

Preface

1. **Author has felt when he qualified as Chartered Accountant (CA) in Year 1985 that legal provisions' interpretations are big challenge for legal professionals, govts' officials and public at large in India and outside India.**
2. **Author has realized that something should be developed to resolve this challenge in India and outside India.**
3. **Author has started compiling Frequently Asked Questions (FAQs) on many subjects where his 100% answers are precisely based on Yes or No i.e. white or black nothing is grey**
4. **Author has compiled approximately 150 +(plus) research papers / books with 25 thousand +(plus) pages on many prevailing subjects / acts in India and outside India.**
5. **Author's 1st paper book is now being published under head FAQs on Enforcement Directorate (ED) where 571 FAQs are replied based on Yes or No i.e. white or black nothing is grey**
6. **This book is also containing**
 - (i) Foreign Exchange Management Act (FEMA) 1999 and rules / regulations
 - (ii) Prevention of Money Laundering Act (PMLA) 2002 and rules / regulations
 - (iii) Fugitive Economic Offenders Act (FEOA) 2018 and rules / regulations
7. **This book is published with Sai Kripa and dedicated to my father (late) Mr. M.R. Agarwal, Mother Mrs. R.D. Agarwal, wife Mrs. Snigdha Agarwal, daughter Ms. Soumya Agarwal, daughter Ms. Sanya Agarwal and dedicated team headed by Rajat Kumar**

● **I trust that you will be enriched by reading this book**

With best wishes,
CA. Satish Agarwal
B. Com (Hons.) FCA

satishagarwal307@yahoo.com
+91-9811081957
www.femainindia.com

Author's Profile

Mr. Satish Agarwal (FCA) is heading M/s Satish S Agarwal & Co. Chartered Accountants since 1985 with a team of dynamic young professionals serving clients from various business sectors including public listed companies and government undertakings. Firm was also registered with PCAOB (USA) for undertaking audits and other work of US GAAP.

He is regularly advising on several matters to Institute of Chartered Accountant of India (ICAI) and also to Ministry of Commerce (MoC) for Foreign Trade Agreements (FTAs) and World Trade Organization (WTO) for securing India's best interests.

He is continuously advising on Foreign Investments (FIs) in India and also on Overseas Direct Investments (ODIs) outside India.

He is known for his expertise in incorporating companies in most of countries across the world.

He has written around 150 +(plus) Research papers / books containing 25 thousand +(plus) pages available "freely" on certain portals like:

https://taxguru.in/author/satishagarwal307_1957

Or

www.femainindia.com

Few out of abovementioned Research papers / books are as under:

1. *Book on Enforcement Directorate (ED) in India- (Book with 617 pages)*
2. *Director of Revenue Intelligence (DRI) in India*
3. *Central Bureau of Investigation (CBI) in India*
4. *National Investigation Agency (NIA) in India*
5. *Serious Fraud Investigation Office (SFIO) in India*
6. *Financial Intelligence Unit (FIU-IND) in India*
7. *Central Vigilance Commission (CVC) in India*
8. *Narcotics Control Bureau (NCB) in India*
9. *Research & Analysis Wing (R&AW) in India*
10. *Economic Offence Wing (EOW) in India*
11. *Intelligence Bureau (IB) in India*
12. *Director General of Income Tax Criminal Investigation (DGITCI) in India*
13. *National Company Law Tribunal (NCLT) in India*
14. *Security Exchange Board of India (SEBI) in India*
15. *Prevention of Corruption (PC) Act,1988 in India*

16. *Foreign Assets Investigation Unit (FAIU) in India*
17. *Book on International Financial Services Center (IFSC) in India (Book with 290 pages)*
18. *Replacement of Indian Penal Code (IPC) Criminal Procedure (CP) & Evidence Act (EA) in India*
19. *Undisclosed Foreign Income & Asset (UFIA)-Black Money Act, 2015*
20. *Statutory provisions for General Anti Avoidance Rule (GAAR) in India*
21. *Reserve Bank of India (RBI) Act, 1934*
22. *Foreign Exchange Management Act (FEMA) 1999 in India*
23. *Benami Transactions (Prohibition) Amendment Act, 2016 in India*
24. *Advance Pricing Agreements (APAs) in India*
25. *Annual Performance Report (APR) for Investments outside India*
26. *Foreign Trade Agreements (FTAs) executed by India*
27. *Statutory Obligations for Companies Operating in India*
28. *Significant Beneficial Owners (SBO) in India*
29. *Significant Economic Presence (SEP) in India*
30. *Place of Effective Management (POEM) in India*
31. *Liberalized Remittance Scheme (LRS) for residents of India*
32. *Foreign Liability and Asset (FLA) return in India*
33. *FATCA agreement with USA*
34. *Double Taxation Avoidance Agreement (DTAA) with USA*
35. *Foreign Tax Credit (FTC) in India*
36. *Corporate Frauds (CFs) in India*
37. *Export of Goods and Services under FEMA, 1999 in India*
38. *Imports of Goods and Services under FEMA, 1999 in India*
39. *External Commercial Borrowings (ECBs) in India*
40. *Overseas Direct Investments (ODIs) under FEMA, 1999 in India*
41. *Acquisition of Immovable Properties by Non-residents under FEMA, 1999 in India*
42. *Compounding of Contraventions under FEMA, 1999 in India*
43. *Foreign Branch Office (BO) + Liaison Office (LO) + Project Office (PO) under FEMA, 1999 in India*
44. *Annual Information Statement (AIS) in India*
45. *Investments by Non-Residents (NRIs) in India*
46. *Guidance for Doing Business in United States of America (USA)*
47. *Corporate Tax (CT) Law in UAE*
48. *Acquisition & Transfer for Immovable Properties by Non-Residents (NRs) in India*
49. *Foreign Company's Registration in India*
50. *Auditor Checks and Reporting for Indian Companies in India*
51. *Companies Auditor Report Order (CARO) 2020 in India*
52. *Tax Audit Report (TAR) + Accounting Standard (ASs) in India*
53. *World Trade Organisation (WTO) & Benefits for India*
54. *Deposits by Corporate in India*
55. *Expatriates + Foreign Citizens in India*
56. *Book on Foreign Investments (FIs) by Non-Residents of India (Non-RoI) (Book with 346 pages)*



Investments by Non-Resident Indians (NRIs) in India

INDEX		
S. NO	Particulars	Page No.
(A) Buying of the Properties		
1	<i>Nature and Numbers for buying of the properties</i>	5
2	<i>Funding (Sourcing) for Buying of the Properties</i>	5
3	<i>Maintenance of the Properties</i>	6
4	<i>Repatriation of Money out of the Rent and sale Proceeds from India</i>	6
5	<i>Definition for a NRI and a PIO</i>	6
(B) Income Tax Act, 1961		
1	<i>Determination of the Residential status for a NRI under the Income Tax for a Financial year</i>	7 to 10
2	<i>Applicability of the Provisions of Income Tax for a Financial year</i>	10 & 11
3	<i>Taxability of the Incomes for a NRI</i>	11 to 14
4	<i>Special Tax Provisions for a NRI</i>	14 & 15

