

# Ready Referencer for Overseas Indians



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# Executive Summary

The Indian economy is poised for growth and with the new Government attaining majority in the recent elections; the sentiments are on an upswing. This is evident from the reactions witnessed at the Stock Market over the last couple of months. There are lot of expectations from the newly elected Government, whether it is in relation to tax or fiscal reforms or on the socio-economic front. In line with these expectations, the Union Budget 2014 focusses on inclusive growth and fiscal consolidation so as to ensure that India continues to remain an attractive destination for investment.

Over the years, India has been seen as a major investment destination, despite the GDP Growth being sub 5% in FY 2012-13 and 2013-14. This is evidenced by the quantum of inward remittances received in 2013 (US\$ 71 billion), as reported by the World Bank in one of its reports in April 2014 – the highest for any country. Overseas Indians, numbering around 25 million, have an important role to play in this and their contribution cannot be undermined.

As mentioned earlier, the new Government has proposed various measures, be it new policy initiatives or tax/regulatory amendments, to augment the growth of the Indian economy and encourage foreign investment. This makes it imperative that Overseas Indians be aware of the new Government's policies and initiatives so as to take advantage of the changing regulations and socio-economic environment and be a part of the India Growth Story.

Keeping this in mind, “**Ready Referencer for Overseas Indians**” has been designed to provide an insight on the various aspects governing investments into India, be it investment opportunities for the Overseas Indian community, the associated regulatory requirements or the tax implications in India. **Ready Referencer** is divided into six sections encompassing economic outlook, tax and foreign exchange regulations, investment arenas and immigration pre-requisites.

- Section One provides an overview of the current economic environment in India.
- The Government has announced various policy initiatives over the last 2-3 months aimed at promoting investments in India and reducing procedural hurdles. Section Two details some of the key initiatives such as relaxation in FDI norms, sector specific policies, tax reforms/administration and socio-economic measures.
- Having seen the initiatives proposed/underway, it is also important to understand the ever changing taxation regime in India. The Third section encapsulates the current tax structure in India summarising the applicable income tax, wealth tax and Indirect tax regulations besides highlighting special provisions for non-residents.
- Section Four provides an analysis of the key Foreign Exchange Regulations in India focussing on banking and remittance facilities available to Overseas Indians.
- Section Five provides a snapshot on the investment opportunities in India for Overseas Indians covering investments on repatriation and non-repatriation basis, investment in real estate sector and portfolio investment schemes.
- Lastly, Section Six provides an overview of the immigration laws spelling out the various categories of visa and related compliance requirements alongwith concessions available for Persons of Indian Origin/Overseas Citizens of India. This section also touches upon the support and assistance extended by the Government for Emigrants.

