

## **NON RESIDENT ORDINARY RUPEE (NRO) ACCOUNT**

- Any person resident outside India (NRI/PIO), may open and maintain NRO account in the form of Current/Savings/Recurring/Fixed Deposit with an Authorised Dealer or an Authorised bank (AD) for undertaking bonafide transactions in Indian Rupees within the Rules and Regulations of FEMA (Sec.2 of FEMA).The ROI applicable to these accounts and guidelines of opening/operating and maintenance of such accounts shall be in accordance with directions/instructions of RBI issued from time to time.
- Opening of accounts by individuals/entities of Bangladesh/ Pakistan nationality / ownership require prior approval of the RBI.

### **Permissible credits**

- Proceeds of remittances from outside India through normal banking channels received in foreign currency which is freely convertible.
- Foreign currency which is freely convertible deposited during his temporary visit to India. Such deposits exceeding USD5000 or equivalent in cash is to be supported by currency declaration form and rupee funds by encashment certificate in case they represent funds from outside India.
- Transfers from rupee accounts of non-resident banks.
- Deposit of legitimate income like rent, dividend, pension, interest, etc. received in India
- Sale proceeds of assets including immovable property acquired out of rupee/foreign currency funds or by way of legacy/inheritance.
- Gift/Loan received/taken from close relatives in India by way of crossed cheque/ electronic transfer within the overall limit of USD 2 Lakh per financial year permitted under Liberalized Remittance Scheme (LRS).

### **Debits**

- All local payments in rupees including payments for investments in India as permitted by RBI.
- Remittance outside India of current income like rent, dividend, pension, interest, etc. in India of the account holder.
- Remittance for bonafide purposes to the extent of USD 1 Mn. per financial
- Transfer to NRE account of NRI within the overall ceiling of USD 1 Mn. per financial year subject to payment of tax, as applicable

### **Remittance of Assets**

#### **Foreign National of Non Indian Origin**

- A citizen of a foreign state (not being a citizen of Nepal or Bhutan) or a Person of Indian Origin (PIO), who has retired from an employment in India, or has inherited assets from a person or is a widow resident outside India and has inherited assets of her deceased husband who was an Indian citizen resident in India, may remit an amount, not

exceeding USD 1 Mn. per financial year out of the balances in the account subject to production of documentary evidence/CA certificate, etc.

- Foreign National of Non Indian Origin can open NRO (Current/Savings) with remittance from abroad through proper channel or sale of foreign exchange in India during his stay in India and the balance can be paid in foreign currency on his departure from India provided the account is maintained for a period not exceeding 6 months and local funds are not credited in the account. In case the account is maintained beyond 6 months, RBI permission is to be obtained for repatriation of the balance.

### **NRI/PIO**

- Remittance of, not exceeding USD 1 Mn. per financial year, out of the balances held in NRO accounts / sale proceeds of assets / the assets in India acquired by him by way of inheritance / legacy, on production of documentary evidence/CA Certificate, etc.
- Within the overall limit of USD 1 Mn., remittance of sale proceeds of assets acquired under a deed of settlement made by either of his parents or a close relative and the settlement taking effect on the death of the settler, on production of the original deed of settlement and an undertaking by the remitter/CA Certificate.
- Remittance of sale proceeds of immovable property purchased by him as a resident or out of Rupee funds as NRI/PIO, without any lock-in-period, within the overall limit of USD 1 Mn. per financial year.

### **Loans/Overdrafts**

Loans/Overdraft to non-resident account holders and to third parties may be granted in Rupees by AD bank against the security of fixed deposits for meeting the borrower's personal requirement and/or business purpose other than for carrying on agricultural/plantation activities or real estate business or for re-lending subject to the directives of RBI issued from time to time.

### **Change of Status/other guidelines**

When a resident leaves for a country (other than Nepal and Bhutan) for employment or business or vocation for uncertain period, his resident account should be converted to NRO account. Leaving for Nepal & Bhutan for employment for uncertain period, the account remains resident account only.

- Foreign Nationals who come to India for employment and become resident can open resident savings bank account and on leaving India the account should be re-designated as NRO account to enable repatriation of the balance as per guidelines.
- NRO account will get re-designated as resident account when the account holder returns to India for employment or business or vocation and to stay for uncertain period. For temporary visit, the status of the account would not undergo change.

- AD bank may allow continuance of the existing Loan/overdraft availed by a resident who subsequently becomes a person resident outside India, loan/overdraft facilities. In such cases, payment of interest and repayment of loan may be made by inward remittance or out of legitimate resources in India of the person concerned.
- AD bank may credit the amount lying in NRO account of a deceased account holder to NRO account of the nominee and in case the nominee is a resident, the amount may be credited to the resident account of the nominee with a bank in India.
- Operation in the NRO account can be permitted to resident Power of Attorney for permissible transactions other than repatriation and to make payment by way of gift.
- Persons going abroad for studies are treated as NRIs and education and other loans availed in India for the purpose continue to remain as resident account.
- AD banks can issue international credit cards for NRI/PIOs and the account would be settled either by inward remittance of balance in NRO/NRE/FCNR accounts of the card holders.
- The remittances (net of applicable taxes) will be allowed to be made by the AD banks on production of an undertaking by the remitter and a certificate from a Chartered Accountant in the formats prescribed.

(Source: RBI M.Circular)

o0o0o0o0o