5	<i>Important Miscellaneous Clarifications on the Tax Provisions for a NRI</i>	16
<i>(C) Investments in Shares and Securities</i>		
?	<i>Introduction on the Concept of Investments in Shares and Securities by the NRIs</i>	17
<i>(CA) Investments in Equity shares and Securities on Non-Repatriation basis</i>		
1	<i>Investments in the Partnership or Proprietorship Concerns on Non-Repatriation basis</i>	18
2	<i>Investments in Initial Public Officers (IPOs) of Equity Shares or Convertible Debentures (CDs) of Indian Companies on Non-Repatriation basis</i>	18 & 19
3	<i>Investments in Non-Convertible Debentures (NCDs) of the Indian Companies on Non-Repatriation basis</i>	19 & 20
4	<i>Investments in the Equity shares of Indian companies through Private arrangements on Non-Repatriation basis</i>	20
5	<i>Investments in the Domestic Public Sector and Private Sector Mutual Funds on the Non-repatriation basis</i>	20
6	<i>Investments in Money Market Mutual Funds (MMMFs) on Non-Repatriation basis</i>	20
7	<i>Acceptance of Deposits by the Partnership firms and Companies on the Non-repatriation basis</i>	21
<i>(CB) Investments in Equity Shares and Securities on Repatriation basis</i>		
?	<i>Introduction on Investments by the NRIs in Equity Shares and Bonds on Repatriation basis</i>	22

1	<i>Investments in Initial Public Offers (IPOs) of the Indian Companies under 24% schemes</i>	23
2	<i>Investments in IPOs of the Indian Companies under 40% Scheme</i>	23 & 24
3	<i>Investments in the IPOs of Indian Priority Sector Industrial Companies under 100% Scheme</i>	24
4	<i>Investments in the Housing and Real Estate Development Projects</i>	24
5	<i>Investments in the Air Taxi Operations</i>	25
6	<i>Investments in the Non-Convertible Debentures (NCDs)</i>	25 & 26
7	<i>Investments in the Sick Industrial Units</i>	26
8	<i>Investments in the Schemes of Domestic Mutual Funds</i>	26
9	<i>Investments in the Bonds of Public Sector Undertakings(PSUs)</i>	26 & 27
10	<i>Investments in Equity shares of the PSUs under Disinvestment program of the Government of India (GOI)</i>	27
11	<i>Investments through Fixed Deposits (FDs) in the Indian Companies</i>	27
<i>(CC) Foreign Portfolio Investments (FPIs)</i>		
1	<i>General Regulations for the FPIs by NRIs</i>	28
2	<i>Limit for the FPIs by NRIs</i>	28
3	<i>Miscellaneous Regulations for the FPIs by NRIs</i>	28 to 30
<i>(D) Investments in Govt. Securities, National Plan or National Saving Certificates (NSCs) and units of UTI</i>		
1	<i>Investments in the Govt. Securities, National Plan & National Savings Certificates (NSCs)</i>	31

2	<i>Investments in the Units of UTI</i>	31
(E) Summary on Privileges and Non-Privileges		
1	<i>Privileges for the NRIs</i>	32
2	<i>Non-Privileges for the NRIs</i>	32



Investments by Non Resident Indians (NRIs) in India

(A) Buying of the Properties

1. Nature and Numbers for buying of the properties

- (i) NRIs are **permitted** to buy **residential** or/and **commercial** properties in India
- (ii) NRIs have **no restriction on numbers** for **buying** of properties for investments **not for trading**
- (iii) NRIs are **permitted** to buy the properties under **automatic** route where **general** or **special** permission is **not** required for own use or investment purpose both
- (iv) However NRIs are **not permitted** for buying of the followings properties
 - (a) **Agricultural** land
 - (b) **Plantation** land
 - (c) **Farm house** in India

2. Funding (Sourcing) for Buying of the Properties

- (i) NRIs are permitted to fund for buying of the properties in following ways only:-
 - (a) **Direct remittance** from Outside India through regular **banking** channel
 - (b) **Out of balance** is lying in **NRO, NRE** or **FCNR** account as maintained in India
 - (c) **Loan** from banks or financial institutions for **purchase** of the properties
- (ii) NRIs are permitted to obtain a loan from banks and financial institutions where conditions for margin money and quantum of loan are at par with the **residents of India** for the properties loans
- (iii) NRIs are required to make **repayment** of the loans in following ways only:-
 - (a) **Direct remittance** from Outside India through regular **banking** channel
 - (b) **Out of balance** is lying in **NRO, NRE** or **FCNR** account as maintained in India
 - (c) **Out of rental** incomes of the **same** property
 - (d) **Out of loan** from a **close relative** who is also a **resident in India**

3. Maintenance of the Properties

- (i) NRIs are permitted to **purchase** the properties by way of a registered **conveyance** deed
- (ii) NRIs are permitted to execute a **power of attorney** in favor of a **close relative or friend** for execution of the documents on his **behalf** for
 - (a) **Registering and leasing** of the properties
 - (b) **Signing of the properties agreements**
 - (c) **Selling** of the properties
- (iii) NRIs are permitted to **rent out** the properties in India

4. Repatriation of Money out of the Rent and sale Proceeds from India

- (i) NRIs are permitted to **repatriate** the **rent** amount or **sale** proceeds of the properties out of India.
- (ii) NRIs are permitted to **remit** the **sale** proceeds of the **inherited** properties through **NRO** account where maximum **USD 1(one) million per financial year** is permitted
- (iii) (a) NRIs are **not** permitted to **direct repatriate** out of **sale** proceeds of the properties Which are **exceeding** the amount in foreign currency **paid** at the time of **acquisition** of the same properties.
(b) Henceforth NRIs are permitted to repatriate the **balance** amounts which are exceeding the amount **paid** at the time of **acquisition** through **NRO** account where maximum **USD 1 (one) million per financial year** is permitted
- (iv) (a) NRIs are **not permitted** to direct repatriate the sale proceeds of more than **2(two) Residential properties**
(b) Henceforth NRIs are permitted to repatriate the **balance** amount which are exceeding the amount **paid** at the time of **acquisition** through **NRO** account where maximum **USD 1(one) million per financial year** is permitted

5. Definition for a NRI and a PIO

- (i) **Definition for a NRI in India**
 - An individual who is **born** in India but now a **non-resident** in India is known as **NRI** **irrespective** of the fact that whether he is holding an **Indian passport** or **not holding** an **Indian passport**
- (ii) **Definition of a PIO in India.**
 - An individual who is **not born** in India and also now **non-resident** in India but his/her parents or **grandparents** were **born** in India