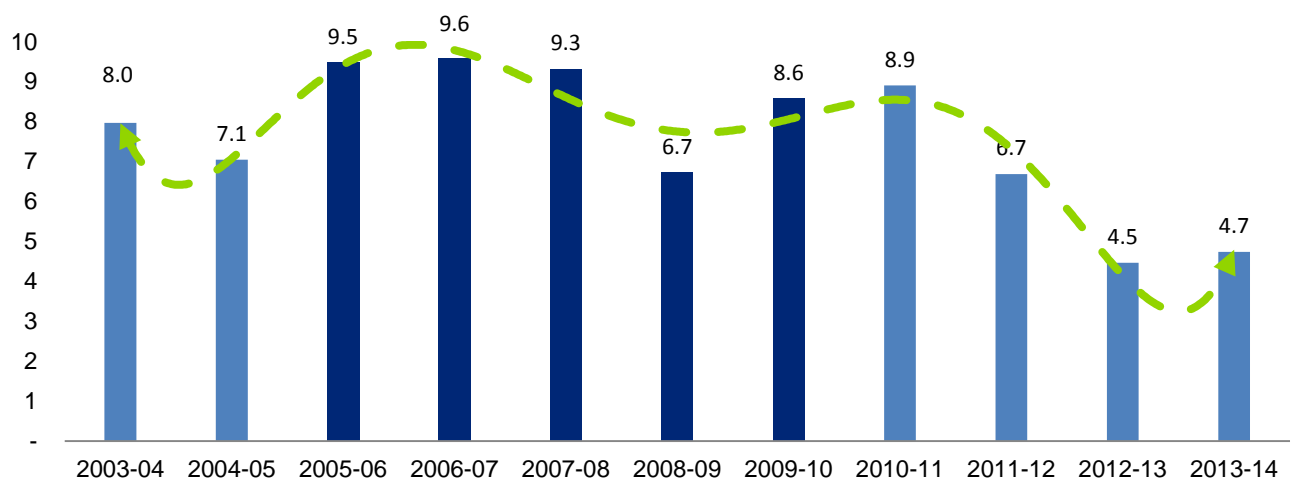


# Indian Economic Outlook

Over the past couple of years, the Indian economy has witnessed sluggish growth with relative moderation in all three sectors - agriculture, industry and services. However, it is expected that recent recovery in global demand, particularly from a recovering Europe, coupled with the improving numbers on the domestic front will aid in better performance in the coming quarters.

## GDP growth

Figure 1: Percentage GDP Growth Rates

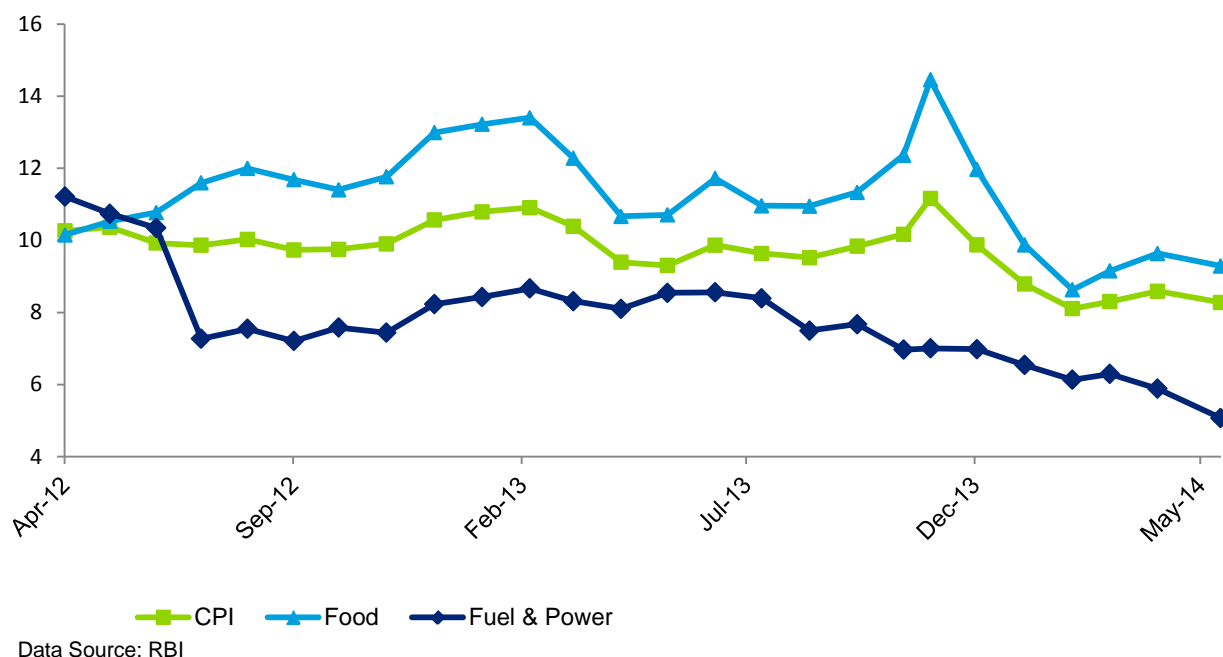


Data Source: MOSPI

Financial Years (FY) 2012-13 and 2013-14 witnessed the Gross Domestic Product (GDP) growing at 4.5% and 4.7%, respectively, which has been a matter of concern. As a result, over the past few months, the Government has started on the path of structural reforms, though these will start having an effect only gradually. Therefore, re-achieving a growth rate of 7-8% is ambitious in the short-term and having a lower mid-term target is necessary. In this regard, the Economic Survey has done a commendable job in having a lower but realistic growth target of 5.4%-5.9% for the FY 2014-15. With an improving manufacturing sector, better balance of payments situation and modest global growth revival, the economy is expected to recover.

