

Banking, Investment and Taxation in India Handbook for Overseas Indians



Table of content

1. Introduction	1
2. Income Tax Issues for NRIs/PIOs	4
3. Personal Banking Issues for NRIs/PIOs	15
I. Rupee Accounts	15
II. Foreign Currency Accounts	26
4. Policy Framework for Investment by NRIs/PIOs	29
5. Investment Opportunities for NRIs in India	33
I. Investment in Shares and Securities Portfolio Investment Scheme for NRIs.....	33
II. Loans & Overdrafts	35
III. Investment In Real Estate.....	38
IV. Remittance Facilities for NRIs/PIOs.....	39
6. Acquisition & Transfer of Immovable Property in India	41
I. Acquisition of Immovable Property in India	41
II. Transfer of immovable property in India	46
i. Transfer by Sale.	46
ii. Transfer by gift.....	47
iii. Transfer through mortgage.....	48

III. Mode of payment for purchase	49
IV. Repatriation of sale proceeds of residential / commercial property purchased by NRI / PIO.....	50
V. Other issues.....	53
7. Legislations Affecting Non-Resident Indians.....	55
8. Information Resources	57
I. Selected Agencies involved in various clearances/Approvals:	57
II. List of Websites of Important Ministries and Organisations of Govt of India.....	58
III. List of Websites of States/Union Territories	59
IV. Important Contact Details of Ministry of Overseas Indian Affair, Govt of India.....	61
9. Annexures.....	62
i. Illustrative List of Sectors under Automatic Route for FDI Upto 100%	62
ii. Illustrative List of Infrastructure Sectors with FDI Upto 100%	63
iii. Illustrative List of Services Sector with FDI Upto 100%	64
10. References	65

1. Introduction

1.1. Who is a Non Resident Indian?

According to the Indian Income-Tax, a person is said to be not ordinarily resident in India in any previous year if such person is:

- a. An individual who has been a non-resident in India in nine out of the ten previous years preceding that year, or has during the seven previous years preceding that year been in India for a period of, or periods amounting in all to, seven hundred and twenty-nine days or less; or
- b. A Hindu undivided family whose manager has been a non-resident in India in nine out of the ten previous years preceding that year, or has during the seven previous years preceding that year been in India for a period of, or periods amounting in all to, seven hundred and twenty-nine days or less.

However, for other a Non-Resident Indian can be defined as follows:

Since different agencies handle different areas of activities, each department has defined Resident and Non Resident Indian according to their purpose e.g. Income Tax Department defines such Indians according

1. Introduction

to their requirements whereas RBI defines Resident and Non-Resident Indians according to their own needs. However, in all cases, the basic concept remains same. Accordingly, NRI can be defined as a person ordinarily not residing in India but holds Indian Passport and falls in one of the below given categories:

- ◆ Citizens of India who stay abroad for employment or for pursuing any business or vocation or for any other purpose in situations that indicates indefinite period of stay outside India.
- ◆ Indian citizens working in foreign countries on deputation with foreign Governments, Government agencies or international/ multinational agencies like United Nations Organisations, International Monetary Fund, World Bank etc. Employees of both Union and State Governments and PSUs deputed abroad on assignments with Inter-Governmental Organizations such as UNO and its organs, foreign Governments or any other organization posted to their own offices (including Indian Diplomatic Missions) abroad.

1.2. Who is a Person of Indian Origin (PIO)?

A **Person of Indian origin** (PIO) is a person who is a citizen of any country at present (other than Pakistan, Bangladesh or Sri Lanka) .i. one who holds passport of other country and meets one of the following:

- I. At any time held an Indian Passport,
- II. He or either of his parents and grand parents was a citizen of