

Accounts in India by Non-residents

(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 (Deposit) Regulations, 2016 issued vide [Notification No. FEMA 5\(R\)/2016-RB dated April 01, 2016](#). The directions issued are consolidated in Part II of the [Master Direction No 14 on Deposits and Accounts](#). Amendments, if any, to the principal regulations are appended.

Q1. Who is an NRI?
Q2. Who is a PIO?
Q3. What are the major accounts that can be opened in India by a non-resident?
Q4. Can a Bangladeshi/ Pakistani national or an entity owned/ controlled from Bangladesh/ Pakistan have an account in India?
Q5. What are the accounts that a tourist visiting India can open?
Q6. What is a SNRR account? How is it different from a NRO account?
Q7. What are the deposits that foreign Diplomatic missions/ personnel and their family members in India can hold?
Q8. Can persons resident in Nepal and Bhutan have accounts in India?
Q9. Can multilateral organisation have deposits in India?
Q10. Can an Indian company accept deposits from non-residents in compliance with section 160 of the Companies Act, 2013?

Q1. Who is an NRI?

Answer: A 'Non-resident Indian' (NRI) is a person resident outside India who is a citizen of India.

Q2. Who is a PIO?

Answer: A 'Person of Indian Origin (PIO)' is a person resident outside India who is a citizen of any country other than Bangladesh or Pakistan or such other country as may be specified by the Central Government, satisfying the following conditions:

Who was a citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955 (57 of 1955); or

Who belonged to a territory that became part of India after the 15th day of August, 1947; or

Who is a child or a grandchild or a great grandchild of a citizen of India or of a person referred to in clause (a) or (b); or

Who is a spouse of foreign origin of a citizen of India or spouse of foreign origin of a person referred to in clause (a) or (b) or (c)

A PIO will include an 'Overseas Citizen of India' cardholder within the meaning of Section 7(A) of the Citizenship Act, 1955. Such an OCI Card holder should also be a person resident outside India.

Q3. What are the major accounts that can be opened in India by a non-resident?

Particulars	Non-Resident (External) Rupee Account Scheme [NRE Account]	Foreign Currency (Non-Resident) Account (Banks) Scheme [FCNR (B) Account]	Non-Resident Ordinary Rupee Account Scheme [NRO Account]
(1)	(2)	(3)	(4)

Who can open an account	<p>NRIs and PIOs</p> <p>Individual/entities of Pakistan and Bangladesh shall require prior approval of the Reserve Bank of India</p>		<p>Any person resident outside India for putting through bonafide transactions in rupees.</p> <p>Individuals/ entities of Pakistan nationality/ origin and entities of Bangladesh origin require the prior approval of the Reserve Bank of India.</p> <p>Post Offices in India may maintain savings bank accounts in the names of persons resident outside India and allow operations on these accounts subject to the same terms and conditions as are applicable to NRO accounts maintained with an authorised dealer/ authorised bank.</p>
Joint account	<p>May be held jointly in the names of two or more NRIs/ PIOs.</p> <p>NRIs/ PIOs can hold jointly with a resident relative on 'former or survivor' basis (relative as defined in Companies Act, 2013). The resident relative can operate the account as a Power of Attorney holder during the life time of the NRI/ PIO account holder.</p>		<p>May be held jointly in the names of two or more NRIs/ PIOs.</p> <p>May be held jointly with residents on 'former or survivor' basis.</p>
Currency	Indian Rupees	Any permitted currency i.e. a foreign currency which is freely convertible	Indian Rupees
Type of Account	Savings, Current, Recurring, Fixed Deposit	Term Deposit only	Savings, Current, Recurring, Fixed Deposit
Period for fixed deposits	From one to three years, However, banks are allowed to accept NRE deposits above three years from their Asset-Liability point of view	For terms not less than 1 year and not more than 5 years	As applicable to resident accounts.
Permissible Credits	<p>Credits permitted to this account are inward remittance from outside India, interest accruing on the account, interest on investment, transfer from other NRE/ FCNR(B) accounts, maturity proceeds of investments (if such investments were made from this account or through inward remittance).</p> <p>Current income like rent, dividend, pension, interest etc. will be construed as a permissible credit to the NRE account.</p> <p>Care: Only those credits which have not lost repatriable character</p>		<p>Inward remittances from outside India, legitimate dues in India and transfers from other NRO accounts are permissible credits to NRO account.</p> <p>Rupee gift/ loan made by a resident to a NRI/ PIO relative within the limits prescribed under</p>

