 120
- Extending loans including **loans in Indian Rupees to Non-resident Indians (NRIs)** who are relatives as defined in Companies Act, 2013

Liberalised Remittance Scheme (LRS)

❖ Prohibited under Liberalised Remittance Scheme:

- Remittance for **any purpose specifically prohibited under Schedule-I** (like purchase of lottery tickets/sweep stakes, proscribed magazines, etc.) or any item restricted under Schedule II of Foreign Exchange Management (Current Account Transactions) Rules, 2000.
- Remittance from India for **margins or margin calls** to overseas exchanges / overseas counterparty.
- Remittances for **purchase of FCCBs** issued by Indian companies in the overseas secondary market.
- Remittance for **trading in foreign exchange abroad**.
- Capital account remittances, directly or indirectly, to countries identified by the Financial Action Task Force (FATF) as “**non- cooperative countries and territories**”, from time to time.
- Remittances directly or indirectly to **those individuals** and entities identified as posing significant risk of **committing acts of terrorism** as advised separately by the Reserve Bank to the banks.

Liberalised Remittance Scheme (LRS)

❖ Remittance to IFSC under LRS:

- Recently liberalized vide A.P. (DIR Series) Circular No. 11 dated Feb 16, 2021.
- In order to deepen the financial markets in International Financial Services Centres (IFSCs) and provide an opportunity to resident individuals to diversify their portfolio, remittances under LRS to IFSC allowed subject to
 - Remittance only for making investments in IFSC **in securities, other than those issued by entities/companies resident (outside IFSC) in India**
 - Resident Individuals permitted to open non interest bearing Foreign Currency Account (FCA) in IFSCs subject to condition that any idle funds for > 15 days to be immediately to be repatriated to INR a/c of investor in India
 - RIs cannot settle any domestic transactions with other residents through these FCAs held in IFSC.
- Concept of Qualified Resident Individual under Reg. 2(1)(1) – meaning net worth > \$ 1 million in preceding FY

Liberalised Remittance Scheme (LRS)

❖ Documentation by the remitter

- The individual will have to **designate a branch of an AD** through which all the capital account remittances under the Scheme will be made.
- The applicants should have maintained the **bank account** with the bank for a **minimum** period of **one year prior** to the remittance **for capital account transaction**.
- For permissible **current account transaction**, AD should carry out **due diligence**.
- The resident individual seeking to make the remittance should furnish **Form A2** for purchase of foreign exchange under LRS.
- AD bank may insist to produce **Form 15CA** and CA Certificate in **Form 15CB**.
- It is mandatory for the resident individual to provide his/her **PAN** to make remittance.

❖ Retention of funds abroad

- ❖ Investor, who has remitted funds under LRS can **retain/ reinvest the income earned on the investments**.
- ❖ At present, the resident individual is **not required to repatriate the funds or income generated out of investments** made under the Scheme.
- ❖ However, resident individual who has made **ODI within LRS limit, shall have to comply with ODI regulation**.

Case Studies



Case Study - I

Facts: Ratnagiri Mangoes Exports Private Limited is founded by foreign educated promoters residing in India now. The company exports mangoes every season to USA. This season too, it has made huge export consignments of mangoes to USA. It needs guidance whether it can carry out following transactions from EEFC bank a/c during the month of May 2021?

Export receipts from X LLC located in New York	\$ 25,000
Advance remittance received from Y Inc. located in Texas	\$ 40,000
ECB raised from foreign bank to buy an additional mango farm	\$ 1,00,000
Incorporation of WOS in USA to act as US selling agent	\$ 500
Grant of loan to US WOS for working capital purposes	\$ 20,000
Interest receipt on loan amount	\$ 500
Payment to foreign customs agent	\$ 1,000

Case Study - II

Facts: Mr. Singh takes up employment in Canada. He currently operates the following Bank Accounts / Deposits jointly held with close relatives in India and abroad. He needs advice on whether he can continue these bank accounts and deposits or that he needs to close them down before leaving India:

Fixed Deposits with SBI	First name	Rs. 25,00,000/-
Current a/c with Citibank India	First name	Rs. 1,50,000/-
RFC(D) a/c with HDFC bank	First name	Rs. 5,00,000/-
Savings a/c with Citibank India	Second name	Rs. 10,00,000/-
LRS bank a/c with Citibank USA	Jointly with resident parents	\$ 75,000

Case Study - III

Facts: Mr. Mota is an affluent businessman residing in Mumbai. He wants to make the following remittances outside India during FY 2021-22. He seeks your professional guidance in this regard:

Daughters college fees for 2 nd year course studies	\$ 50,000
Gift to cousin sister with whom daughter is living abroad	\$ 10,000
Gift to cousin sister in NRO a/c	\$ 20,000
Payment to Indian travel agent for foreign tour booking of family	Rs. 2,00,000
Incorporation of WOS abroad from EEFC balance	\$ 1,50,000
Purchase of foreign lottery ticket by credit card	\$ 150
Purchase of annual subscription of foreign magazine by credit card	\$ 10,000
Purchase of bitcoin by credit card	\$ 5,000

Thank you

