

UNIT 20 – BANKING - Short notes on Accounts for NRI/PIO in India

What are the different types of accounts which can be maintained by an NRI/PIO in India?

Types of accounts which can be maintained by an NRI / PIO in India:

A. Non-Resident Ordinary Rupee Account (NRO Account)

NRO accounts may be opened / maintained in the form of current, savings, recurring or fixed deposit accounts. Interest rates offered by banks on NRO deposits cannot be higher than those offered by them on comparable domestic rupee deposits.

- Account should be denominated in Indian Rupees.
- Permissible credits to NRO account are transfers from rupee accounts of non-resident banks, remittances received in permitted currency from outside India through normal banking channels, permitted currency tendered by account holder during his temporary visit to India, legitimate dues in India of the account holder like current income like rent, dividend, pension, interest, etc., sale proceeds of assets including immovable property acquired out of rupee/foreign currency funds or by way of legacy/ inheritance.
- NRI/PIO may remit from the balances held in NRO account an amount not exceeding USD one million per financial year, subject to payment of applicable taxes.
- The limit of USD 1 million per financial year includes sale proceeds of immovable properties held by NRIs/PIOs.

B. Non-Resident (External) Rupee Account (NRE Account)

1) NRE account may be in the form of savings, current, recurring or fixed deposit accounts.

- 2) Such accounts can be opened only by the non-resident himself and not through the holder of the power of attorney.
- 3) Account will be maintained in Indian Rupees.
- 4) Accrued interest income and balances held in NRE accounts are exempt from Income tax.
- 5) Authorised dealers/authorised banks may at their discretion allow for a period of not more than two weeks, overdrawings in NRE savings bank accounts, up to a limit of Rs.50,000.
- 6) Loans up to Rs.100 lakh can be extended against security of funds held in NRE Account either to the depositors or third parties.

C. Foreign Currency Non Resident (Bank) Account – FCNR (B) Account

- FCNR (B) accounts are only in the form of term deposits of 1 to 5 years
- Account can be in any freely convertible currency.
- Loans up to Rs.100 lakh can be extended against security of funds held in FCNR (B) deposit either to the depositors or third parties.
- The interest rates are stipulated by the Department of Banking Operations and Development, Reserve Bank of India.

