



## **FAQ for NRI (Mutual Fund)**

The following information is provided for general information only. However, in view of the individual nature of the implications, each investor is advised to consult with his or her own tax Advisors / Authorized dealers with respect to the specific tax and other implications arising out of his or her participation in the schemes.

### ➤ **Who is a Non-Resident Indian (NRI)?**

NRI is a person residing outside India who is a citizen of India or Person of Indian Origin (PIO).

### ➤ **Who is a Person of Indian Origin (PIO)?**

A Person of Indian Origin (PIO) means a citizen of any country (other than Bangladesh or Pakistan),

- i) S/He at any time has held an Indian passport or;
- ii) S/He or either of his / her parents or grandparents was a citizen of India by virtue of the constitution of India or Citizenship Act, 1955 (57 of 1995) or;
- iii) S/He is a spouse of an Indian citizen or of a person referred above.

### ➤ **Who is a Foreign Institutional Investor (FII)?**

FII means an institution established or incorporated outside India, which proposes to make investments in Indian securities and is registered with SEBI.

### ➤ **What are the different types of rupee accounts that are permitted and can be maintained by NRIs?**

The three types of rupee accounts permitted, that can be maintained by NRIs are as follows:

- a. NRE: Non-Resident (External) Rupee Account
- b. NRO: Non-Resident (Ordinary) Rupee Account
- c. FCNR – B: Foreign Currency (Non –Resident) Accounts (Banks)

Note : With effect from 01/04/2002, both NRSR and NRNR deposit schemes have been discontinued.

### ➤ **What are NRE and NRO accounts?**

Non-Resident (External) Rupee (**NRE**) account is a rupee account from which funds are freely repatriable. It can be opened with either funds remitted from abroad or local funds maintained in NRE/ FCNR accounts, which can be remitted abroad. The deposits can be used for all legitimate purposes. The balance in the account is freely repatriable.



Non-Resident Ordinary Rupee (**NRO**) account is a rupee account and can be opened with funds either remitted from abroad or generated in India. The amounts in such an account are generally non-repatriable. However, funds in NRO accounts can be remitted abroad subject to/as per various directives in force at the time of repatriation. More details can be found on the Reserve Bank of India (RBI) website [www.rbi.org.in](http://www.rbi.org.in)

➤ **What is the distinction between NRE and NRO Accounts?**

Balances held in NRE accounts can be repatriated abroad freely, whereas funds in NRO accounts cannot be remitted abroad but have to be used only for local payments in rupees. Funds due to the non-resident account holder which do not qualify, under the Exchange Control regulations, for remittance outside India are required to be credited to NRO accounts.

Type of Account Currency Repatriable / Non Repatriable

- ✓ NRE - Non Resident External INR Freely Repatriable
- ✓ NRO - Non Resident Ordinary INR Non Repatriable, Repatriable subject to RBI conditions
- ✓ FCNR - Foreign Currency Non Resident USD, GBP, Yen, Euro Repatriable

➤ **Does an NRI, PIO, FII requires any approval from the RBI to invest in mutual fund schemes?**

No special approval is required. NRIs/FIIs have been granted a general permission by RBI [Schedule 5 of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000] for investing in/redeeming units of the schemes subject to conditions set out in the aforesaid regulations.

➤ **What is a PIO Card? Who Issues PIO Cards? How to get a PIO Card?**

Person of Indian Origin (PIO) Cards are issued by Ministry of External Affairs (CPV Division), Government of India to persons of Indian origin through Indian embassy abroad. Specific information on rules, forms, particular offices, missions is available on the website

➤ **Can an NRI, and FIIs invest in mutual funds in India?**

Yes.

The following summary outlines the various provisions related to investments by Non-Resident Indians ('NRIs'), Persons of Indian Origin ('PIOs') and Foreign Institutional Investors ('FIIs') in the Schemes of the Mutual Fund and is based on the relevant provisions of the Income-tax Act, 1961 ('the Act'), regulations issued under the Foreign Exchange Management Act, 1999 and the Wealth-tax Act, 1957 (collectively called 'the relevant provisions').