(B) Income Tax Act, 1961

1. Determination of the Residential status for a NRI under the Income Tax for a Financial year

(i) **Resident in India** is determined with **2 (two) options** (under section 6(1) of the Income Tax Act, 1961)

(a) When **any** Individual (citizen or non citizen of India) is **staying** for minimum **182** (One hundred eighty two) days in India in a previous **financial** year is called a **resident in India**

or

(b) When **any** Individual (citizen or non citizen of India) is **staying** for minimum **60** (sixty) days in India in the previous **financial** year

and

(ba) Also stayed for minimum **365** (Three hundreds sixty five) days in the last **4**(four) preceding to the previous **financial** years is also called a **resident in India**

(ii) **Resident in India** is also determined with **1(one) more option** (under section 6(1) of the Income Tax Act, 1961)

(a) When an individual as **citizen** of India is **staying** for minimum **182** (one hundred eighty two) **days** in India in the previous **financial** year

and

(aa) Also **leaving India for employment outside India** or leaving as a **crew member** on a **ship** is also called a **resident in India**.

(b) Henceforth in **2nd** option of above mentioned para (i) (b) is replaced with minimum **182** (one hundred eighty two) days instead of **60** (sixty) days in previous **financial** year

and

(ba) Also staying for minimum **365** (Three hundreds sixty five) days in the last **4** (four) preceding to the **previous** financial years is also called a **resident in India**

(iii) Now **Resident of India** is also determined with **1(one) more options**

(Applicable from April, 01, 2020 for the previous financial year ending on March 31, 2021- Assessment year 2021-22)

(a) Now a citizen of India or a person of Indian origin who is living outside India and **coming to visit India** during the previous financial year

and

(ab) Also his total incomes excluding income from foreign sources are **exceeding Rs. 15 Lac**

and

(ac) Also staying in India for **minimum 120** (One hundred twenty) days instead of **182** (One hundred eighty two) days as earlier

and

(ad) Also stayed in India for **minimum 365** (Three hundred sixty five) days during 4 (four) preceding to the previous financial year is called as resident of India

(iv) **Deemed Resident** in India (under section 6(1A) of the Income Tax Act, 1961)

(a) Now concept of **deemed** resident in India is introduced under **new** section 6(1A) as applicable from April 01, 2020 for the previous **financial** year ending on March 31, 2021 (Assessment year 2021-22)

(b) Now a **Citizen of India** is treated as **deemed resident** in India where his **total incomes** excluding incomes from foreign sources are **exceeding 15 Lac**

and

(ba) Also the citizen of India should not be **liable to tax Outside India** due to his **domicile, residence or any other criteria of similar in nature**

(bb) Hence **3** (three) conditions are to be satisfied for becoming a **deemed resident** in India are as followings:-

- An Individual should be a **citizen of India**.
- His total incomes excluding incomes from foreign sources are **exceeding 15 Lac**
- The Individual should not be **liable to tax outside India**

(bc) Question of **physical stay in India** is not required for becoming a **deemed resident** in India. Hence the Individual will be **deemed resident** in India where he has not stayed in India even for **1** (one) day during the previous **financial** year.

(c) **Deemed Ordinary resident** in India

- (ca) Now a citizen of India or a person of Indian origin will be treated as deemed ordinary **resident** in India where his total incomes **excluding** income from foreign sources are **exceeding** Rs. 15 Lac

and
- (cb) Also he has stayed in India in previous **financial** year for **minimum 120** (one hundred twenty) days instead of **182** (one hundred eighty two) days as earlier under section 6(6) of Income Tax Act, 1961.

and
- (cc) Also the Individual was **resident** in India for **minimum 2** (two) previous **financial** year out of **10** (ten) proceeding to the previous **financial** year.

and
- (cd) Also the Individual has stayed in India for **minimum 730** (Seven Hundred Thirty) days during **7** (seven) preceding to the previous **financial** years is called an ordinary **resident** in India.
- (ce) Hence total **Global** incomes of the **deemed** ordinary **resident** in India will be taxable in India.

(v) **Ordinary Resident** in India -(under section 6(6) of the Income Tax Act, 1961)

- (a) When **any** individual (citizen or non citizen of India) is staying in India for minimum **182** (One hundred eighty two) days in a **previous** financial year

and
- (b) Also the Individual was resident in India for **minimum** in **2** (two) previous financial year out of **10** (ten) preceding to the **previous** financial years.

and
- (c) Also the Individual has stayed in India for a **minimum 730** (Seven Hundred Thirty) days during **7** (seven) preceding to the previous **financial** year is called an ordinary resident in India
- (d) Hence total **Global** incomes of the **ordinary resident** in India will be taxable in India.

(vi) **Not Ordinary Resident** in India (under section 6(6) of the Income Tax Act, 1961)

- (a) When **any** individual (citizen or non citizen of India) is **staying** in India for minimum **182** (One hundred eighty two) days in a **previous** **financial** year

and

(b) Also the Individual was **resident** in India for **maximum** in **1**(one) previous **financial year** out of **10** (ten) preceding to the previous **financial year**.

or

(c) Also the Individual has stayed in India for **maximum 729** (Seven Hundred Twenty Nine) days during **7** (seven) preceding to the previous **financial year** is called an **Not ordinary resident** in India.

(d) Now a citizen of India or a person of Indian origin having total income other than income from foreign sources is exceeding **15 Lac** during **previous financial year**.

and

(da) He is staying in India for **minimum 120** (one hundred twenty) day and **maximum 182** (one hundred eighty two) days

(e) Hence only **Indian incomes** of the **not ordinary resident** in India will be taxable in India.

2. Applicability of the Provisions of Income Tax for a Financial year

(i) Incomes Earned *Outside* India by a NRI

(a) **All 100% Global incomes** are **taxable** in India where a NRI is **resident** of India in a **financial year**

(b) **Only 100% Indian incomes** as accrued or arises, deemed to accrued or arises in India is **taxable** in India where NRI is **not** resident of India in a **financial year**

(ii) Incomes Deemed to be *earned* in India by a NRI

(a) Where salary is **received** in India for the services **not** provided in India

(b) Where salary is **received** in India or outside India for the services **provided** in India

(c) Where Incomes are against **properties** as situated/**located** in India

(d) Where **Capital gain** is against the transfer of a asset situated /**located** in India

(e) Where **Interest** income is earned on a fixed **deposit** or on a **saving** account as maintained with a bank in India is treated income earned or accrued in India.

(f) Where **Interest** income is earned on **NRO** account as maintained in India.

(iii) Exempted Interest Incomes in India

● **Interest incomes on NRE or/and on FCNR accounts** are **not** taxable in India.

