



## **FAQ for NRI (Equity Market)**

### **Q. 1. Who is an NRI ?**

**A.** “ Non-Resident Indian (NRI) means a person residing outside India who is a citizen of India or is a person of Indian origin”.

Non-Resident Indian (NRI) – these are Indian Citizens

- Who stay abroad for some reasons
- Who work abroad under Indian governmental organizations and represent India abroad
- Who work abroad with foreign governments

### **Q2. Who is PIO?**

**A.** Person of India Origin (PIO) (not being a citizen of Pakistan or Bangladesh or Sri Lanka or Afghanistan or China or Iran or Nepal or Bhutan), who

- At any time, held Indian passport, or
- Who or either of whose father or whose grandfather are a citizen of India
- Whose spouse is person of Indian Origin

### **Q3. What is an OCI?**

**A:** Overseas Corporate Bodies (OCBs) are bodies predominantly owned by individuals of Indian nationality or origin residing outside India and include overseas companies, partnership firms, societies and other corporate bodies which are owned, directly or indirectly, to the extent of at least 60% by individuals of Indian nationality or origin residing outside India as also overseas trusts in which at least 60% of the beneficial interest is irrevocably held by such persons. Such ownership interest should be actually held by them and not in the capacity as nominees.

### **Q4. How an NRI can make investments?**

**A:** Investments can be made through:

- a) NRE (NON Resident Repatriation) account
- b) NRO (NRO-Repatriation) account.



**NRE Account:**

To be funded with remittance from overseas or transferred from other NRE / FCNR accounts. Local credits are not permitted. Both principal and interest are fully repatriable. Interest lying to the credit of NRE accounts is exempt from tax in the hands of the NRI.

**NRO account:**

To be founded by remittance from overseas or through local sources. Interest accrued on Fixed deposits is repatriable after tax deduction at source. Principal is not reportable. Interest income, from NRO accounts is taxable. Interest income, net of taxes is reportable.

**Q 5. How can an NRI open an investment account?**

**A:** An NRI can open either NRE/NRO account through a registered broker, by fulfilling the mandatory requirements.

**Q 6. What are the investment opportunities available in India for NRIs, FIIs?**

**A:** NRI can invest in India through the following routes :

1. Equity,
2. Mutual Funds,
3. Portfolio Investment scheme,
4. Real estate,
5. Debentures.

**Q 7. What are the different investment routes available for NRIs?**

**A:** AN NRI can invest in India in possibly three ways:

**Direct Investment** – NRIs can make direct investment in India on repatriation or non-repatriation basis, by subscribing to shares and debentures of Indian Companies.

**Portfolio Investment** – NRIs can take a prior permission of RBI to acquire shares of Indian companies on both repatriation and non-repatriation basis through stock exchange in India.

**Investment in new issues of Indian companies under the Forty (40) percent Scheme:** NRIs/OCBs are permitted to subscribe to new issues of shares (equity & preference) or NRIs/OCBs are permitted to subscribe to new issues of shares (equity & preference) or convertible debentures of any new or existing company with the right of repatriation of the capital invested and income earned thereon, provided the aggregates issue to non-residents qualifying of the facility or repatriation does not exceed 40 percent of



the face value of the new issue. Investment under this scheme can be made in new or existing companies engaged in the following areas of activity:

1. Hospital (including diagnostic centers)
2. Hotels with 3,4 and 5 star rating
3. Shipping
4. Development of computer software
5. Oil exploration services
6. Private or public limited companies raising capital for setting up new industrial / manufacturing activities

Application for permission for investment under the 40% scheme should be made by the Indian Companies

Seeking non-resident capital, in the form of USD to the Chief General Manager, Exchange Control Department, Foreign exchange Division II, NRI Cell, RBI Bombay.

**Government Securities:**

NRIs can freely purchase Central and State government securities (other than bearer securities) and National Plan / Savings certificates by effecting remittances from abroad through normal banking channels or by withdrawing funds from their non-resident accounts with banks in India. Such investments should be made through the banks maintaining their non-resident accounts.

**Q 8. What is the procedure for making applications for Portfolio Invest Scheme?**

**A:** The application is to be submitted to a designated branch of an authorized dealer in India in the prescribed form. No permission is required from RBI.

**Designated Branch:** Reserve Bank has authorized a few branches of each authorized dealer to conduct the business under Portfolio Investment scheme on behalf of NRIs. These branches are the main branches of major commercial banks. NRIs will have to route their applications through any of the designated authorized dealer branches that have authorization from Reserve Bank.

**Q 9. Does an NRI require any permission to receive bonus/rights shares?**

**A:** No

**Q 10. Whether NRI can apply through more than one authorized dealer?**

**A:** Yes, NRI can select multiple authorized dealer (Broker) for the purpose of investment under Portfolio Investment Scheme (PIS) and route the transactions through the designated branch i.e. under the PIS, NRI can open only one bank A/c.



**Q11. Who regulates the investment of NRIs?**

**A:** ForeignExchange Management Act (FEMA) regulates NRI Investments in India.

**Q 12. What is the maximum limit for investing?**

**A:** The maximum overall investments one FII, NRI or PIO can have are as follows:

1. FII should be 24% of the paid up capital of the Indian company,
2. 10% for NRIs and PIOs.

The limit is 20% of the paid up capital in case of public sector banks, including the State Bank of India.

**Q 13. Can the maximum limit for investment be raised?**

**A:** Yes, The upper limit of 24% for FII investment can be raised up to sectoral cap/statutory ceiling, subject to the approval of the board and the general body of the company passing a special resolution to that effect. And the maximum limit of 10% can be raised to 24% subject to the approval of the general body of the company passing a resolution to that effect.

