

NRI Accounts



Arun has just got a one year posting abroad. He is thrilled at the prospect of working in a new country. He is going ahead with the assignment, leaving his family to join him later. To send back money to his family and to manage his finances, he needs to know more about NRI banking.



Definition of a Non-Resident Indian (NRI)

India's foreign exchange regulations define that a person becomes a non-resident in the event of going abroad for the purpose of employment or business. Non-residents as per this definition are supposed to hold only NRI accounts with a bank in India. For income tax purposes, however, an NRI is a person who has lived abroad for a period of more than 182 days in a year. Hence, if Arun leaves for his overseas posting after October 1 this year, he would be an NRI after that date for the purposes of banking but he would still be a resident for the current financial year for taxation purposes.



Accounts

Arun can open three types of bank accounts, as below:

| Account | Type of account | Holding | Taxation in India | Permissible credits |
|---------|--|--|--------------------------|---|
| FCNR | Foreign currency fixed deposit (USD, GBP, EURO, CAD, AUD, JPY) | Joint holding allowed only with another non-resident | Interest is tax-free | Foreign remittance / credit from another FCNR / NRE account |
| NRE | Rupee savings and fixed deposit | Joint holding allowed only with another non-resident | Interest is tax-free | Foreign remittance / credit from another FCNR / NRE account / current income in India |
| NRO | Rupee savings and fixed deposit | Joint holding possible with another resident | Interest taxed at source | All local and international credits permitted |



NRI Remittances to India

The best and most efficient method for Arun to send remittances to India is using online remittance platforms of leading banks. Remittances to India can also be made in the form of a wire transfer or a foreign currency cheque. Some exchange houses and overseas banks may offer Rupee cheques across the counter that can then be posted to the beneficiary in India.



Repatriation

Money can be freely sent out of NRE and FCNR accounts held by NRIs. For NRO accounts, certain documentation is required before the repatriation can take place. Repatriation from NRO accounts has been fairly liberalized in recent years, though certain purpose-specific limits apply.

SMS CONTEST

Question

An _____ account can be opened jointly with an Indian resident.

Answer

- A. NRE
- B. NRO
- C. FCNR

To answer, SMS DISHA A, B or C to 53030 and win a 2N 3D holiday.* Contest open for the day of publication.

*Terms and conditions apply. Visit www.dishac.org for details and winners.



Interest

Interest received on an NRE/FCNR account is exempt from income tax in India. However, interest in NRO accounts is subject to deduction of tax at source. NRIs, if eligible, can claim a tax refund on the returns they file in India, for income earned here. It is mandatory for NRIs to have a permanent account number (PAN) to file their returns in India.

DID YOU KNOW?

An NRI is required to convert all his resident accounts to NRO accounts on becoming an NRI. Payment of all loan EMIs, premiums, investments in mutual funds, etc. can continue to be made out of his NRE/NRO accounts similar to resident accounts.

FAQs

How can an NRI operate his NRI account?

NRIs can use Internet banking facilities or their debit card to access their accounts. They can also appoint a resident relative as a mandate holder, to carry out banking operations on their behalf. A mandate holder gets a separate ATM card and a cheque book for operating the account.

Are my NRI deposits insured?

Yes. Your NRI deposits are insured up to an amount of rupees one lac per customer per bank.

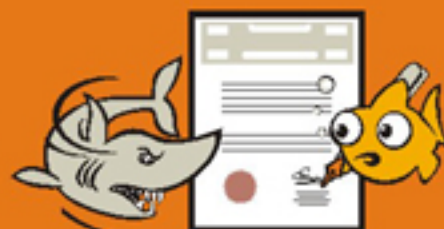
Arun should make his choice of the NRI account to be used on the basis of his need to keep his money here, or enable its repatriation abroad if he decides to settle abroad.

Center for Investment Education and Learning

We welcome your questions, suggestions and feedback on this column. Please use the Email Us link at www.icicibank.com or send an SMS to 53030. Please include your full name, address and phone number. Your comments may be edited for clarity and space.

SMART BANKING

Be informed



Read Terms and Conditions when opening an account.

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