(iv) **Filing of the return of Incomes in India**

- NRIs are **required** to submit their returns of the incomes where total **gross** incomes are exceeding **Rs 2,50,000** (two lakhs fifty thousands) during a **financial** year

(v) **Last Date** for filing of the **Income Tax Return** in India

- 31st July** for **non-audit** cases
- 30th September** for **audit** cases

(vi) **Liability** to pay **Advance Tax** in India

- Advance tax** in India is to be paid where income tax **liability** is exceeding **Rs.10(ten) thousands** over and above the **TDS** in a **financial**
- Penal** interests under section **234B** and **234C** are to be paid for the **default** is made in payment of the **advance tax liability**

3. **Taxability of the Incomes for a NRI**

(i) **Incomes under the Head Salary**

- Incomes under the head salary of a NRI is treated as **earned in India** where services are **rendered in India**
- Incomes under the head salary of a NRI is treated as **earned in India** where salary is **received in India** by himself/herself or by someone else on behalf of himself/herself
- Incomes from salary of a NRI is treated as **earned in India** where employer is **Govt. of India** and also NRI is **citizen** of India **beside** that services are **rendered Outside India**
- Incomes under the head salary of a NRI is **treated exempted** where paid to a **Diplomat** or a **Ambassador** etc. who is **working in India** in embassy of a foreign country
- Tax** on the incomes under the head salary is to be paid in accordance to the **slab rate** as applicable to a NRI in India.

(ii) **Incomes under the Head House Property**

- Incomes under the head house property of a NRI are treated as **earned in India** where property is **located** / situated in India.
- Standard deduction for maintenance of the property@ **30%** is available to a NRI against the incomes under the head House property

(c) NRI is permitted to take the following **deductions** out of incomes under the head **house property** in India

(ca) **Property Taxes**

(cb) **Interest** paid on the loan as taken against rented house property

(d) **Tax on the incomes under the head house property is to be paid in accordance the **slab rate** as applicable to a resident in India.**

(e) **Incomes under the head house property of a NRI is treated as **earned in India** beside that rent payment is **directly credited** to his bank account as maintained **outside India****

(f) NRI is permitted to **claim** a deduction of maximum Rs 2(two) **lacs** against **interest** paid/payable on **loan** taken on the **property**

(g) NRI is permitted to **claim** of maximum 2(two) **self-occupied properties** **without** offering as **notional** rent incomes

(h) NRI is required to offer **notional** rent incomes where property is **not** rented out for 12 (twelve)**months**

(i) NRI is permitted to claim 11 (eleven) **months** as **vacancy allowance** out of the **notional rent** incomes where property is **rented** out for 1(one) **months** only

(iii) **Incomes under the Head **Business or Profession****

● **Incomes under the head business or profession of a NRI is treated as **earned in India** where business or profession is **controlled** or set up **in India****

(iv) **Incomes under the Head **Capital Gains****

(a) **Incomes under the head capital gains against transfer of a capital asset of a NRI is treated as **earned in India** where house property is **located** in India**

(b) **Incomes under the head capital gains against transfer of the **shares** and **securities** is treated as **earned in India** where shares and securities are issued by an Indian company**

(c) **Buyer** of the house property is required to **withhold** (deduct) tax @ **20%** + education cess @**4%** + surcharge @**15%** from the payment as being made to a NRI (commencing from April 01, 2022)

(d) NRI is permitted to claim the following **deductions**

(da) **Exemption against the investments in a house property under the section 54 of the Income Tax Act, 1961**

(db) **Exemption against the investments in capital gain bonds under the section 54EC of the Income Tax Act, 1961 as maximum Rs 50 (fifty) lacs per financial year. This exemption is now not available for the capital gains other than property cases**

(e) NRI is required to **deposit** the amount of capital **gains** in a specified **bank** or institution in India under the head **capital gain account scheme** where NRI is **unable** to **invest** the amount of capital gains in new eligible **property** or **unable to deposit** in capital gain bonds till **March 31**

(f) Now NRI is permitted to **claim** long term capital **gains** on sales of the capital assets where **holding** period is **2(two) years** where **earlier** was permitted against holding period of **3 (three) years**.

(g) NRI is required to deposit in capital gain bonds within 6(six) months from the date of sale/transfer of the **house property** under the section **54EC**

(h) NRI is required to **invest** in a **new property**

- (ha) with in **1(one) year before the sale/transfer** or
- (hb) with in **2(two) years after the sale /transfer** or
- (hc) with in **3(three) years after the sale/transfer in construction a new property.**

(i) NRI is required to **deduct** a **TDS @ 1%** on the **payments** to be made against **purchase** of a property from a **resident of India** where **purchase** amount is minimum of **Rs 50(fifty) Lacs.**

(j) (ja) NRI is required to **allow** to the **purchaser** of property to deduct **TDS @ 20% plus Education cess and surcharges** as applicable against **long term capital gains** and **TDS @ 30% plus education cess and surcharges** as applicable against **short term capital gains.**

(jb) Moreover **TDS @ 20% or 30%** is applicable **without** applicability of any limit of **Rs 50(fifty) Lacs**

(k) NRI is required to **hold** the capital gain **bonds** for minimum period of **5(five) years**

(v) *Income Under the head Other Source*

(a) **Interest incomes from fixed deposits and from saving accounts as maintained in India will be treated as earned in India like on NRO account**

(b) **Interest incomes on NRE and FCNR accounts are exempted in India**

(c) **Interest incomes on the NRI and FCNR accounts are taxable Outside India**

4. Special Tax Provisions for a NRI

(i) **Exemption against filing of the Income tax Return in India**

● **NRI is exempted for filing of the Income Tax Return where**

(a) **Investing in specified Indian assets only**

(b) **Already paid Income Tax @ 20% through TDS mode on Long Term Capital Gains (LTGS) of such specified Indian assets**

(c) **No other incomes is taxable in India except abovementioned incomes on specified Indian assets during the financial year under consideration**

(ii) **Allowable deductions against the payments and investments in India**

(a) **Allowable deduction up to Rs 1.5 Lac per financial year under the Section 80C**

(aa) **Life insurance premium paid on life of himself/herself, spouse and children a maximum @10% of sum insured/assured**

(ab) **Children tuition fee paid**

(ac) **Principal repayments on loan for the purchase of a house property**

(ad) **Investments in the unit linked insurance plan (ULIPS)**

(ae) **Investments in the equity linked saving scheme (ELSS)**

(af) **5(five) years fixed deposits in a schedule bank in India**

(b) **Allowable deduction up to Rs. 25000 per financial year under the Section 80D**

(ba) **Mediclaim Insurance premium paid on the life of himself, spouse and dependent children**

(bb) **Mediclaim insurance premium paid on the life of parents up to Rs 50,000 additionally**

(c) **Allowable deduction against interest paid on education loan under the section 80E**

(ca) **NRI is permitted to claim a deduction against interest paid on the education loan for higher education for himself, spouse or children**