Purchase Applications. NRIs can invest in Mutual funds on a Repatriable/Non-Repatriable basis as per the



provisions of Schedule 5 of the Foreign Exchange Management (Transfer or issue of Security by a Person Resident Outside India) Regulations, 2000 ('the Regulations') as explained below.

A Common Application Form duly completed together with Cheque's or bank drafts should be submitted at Investor Service Centers. All Cheque's/demand drafts accompanying the application form must be made in favour of the scheme names and should be made payable at a city where the application is accepted by any Mutual Fund Investor Service Centers.

#### ➤ Repatriable Basis

To invest on a repatriable basis, NRI investor must have an NRE or FCNR Bank Account in India. The Reserve Bank of India (RBI) has granted a general permission to Mutual Funds to offer mutual fund schemes on repatriation basis, subject to the following conditions:

- ❖ The amount representing investment should be received by inward remittance through normal banking channels, or by debit to an NRE / FCNR account of the non-resident investor.
- ❖ The net amount representing the dividend / interest and maturity proceeds of units may be remitted through normal banking channels or credited to NRE / FCNR account of the investor, as desired by him subject to payment of applicable tax.

#### ➤ Non-Repatriable Basis

The Reserve Bank of India (RBI) has granted a general permission to Mutual Funds to offer mutual fund schemes on non-repatriation basis, subject to the following conditions:

- ❖ Funds for investment should be provided by debit to NRO account of the NRI/ FII investor. Alternatively, funds may be invested by inward remittance or by debit to NRE / FCNR Account.
- ❖ No permission of Reserve Bank either by the Mutual Fund or the NRI investor is necessary. FII Investors. FIIs may pay for their purchases with funds held in a Foreign Currency account or Non-resident Rupee account maintained in a designated branch of an authorized dealer [Clause 3(1) of the Regulations]. Payments may be made by Cheque's payable at a city where the application is accepted by any Mutual Fund Investor Service Centers.

Applications from FIIs should be accompanied by appropriate documentation supporting the status of the FII investor and should be sent to the AMC/ISC, so as to reach them not later than 7 days after the date of the subscription.



Similarly, in case of an application under a Power of Attorney or by an FII, the original Power of Attorney or the relevant resolution/authority to make the application (or a duly notarized certified true copy thereof), along with a certified copy of the Memorandum and Articles of Association and/or bye laws and Certificate of Registration should be submitted to the Mumbai ISC within 7 days from the date of the application. The officials should sign the application under their official designation.

The NRIs/PIOs/FIIs may also be required to furnish other documents needed to process their investments.

➤ **Can an NRI invest in foreign currency?**

An NRI cannot make the investment in foreign currency. He needs to give us a Rupee Cheque from his NRE, NRO bank account in India. He may also send a Rupee Cheque from abroad payable in a bank in India. However, for an NRI to invest, it is mandatory that he maintains a bank account in India.

➤ **What is the mode of payment for Repatriation and Non-Repatriation Basis?**

NRI Investor:

Repatriable Basis. Payments for the purchase of the units may be made by Indian Rupee drafts purchased abroad, or by Cheque's drawn on the NRE/FCNR Account of the investor, payable at the city where the application form is accepted by any Mutual Fund Investor Service Centers.

Non-Repatriable Basis. Payments for the purchase of the units may be made by Indian Rupee drafts purchased abroad, or by Cheque's / demand drafts drawn on the NRE / FCNR / NRO / NRSR / NRNR account of the investor, payable at the city where the application form is accepted by any Mutual Fund Investor Service Centers.

FII Investors. FIIs may pay for their subscription amounts by Indian Rupee drafts purchased abroad, or from funds held in a Foreign Currency account or Non-resident Rupee account maintained in a designated branch of an authorized dealer. The Indian Rupee drafts/Cheque's should be made payable at a city where the application is accepted by any Mutual Fund Investor Service Centers.

