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N. R. I BUYER'S GUIDE

1

Who is a non-resident Indian (NRI)?

An Indian Citizen who stays abroad for employment/carrying on business or vocation outside India or stays abroad under circumstances indicating an intention for an uncertain duration of stay abroad is a non-resident. (Persons posted in U.N. organisations and officials deputed abroad by Central/State Governments and Public Sector undertakings on temporary assignments are also treated as non-residents). Non-resident foreign citizens of Indian Origin are treated on par with non-resident Indian citizens (NRIs) for the purpose of certain facilities.

2

Who is a person of Indian Origin?

For the purposes of availing of the facilities of opening and maintenance of bank accounts and investments in shares/securities in India. A foreign citizen (other than a citizen of Pakistan or Bangladesh) is deemed to be of Indian origin, if,

- he, at any time, held an Indian passport, or
- he or either of his parents or any of his grand parents was citizen of India by virtue of the Constitution of India or Citizenship Act, 1955 (57 of 1955).

Note: A spouse (not being a citizen of Pakistan or Bangladesh) of an Indian citizen or of a person of Indian origin is also treated as a person of Indian origin for the above purposes provided the bank accounts are opened or investments in shares/securities in India are made by such persons only jointly with their NRI spouses.

For investments in immovable properties:

(A foreign citizen (other than a citizen of Pakistan, Bangladesh, Afghanistan, Bhutan, Sri Lanka, or Nepal), is deemed to be of Indian origin if,)

- he held an Indian passport at any time, or
- he or his father or paternal grand-father was a citizen of India by virtue of the (Constitution of India or the Citizenship Act, 1955 (57 of 1955).

3

Do non-resident Indian citizens require permission of Reserve Bank to acquire residential/commercial property in India?

No.

4

Do foreign citizens of Indian origin require permission of Reserve Bank to purchase immovable property in India for their residential use?

Reserve Bank has granted general permission to foreign citizens of Indian origin, whether resident in India or abroad, to purchase immovable property in India for their bona fide residential purpose. They are, therefore, not required to obtain permission of Reserve Bank.

5

In what manner the purchase consideration for the residential immovable property should be paid by foreign citizens of Indian origin under the general permission?

The purchase consideration should be met either out of inward remittances in foreign exchange through normal banking channels or out of funds from NRE/FCNR accounts maintained with banks in India.



6

What are the formalities required to be completed by foreign citizens of Indian origin for purchasing residential immovable property in India under the general permission?

They are required to file a declaration in form IPI 7 with the Central Office of Reserve Bank at Mumbai within a period of 90 days from the date of purchase of immovable property or final payment of purchase consideration alongwith a certified copy of the document evidencing the transaction and bank certificate regarding the consideration paid.

7

Can such property be sold without the permission of Reserve Bank?

Yes. Reserve Bank has granted general permission for sale of such property. However, where the property is purchased by another foreign citizen of Indian origin, funds towards the purchase consideration should either be remitted to India or paid out of balances in NRE/FCNR accounts.

8

Can such property be sold without the permission of Reserve Bank? Can sale proceeds of such property if and when sold be remitted out of India?

In respect of residential properties purchased on or after 26th May 1993, Reserve Bank considers applications for repatriation of sale proceeds up to the consideration amount remitted in foreign exchange for the acquisition of the property for two such properties. The balance amount of sale proceeds if any or sale proceeds in respect of properties purchased prior to 26th May 1993, will have to be credited to the ordinary non-resident rupee account of the owner of the property.

9

Are any conditions required to be fulfilled if repatriation of sale proceeds is desired?

Applications for repatriation of sale proceeds are considered provided the sale takes place after three years from the date of final purchase deed or from the date of payment of final instalment of consideration amount, whichever is later.

10

What is the procedure for seeking such repatriation?

Applications for necessary permission for remittance of sale proceeds should be made in form IPI 8 to the Central Office of Reserve Bank at Mumbai within 90 days of the sale of the property.

11

Can foreign citizens of Indian origin acquire or dispose of residential property by way of gift?

Yes. Reserve Bank has granted general permission to foreign citizens of Indian origin to acquire or dispose of properties up to two houses by way of gift from or to a relative who may be an Indian citizen or a person of Indian origin whether resident in India or not, subject to compliance with applicable tax laws.

12

Can immovable property held in India, be transferred by way of gift to relatives/registered charitable trusts/organisations in India?

Yes. General permission has been granted by Reserve Bank to non-resident persons (foreign citizens) of Indian origin to transfer by way of gift immovable property held by them in India to relatives and charitable trusts/organisations subject to the condition that the provisions of any other law, including Foreign Contribution (Regulation) Act, 1976, as applicable, are duly complied with.



13

Can foreign citizens of Indian origin acquire commercial properties in India?

Yes. Under the general permission granted by Reserve Bank properties other than agricultural land/farm house/plantation property can be acquired by foreign citizens of Indian origin provided the purchase consideration is met either out of inward remittances in foreign exchange through normal banking channels or out of funds from the purchasers' NRE/FCNR accounts maintained with banks in India and a declaration is submitted to the Central Office of Reserve Bank in form IPI 7 within a period of 90 days from the date of purchase of the property/final payment of purchase consideration.

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Can they dispose of such properties?

Yes.

15

Can sale proceeds of such property be remitted out of India?

Yes. Repatriation of original investment in respect of properties purchased by foreign citizens of Indian origin on or after 26th May 1993 will be allowed to be remitted up to the consideration amount originally remitted from abroad provided the property is sold after a period of three years from the date of the final purchase deed or from the date of payment of final instalment of consideration amount, whichever is later. Applications for the purpose are required to be made to the Central Office of Reserve Bank within 90 days of the sale of property in form IPI 8.

16

Can the properties (residential/commercial) be given on rent if not required for immediate use?

Yes. Reserve Bank has granted general permission for letting out any immovable property in India. The rental income or proceeds of any investment of such income are eligible for repatriation.

17

Can NRIs obtain loans for acquisition of a house/flat for residential purpose from authorised dealers/financial institutions providing housing finance?

Reserve Bank has granted general permission to certain financial institutions providing housing finance e.g. HDFC, LIC Housing Finance Ltd., etc., and authorised dealers to grant housing loans to non-resident Indian nationals for acquisition of a house/flat for self-occupation subject to certain conditions. The purpose of the loan, margin money and the quantum of loan will be at par with those applicable to housing loans to residents. Repayment of loan should be made within a period not exceeding 15 years out of inward remittances or out of funds held in the investors' NRE/FCNR/NRO accounts.

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Can Indian companies grant loans to their NRI staff?

Reserve Bank permits Indian firms/companies to grant housing loans to their employees deputed abroad and holding Indian passports subject to certain conditions.

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Can authorised dealer grant housing loan to non-residents of Indian nationality where he is a principal borrower with his resident close relative as a co-obligant/guarantor or where the land is owned jointly by such NRI borrower with his resident close relative?

Yes. However, in such cases the payment of margin money and repayment of the loan instalments should be made by the NRI borrower.