- (cb) Deduction is **not** available against **repayment of principal** loan amount
- (cc) Deduction is available for a **maximum** period of **8** (eight) years or till **interest** is paid whichever is **earlier**
- (d) Allowable deduction against **donations** paid for the **social causes** under the section **80G**
 - NRI is permitted to claim a **deduction** against payments made for **donation** for the **social causes in India**
- (e) Allowable deduction against incomes from **interest** on **saving** bank account under the section **80TTA**
 - (ea) NRI is permitted to claim a **deduction** on the **interest** incomes on **saving** bank account maximum of Rs. **10**(ten) thousands per **financial** year
 - (eb) Henceforth this deduction is **not** permitted against the **interest** incomes on the **time deposits** (fixed term deposits)
- (f) **Not allowable deduction** against the income on specified **investments** by NRI under the section **80C**
 - (fa) NRI is **not** permitted to **deposit** in **new PPF** account. However NRI is permitted to **continue** to deposit in **existing** account as opened **before** becoming NRI till **original** maturity period of **15** (fifteen) years. Henceforth **not** permitted beyond **15** years
 - (fb) NRI is **not** permitted to **deposit** in certain schemes **after** becoming NRI like
 - (fba) **Investments in NSCs**
 - (fbb) **Deposit in Post office 5 year deposit scheme**
 - (fbc) **Senior citizen saving scheme etc.**
 - (g) **Not allowable deduction** against payment for **RAJIV Gandhi Equity Savings Scheme (RGESS)** under the Section **80CGS**
 - NRI is **not** permitted to claim a **deduction** where **contribution** is made for **RGESS**
 - (h) **Not allowable deduction** for **maintenance** and **medical** treatment under the Section **80DD**, **80DDB** and **80U**
 - NRI is **not** permitted to claim a **deduction** where **expenses** are made for **maintenance** and **medical** treatments of **dependent** and **himself**

5. Important Miscellaneous Clarifications on the Tax Provisions for a NRI

(i) **DTAA** (Double Taxation Avoidance Agreements) Benefits for a NRI

- **NRI** is permitted to **claim** the benefits of **DTAA** where can **pay** tax in India and can **claim tax credit** in own **resident** country

(ii) **TDS** (Tax Deducted at Source) for a NRI

- (a) **Payer** of the **specified** incomes is required to deduct /withhold an amount of **TDS**

- (b) **Specified** incomes to include the followings:-

- (ba) **Rent**

- (bb) **Fee** for professional or technical services etc.

- (c) **Payer** is also required to **submit** form **15CA** and **15CB** before making the payments

(iii) Applicability of **Inheritance tax** (Estate Duty) on the assets in India

- (a) **NRI** is also permitted to avail the **exemption on inheritance tax** (Estate duty) on the assets in India as this **exemption** is available to a **resident** in India

- (b) However a NRI is to **pay** capital gain **tax** at the time of **sale** of the **inherited assets**

(C) Investments in Shares and Securities

•Introduction on the Concept of Investments in Shares and Securities by the NRIs

- (i) NRIs are permitted to invest **directly** in proprietary and/or **partnership** concerns in India on **non-repatriation basis only**
- (ii) NRIs are also permitted to **invest** in the Initial Public Officer (**IPO**) for issue of **shares** and **convertible debentures** of the Indian Companies
- (iii) NRIs are also permitted to **invest** under the Foreign Portfolio Investments (**FPIS**) through **secondary market** like
 - (a) **Stock Exchange** in India
 - (b) **Purchases direct** from shareholders **without** involving of a stock **Exchange**
- (iv) NRIs are permitted to set up the **new companies** accordingly to **subscribe** to the Memorandum and Articles of Association (**M&A**) of the new companies under the head **automatic approval route**
- (v) However the NRIs are **not permitted to invest** in the companies where **activities** relating to **agricultural** and plantation are being carried on
- (vi) (a) NRIs are permitted to **invest** on the **repatriation and non-repatriation basis** (**both**)**except** to invest in **proprietary and partnership** concerns where **repatriations** are **not permitted**
 - (b) However NRIs are permitted to **repatriate through NRO accounts** where a maximum **USD 1(one) million per financial year is permitted** to repatriate Outside India
- (vii) NRIs are required to make **payments** for the investments in certain **modes** only like
 - (a) Direct inward **remittance** from outside India
 - (b) Debit to **NRO** account
 - (c) Withdrawal out of **NRE or FCNR** account

(CA) Investments in Equity shares and Securities on Non-Repatriation basis

1. Investments in the Partnership or Proprietorship Concerns on Non-Repatriation basis

(i) NRIs are permitted to invest in the **partnership or proprietorship** concern on **non-repatriation basis** under the **automatic** route where RBI has already granted **general** permission to the NRIs to **invest in the concerns** those are **engaged** in the industrial, trading or commercial **activities**

(ii) NRIs are required to **invest** through normal **banking** channel or **transfer** of funds from their **accounts** as maintained **in India** like

- (a) **NRO**
- (b) **NRE**
- (c) **FCNR accounts**

(iii) NRIs are **not** permitted to **carry** the following activities

- (a) **Agricultural Activities**
- (b) **Plantation Activities**
- (c) **Real Estate** business like **trading** in land and immovable properties

(iv)(a) Indian partnership or proprietorship concerns are **not required** to obtain any prior **permission** from the RBI for **receiving** of the capital **contributions** from the NRIs where the **conditions** as specified in the RBI **notification** for this purpose are **satisfied**.

(c) However the Indian **concerns** are required to submit the **declarations** in form **DIN** to the RBI with in **90 (ninety) days** from the date of receipt of an investment

(v) (a) Indian concerns are permitted to **transfer the profits** in **NRO** account as maintained in **India**

(c) NRIs are permitted to **remit** a maximum **USD 1 (one) million** per financial year

2. Investments in Initial Public Officers (IPOs) of Equity Shares or Convertible Debentures (CDs) of Indian Companies on Non-Repatriation basis

(i) NRIs are permitted to invest in the **equity** shares and **convertible** debentures of the Indian companies on **non-repatriation** basis under **automatic** route where the Indian companies are **not engaged** in

- (a) **Agricultural /plantation activities**

- (b) **Real estate** business
- (c) **Trading in TDRs**
- (d) **Chit** fund Company
- (e) **Nidhi** Company

(ii) NRIs are required to make the **payments** through normal **banking channel** like

- (a) Direct inward **remittance** from outside India or
- (b) **Debit** to **NRE, FCNR** or **NRO** account as maintained in India

(iii) Indian companies are required to file the **declarations** in form **DIN** within **90(ninety) days** from the date of receipt of the investments on **non-repatriation** basis

(iv) NRIs are permitted to take the **credit** in theirs **NRO** accounts against **dividend** and/or **interest** on **equity shares** and/or convertible **debentures** respectively

