

July 01, 2010

To,

All Authorised Dealer Category – I banks and Authorised banks

Madam / Sir,

**Master Circular on Non-Resident Ordinary Rupee (NRO) Account**

The acceptance of deposits by an Authorised Dealer / Authorised bank from persons resident outside India are regulated by the provisions of sub-sections (1) and (2) of section 6 of the Foreign Exchange Management Act, 1999 read with [FEMA Notification No.5/2000 RB dated May 3, 2000](#), as amended from time to time.

2. This Master Circular consolidates the existing instructions on the subject of “**Non-Resident Ordinary Rupee (NRO) Account**” at one place. The list of underlying circulars/notifications consolidated in this Master Circular is furnished in the Appendix.

3. This Master Circular is being issued with a sunset clause of one year. This circular will stand withdrawn on July 1, 2011 and be replaced with an updated Master Circular on the subject.

Yours faithfully,

**(Salim Gangadharan)**  
**Chief General Manager-in-Charge**

## INDEX

|  |    |
|--|----|
| 1. Definitions .....   | 2  |
| 2. Eligibility .....   | 2  |
| 3. Types of Accounts .....   | 2  |
| 4. Joint Accounts with Residents / Non- Residents.....   | 3  |
| 5. Permissible Credits / Debits.....   | 3  |
| 6. Remittance of Assets.....   | 4  |
| 7. Foreign nationals of non-Indian origin on a visit to India.....                                       | 5  |
| 8. Grant of loans/overdrafts by the Authorised Bank to account holders and<br>third parties .....        | 6  |
| 9. Change of resident status of account holder .....   | 6  |
| 10. Treatment of loans /overdrafts in the event of change in the resident status<br>of the borrower..... | 7  |
| 11. Payment of funds to Non-resident / Resident nominee.....   | 7  |
| 12. Operation of NRO account by Power of Attorney holder .....   | 8  |
| 13. Facilities to a person going abroad for studies.....   | 8  |
| 14. International Credit Cards .....   | 8  |
| 15. Income-Tax.....  | 9  |
| Annex-1 .....  | 10 |
| Statement/returns to be submitted to the Reserve Bank .....  | 10 |
| Annex-2 .....  | 11 |
| Operational Instructions for Authorised Dealer Banks.....  | 11 |
| APPENDIX.....  | 14 |

## **1. Definitions**

### **Non-Resident Indian (NRI)**

NRI for this purpose is defined in Regulation 2 of [FEMA Notification No.5 dated May 3, 2000](#). In terms of this Notification, an NRI is a person resident outside India, who is a citizen of India or is a person of Indian origin.

### **Person of Indian Origin (PIO)**

PIO for this purpose is defined in Regulation 2 of FEMA Notification *ibid* as a citizen of any country other than Bangladesh or Pakistan, if (a) he at any time held Indian passport; or (b) he or either of his parents or any of his grand parents was a citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955 (57 of 1955); or (c) the person is a spouse of an Indian citizen or a person referred to in sub-clause (a) or (b).

## **2. Eligibility**

(a) Any person resident outside India (as per Section 2 of FEMA), may open and maintain NRO account with an Authorised Dealer or an Authorised bank for the purpose of putting through bonafide transactions denominated in Indian Rupees, not involving any violation of the provisions of FEMA, Rules and Regulations made thereunder.

(b) Opening of accounts by individuals / entities of Bangladesh / Pakistan nationality / ownership require prior approval of the Reserve Bank.

## **3. Types of Accounts**

NRO accounts may be opened / maintained in the form of current, savings, recurring or fixed deposit accounts. Rate of interest applicable to these accounts and guidelines for opening, operating and maintenance of such accounts shall be

in accordance with directives/instructions issued by the Reserve Bank from time to time.

#### **4. Joint Accounts with Residents / Non- Residents**

The accounts may be held jointly with residents and / or with non-residents.

#### **5. Permissible Credits / Debits**

##### **A. Credits**

(i) Proceeds of remittances from outside India through normal banking channels received in foreign currency which is freely convertible.

(ii) Any foreign currency, which is freely convertible, tendered by the account holder during his temporary visit to India. Foreign currency exceeding USD 5000 or its equivalent in the form of cash should be supported by currency declaration form. Rupee funds should be supported by encashment certificate, if they represent funds brought from outside India.

(iii) Transfers from rupee accounts of non-resident banks.

(iv) Legitimate dues in India of the account holder. This includes current income like rent, dividend, pension, interest, etc.

(v) Sale proceeds of assets including immovable property acquired out of rupee/foreign currency funds or by way of legacy/inheritance.

