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FAQ on NRI Investments in India

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- **Can NRIs invest in Mutual Funds in India?**

Yes, Non Resident Indians (NRI) and Persons of Indian Origin (PIO) can invest in Indian Mutual Funds on a full repatriation as well as non-repatriation basis.
NRIs need to fulfill all KYC and regulatory requirements before investing in Mutual Funds.

- **Does any country have given restrictions to NRIs for investing in Mutual Funds in India?**

A few countries such as US and Canada have restricted investments by NRIs in Mutual Funds without relevant disclosures. Some AMCs do not accept mutual fund applications from NRIs in Canada and the USA.

- **Can NRI invest through SIP?**

Yes, NRIs can invest through SIP.

- **Can NRI opt for both Growth or Dividend Option?**

Yes, NRI can opt for both Growth & Dividend options while investing in Mutual Funds in India.

- **Can NRI repatriate the redemption proceeds from Mutual Funds whenever they want?**

The redemption proceeds received in NRE/FCNR A/c can be repatriated. But it can not be repatriated from NRO A/c.

- **How many types of Bank A/c can an NRI open?**

NRIs can choose from three major types of accounts. As an NRI in India, you can open an NRE (Non-Resident External) Account, NRO (Non-Resident Ordinary) Account and FCNR (Foreign Currency Non-Resident) Deposit Account.

- **What is NRE A/c?**

An NRE(Non-Resident External) Account is a rupee-denominated account that NRIs can open. They can use the NRE account to deposit their foreign currency earnings. The advantage of an NRE account is that it has high liquidity and allows for full repatriation of funds from the account to the NRI's country of residence when required.

- **Who can open NRE A/c?**

An NRE account can be opened by an NRI, Person of Indian Origin(PIO) or a person who has become a non-resident under FEMA.

- **Can a Resident Power of Attorney holder open / close NRE A/c?**

No

- **What is FCNR A/c and who can open it?**

FCNR stands for Foreign Currency Non Resident Account. This is a kind of fixed deposit account opened for depositing income earned overseas. The account is held in foreign currency.
The account can be opened by Non-Resident Indians (NRI) and Overseas Corporate Bodies (OCB).

- **What is NRO A/c?**

A Non-Resident Ordinary (NRO) Account is a popular way for many Non-Resident Indians (NRIs) to manage their deposits or income earned in India such as dividends, pension, rent, etc. This account allows you to receive funds in either Indian or foreign currency.

- **What is FEMA?**

The Foreign Exchange Management Act (FEMA) is legislation which regulates the inflow and outflow of foreign exchange. The Central Government of India formulated the same to encourage external payments and across the border trades in India.

- **What are the investment procedures in Mutual Funds for NRI in India?**

i. NRIs need to open NRE, NRO or FCNR A/c with Indian Bank.
ii. NRIs need to submit a Mutual Fund Application along with the KYC Documents.
iii. KYC documents include latest Photo, attested photocopy of Pancard, Passport, Address proof of Outside India and Bank Statement.
iv. NRI investors can select a POA holder to invest in his/her behalf. Signature of Investor and POA holder should be present in the document.

- **What are Mutual Fund regulations for NRI?**

i. NRI investors need to complete the KYC process along with investment proposals.
ii. If payment is made by a Cheque or Demand Draft then Foreign inward remittance certificate or letter from the bank is required.
iii. At the time of Redemption TDS is applicable as per highest tax bracket and remaining sale procedure gets credit in Bank A/c. If the investment is non-repatriable investment then proceeds get credited to NRO A/c only.
iv. NRI can submit an income tax return and get a refund of the excess TDS amount paid.

- **How are NRI Mutual Fund investors taxed?**

i. Equity Taxation - 15% on short term and 10% on long term above Rs 1lakh without any indexation.
ii. Debt Taxation - Short term gains are as per tax slab of the investor and in the long term for listed schemes is 20% with indexation and for unlisted schemes is 10% without indexation.