3. Investments in Non-Convertible Debentures (NCDs) of the Indian Companies on Non-Repatriation basis

(i) NRIs are permitted to invest in the **NCDs** on **non-repatriation** basis under the **automatic route**

(ii) NRIs are required to make the **payments** through normal **banking channel** like

- (a) Direct Inward **remittance** from outside India or
- (b) **Debit** to **NRE, FCNR** or **NRO** accounts as maintained in India

(iii) Rate of **interest** on the **NCDs** is **not to exceed** the prime lending rate (**PLR**) of State Bank of India (**SBI**) plus **300** basis points (3%)

(iv) **Minimum** period for **redemption** is required **3(three) years** for the **NCDs**

(v) Indian companies should **not** be engaged in the followings

- (a) **Agricultural/plantation** activities
- (b) **Real estate** business
- (c) **Trading** in TDRs
- (d) **Nidhi** Company
- (e) **Chit** fund Company

(vi) Indian companies are required to **submit** the reports to the **RBI** within 30(thirty) **days** from the date of receipts of remittance for the NCDs

4. Investments in the Equity shares of Indian companies through Private arrangements on Non-Repatriation basis

- (i) NRIs are required the **prior approvals permissions** from the **RBI** for **purchasing** of shares of the an Indian companies through **private arrangement**
- (ii) NRIs are required to submit the **applications** in to the **RBI** form **FNC-7**alongwith undertaking for **non-repatriation**

5. Investments in the Domestic Public Sector and Private Sector Mutual Funds on the Non-repatriation basis

- (i) NRIs are permitted to **invest** in the Mutual Funds as being owned and **managed by** the domestic **public** sector and **private** sector Mutual Funds on the **non-repatriation** basis
- (ii) NRIs are **not** required to **submit** the applications for **approval** from the **RBI** for **investing** in such mutual funds
- (iii) However **issuing** mutual funds are required to **submit** the application in Form **ISD** for issuing the units of mutual funds

6. Investments in Money Market Mutual Funds (MMMFs) on Non-Repatriation basis

- (i) NRIs are permitted to invest in the **MMMFs** as floated by the followings
 - (a) **Commercial banks**
 - (b) **Public Sector Financial Institutions**
 - (c) **Private Sector Financial Institutions**
- (ii) These **banks** or financial **institutions** are required to **submit** the application in Form **ISD** for obtaining the **authorization** from the **RBI** for floating the **MMMFs**
- (iii) NRIs are **not** required to obtain the separate **permissions** from the **RBI** for investing in the **MMMFs**

7. *Acceptance of Deposits by the Partnership firms and Companies on the Non-repatriation basis*

- (i) NRIs are permitted to **deposit** the funds with **Firms** and **companies** on **non-repatriation basis**
- (ii) Prior **approval** is required by the **depositor** or by deposit accepting **firm** or **company** from the **RBI**
- (iii)(a) However deposit accepting **firms** or **companies** is required to **obtain** prior **approval** from the **RBI** for accepting the **deposits** from NRIs under **Public deposit scheme**
- (b) Henceforth NRIs are **not** required to **obtain** prior **approvals** from the **RBI** for accepting **deposits** under **public** deposit scheme where deposit accepting **firms** or **companies** are **mandatory** required to **obtain** prior **approval** from the **RBI**

(CB) Investments in Equity Shares and Securities on Repatriation basis

- **Introduction on Investments by the NRIs in Equity Shares and Bonds on Repatriation basis**
 - (i) NRIs are permitted to **invest** in the **equity** shares and **bonds** of the Indian **companies** on **repatriation basis**
 - (ii) Henceforth NRIs are permitted for **repatriation** Outside India out of the followings:-
 - (a) **Capital** already invested in the Indian companies
 - (b) **Dividends**/ incomes **earned** on the **investments** in the Indian companies
 - (iii) NRIs are required to **invest** on **repatriation basis** in **foreign exchange only** like
 - (a) **Direct Inward remittance** from Outside India or
 - (b) **Debit to NRO, NRE or FCNR** account as maintained in India
 - (iv) NRIs are permitted to **invest** in the various kinds of **Foreign Direct Investments Schemes** which are commonly **known** as **Foreign Direct Investments (FDIs)** in India
 - (v) FDIs are permitted for a NRI in different **schemes** like
 - (a) **24% FDIs** scheme
 - (b) **40% FDIs** scheme
 - (c) **100% FDIs** scheme
 - (vi) NRIs are also permitted to **invest** in Domestic **mutual funds** as **floated** by the **public** and **private** sector institutions or by the **companies** like UTI and Reliance respectively
 - (vii) NRIs are also permitted to **invest in bonds** as issued by the **public** sector **under-takings(PSUs)**
 - (viii) (a) **Equity shares and bonds** issuing companies are required to **obtain** the necessary **permissions** from **RBI** if needed in the case of **approval route**
 - (c) Henceforth NRIs are **not** required to **obtain** any separate **approval** where **issuing company** has **already** been **obtained** an **approval** from **RBI** under **approval route** in case an **automatic** route is **not permitted** for the issue of shares and/or bonds

1. Investments in Initial Public Offers (IPOS) of the Indian Companies under 24% schemes

(i) NRIs are permitted to **subscribe** up to **24%** of the IPOs of **equity shares** or **convertible debentures** of an existing or new **public** companies who are already **engaged** or proposed to be engaged in the following activities

- (a) **Finance**
- (b) **Hire purchase**
- (c) **Leasing**
- (d) **Trading**
- (e) **Other services etc.**

(ii) NRIs are **not permitted** to subscribe the IPO of a company who is **engaged** in **agricultural/ plantation activities and real estate activities**

(iii) An Indian company issuing IPO is required to **satisfy the conditions** as laid down by RBI for issue of the equity shares or convertible debentures **otherwise** Indian company is required to obtain a specific **approval** from RBI before issuing the IPO

(iv) An Indian company is required to **submit** a form **ISD** within **30** days from the date of issue of the IPO

(v) NRIs are **not required** to obtain any specific **approval** from RBI where Indian company has already **satisfied** the specified **conditions** of the RBI **otherwise** obtained the specific **approval** from the RBI

2. Investments in IPOs of the Indian Companies under 40% Scheme

(i) NRIs are permitted to **subscribe** up to **40%** in the following IPOs

- (a) **Equity shares**
- (b) **Preference shares**
- (c) **Convertible** debentures of new or existing company on **repatriation** basis **after** making **payments** of Indian Income Tax by the NRIs

(ii) Indian companies should **not be already listed** at any stock exchange and also **should not be engaged** in manufacturing activities as **specified** in Annexure-III to the statement of Industrial Policy 1991 of **Govt. of India**

(iii) Indian companies are **required** to take the specific **approvals** from the **RBI** for an IPO under this scheme for the **following** entities