## Inflationary Pressure

Figure 2: Percentage Growth in Consumer Price Index



Inflationary pressures have eased as the average headline Wholesale Price Index (WPI) inflation moderated to a four year low of around 6% in 2013-14 after averaging 8.6% in the previous three years. However, retail inflation still remained sticky as the annual Consumer Price Index (CPI) for the financial year 2013-14 averaged at 9.5%. On a positive note, food prices have recently moderated, resulting in a decline in the food inflation from as high as 13.2% in January 2013 to 9.1% in March 2014. Further, fuel inflation has experienced a significant moderation from highs of 11.2% in April 2012 to 6.3% in March 2014. The Reserve Bank of India (RBI) has responded to these situations by maintaining a high policy rate (repo rate), currently pegged at 8%, till the time the inflation moderates down within the comfort level. A combination of reflective monetary policy and strong economic fundamentals has resulted in contraction in inflationary pressures in recent months.







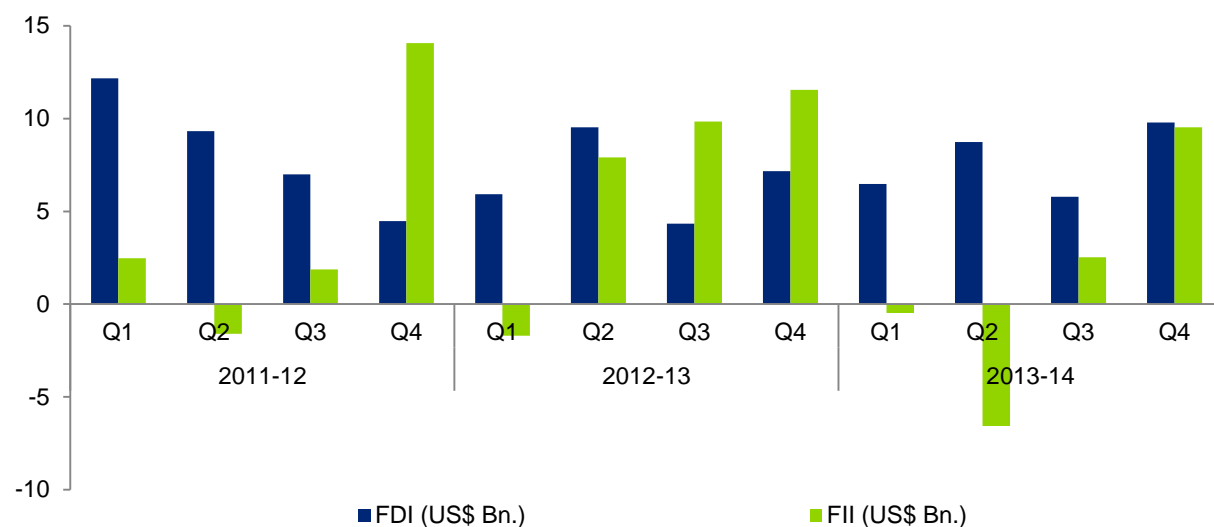
## Indian Capital Markets and Foreign Investment Inflows

Indian capital markets had been fairly positive in the first few months of 2014, primarily in anticipation of the change in Government and optimism about consequent change in business sentiments and investment policies. The Indian markets fared much better as compared to other developing economies due to highly responsive monetary policy and strong fundamentals of the financial markets which instilled confidence in the global investors.

In terms of investment by Foreign Institutional Investors (FII), the first and second halves of 2013-14 depicted completely contrasting pictures. The first two quarters experienced a net outflow of US\$ 7.0 billion as compared to a net inflow of US\$ 12.1 billion in the second half. During the first half of the year, the decision by the US Federal Reserve to taper its asset buying program resulted in a surge of capital outflow from emerging markets, including India. The first half of 2013-14, when FIIs became net sellers, was depicted by volatility, depreciation of the currency as well as loss of investor confidence. The markets, however, rallied back in the second half of the year, primarily in anticipation of rise of a new & stable Government in upcoming elections and also as the Government further opened up existing sectors to foreign investors. This trend continues with the current Government attaining majority in the last elections.