		the Liberalised Remittance Scheme may be credited to the latter's NRO account.
Permissible Debits	Permissible debits are local disbursements, remittance outside India, transfer to other NRE/ FCNR(B) accounts and investments in India.	<p>The account can be debited for the purpose of local payments, transfers to other NRO accounts or remittance of current income abroad.</p> <p>Apart from these, balances in the NRO account cannot be repatriated abroad except by NRIs and PIOs up to USD 1 million, subject to conditions specified in Foreign Exchange Management (Remittance of Assets) Regulations, 2016.</p> <p>Funds can be transferred to NRE account within this USD 1 Million facility.</p>
Repatriability	Repatriable	<p>Not repatriable except for all current income.</p> <p>Balances in an NRO account of NRIs/ PIOs are remittable up to USD 1 (one) million per financial year (April-March) along with their other eligible assets.</p>
Taxability	Income earned in the accounts is exempt from income tax and balances exempt from wealth tax	Taxable

Loans in India	<p>AD can sanction loans in India to the account holder/ third parties without any limit, subject to usual margin requirements. These loans cannot be repatriated outside India and can be used in India only for the purposes specified in the regulations.</p> <p>In case of loans sanctioned to a third party, there should be no direct or indirect foreign exchange consideration for the non-resident depositor agreeing to pledge his deposits to enable the resident individual/ firm/ company to obtain such facilities.</p> <p>In case of the loan sanctioned to the account holder, it can be repaid either by adjusting the deposits or through inward remittances from outside India through banking channels or out of balances held in the NRO account of the account holder.</p> <p>The facility for premature withdrawal of deposits will not be available where loans against such deposits are availed of.</p> <p>The term “loan” shall include all types of fund based/ non-fund based facilities.</p>	<p>Loans against the deposits can be granted in India to the account holder or third party subject to usual norms and margin requirement. The loan amount cannot be used for relending, carrying on agricultural/ plantation activities or investment in real estate.</p> <p>The term “loan” shall include all types of fund based/ non-fund based facilities.</p>
Loans outside India	<p>Authorised Dealers may allow their branches/ correspondents outside India to grant loans to or in favour of non-resident depositor or to third parties at the request of depositor for bona fide purpose against the security of funds held in the NRE/ FCNR (B) accounts in India, subject to usual margin requirements.</p> <p>The term “loan” shall include all types of fund based/ non-fund based facilities</p>	Not permitted
Rate of Interest	As per guidelines issued by the Department of Banking Regulations	
Operations by Power of Attorney in favour of a resident	Operations in the account in terms of Power of Attorney is restricted to withdrawals for permissible local payments or remittance to the account holder himself through normal banking channels.	Operations in the account in terms of Power of Attorney is restricted to withdrawals for permissible local payments in rupees, remittance of current income to the account holder outside India or remittance to the account holder himself through normal banking channels. While making remittances, the limits and conditions of repatriability will apply.

Change in residential status from Non-resident to resident	NRE accounts should be designated as resident accounts or the funds held in these accounts may be transferred to the RFC accounts, at the option of the account holder, immediately upon the return of the account holder to India for taking up employment or on change in the residential status.	On change in residential status, FCNR (B) deposits may be allowed to continue till maturity at the contracted rate of interest, if so desired by the account holder. Authorised dealers should convert the FCNR(B) deposits on maturity into resident rupee deposit accounts or RFC account (if the depositor is eligible to open RFC account), at the option of the account holder.	NRO accounts may be designated as resident accounts on the return of the account holder to India for any purpose indicating his intention to stay in India for an uncertain period. Likewise, when a resident Indian becomes a person resident outside India, his existing resident account should be designated as NRO account.
---	---	---	---

Q4. Can a Bangladeshi/ Pakistani national or an entity owned/ controlled from Bangladesh/ Pakistan have an account in India?

Answer: Opening of accounts by individuals/ entities of Pakistan nationality/ ownership and entities of Bangladesh ownership requires prior approval of the Reserve Bank.