##### **B. Debits**

(i) All local payments in rupees including payments for investments in India subject to compliance with the relevant regulations made by the Reserve Bank.

(ii) Remittance outside India of current income like rent, dividend, pension, interest, etc. in India of the account holder.

(iii) Remittance up to USD one million, per financial year (April- March), for all bonafide purposes, to the satisfaction of the Authorised Dealer bank.

## **6. Remittance of Assets**

### **6.1 Remittance of Assets by a Foreign National of Non- Indian Origin**

A citizen of a foreign state, not being a citizen of Nepal or Bhutan or a Person of Indian Origin (PIO), who has retired from an employment in India, or has inherited assets from a person referred to in sub-section (5) of Section 6 of the FEMA; or is a widow resident outside India and has inherited assets of her deceased husband who was an Indian citizen resident in India, may remit an amount, not exceeding USD 1 million per financial year out of the balances in the account, on production of documentary evidence in support of acquisition, inheritance or legacy of assets by the remitter and an undertaking by the remitter and certificate by a Chartered Accountant in the formats prescribed by the Central Board of Direct Taxes vide their circular No.10/2002 dated October 9, 2002.

### **6.2 Remittance of assets by an NRI/PIO**

(a) NRI/PIO may remit an amount, not exceeding USD 1 million per financial year, out of the balances held in NRO accounts / sale proceeds of assets / the assets in India acquired by him by way of inheritance / legacy, on production of documentary evidence in support of acquisition, inheritance or legacy of assets by the remitter, and an undertaking by the remitter and certificate by a Chartered Accountant in the formats prescribed by the Central Board of Direct Taxes vide their circular No.10/2002 dated October 9, 2002.

(b) NRI/PIO may also, within the overall limit of USD 1 million, as stated above, remit sale proceeds of assets acquired under a deed of settlement made by either of his parents or a close relative (as defined in Section 6 of the Companies

Act, 1956) and the settlement taking effect on the death of the settler, on production of the original deed of settlement and an undertaking by the remitter and a certificate by a Chartered Accountant in the formats prescribed by the Central Board of Direct Taxes vide their circular No.10/2002 dated October 9, 2002.

### **6.3 Assets acquired in India out of Rupee funds**

NRI/PIO may remit sale proceeds of immovable property purchased by him as a resident or out of Rupee funds as NRI/PIO, without any lock-in-period, subject to the above limit of USD 1 million, per financial year.

### **6.4 Restrictions**

(a) The remittance facility in respect of sale proceeds of immovable property is not available to citizens of Pakistan, Bangladesh, Sri Lanka, China, Afghanistan, Iran, Nepal and Bhutan.

(b) The facility of remittance of sale proceeds of other financial assets is not available to citizens of Pakistan, Bangladesh, Nepal and Bhutan.

## **7. Foreign nationals of non-Indian origin on a visit to India**

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 converted by the Authorised Dealer bank into foreign currency for payment 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. In case the account has been maintained for a period more than six months, applications for repatriation of balance will have to be made by

the account holder concerned on plain paper to the Regional Office concerned of the Reserve Bank.

**8. Grant of loans/overdrafts by the Authorised Bank to account holders and third parties**

(a) Loans to non-resident account holders and to third parties may be granted in Rupees by Authorized Dealer / bank against the security of fixed deposits subject to the following terms and conditions:

(i) The loans shall be utilised only for meeting borrower's personal requirements and/or business purpose and not for carrying on agricultural/plantation activities or real estate business or for re-lending.

(ii) Regulations relating to margin and rate of interest, as stipulated by Reserve Bank, from time to time, shall be complied with.

(iii) The usual norms and considerations as applicable in the case of advances to trade/industry shall be applicable for such loans/facilities granted to third parties.

(b) Authorised Dealer / bank may permit overdraft in the account of the account holder subject to their commercial judgement and in compliance with the interest rate etc. directives.

**9. Change of resident status of account holder**

**(a) From Resident to Non-resident**

When a person resident in India leaves India for a country (other than Nepal or Bhutan) for taking up employment or for carrying on business or vocation outside India or for any other purpose indicating his intention to stay outside India for an uncertain period, his existing account should be designated as a Non- Resident (Ordinary) Account. When a person resident in India leaves for Nepal or Bhutan

for taking up employment or for carrying on business or vocation or for any other purposes indicating his intention to stay in Nepal or Bhutan for an uncertain period, his existing account will continue as a resident account. Such account should not be designated as Non-Resident (Ordinary) Account (NRO).