➤ **Will the fund accept an NRI application with an overseas bank account detail?**

No.

➤ **How will the redemption proceeds be paid?**

Redemption proceeds may be paid by Cheque. The Cheque will be payable to the first unit holder and will include the bank account number. Alternatively the redemption proceeds may be credited directly to the



investor's (Unit Holder/ First Holder in the folio) bank account. This facility is available with select banks as mentioned in our application forms.

Redemption proceeds/repurchase price and/or dividend or income earned (if any) will be payable in Indian Rupees only. The fund will not be liable for any loss due to exchange fluctuations, while converting the Rupee amount into US Dollar or any other currency.

➤ **How can the redemption proceeds be repatriated?**

The investments shall carry the right of repatriation of capital invested and capital appreciation so long as the investor continues to be a resident outside India.

In the case of an FII, the designated branch of the authorized dealer may allow remittance of net sale/maturity proceeds (after payment of taxes) or credit the amount to the Foreign Currency account or Non-Resident Rupee account of the FII, maintained in accordance with the approval granted to it by the RBI [Clause 5(i) of the Regulations].

In the case of NRIs:-, where the investment is made out of inward remittance or from funds held in the NRE/FCNR account of the investor, the maturity proceeds/repurchase price of units (after payment of taxes) may be credited to the NRE/FCNR/NRO/NRSR account of the non-resident investor maintained with an authorized dealer in India [Clause 5(ii) of the Regulations].

➤ **What about redemption proceeds where investments were made on a non-repatriable basis?**

Where the purchase of units is made on a non-repatriable basis, the maturity proceeds/repurchase price of units (after payment of taxes) will not qualify for repatriation and may be credited to the NRO/NRSR account of the non-resident investor [Clause 5(ii) of the Regulations]

Where the investment is made out of funds held in a NRSR account, the maturity proceeds/ repurchase price of units (after payment of taxes) may be credited to the NRSR account maintained by the investor with an authorized dealer in India [Clause 5(ii) of the Regulations].

Similarly, investments in units purchased in Rupees, where the investor was a resident of India and subsequently becomes a non-resident, will not qualify for repatriation of repurchase proceeds of units.

The entire income distribution on the investment will, however, qualify for full repatriation. Investors are advised to contact their banks/tax consultants if they desire remittance of the income distribution on units abroad.

➤ **Will you transfer money to an investor's overseas account?**

No. Investors need to contact their authorized dealers for this service.

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➤ **What is the tax liability on redemptions?**

Please refer the [tax reckoner](#) for details.

Additionally, please note that Section 206AA of the Income Tax Act (the Act) provides for tax deduction at source at the higher of the following rates, if the recipient of the income has not furnished their Permanent Account Number (PAN).

- ❖ At the rate specified in the relevant provision of this Act
- ❖ At the rate or rates in force
- ❖ At the rate of 20%

To reduce the compliance burden of foreign companies and non-residents, the Finance Act, 2016 has relaxed the condition of obtaining a PAN by such foreign companies and non-residents, subject to the recipient foreign companies or non-residents (deductee) furnishing the following details:

- ❖ name, email id, contact number;
- ❖ address in the country or specified territory outside India of the home country of the non-resident;
- ❖ a certificate of residence in any country or specified territory outside India from the government of that country or specified territory if the law of that country or specified territory provides for the issuance of such certificate i.e. Tax Residency Certificate (TRC); and
- ❖ Tax Identification Number (TIN) of the non-resident in the country or specified territory of his residence and, in case no such number is available, a unique number on the basis of which the non-resident is identified by the government of that country or specified territory of which he claims to be a resident.