However, individuals of Bangladesh nationality can open an NRO account subject to the individual(s) holding a valid visa and valid residential permit issued by Foreigner Registration Office (FRO)/ Foreigner Regional Registration Office (FRRO) concerned.

Q5. What are the accounts that a tourist visiting India can open?

Answer: An NRO (current/ savings) account can be opened by a foreign national of non-Indian origin visiting India, with funds remitted from outside India through banking channel or by sale of foreign exchange brought by him to India. The balance in the NRO account may be paid to the account holder at the time of his departure from India provided the account has been maintained for a period not exceeding six months and the account has not been credited with any local funds, other than interest accrued thereon.

Q6. What is an SNRR account? How is it different from a NRO account?

Answer: Any person resident outside India, having a business interest in India, can open a Special Non-Resident Rupee Account (SNRR account) with an authorised dealer for the purpose of putting through bona fide transactions in rupees which are in conformity with the provisions of the Act, rules and regulations made thereunder. The features of the SNRR account are:

The SNRR account will carry the nomenclature of the specific business for which it is opened and not earn any interest.

The debits/ credits and the balances in the account should be incidental and commensurate with the business operations of the account holder.

Authorised Dealers are required to ensure that all the operations in the SNRR account are in accordance with the provisions of the Act, rules and regulations made thereunder.

The tenure of the SNRR account should be concurrent to the tenure of the contract/ period of operation/ the business of the account holder and in no case should exceed seven years. No operations are permissible in the account after seven years from the date of opening of the account.

The operations in the SNRR account should not result in the account holder making available foreign exchange to any person resident in India against reimbursement in rupees or in any other manner.

The balances in the SNRR account can be repatriated outside India.

Transfers from any NRO account to the SNRR account are not permitted.

All transactions in the SNRR account will be subject to payment of applicable taxes in India.

SNRR account may be designated as resident rupee account on the account holder becoming a resident.

The amount due/ payable to non-resident nominee from the account of a deceased account holder, will be credited to NRO account of the nominee with an authorised dealer/ authorised bank in India.

Opening of SNRR accounts by Pakistan and Bangladesh nationals and entities incorporated in Pakistan and Bangladesh requires prior approval of Reserve Bank.

The SNRR can be held only as a non-interest earning account, while an NRO account can earn interest. While the balances in a NRO account are non-repatriable (except for current income and to the extent permissible for NRIs/ PIOs under FEMA 13(R)), SNRR is a repatriable account.

Q 7. What are the deposits that foreign Diplomatic missions/ personnel and their family members in India can hold?

Answer: The following accounts are permitted:

Foreign diplomatic missions and diplomatic personnel and their family members in India may open rupee deposits with an AD Bank.

Diplomatic missions and diplomatic personnel can open special rupee accounts namely Diplomatic Bond Stores Account to facilitate purchases of bonded stocks from firms and companies who have been granted special facilities by customs authorities for import of stores into bond, subject to conditions. The funds in the account may be repatriated outside India without the approval of Reserve Bank.

Diplomatic missions, diplomatic personnel and non-diplomatic staff, who are the nationals of the concerned foreign countries and hold official passport of foreign embassies in India can open foreign currency accounts in India. The account may be held in the form of current or term deposit account, and in the case of diplomatic personnel and non-diplomatic staff, may also be held in the form of savings account. Such accounts can be credited by way of inward remittances and transfers (which are collected in India as visa fees) from the rupee account of the diplomatic mission in India. Funds held in such account if converted in rupees shall not be converted back into foreign currency. The funds in the account may be repatriated outside India without the approval of Reserve Bank.

Q8. Can persons resident in Nepal and Bhutan have accounts in India?

Answer: Persons resident in Nepal and Bhutan can open Indian rupee accounts with an authorised dealer in India.

Q9. Can multilateral organisation have deposits in India?

Answer: Any multilateral organization, of which India is a member nation, or its subsidiary/ affiliate bodies and officials in India can open deposits with an authorised dealer in India.

Q10. Can an Indian company accept deposits from non-residents in compliance with section 160 of the Companies Act, 2013?

Answer: Yes, such acceptance of deposit and refunds, if required, will be covered under current account transactions and can be made freely without any restriction from FEMA perspective.

