

What is Difference between Non Resident Indian (NRI) and Person of Indian Origin (PIO)?

Non Resident Indian: A Non Resident Indian is Indian Passport holder residing outside India for purpose of employment, carrying out business, any vocation or a person who intends to stay outside India for any other purpose signifying his Intent to stay out of India for Indefinite period.

NRI classification as per Income Tax act, 1961

A person is a non-resident Indian if he/she does not meet the residency criteria as below:

- You have been in India for 182 days or more during the previous Financial Year; or
- You were in India for a period of 60* days or more during the previous Financial Year and 365 days or more during the four years immediately preceding the previous Financial Year.

The period of 60 days is substituted by:

- 182 days if he/she is an Indian citizen leaving India for the purpose of employment or as a member of the crew of the Indian ship.
- 182 days if he/she is an Indian citizen or Person of Indian Origin (PIO)/Overseas Citizen of India (OCI) residing abroad and coming on a visit to India but having income less than 15 lakh from Indian sources.
- 120 days if he/she is an Indian citizen or PIO/OCI coming on visits to India but having income greater than 15 lakh from Indian sources.

If you fulfil any of the above conditions, you are regarded as a 'resident' of India for the previous year. In case you are unable to fulfil any of the above conditions, you will be regarded as a 'non-resident'.

Person of Indian origin (PIO)

A Person of Indian Origin (PIO) means a foreign citizen (except a national of Pakistan, Afghanistan, Bangladesh, China, Iran, Bhutan, Sri Lanka and Nepal) who at any time held an Indian passport Or who or either of their parents/ grand parents/ great grand parents was born and permanently

resident in India as defined in Government of India Act, 1935 and other territories that became part of India thereafter provided neither was at any time a citizen of any of the aforesaid countries (as referred above); Or Who is a spouse of a citizen of India or a PIO

A person of Indian origin can apply for OCI card by which you are entitled for multi purpose, multi entry and lifelong visa allowing them to visit India any time. OCI card holder are granted rights at par with NRI, barring the right to acquire agriculture or plantation property or to vote in Indian election.

Here are the types of bank accounts an NRI can open in India:

Non-Resident (External) Rupee Account (NRE account)

- The accounts may be maintained in any form, e.g. savings, current, recurring or fixed deposit account
- Joint accounts can be opened by two or more NRIs and/or PIOs or by an NRI/PIO with a resident relative(s) on 'former or survivor' basis. However, during the life time of the NRI/PIO account holder, the resident relative can operate the account only as a Power of Attorney holder.
- Inward remittances to the account and remittances outside India from NRE account are permitted.
- The debits allowed from this account are local disbursements, transfer to other NRE/ FCNR(B) and investments in India.
- Current income like rent, dividend, pension, interest etc. will be construed as a permissible credit to the NRE account provided the Authorised Dealer is satisfied that the credit represents current income of the NRI/PIO account holder and income tax thereon has been deducted/ paid/ provided for, as the case may be.

Non-Resident (Ordinary) Rupee Account (NRO account)

- Non-resident Indians (NRIs) and Persons of Indian Origin (PIOs) are permitted to open and maintain these accounts with authorised dealers and banks registered with Reserve Bank of India.
- Any person resident outside India (as per Section 2 (w) of FEMA), may open and maintain NRO account with an Authorised Dealer or an Authorised Bank for the purpose of putting through bona fide transactions denominated in Indian Rupees.

• 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.

- The accounts may be maintained in any form, e.g. savings, current, recurring or fixed deposit account.
- The accounts may be held jointly with residents 26on 'former or survivor' basis. NRIs and PIOs may hold an NRO account jointly with other NRIs and PIO
- Inward remittances from outside India, legitimate dues in India and transfers from other NRO accounts are permissible credits to NRO account. Rupee gift/ loan made by a resident to a NRI/PIO relative within the limits prescribed under the Liberalised Remittance Scheme may be credited to the latter's NRO account.