Furthermore, these details are required to be reported to the Indian tax authorities by Mutual Fund AMCs (for investments in their schemes) by way of including it in the withholding tax returns and stating 'PAN not available'

➤ **When a NRI is considered as Non-Resident for Tax Matters?**

If a citizen of India has to leave the country for a job or as an Indian Ship Crewmember, and S/He has to spend less than 182 Days in the country for that year, S/He is considered Non-Resident for Tax Matters.

➤ **What are the Tax Rules applicable for NRI?**

1. An NRI must pay Tax on any Income that arises or accrues in India.
2. An NRI cannot open a PPF account.
3. As soon as a NRI turns Resident, the Global Income gets taxed in India.

➤ **What are the Tax Rates applicable on Investments in Indian Mutual Fund?**



To avoid confusion you must know the Tax Rates & TDS Rates applicable on Investing in Indian Mutual Fund.

Type of Mutual Fund	Mutual Fund Capital Gain Tax Rates for NRI 2017-18	TDS Rates for NRI Mutual Fund Investors 2017-18
Equity Mutual Fund (STGC)	15%	15%
Equity Mutual Fund (LTGC)	Tax Exempt	NIL
Non-Equity Mutual Fund (STGC)	Based on Individual Tax Slab	30%
Non-Equity Mutual Fund Listed (LTGC)	20% with Indexation Benefit	20% with Indexation Benefit
Non-Equity Mutual Fund Unlisted (LTGC)	10% without Indexation Benefit	10% without Indexation Benefit

Security Transaction Charges are also levied on equity-oriented mutual funds. This category of mutual fund needs to be bought and sold through a recognized Stock Exchange. Therefore, a *Security Transaction Tax (STT)* is levied on the same. Given below are the STT Rates applicable.

Security Transaction Tax Rates		
Transaction Type	Rates	Payable By
Sale/Purchase of delivery based Equity Shares	0.1%	Seller/Purchaser
Purchase of Equity Mutual Fund units	NIL	Purchaser
Sell of Equity Mutual Fund units (delivery based)	0.0001%	Seller
Sell of Equity Mutual Fund, units of Business Trust, Equity Shares (non-delivery based)	0.025%	Seller
Sale of an Option in Securities	0.05%	Seller
Sale of an Option in Securities (option exercised)	0.125%	Purchaser
Sale of Future in Securities	0.01%	Seller
Sale of Equity Fund Units to the Mutual Fund	0.0001%	Seller
Sale of Equity Shares, units of Business Trust	0.2%	Seller

➤ **Is Aadhaar Card required for Filing NRI Tax Returns?**

No. If you are a NRI, filing taxes regularly in India, you do not need the Aadhaar Card to be linked to your PAN in order to file your returns.

➤ **What is the proof of the Tax Deduction at Source?**



A TDS certificate is issued in the name of the Unit holder / First holder mentioning the details of the transaction and the tax deducted. The TDS certificate is commonly known as Form 16 A.

➤ **When will the TDS certificate be issued?**

The digitally signed TDS Certificates (Form 16A) are dispatched to the investors once in a quarter.

➤ **Is the indexation benefit available to NRIs?**

Yes, if units are held for more than 12 months i.e. on long-term capital gains.

➤ **Are fund units liable to the wealth tax?**

**No**, Units issued to FIIs/NRIs will not be treated as assets as defined under section 2(ea) of the Wealth-Tax Act, 1957 and hence will not be liable to wealth tax.

➤ **Can an NRI fax a request followed by the original documents?**

**No**, Units cannot be redeemed or allotted on the basis of fax applications. A request that lacks a valid signature cannot be processed/accepted.

➤ **Is nomination by NRIs allowed in Mutual Fund Schemes?**

**Yes**, It is allowed only for Individuals.

➤ **Can a resident Indian have an NRI as nominee?**

**Yes**, The same rules apply for nominees to resident Indian folio(s). An NRI can be a nominee to an folio(s) which is in the name of a resident Indian.

➤ **Where can I get the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 and Schedule 5 thereof?**

Visit the Reserve Bank of India (RBI) website at <http://www.rbi.org.in>