**(b) From Non- resident to Resident**

NRO accounts may be re-designated as resident Rupee accounts on return of the account holder to India for taking up employment, or for carrying on business or vocation or for any other purpose indicating his intention to stay in India for an uncertain period. Where the account holder is only on a temporary visit to India, the account should continue to be treated as non-resident during such visit.

**10. Treatment of loans /overdrafts in the event of change in the resident status of the borrower**

In case of a person who had availed of loan or overdraft facilities while resident in India and who subsequently becomes a person resident outside India, the Authorised Dealer / bank may at their discretion and commercial judgement allow continuance of the loan/overdraft facilities. In such cases, payment of interest and repayment of loan may be made by inward remittance or out of legitimate resources in India of the person concerned.

**11. Payment of funds to Non-resident / Resident nominee**

The amount due/payable to non-resident nominee from the NRO account of a deceased account holder shall be credited to NRO account of the nominee with an Authorised dealer / bank in India. The amount payable to resident nominee from the NRO account of a deceased account holder shall be credited to resident account of the nominee with a bank in India.



## **12. Operation of NRO account by Power of Attorney holder**

Powers have been delegated to the authorized dealers/banks to allow operations on an NRO account by Power of Attorney granted in favour of a resident by the non-resident individual account holder provided such operations are restricted to:

(i) All local payments in Rupees including payments for eligible investments subject to compliance with relevant regulations made by the Reserve Bank; and

(ii) Remittance outside India of current income in India of the non-resident individual account holder, net of applicable taxes.

(iii) The resident Power of Attorney holder is not permitted to repatriate outside India funds held in the account other than to the non-resident individual account holder nor to make payment by way of gift to a resident on behalf of the non-resident account holder or transfer funds from the account to another NRO account.

## **13. Facilities to a person going abroad for studies**

Persons going abroad for studies are treated as Non-Resident Indians (NRIs) and are eligible for all the facilities available to NRIs. Educational and other loans availed of by them as residents in India will continue to be available to them as per FEMA Regulations.

## **14. International Credit Cards**

Authorised Dealer banks have been permitted to issue International Credit Cards to NRIs/PIO, without prior approval of Reserve Bank. Such transactions may be settled by inward remittance or out of balances held in the cardholder's FCNR (B) / NRE / NRO Accounts.

## **15. Income-Tax**

The remittances (net of applicable taxes) will be allowed to be made by the Authorised Dealer banks on production of an undertaking by the remitter and a certificate from a Chartered Accountant in the formats prescribed by the Central Board of Direct Taxes, Ministry of Finance, Government of India vide their Circular No. 10/2002 dated October 9, 2002 [cf. [A.P. \(DIR Series\) Circular No. 56](#) dated November 26, 2002].

**Annex-1**Statement/returns to be submitted to the Reserve Bank

| Particulars of statement   | Periodicity | Relevant instructions  |
|--|-------------|--|
| Facilities to NRIs/PIO and Foreign Nationals – Liberalisation - Remittance from NRO account. | Quarterly   | A.P. (DIR Series)<br>Circular No. 12 dated November 16, 2006 |

Operational Instructions for Authorised Dealer Banks

**1. General**

Authorised Dealer banks may carefully study the provisions of the Act / Regulations / Notifications issued under Foreign Exchange Management Act, 1999 (the Act).

Reserve Bank will not prescribe the documents which should be verified by the Authorised Dealer banks while permitting remittances for various transactions.

In terms of the provisions contained in sub-section 5 of Section 10 of the Act, before undertaking any transaction in foreign exchange on behalf of any person, Authorised Dealer is required to obtain a declaration and such other information from the person (applicant) on whose behalf the transaction is being undertaken that will reasonably satisfy him that the transaction is not designed to contravene or evade the provisions of the Act or any of the Rules or Regulations made or Notifications or directions or orders issued under the Act. Authorised Dealer banks should preserve the information / documents obtained by them from the applicant before undertaking the transactions for verification by the Reserve Bank.

In case the person on whose behalf the transaction is being undertaken refuses or does not give satisfactory compliance of the requirements of an Authorised Dealer bank, he shall refuse in writing to undertake the transactions. Where an Authorised Dealer bank has reasons to believe that a contravention or evasion of the Act or the Rules or Regulations made or Notifications issued thereunder was contemplated in the transaction that he has refused to undertake, he shall report

the matter to the Reserve Bank. With a view to maintaining uniform practices, Authorised Dealer banks may consider requirements or documents to be obtained by their branches to ensure compliance with the provisions of sub-section (5) of Section 10 of the Act.

