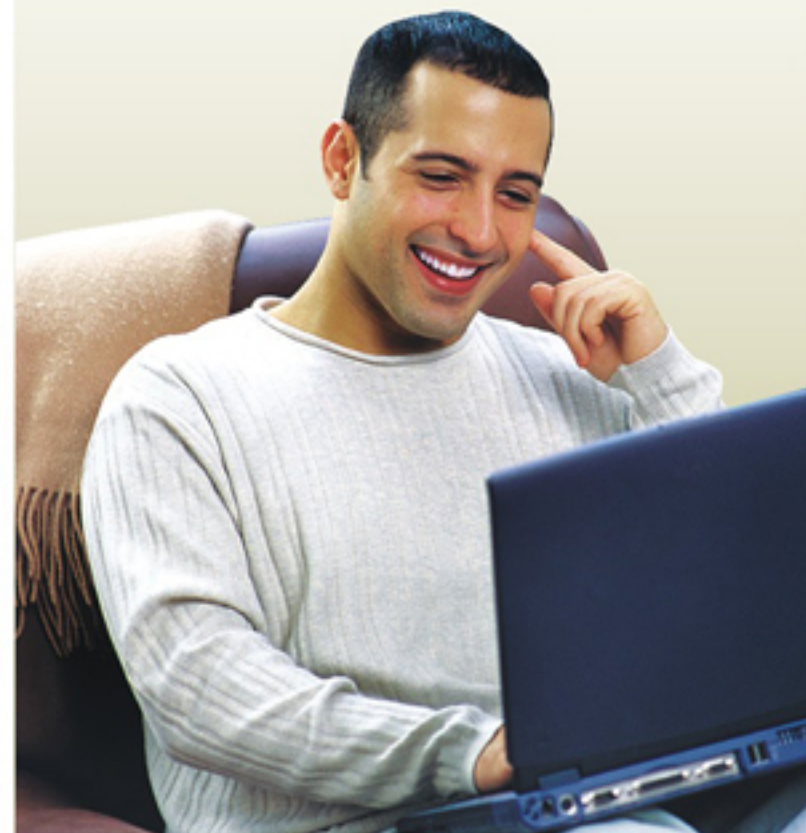


## Fixed Deposits For NRIs



Adheer works as a site supervisor with a large construction company in UAE. He has been in UAE for nearly two years. He has a limited appetite for risk and is looking to maximize his returns within low-risk investment options. He plans to return to India in another three years and utilize his savings for his sister's marriage.

### Choice of Deposit



As an NRI, Adheer has a choice of three kinds of fixed deposits (FDs): NRE, NRO and FCNR. NRE (rupee denominated) and FCNR (foreign currency deposit) FDs are freely repatriable, whereas NRO deposits have limited repatriability. Of the three deposits, currently NRO term deposits offer the highest rates of interest. Adheer can choose to create an NRO (Non-Resident Ordinary) fixed deposit with his earnings as he does not have much need for repatriability.

### Investing in the Deposit



NRO FDs can be created by debit to an existing savings account of an NRI or through a new remittance from overseas. Money earned in India by Adheer can also be used towards the creation of an NRO FD. If Adheer's bank offers an Internet banking facility, he can create deposits electronically. He can also wire-transfer the money from overseas or use an online remittance facility to have the deposits created.

### Operation



Since the NRO deposit is in Indian Rupees, Adheer can choose to have an India-resident member of his family as a joint holder. This may help in transacting with the local bank in India. It is important that Adheer, the NRI, is the first holder of the account.

### Terms of the Deposit



NRO fixed deposits can be created for a tenure of 15 days to 10 years. Premature liquidation of the deposits is permitted. For premature liquidation cases, the applicable interest rate is paid after deduction of penalty. Banks also offer the facility of keeping deposits in auto-renewal mode, to ensure that they continue to earn good interest.

### Taxation



Interest earned by Adheer on his NRO deposits is subject to tax deduction at source (TDS). NRIs residing in countries which have en-

### SMS CONTEST

#### Question

Funds remitted into an NRO deposit are denominated in \_\_\_\_\_.

#### Answer

- A. Any foreign currency
- B. US Dollars only
- C. Indian Rupees only

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.dishatc.org](http://www.dishatc.org) for details and winners.

tered into a Double Taxation Avoidance Agreement (DTAA) with India can provide certain documents (as specified by their bank) that enable the NRI to claim a lower tax deduction (TDS). Adheer can also file his returns and get a refund of the tax deducted, if his Indian income is below the taxable limit.

### Repatriation



Amounts remitted into NRO deposits have a post-tax repatriability of up to USD 1 million per year for any bona fide purpose. Banks will ask for specific documentation including a 'Tax paid' certificate from a chartered accountant to complete the outward repatriation.

Centre for Investment Education and Learning

### DID YOU KNOW?

An NRI can avail of lower TDS rates on NRO deposits if residing in a country that has a double taxation avoidance agreement with India.

### FAQs

Can Rupees earned by an NRI in India be deposited in an NRO account?

Yes, money earned by an NRI in India or prior to his becoming an NRI can be credited into an NRO account. Many banks convert the savings account of a resident Indian into an NRO account to avoid the inconvenience of closing the present account and opening a new one.

What are the documents required to remit funds abroad from an NRO account in India?

A remittance request form and Form A2 specifying the purpose for the remittance are the standard documents required for the remittance. In addition, a chartered accountant's certificate is to be submitted with each remittance request to confirm that tax has been paid on the funds being repatriated.

We will come your questions, suggestions and feedback on this column. Please use the 'Email Us' link at [www.icicibank.com](http://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.

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