

## Foreign Currency Accounts by Resident Individuals

(As on August 01, 2016)

These FAQs attempt to put in place the common queries that users have on the subject in easy to understand language. However, for conducting a transaction, the Foreign Exchange Management Act, 1999 (FEMA) and the Regulations made or directions issued thereunder may be referred to. The relevant principal regulations are the Foreign Exchange Management (Foreign Currency Accounts by a Person Resident in India) Regulations, 2015 issued vide [Notification No. FEMA 10\(R\)/2015-RB dated January 21, 2016](#). The directions issued are consolidated in Part I of the [Master Direction No 14 on Deposits and Accounts](#). Amendments, if any, to the principal regulations are appended.

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Q1. Who is a person resident in India?

Answer: Sec 2(v) of the Foreign Exchange Management Act, 1999 (FEMA) defines a person resident in India as:

(i) a person residing in India for more than one hundred and eighty-two days during the course of the preceding financial year but does not include-

(A) a person who has gone out of India or who stays outside India, in either case-

- a. for or on taking up employment outside India, or
- b. for carrying on outside India a business or vocation outside India, or
- c. for any other purpose, in such circumstances as would indicate his intention to stay outside India for an uncertain period;

(B) a person who has come to or stays in India, in either case, otherwise than-

- a. for or on taking up employment in India, or
- b. for carrying on in India a business or vocation in India, or
- c. for any other purpose, in such circumstances as would indicate his intention to stay in India for an uncertain period;

(ii) any person or body corporate registered or incorporated in India,

(iii) an office, branch or agency in India owned or controlled by a person resident outside India,

(iv) an office, branch or agency outside India owned or controlled by a person resident in India;

Q2. What is a foreign currency account?

Answer: A Foreign Currency Account is an account held or maintained in currency other than the currency of India or Nepal or Bhutan.

Q3. What are the major foreign currency accounts that can be opened in India by a resident individual?

Answer: Some of the foreign currency accounts that can be opened by resident individuals with an Authorised Dealer bank in India, along with their features are given below:

Particulars	Exchange Earners Foreign Currency (EEFC) Account	Resident Foreign Currency (Domestic) [RFC(D)] Account	Resident Foreign Currency (RFC) Account
Who can open the account	Exchange Earners	Individuals	Individuals

Joint account	Jointly with eligible persons;  or  With resident relative(s) on former or survivor' basis.  Relative as defined under Companies Act, 2013 (viz. members of HUF, spouse, parents, step-parents, son, step-son, daughter-in-law, daughter, son-in-law, brother/sister, step-brother/ step-sister)  Relative joint account holder cannot operate the account during the life time of the account holder	Jointly with any person eligible to open the	Same as EEFC
Type of Account	Current only	Current only	Current/ savings/ term deposits
Interest	Non-interest earning	Non-interest earning	De-regulated (As decided by the AD bank)
Permitted Credits	1) 100% of foreign exchange received on account of export transactions.  2) advance remittance received by an exporter towards export of goods or services  3) Repayment of loans given to foreign importers  4) Disinvestment proceeds on conversion of ADR/ GDR  5) professional earnings like director's/ consultancy/ lecture fees, honorarium and similar other earnings received by a professional by rendering services in his individual capacity  6) Interest earned on the funds held in the account  7) Re-credit of unutilised foreign currency earlier withdrawn from the account  8) Payments received in foreign exchange by an Indian startup arising out of sales/ export made by the startup or its overseas subsidiaries	1) Foreign exchange received as payment/ service/ gift/ honorarium while on visit abroad or from a non-resident who is on a visit to India  2) Unspent amount of foreign exchange acquired from AD for travel abroad  3) Gift from close relative  4) Earning through export of goods/ services, royalty  5) Disinvestment proceed on conversion of shares into ADR/ GDR  6) foreign exchange received as earnings of LIC claims/maturity/ surrendered value settled in forex from an Indian insurance company  7) Balances in NRE/ FCNR (B) accounts on change in residential status	1) Foreign exchange received by him as superannuation/ other benefits from overseas employer  2) Foreign exchange realised on conversion of the assets referred to in Sec 6(4) of FEMA  3) Gift/ inheritance received from a person referred to in Sec 6(4) of FEMA  4) Foreign exchange acquired before the July 8, 1947 or any income arising on it held outside India with RBI permission  6) Foreign exchange received as earnings of LIC claims/maturity/ surrendered value settled in forex from an Indian insurance company
Permitted Debits	1) Any permissible current or capital account transaction  2) Cost of goods purchased  3) Customs duty  4) Trade related loans and advances	Can be used for any permissible current/ capital account transactions.	No restrictions on utilisation in/ outside India.

Q4. In what form can a foreign currency account in India be opened?

Answer: Unless otherwise specifically stated in the features of the account, a foreign currency account maintained by a person resident in India with an authorized dealer in India can be opened, held and maintained in the form of current or savings or term deposit account in cases where the account holder is an individual, and in the form of current account or term deposit account in all other cases. The account can be held singly or jointly in the name of person eligible to open, hold and maintain such account.

Q5. When can a resident individual open a foreign currency account outside India?

Answer: A resident individual can open a foreign currency account with a bank outside India in the following cases:

- 1) A resident student who has gone abroad for studies for the period of stay abroad. All credits to the account from India should be made in accordance with FEMA and the rules and regulations made thereunder. On the student's return to India after completion of studies, the account will be deemed to have been opened under the Liberalised Remittance Scheme (LRS).
- 2) A resident who is on a visit to a foreign country for the period of stay abroad. The balance in the account should be repatriated to India on return of the account holder to India.
- 3) A person going abroad to participate in an exhibition/ trade fair for crediting the sale proceeds of goods. The balance should be repatriated to India within one month from the date of closure of the exhibition/ trade fair.
- 4) The following persons for remitting/ receiving their entire salary payable to them in India:
  - a. A foreign citizen resident in India, who is an employee of a foreign company and is on deputation to the office/ branch/ subsidiary/ joint venture/ group company in India;
  - b. An Indian citizen who is an employee of a foreign company and is on deputation to the office/ branch/ subsidiary/ joint venture/ group company in India; and
  - c. A foreign citizen who is a resident in India and is employed with an Indian company.
- 5) For the purpose of sending remittances under the Liberalized Remittance Scheme.

Q6. Can a resident continue to maintain an account outside India which was opened by him when he was a non-resident?

Answer: A person resident in India may maintain a foreign currency account outside India if he had opened it when he was resident outside India or inherited it from a person resident outside India.

Q7. What is the status of the account held outside India on the demise of the account holder?

Answer: A resident nominee of an account held outside India has to close the account and bring back the proceeds to India through banking channels

Amendments to the Principal Regulations

1. [Notification No. FEMA 10 \(R\)/\(1\)/2016-RB dated June 1, 2016](#)