

NAVIGATING ACCOUNTS IN INDIA: A COMPREHENSIVE GUIDE FOR NON-RESIDENTS

INTRODUCTION

India's growing economy and favorable regulatory landscape have positioned it as an appealing destination for non-residents seeking financial prospects. For individuals and entities aiming to participate in financial activities within the country, having a clear understanding of the available accounts is essential. This guide provides a detailed exploration of the different account options, who is eligible to open them, what transactions are allowed, and how to ensure compliance with regulations, making it easier for non-residents to navigate the Indian financial landscape.

NRIs are individuals who have been residing outside of India for at least **120 days** in a year and have spent less than **365 days** in India over the previous four years. However, if an individual leaves India for **employment** in another country, they are immediately classified as an NRI.

In another condition, to be considered a non-resident Indian, the individual must have stayed for less than **4 years** out of the preceding **10 years** in India.

*This condition underwent a change in the Union Budget 2020, where the earlier classification considered **2 years** instead of 4, and **182 days** instead of 120*

DEFINING NON-RESIDENCY IN INDIA

Before delving into account types, it's essential to define non-resident status according to Indian regulations. A '**Non-Resident Indian (NRI)**' is someone residing outside India while holding Indian citizenship. Similarly, a '**Person of Indian Origin (PIO)**' is an individual residing outside India who is a citizen of any country except Bangladesh or Pakistan and meets specific Indian government criteria.

TYPES OF ACCOUNTS AVAILABLE FOR NON-RESIDENTS

Account Type	NRE Account <i>Non-Resident (External) Rupee Account</i>	NRO Account <i>Non-Resident Ordinary Rupee Account</i>	FCNR (B) Account <i>Foreign Currency (Non-Resident) Account</i>
Who can open	NRIs and PIOs	Any person resident outside India	NRIs/PIOs
Joint Account	Jointly with NRIs/PIOs	Jointly with NRIs/PIOs or residents	With resident relative on 'former or survivor' basis
Currency	Indian Rupees	Indian Rupees	Any permitted foreign currency
Type of Account	Savings, Current, Recurring, Fixed Deposit	Savings, Current, Recurring, Fixed Deposit	Term Deposit only
Period for fixed deposits	1-3 years	As applicable to resident accounts	1-5 years
Permissible Credits	Inward remittance, interest, transfers, maturity proceeds	Inward remittances, legitimate dues, transfers from other NRO accounts	Current income, rent, dividend, pension, etc.

Permissible Debits	Local disbursements, remittance outside India, transfers to other NRE/FCNR(B) accounts	Permissible local payments, transfers to other NRO accounts, remittance of current income abroad	Local payments, transfers to other NRO accounts, remittance of current income
Repatriability	Repatriable	Balances remittable up to USD 1 million per financial year	Not repatriable except for current income
Taxability	Exempt from income tax	Taxable	Taxable
Loans in India	Loans allowed with no limit, subject to usual margin requirements	Loans allowed subject to usual norms and margin requirements	Loans allowed subject to usual norms and margin requirements
Loans outside India	Loans permitted against security of NRE/FCNR(B) accounts	Not permitted	Not permitted
Rate of Interest	As per guidelines	As per guidelines	As per guidelines
Operations by Power of Attorney in favor of a resident	Restricted to permissible local payments or remittance to the account holder	Restricted to permissible local payments or remittance to the account holder	Restricted to permissible local payments or remittance to the account holder
Change in residential status from Non-resident to resident	Account should be designated as resident or funds transferred to RFC accounts upon return to India	Account may be designated as resident upon return to India for any purpose indicating intention to stay	Deposits may continue till maturity at contracted rate, convert to resident rupee deposit or RFC account upon maturity

Important Points:

NRE Account: *Repatriable*, exempt from income tax, loans allowed in India without limit, funds can be transferred to RFC accounts upon return to India.

NRO Account: *Balances remittable up to USD 1 million per financial year*, taxable, loans allowed subject to usual norms, no loans permitted outside India, can be designated as resident account upon return to India.

FCNR (B) Account: *Not repatriable except* for current income, taxable, loans not permitted outside India, can continue till maturity or convert to resident accounts upon change in residential status.

ACCOUNTS FOR DIPLOMATIC MISSIONS AND PERSONNEL

Foreign diplomatic missions and personnel have specific account options:

Account Type	Eligibility	Permissible Transactions	Repatriability
Rupee Deposits	Foreign diplomatic missions and personnel	-	Repatriable without RBI approval
Special Accounts for Diplomatic Rupee for Bond	Diplomatic missions and personnel	Purchase of bonded stocks from firms with customs approval	Repatriable without RBI approval

Stores			
Foreign Currency Accounts	Diplomatic missions, personnel, and non-diplomatic staff	Inward remittances, transfers from the rupee account	Repatriable without RBI approval

ACCOUNTS FOR BANGLADESHI/PAKISTANI NATIONALS AND ENTITIES

Individuals or entities of Pakistani nationality or ownership, and entities owned or controlled from Bangladesh or Pakistan, intending to open accounts in India need **prior approval from the Reserve Bank of India (RBI)**. However, individuals of Bangladeshi nationality can open **NRO (Non-Resident Ordinary) accounts** under certain conditions, subject to holding a **valid visa and residential permit**.