- **What is TDS rate on redemption of NRI investment in Mutual Fund?**

For Equity oriented Mutual Fund TDS is deducted 10% for LTCG and 15% for STCG.
Other than Equity oriented Mutual Fund TDS rate is 30% STCG and for Long Term 20% with indexation and 10% without indexation.

- **Do NRIs need to file their income tax return in India?**

Any Individual, inclusive of NRI, if total Income exceeds 2.5 lakhs need to submit income tax return in India.

- **Do NRI need to pay taxes on Capital Gain in the country where they currently reside?**

India has Double Taxation Avoidance Agreement (DTAA) with more than 90 countries across the globe. So if NRI residing in a country which has signed DTAA with India, investors can avoid double taxation.

- **What are different classes of Residential Status prescribed under Income Tax Act for an Individual?**

Resident and Ordinarily Resident in India(ROR).
Resident but not Ordinarily Resident in India(RNOR).
Non Resident (NRI).

- **Can HUF become NRI?**

An HUF can become NRI provided all the members of coparceners become NRI.

- **Is 'Karta's' residential status is Important for determining the residential status of HUF?**

For determining whether HUF is a Resident or not, the residential status of its 'Karta' for the relevant previous year is of no relevance.

- **Can NRI invest in ELSS Mutual Fund to claim SEC 80C deduction?**

Yes, NRI can Invest in ELSS Mutual Fund to get eligible for Sec 80C deductions of Rs 1.5 Lakhs.

- **What are deductions under Sec 80C allowable for NRI?**

i. Life insurance premium payment.
ii. Children's tuition fee payment.
iii. Principal repayments on loan to purchase house property.
iv. Unit-Linked Insurance Plan (ULIP).
v. Investments in ELSS

- **What are deductions disallowed under Sec 80C for NRI?**

i. Investment in Public Provident Fund (PPF).
ii. Investments in National Savings Certificates (NSCs)
iii. Post office 5-year deposit scheme.
iv. Senior Citizen Savings Scheme (SCSS)

- **Is interest earned in NRI Bank A/c tax free?**

Interest earned in NRE & FCNR A/c is tax free but interest in NRO A/c is fully taxable in India. Interest in NRO A/c is subject to TDS without any threshold limit.

- **What is the difference between NRI and PIO?**

NRIs are people who are Indian citizens but residing abroad.
On the other hand, PIOs are people who are foreign citizens(Other than Bangladesh or Pakistan) but once held an Indian passport. If they were born abroad to Indian parents or parents who once held an Indian passport, they would qualify for PIO status, but not for NRI status.

- **How to determine Residence Status of an Individual?**

An Individual is said to be Resident in India in any previous Year if he satisfies any one of the following basic conditions.
Basic Conditions:
A. He was in India in the previous year for a period of 182 days or more.
B. Stays in India for at least 365 days during 4 preceding years and 60 days or more in the relevant financial year.
Beside the basic conditions there are two additional conditions.
Additional Conditions:

1. He has been Resident in India for at least two out of the ten previous years preceding the relevant previous year.
2. He has been in India for at least 730 days in all during the seven previous years preceding the relevant previous year

❖ **What is Resident Not-Ordinary Resident(RNOR)?**

If an Individual satisfies any one basic condition for being resident but does not satisfy two additional conditions, he is said to be Not-Ordinary Resident.

❖ **What is Non Resident Indian?**

If the Individual does not satisfy none of the Basic conditions to become Resident he is said to be Non Resident Indian. Additional conditions are irrelevant.

❖ **What is "Deemed to be Resident in India"?**

An Indian Citizen, who is not liable to pay tax in any other country by reason of his domicile or residence and total income exceeding 15lakh other than foreign income shall be deemed to be Resident of India.

For any further information and queries please contact us directly on our business account no +91- 7032075111 or send us email on info@kyronfinserv.com