- (a) **Industrial** and the manufacturing units
- (b) 3, 4 or 5 star category of the **Hotels**
- (c) **Hospital** and the Diagnostic centers
- (d) **Shipping** Companies
- (e) Development of the computer **softwares**
- (f) **Oil Exploration** Services

(iv) NRIs are **not required** to take the specific **approvals** from RBI where the Indian **companies** have already been **obtained the approvals**

3. Investments in the IPOs of Indian Priority Sector Industrial Companies under 100% Scheme

- (i) NRIs are **permitted** to **subscribe** up to **100%** on **repatriation** basis in **priority** sector industrial companies which are primarily **engaged** in **export trading** activities
- (ii) Indian companies are permitted to issue the IPOs **without** approval from the **RBI**
- (iii) Indian Companies are required to **submit** the form **ISD** within **30** days from the date of issue of shares
- (iv) This scheme is permitting for opening a **new** industry or **expansion** /diversification of the **existing** industrial undertakings

4. Investments in the Housing and Real Estate Development Projects

- (i) NRIs are permitted to **invest upto 100%** in IPOs of the equity **shares** or convertible **debentures** of the Indian companies in the following sectors
 - (a) **Development** of the plots and also **construction** of built up **residential** premises including business centers and offices
 - (b) **Development** of a township
 - (c) **Development** of a City and region level urban infrastructure facilities like **roads** and **bridges**
 - (d) **Manufacturing** of the building materials
 - (e) **Financing** of the housing Development projects
- (ii) **Repatriation** of original investment is permitted by the **RBI** **after** a lock in period of **3(three) years** from the date of issue of equity shares or convertible debentures.

5. Investments in the Air Taxi Operations

- (i) NRIs are permitted to **setup an Indian Company** with **100% FDIs** for carrying on **Air Taxi operations** in according to the **guidelines** as issued by the Director General Aviation for **Air Taxi operation** in India
- (ii) An Indian company is required to **submit** a form **ISD** to the RBI as **application** for this purpose
- (iii) **Repatriation** of the original **investment** and/or **dividend** is permitted **after** expiry of **5(five) years** of the operations of **Air Taxi** and also **out of accumulated** net foreign exchange earnings only.

6. Investments in the Non-Convertible Debentures (NCDs)

- (i) NRIs are permitted to **subscribe** the **NCDs** as offered for the public on **repatriation** basis
- (ii) NRIs are required to **subscribe** the **NCDs** out of direct **inward** remittances from **Outside India** or debit to **NRO, NRE or FCNR** account as maintained in India
- (iii) NRIs are permitted to subscribe a **maximum 24%, 49%, 51%, 74% or 100%** of each series of **NCDs** which is **equivalent** to the **ceiling** as applicable for **issue** of the equity **shares** or convertible **debentures** to the **non-residents** under **repatriation** basis
- (iv) Rate of **interest** on **NCDs** is **not to exceed** Prime lending rate (**PLR**) of State Bank of India (**SBI**) plus **300** basis points (3%)
- (v) Minimum **redemption** period of **NCDs** is **3(three) years**
- (vi) Indian companies issuing the **NCDs** are **not** permitted to be **engaged** in the following activities
 - (a) **Agricultural/Plantation** activity
 - (b) **Real Estate** business
 - (c) **Trading in TDRs**
 - (d) **Act as Nidhi Company**
 - (e) **Chit Fund Company**

(vii) Indian Companies are required to **file a report** containing of prescribed **informations** with in **30(thirty) days** from receipt of the remittances

7. Investments in the Sick Industrial Units

- (i) NRIs are permitted to **undertake** the revival of the **sick industrial units** by way of either **bulk investments** through **purchases of equity** shares from the **existing** shareholders or subscription for **new issue** of the equity shares
- (ii) **Bulk investment** is permitted by way of **private placement** a maximum **100%** of equity share capital of the sick company on **repatriation basis**
- (iii) Indian companies are required to pass the **special resolution** for new of the issues or transfer from the existing shares holders to the NRIs
- (iv) Indian companies are required to be **approved** as sick unit under the **rehabilitation program** as run by the followings banks and financial institutions
 - (a) **Public financial institution**
 - (b) **Commercial bank**
 - (c) **Consortium** of the banks
 - (d) **Board for Industrial and Financial Reconstruction (BIFR)**
- (vi) Indian companies are required to obtain the prior **permissions** from **RBI** through submitting the form **RSU** for transfer of the existing shareholding or issue of new equity shares to the NRIs

8. Investments in the Schemes of Domestic Mutual Funds

- (i) NRIs are permitted to **invest** in the **schemes** of Indian Mutual Funds under the **automatic route** of the **RBI** on **repatriation basis**
- (ii) However these schemes are to be **approved** by the **SEBI**
 - NRI are required to invest through normal **banking** channel like (a) **Direct inward remittance** from **Outside India** or (b) **Debit** to **NRO, NRE** or **FCNR** account as maintained in India

9. Investments in the Bonds of Public Sector Undertakings(PSUs)

- (i) NRIs are permitted to **subscribe** in the **bonds** as issued by the **PSUs** on **repatriation basis**

(ii) PSUs are required to obtain the necessary **approvals** from the Govt. of India (**GOI**) for raising of the funds through issue of bonds

10. Investments in Equity shares of the PSUs under Disinvestment program of the Government of India (GOI)

(i) NRIs are permitted to **purchase** the equity shares on **repatriation** basis under the **disinvestment** program of the **GOI**

(ii) **Single NRI** is **not permitted** to purchase more than **1(one) percent** of the equity shares of a PSU

(iii) NRIs are required to **invest** through transfer of funds under the **normal** banking channel like

(a) Direct inward **remittance** from Outside India

(b) **Debit** to NRO, NRE or FCNR account as maintained in India

(iv) NRIs are required to **submit** the applications alongwith **deposit** of the bid money or purchase **consideration** at the designated branch of the **SBI**

11. Investments through Fixed Deposits (FDs) in the Indian Companies

(i) NRIs are permitted to **invest** in the **FDs** of the Public limited **companies** and **PSUs** on **repatriation** basis for a minimum period of **3(three) years**

(ii) Indian companies are required to submit the **applications** with the **RBI** for approval to accept FDs from the NRIs

(iii) NRIs are **not required** to obtain separate **permission** from the **RBI** where Indian **companies** have already been **obtain** the **approvals** from the **RBI**

(CC) Foreign Portfolio Investments (FPIs)