Note:

Furthermore, citizens of Bangladesh or Pakistan belonging to minority communities residing in India, such as Hindus, Sikhs, Buddhists, Jains, Parsis, and Christians, granted Long Term Visa (LTV) or under consideration for LTV, are permitted to open one NRO account. This is subject to conditions outlined in Notification No. FEMA 5(R)/2016-RB dated April 01, 2016, and subsequent updates. The opening of such accounts requires reporting to the Ministry of Home Affairs by the concerned Authorized Dealer (AD) bank on a quarterly basis

ACCOUNTS FOR TOURISTS VISITING INDIA

Foreign nationals of non-Indian origin visiting India can open NRO accounts, either current or savings, with funds remitted from outside India through banking channels or by selling foreign exchange brought into India. Funds in the NRO account can be repatriated upon the account holder's departure, provided the account has been **active for a period not exceeding six months and has not received local funds, except for accrued interest**.

Special Non-Resident Rupee Account (SNRR) vs. Non-Resident Ordinary Rupee Account (NRO) Account

Feature	SNRR Account	NRO Account
Eligibility	Any person resident outside India with business interests in India can open an SNRR account.	Open to any person resident outside India for bona fide rupee transactions. Nationals/entities from Pakistan or Bangladesh require prior RBI approval.
RBI Approval	Prior approval from the RBI is required for nationals/entities from Pakistan or Bangladesh.	Nationals/entities from Pakistan or Bangladesh require prior RBI approval.
Account Type	SNRR accounts are non-interest bearing.	Types include current, savings, recurring, or fixed deposit accounts.
Transactions	Transactions are specific to the account holder's business activities in India.	Transactions involve inward remittances, local payments, etc.
Tenure	Tenure depends on the business contract or operation period, with a maximum of seven years.	No tenure restrictions.
Repatriability	Repatriable.	Repatriable, subject to certain limitations.

ACCOUNTS FOR PERSONS RESIDENT IN NEPAL AND BHUTAN

Residents of Nepal and Bhutan can open Indian rupee accounts with authorized dealers in India.

DEPOSITS FOR MULTILATERAL ORGANIZATIONS

Multilateral organizations, including their subsidiaries/affiliate bodies and officials in India, can open deposits with authorized dealers in India.

ACCEPTANCE OF DEPOSITS BY INDIAN COMPANIES FROM NON-RESIDENTS

Indian companies can accept deposits from non-residents in compliance with Section 160 of the Companies Act, 2013. Such transactions fall under current account transactions and can be conducted freely without restrictions from FEMA.

FOREIGN CURRENCY ACCOUNTS FOR FOREIGN PORTFOLIO INVESTORS (FPIS) AND FOREIGN VENTURE CAPITAL INVESTORS (FVCIS)

FPIs and FVCIs registered with SEBI can open and maintain non-interest bearing foreign currency accounts for making investments in accordance with relevant SEBI regulations and Foreign Exchange Management (Non-Debt Instrument) Rules, 2019.

ESCROW ACCOUNT OPENING AND PURPOSE

Resident and non-resident acquirers can open INR-denominated Escrow Accounts with AD banks in India for the acquisition/transfer of capital instruments/convertible notes. This is in accordance with relevant regulations and subject to terms specified under Schedule 5 of Foreign Exchange Management (Deposit) Regulations, 2016, as amended.

ELIGIBILITY CRITERIA FOR OPENING AN NRI ACCOUNT

Category	Eligibility Criteria
Employed, business owner, or engaged in trade in a foreign country	Individuals should be actively employed, own a business, or involved in trade activities in a foreign country.
Employed in specific sectors requiring prolonged absence from India	Individuals employed in sectors such as the Indian Navy, foreign-registered airlines, oil rigs, or overseas shipping companies where absence from India's domestic territories is mandated for at least 182 days.
Government employees with diplomat passports	Government employees holding diplomat passports are eligible to open NRI accounts.
Students studying abroad	Students pursuing education in foreign countries can also open NRI accounts.

DOCUMENTS REQUIRED FOR OPENING AN NRI ACCOUNT

1. Application form
2. Photocopies of passport pages containing personal details (name, address, birth date, passport issuance and expiration dates, etc.)
3. Proof of employment
4. Relevant visas (e.g., Work Permit, Student Visa, Employment Visa, Residence Visa)
5. KYC documents, if applicable
6. Additional forms as per the specific requirements of the financial institution.

These documents are typically required by all financial institutions in India for opening NRI accounts. However, additional forms or documents may be needed depending on the policies of the concerned institution.

WHO SHOULD OPEN NRI ACCOUNTS

- Individuals with income sources in India, such as rental income or dividends, can benefit from opening an NRO account.
- NRIs with dependents in India or those planning to return to India in the future may opt for NRE accounts to facilitate remittances and savings.
- NRIs interested in participating in the Indian stock market or investing in Indian financial instruments can open NRI accounts to enable such transactions.

CONCLUSION

Managing finances as an NRI involves choosing the right type of NRI account based on individual financial goals, income sources, and risk preferences. NRE, NRO, and FCNR accounts offer distinct features and benefits, catering to the diverse needs of NRIs. By understanding the advantages and disadvantages of each account type, NRIs can make informed decisions to effectively manage their finances and achieve their financial objectives.
