



RETURNING INDIAN

FEMA (Foreign Exchange Management Act)

....continued

8. What happens to foreign currency account of student who had gone abroad for studies and now has returned back to India?

On the return of student to India after completion of studies, they can continue to maintain their foreign currency account opened outside India however the account will be deemed to have been opened under the Liberalised Remittance Scheme (LRS).

9. What happens to NRO, NRE and FCNR(B) accounts upon return to India?

NRO Accounts: The same needs to be mandatorily converted to resident savings account or is required to be closed.

NRE Accounts: The same needs to be mandatorily converted to resident savings account or transfer the funds to Resident Foreign Currency (RFC) Account.

FCNR(B) accounts: The same can be continued to be held upto its maturity. Post maturity the proceeds need to be transferred to resident savings account or RFC Account.

10. What is the status of the investments in India made by the Returning Indian while he was resident outside India?

Fixed Deposits: An Indian FD account such as NRO/NRE FD Account could be converted to resident FD Account.

Mutual Funds: the returning Indian must inform the Broker/Bank/AMC regarding the change in the residential status.

Demat Accounts: In case of Demat Accounts one has to open a new resident Demat Account and transfer all the holdings from the old non-resident one.



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11.Can the individual have any insurance policy outside India after he settles in India?

Life/General Insurance Policy taken outside India when the individual was non-resident can be continued after becoming resident. No permission is required for payment of premium. Maturity proceeds or any amount of claim due from the insurance shall be repatriated to India within 7 days of receipt.

After turning Resident, new overseas Life Insurance policies cannot be taken but one can have overseas General Insurance policies.

12.Does the returning NRI need to update the KYC details with the Indian Banks?

The returning NRIs need to update the KYC details with the Indian Banks to change their residential status from non-resident to resident.

13.What is RFC Account for Returning Indians?

An RFC account is a savings account maintained in foreign currencies for NRIs who have returned to India and hold the funds in foreign currency. These foreign currency balances can be held in form of current, savings or term deposits.

14.What are the benefits of an RFC account?

RFC account is beneficial for holding multiple foreign currencies in one account, easily convert funds in local currency, easily invest in foreign currency-denominated assets and securities, LRS limit will not apply, etc.

15.How can the funds in RFC accounts be used?

There are no restrictions on utilising of funds in RFC accounts whether in India or outside India and overseas payments can be for both for expenses and investments

16.How much can the individual remit outside India after returning to India?

Once an individual returns to India permanently he will be treated as person resident in India. Therefore, for any remittances outside India the eligible limit for resident will be USD 2,50,000 per financial year under the Liberalized Remittance Scheme (LRS). As per para 5 of FEM (Current Account Transactions) Rules, 2000, LRS limit is not applicable where payment is from funds held in RFC account.



17. For what purposes can the funds be remitted under LRS?

The funds under LRS can be remitted for purposes such as private visits to any countries (except Nepal & Bhutan), gifts, donations, emigration, maintenance of close relatives, foreign studies, foreign medical treatments, travel for business, etc.

The remittances can also be done for some capital account transactions like:

- a. Opening of foreign currency account outside India
- b. Acquisition of immovable property outside India
- c. Overseas Direct Investment and Overseas portfolio Investment in terms of Overseas Investment Rules, 2022.
- d. Extending loans in Indian Rupees to NRIs relatives.

18. What are prohibited remittances under the LRS?

Following are the remittances that are prohibited under the LRS:

1. Purchase of lottery tickets or sweep stakes
2. Margins or margin calls to overseas exchanges
3. Foreign currency bonds issued by Indian companies in overseas market
4. Trading in foreign exchanges abroad
5. Capital account remittances to non-cooperative countries and territories, individuals and entities posing a risk of committing acts of terrorism
6. Gifting of foreign exchange balances by a resident to another resident.

19. What happens to investments and income earned out of investments made under LRS?

Investor who has remitted funds under LRS can retain, reinvest the income earned from on the investments. The received/realised/unspent/unused foreign exchange, unless reinvested, shall be repatriated and surrendered to an authorised person within 180 days from the date of such receipt/realisation/purchase/acquisition or date of return to India as the case may be.

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