Foreign Currency (Non-Resident) Account (FCNR account)

- The accounts can be maintained only in the form of fixed deposit.
- Other conditions such as credits/debits, joint accounts, loans / overdrafts, operation by power of attorney etc., as applicable to an NRE account will be applicable to FCNR (B) account as well.
- The rate of interest and tenor applicable to these accounts will be in accordance with the directions/instructions issued by the Department of Banking Regulation, Reserve Bank of India.

Investments which NRI can do In India?

NRI can invest in India on repatriable basis in following instrument (*Repatriable investments are those investments where the proceeds of maturity or the sale are allowed to be taken outside India.)

- Domestic Mutual funds
- Government dated securities
- Treasury bills
- Bonds issued by PSUs in India
- Bonds issued by infrastructure debt funds
- Listed non-convertible debentures
- Perpetual debt instruments and debt capital instruments issued by banks in India
- Initial Public Offerings (IPOs)
- National Pension System (NPS)
- Direct equity (Demat and trading account can be opened only through portfolio investment scheme (PIS) route)

NRI can invest in India on non repatriable basis in following instrument

- Initial Public Offerings (IPOs)
- Futures & Options
- Equity stocks
- Domestic and money market mutual funds
- Government dated securities
- Treasury bills

- Bonds issued by PSUs in India
- Bonds issued by infrastructure debt funds
- Listed non-convertible debentures
- Perpetual debt instruments and debt capital instruments issued by banks in India
- Initial Public Offerings (IPOs)
- National Pension System (NPS)

Please note that NRI/PIO are allowed to buy all kind of properties except agricultural land, farmhouse and plantation property. However you can get a RBI and government approval for purchasing agricultural land, farmhouse and plantation property. If you are holding agricultural land, farmhouse and plantation property prior to becoming NRI then you can continue to hold the same.

If an NRI purchases immovable property in India from a resident, he must deduct TDS at 1% if the sale consideration exceeds Rs 50 lakh. If the NRI purchases a property from a non-resident, and if long-term capital gains are applicable, then TDS should be deducted at 20%. In case short-term capital gains are applicable, TDS at 30% needs to be deducted. Short-term capital gains are applicable when a property is sold within two years or less of acquiring it. If the property is sold two years after it is acquired, there is a long-term capital gain. A NRI can qualify for lower rates under applicable Double Taxation Avoidance Agreements (DTAA).

NRIs can buy capital gains bonds issued by the National Highway Authority of India (NHA) or Rural Electrification Corporation (REC), etc. to save tax on their long-term capital gains from the sale of their property in India.

You can also repatriate funds from NRO account to your foreign account.

NRIs can repatriate the balance in their

NRO account (only current income such as rent & pension and other income where taxes are not deducted at source) to your NRE account or your account in your home country.

Although, the funds are not freely repatriable. The Reserve Bank of India (RBI) allows NRIs to remit up to USD 1 million per financial year from their NRO account. The interest earned on NRO Deposits is taxable in India: 30% tax + surcharge + education cess* is deducted at the source of interest earned in India. You can transfer funds from NRO to NRE account after providing proper documentation prepared by a Chartered Accountant stating that all the taxes are paid on the funds being transferred from the NRO Account.

All the following documents are needed to be submitted at the Bank Branch (in India). You can either submit it when you arrive here or download it online and send the signed copies to bank branch via courier:

- Form 15CA (The purpose of this document is to ensure that taxes are collected on the funds before they are remitted abroad as it becomes difficult to recover taxes at a later stage) (Fill the form online on NSDL and print the acknowledgement)
- Form 15CB (Certificate of an Accountant) (The Accountant fills the form and shares it with the account holder. The account holder then sends it to the bank via courier)
- Form A2 (Form for remittance)
- Request Form from the Bank (for details to debit funds from your account)

As a NRI/PIO you should consider investing in India as I feel that India is on course of becoming Vishwa Guru under leadership of our beloved prime minister Shree Narendra Modi by following path of Vasudev Kutmbkam (The World is One Family)

Nostra Wealth Pvt. Ltd.
pradeep.tiwari@nostra.in
Mobile: +918980019700