## **2. Opening of accounts by Bangladesh / Pakistan individuals/entities.**

Opening of accounts by individuals/entities of Bangladesh / Pakistan nationality / ownership requires prior approval of the Reserve Bank. All such requests may be referred to the Chief General Manager-in-Charge, Foreign Exchange Department, (Foreign Investment Division), Reserve Bank of India, Central Office, Mumbai-400 001.

## **3. Remittance of current income**

Remittance outside India of current income like rent, dividend, pension, interest, etc. in India of the account holder is a permissible debit to the NRO account.

Authorised Dealer banks may allow repatriation of current income like rent, dividend, pension, interest, etc. of NRIs who do not maintain an NRO account in India based on an appropriate certification by a chartered accountant, certifying that the amount proposed to be remitted is eligible for remittance and that applicable taxes have been paid/provided for.

## **4. Restrictions**

(a) The remittance facility in respect of sale proceeds of immovable property is not available to citizens of Pakistan, Bangladesh, Sri Lanka, China, Afghanistan, Iran, Nepal and Bhutan.

(b) The facility of remittance of sale proceeds of other financial assets is not available to citizens of Pakistan, Bangladesh, Nepal and Bhutan.

## **5. Tax Compliance**

Authorised Dealer banks can allow remittances to non- residents only on production of an undertaking by the remitter and a certificate from a Chartered Accountant in the formats prescribed by the Central Board of Direct Taxes, Ministry of Finance, Government of India vide their Circular No.10/2002 dated October 9, 2002. [cf. [A.P. \(Dir Series\) Circular No.56 dated November 26, 2002](#)].

## APPENDIX

### List of notifications / circulars which have been consolidated in this Master Circular – Non-Resident Ordinary Rupee (NRO) Account

[http://www.rbi.org.in/Scripts/BS\\_ApCircularsDisplay.aspx](http://www.rbi.org.in/Scripts/BS_ApCircularsDisplay.aspx)

[http://www.rbi.org.in/Scripts/Bs\\_FemaNotifications.aspx](http://www.rbi.org.in/Scripts/Bs_FemaNotifications.aspx)

| Sl. No. | Circular No.                                      | Date               |
|---------|---|--------------------|
| 1.      | <a href="#">Notification No. FEMA 62/2002-RB</a>  | May 13, 2002       |
| 2.      | <a href="#">Notification No. FEMA 97/2003-RB</a>  | July 8, 2003       |
| 3.      | <a href="#">Notification No. FEMA 119/2004-RB</a> | June 29, 2004      |
| 4.      | <a href="#">Notification No. FEMA 133/2005-RB</a> | April 1, 2005      |
| 5.      | <a href="#">Notification No. FEMA 156/2007-RB</a> | June 13, 2007      |
| 1.      | <a href="#">AP (DIR Series) Circular No.45</a>    | May 14, 2002       |
| 2.      | <a href="#">AP (DIR Series) Circular No.1</a>     | July 2, 2002       |
| 3.      | <a href="#">AP (DIR Series) Circular No.5</a>     | July 15, 2002      |
| 4.      | <a href="#">AP (DIR Series) Circular No.19</a>    | September 12, 2002 |
| 5.      | <a href="#">AP (DIR Series) Circular No.26</a>    | September 28, 2002 |
| 6.      | <a href="#">AP (DIR Series) Circular No.27</a>    | September 28, 2002 |
| 7.      | <a href="#">AP (DIR Series) Circular No.56</a>    | November 26, 2002  |
| 8.      | <a href="#">AP (DIR Series) Circular No.59</a>    | December 9, 2002   |
| 9.      | <a href="#">AP (DIR Series) Circular No.67</a>    | January 13, 2003   |
| 10.     | <a href="#">AP (DIR Series) Circular No.43</a>    | December 8, 2003   |
| 11.     | <a href="#">AP (DIR Series) Circular No.45</a>    | December 8, 2003   |

|     |  |                   |
|-----|--|-------------------|
| 12. | <a href="#">AP (DIR Series) Circular No.62</a> | January 31, 2004  |
| 13. | <a href="#">AP (DIR Series) Circular No.43</a> | May 13, 2005      |
| 14. | <a href="#">AP (DIR Series) Circular No.12</a> | November 16, 2006 |
| 15. | <a href="#">AP (DIR Series) Circular No.64</a> | May 25, 2007      |

#### NOTE

- For the convenience of Authorised Dealers, a table of Statements / Returns to be submitted to Reserve Bank and Operational Guidelines have been given in Annex-1 & 2, respectively.
- It is also clarified for information of all users that the Master Circular need not necessarily be exhaustive and a reference to the relevant A.P.(DIR Series) Circular is needed wherever further information/ clarification is required.

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