1. General Regulations for the FPIs by NRIs

- (i) NRIs are required to obtain prior **permission** from **RBI** for acquiring of
 - (a) **Equity** shares
 - (b) **Convertible** Debentures
 - (c) **Units** of domestic mutual funds
 - (d) **Non-Convertible** Debentures (**NCDs**)
- (ii) These investments are permitted by the **RBI** on **repatriation** and **non-repatriation** basis (both) through a Stock **Exchange** in India
- (iii) **RBI** is permitting a prior approval for an **initial** period of **5(five) years** for the investments under the head **FPIs** which is further **renewable** for another **5(five) years**
- (iv) NRIs are permitted to invest **through** sending of **NSNR**
 - (a) Direct Inward **remittance** from Outside India or
 - (b) **Debit** to **NRE, FCNR, NRO or NRSR account** as maintained in India
- (v) NRIs are permitted to invest in the **shares** and **debentures** under the **FPIs** scheme at prevailing **market** price at stock exchange in India

2. Limit for the FPIs by NRIs

- (i) NRIs **cumulatively** are permitted for investments in **equity** shares and **convertible** debentures a maximum **10%** of total **paid-up** equity capital of the company and **10%** of total **convertible** debentures of **each** series on **repatriation** and **non-patriation** basis (both) as permitted by the **RBI**
- (ii) A NRI **singly** is permitted for the investments in **equity** shares and/or **preference** shares and **convertible** debentures a maximum **5%** of the total **paid up** equity/preference capital and **5%** of the **convertible** debentures issued to a **single** NRI as **FPIs** investor

3. Miscellaneous Regulations for the FPIs by NRIs

- (i) **RBI** is required to issue a **code number** to each NRI as **FPI** investor for **quoting** in all future **correspondence** to the **RBI**

(ii) NRIs are **not permitted** to invest under FPIs through **private placement** or **off market** transaction except at stock exchange

(iii) NRIs are permitted to **authorize** an **Indian resident** or **broker** of stock exchange as their **agents** in India

(iv) NRIs are required to **route** the all **transactions** through a designated branch of a **authorized dealer Category I bank** on repatriation or non-repatriation basis

(v) NRIs are required to **apply** to the RBI for prior **approval/permission** on repatriation or non-repatriation basis in **form NRI** through a designated branch of an authorized dealer Category I bank

(vi) NRIs are permitted to **invest** under **FPIs** in

- (a) **Securities of the central or State Government and**
- (b) **Treasury Bills of the Govt. of India**

(vii) NRIs are **not permitted** to invest in the **bearer** securities

(viii)(a) NRIs are required to **take** the **deliveries** for **purchase** of shares and debentures and to **give** the **deliveries** for the **sale**

(b) NRIs are not permitted for **non-delivery** purchase and sale of the shares and debentures like **speculative tradings**

(ix) NRIs are permitted to **register** the shares and debentures in **name** of the followings

- (a) **Himself**
- (b) **Authorized dealer bank**
- (c) **Nominee of the authorized dealer bank**

(x) **Investments in the Joint Names**

- (a) NRIs are permitted to **purchase** the shares and debentures in the **joint names** with **other NRIs** with prior **permission** of the RBI
- (b) **First holder** of the investments will be treated **single** investor where **investments** are made on **repatriation** or **non-repatriation** basis (both)

- (c) Henceforth **second** and **third** holder will be eligible for **separate** investment upto 5% per investor in the **same** company
- (d) RBI is also permitting for the **joint** investments with a **resident of India**
- (e) NRIs are **not permitted** for remitting Outside India where they have **inherited** the shares and debentures in India. However NRIs are permitted to remit through **NRO account** a maximum USD 1(one) **million** per **financial**

(D) Investments in Govt. Securities, National Plan or National Saving Certificates (NSCs) and units of UTI

1. Investments in the Govt. Securities, National Plan & National Savings Certificates (NSCs)

(i) NRIs are permitted to invest **freely in securities of the central or State Govt., National Plan certificates and National saving certificates (NSCs)** through the following modes:-

(a) Direct Inward **remittance** from the Outside India

(b) **Debit** to NRO, NRE or FCNR **accounts** as maintained in India

(ii) (a) Authorized dealers are permitted to invest on **behalf** the NRIs out of the **funds as available** in NRO account where direct **repatriation is not permitted** for the **investments amount and income** earned there on both

(b) However NRIs are permitted to **remit** through **NRO account** a maximum **USD 1(one) million per financial year**

2. Investments in the Units of UTI

(i) NRIs are permitted to **invest** in the **units** of UTI through

(a) Direct Inward **remittance** from **Outside India** or

(b) **Debit** to NRO, NRE or **FCNR** **account** as maintained in India

(ii) NRIs are permitted to **remit** through **NRO account** a maximum **USD 1(one) million per financial year** against the **investments amount and income** earned thereon (both)

(iii) RBI has permitted an **automatic** route mode for the investments in **units** of **UTI** through granting of a **general** permission for purchasing of units **directly** from **UTI**

(E) Summary on Privileges and Non-Privileges

1. Privileges for the NRIs

- (i) NRIs are permitted to have **most of the privileges** on non-repatriation and repatriation basis as are **available** for the residents of India like
 - (a) Investments in the **residential** and **commercial** properties for the Investments purpose **without** any restriction on **numbers** of the properties
 - (b) **Allowances and deductions** out of the **Income Tax Liabilities**
 - (c) Investments in the companies' **shares** and **securities** and **LLPs**
 - (d) Investments in the **Govt. of India securities**.
- (ii) NRIs are permitted to **obtain** in an overseas citizen of India **(OCI) card to avoid** and obtaining of separate **Visa** for visiting the India.
- (iii) NRIs are permitted to **participate in most of activities** as available for the Residents of India.
- (iv) NRIs are permitted to avail an **exemption** from the liability of Income Tax on the **interest incomes** on **NRE & FCNR accounts** as maintained in India.

2. Non-Privileges for the NRIs

- (i) Tax deducted at source **(TDS) provisions** is comparatively **tedious** for the NRIs in comparative for the residents of India.
- (ii) NRIs are required to **pass through the** tedious **process of DTAA** to avoid double taxation on his incomes earned in India and also same is to be taxed again in his country of the residence.
- (iii) NRIs are **not permitted to buy** any **agricultural** and **plantation** properties and also **not permitted to engage** in any business relating to agricultural and plantation.
- (iv) NRIs are required to **pay an income tax** on the incomes earned on **NRE and FCNR accounts** in their country of residence outside India.

Published By



CA. Satis Agarwal

B.com (Hons) FCA

+919811081957

9/14 (First Floor) East Patel Nagar, New Delhi- 110008

Email: satishagarwal307@yahoo.com

Website: www.femainindia.com

- **Disclaimer**

The contents of this article are solely for informational purpose. Neither this article nor the information's as contained herein constitutes a contract or will form the basis of a contract.

The material contained in this article does not constitute or substitute professional advice that may be required before acting on any matter.

While every care has been taken in the preparation of this article to ensure its accuracy at the time of publication.

Satis Agarwal assumes no responsibility for any error which despite all precautions may be found herein.

We shall not be liable for direct, indirect or consequential damages if any arising out of or in any way connected with the use of this article or the information's as contained herein.