**Q 14. Who monitors the NRI trades?**

**A:** The Reserve Bank of Indian (RBI) monitors the maximum limits on FII, NRI or PIO investments in Indian companies on a daily basis. Transfer of shares / debentures of Indian companies by NRIs to other non-residents does not require permission of Reserve Bank.

**Q 15. FCNR-B (fixed Deposit):**

**A:** Held in foreign currency only. Can be funded with remittance from overseas or through transfer from NRE accounts. Both principal and interest are fully repatriable.

**Q 16. What are the tax exemptions available for NRIs?**

**A:** For the NRIs tax exemptions on:

1. Income from interest on National Savings certificate VII / VIII issue purchased in foreign exchange and interest on notified bonds purchased in foreign exchange by the NRIs.
2. Income from interest on funds held in NRE / FCNR accounts.
3. Income from NRNR deposit
4. Interest on notified securities or bonds and premium on redemption of such securities
5. Income from units or UT acquired in foreign exchange by Indian citizen / person of Indian origin.
6. Interest from notified bonds (7-year dollar bonds issued by the SBI notified) purchased in foreign exchange, exemption continues even after person becomes resident.
7. Interest paid by scheduled banks on RBI approved foreign currency deposits, to an NRE or NRO.



**Q 17. How can an NRI transfers shares held in an account?**

**A:** No permission of Reserve Bank required for sale/transfer of Government securities/units. Authorized dealers have been permitted to undertake sale of government securities / units on behalf of NRIs without prior approval or Reserve Bank.

In case of shares/debentures/bonds acquired by NRIs through stock exchanges under the Portfolio Investment Scheme, general exemption has been granted for transfer through stock exchanges provided the sale is arranged through the same designated branch through whom they were purchased.

Transfer of shares/debentures of Indian companies by NRIs to other non-residents does not require permission of Reserve Bank.

Reserve Bank has granted general permission to NRIs to transfer, by way of gift, shares, bonds and debentures of Indian companies held by them with Reserve Bank's permission to their resident close relative/s.

**Q 18. What are the tax exemptions available for NRIs?**

**A:** There are five types of NRI accounts:-

**Rupee ACCOUNTS**

**1. Non-resident (External) rupee Accounts (NRE Accounts)**

NRIs, PIOs, OCBs are eligible to open NRE accounts, the rupee denominated accounts. Accounts can be in the form of savings, current, recurring or fixed deposit accounts. Accounts can be opened by remittance of funds in free foreign exchange. Joint operation with other NRIs/PIOs is permitted.

**2. Ordinary Non-Resident Rupee accounts (NRO Accounts)**

These are Rupee denominated non-reportable accounts and can be in the form of savings, current recurring or fixed deposits. These accounts can be opened jointly with residents in India. When an Indian National / PIO resident in India leaves for taking up employment, etc. outside the country, his bank account in India gets designated as NRO account. The deposits can be used to make all legitimate payments in rupee. Interest income, from NRO accounts is taxable. Interest income, net of taxes is reportable.

**3. Non-resident (Non-reportable) Rupee Deposit accounts (NRNR Accounts)**

NRIs/PIOs/OCBs, other non-resident Individuals/ entities are permitted to open these accounts. Accounts can be opened by transfer of freely convertible foreign currency funds from abroad, or from NRE / FCNR accounts. Deposits can be held jointly with a resident. Deposits can be for period from 6 months to 3 years, and can be renewed further. The principal is non-reportable; interest can be repatriated and is not taxable.

**4. Non-Resident (Special) Rupee Accounts with banks in India**

NRIs/PIOs can now open Non-Resident (Special) rupee accounts with banks in India which will have the same facilities and restrictions as are applicable to rupee accounts maintained in India by residents relating to repatriation of funds held in these accounts and /or income/ interest earned on them. The scheme, which has become effective from April 15, 1999, provides that the procedure for opening such accounts is the same as that of domestic accounts of resident individuals.



## 5. Foreign Currency Accounts

Foreign Currency (NON Resident) Accounts (Banks) (FCNR (B) Accounts ) NRIs / PIOs / OCBs are permitted to open such accounts in US Dollars, Sterling Pounds, Deutsche Marks, Japanese Yen and Euro. The account may be opened only in the form of term deposit for any of the three maturity periods viz; (a) one year and above but less than two years (ii) two years and above but less than three years and (iii) three years only. Interest income is tax free in the hands of NRI until he maintains a non-resident status or a resident but not ordinarily resident status under the Indian tax laws.

### Q 19. What are the account opening requirements?

#### A:For NRE accounts:

1. PAN card copy
2. Resident proof (electricity bill, phone bill in the address currently residing at).
3. Bank proof (Mentioning NRE status on it)
4. DP Proof (Mentioning NRE status on it)
5. RBI permission (can be applied from any bank).

#### For NRO accounts:

1. PAN Card copy
2. Residentproof (electricity bill, phone bill in the address currently residing at).
3. Bank proof (mentioning NRO status)
4. DP Proof (mentioning NRO status)

### Q20. Does an NRI need any RBI permission to open a demat account?

A: No permission is required from RBI to open a demat account. However, credits and debits from demat account may require general or specific permissions as the case may be, from designated authorized dealers.

### Q 21. If NRI/PIO desires to make investments under different schemes; can he hold all such securities in a single demat account?

A: No Securities received against investments under 'Foreign Direct Investment Scheme (FDI)', Portfolio Investment scheme (PIS)' and 'Scheme for Investment' on non-repatriation basis have to be credited into separate demat accounts. Investment under PIS could be on repatriation or non-repatriation basis. Investment under FDI scheme is on repatriation basis.

### Q 22. Can securities purchased under repatriable and non-repatriable category be held in a single demat account?

A: No An NRI must open separate demat accounts for holding 'repatriable' and non-repatriable' securities.