Compared to FII, Foreign Direct Investment (FDI) inflows were consistent throughout the year. Total FDI inflows were to the tune of US\$ 30.8 billion wherein the services industry attracted the highest inflows of US\$ 2.2 billion<sup>1</sup>. Other key sectors which attracted FDI were automotive, telecommunications and pharmaceuticals.

**Figure 3: Foreign Investment Inflows**



Data Source : RBI

## Fiscal Consolidation

The fiscal consolidation strategy is expected to reap dividends through a more focused and calibrated Fiscal Responsibility and Budget Management (FRBM) Act. The economy is in dire need of rationalisation of subsidies and a balanced expenditure outlay will help improve the quality and impact of public expenditure. However, to achieve the above goals, immediate implementation of certain reforms and speedy resolution of bottlenecks is critical. The Economic Survey acknowledges the current challenges of reviving growth and creating employment opportunities.

In line with the Economic Survey findings of simplifying tax policies and administration, during the Union Finance Budget for 2014, the Hon'ble Finance Minister announced a number of direct tax measures aimed at reducing litigation and rationalising tax provisions.

Importantly, he reiterated his commitment to meet the fiscal deficit target of 4.1% and improve the quality of public expenditure. Planned expenditure increase has been projected towards agriculture, capacity creation, infrastructure, clean energy focused on reducing supply side inefficiencies and giving boost to infrastructure development. This is important as the immediate benefit of such a plan will result in reduction of inflation while aiding growth. A major boost has also been given on promoting FDI in select sectors by introducing a composite cap of 49% on foreign investment.

Boosting GDP growth while keeping macro-economic variables in check is an important goal for any government and India is no exception. With the recent reform announcements and measures with focussed objectives, Indian economy certainly seems to be moving in the right direction.

<sup>1</sup> [www.rbi.org.in](http://www.rbi.org.in)





# Recent Policy Initiatives

Considering that the new Government was sworn in around 45 days prior to the Union Budget 2014, the recent Union Budget focussed on primary issues to address the challenges and growing needs of the economy. The key policy initiatives announced by the Hon'ble Finance Minister while delivering the Union Budget speech and subsequently have been summarised below.

## Foreign Direct Investment (FDI)

The Government emphasised the focus avenues to be infrastructure development, improving public amenities and introducing path breaking reforms in India. With these objectives, the Government, moving away from conservative approach, announced opening up of sensitive sectors such as defence, railways and insurance to all categories of foreign investors.

The Recent FDI announcements in key sectors are summarised below:

### Defence

The Government recently raised the composite cap of foreign investment in Defence sector from existing 26% to 49%. The foreign investment would be under approval route, i.e. it will have to be cleared prior by the Foreign Investment Promotion Board (FIPB). However, applicant company should be Indian Companies, owned and controlled by resident Indian citizens and the management and control should remain in the Indian hands with majority representation on the Board as well as Chief Executives of the company/ partnership firm being resident Indians. Where investment comes bundled with modern and state-of-art technology, FDI above 49% may be allowed on selective basis subject to clearance of the Cabinet Committee on Security (CCS).

The Government expects that such an increase in the FDI limit will add to technological and engineering might of the country, create employment opportunities and save foreign exchange outgo.

### Railways

For many years railway transport has always been a prohibited sector for foreign investment. The Government intends to raise funds for the modernisation and expansion of its railway network and with this objective, for the first time, opening up of the Railway sector to FDI has been introduced. Now, 100% FDI under automatic basis is allowed in railway infrastructure such as electrification, signalling, high speed trains and suburban corridor projects through PPP, freight terminals, infrastructure in industrial park pertaining to railway line/ sidings including electrified railway lines and connectivities to main railway lines and connectivities to main railway line, mass rapid transport systems, etc. subject to sectoral guidelines of Ministry of Railways. Proposals involving FDI beyond 49% in sensitive areas from security point of view may be allowed on selective basis subject to clearance of the Cabinet Committee on Security (CCS).

The Government is also considering establishment of an independent regulator for railways to settle any contractual disputes arising between the investor and the railway authorities. The regulator could also be given the task of fixing passenger and freight tariffs.

### Insurance

The Government has proposed an increase in FDI in the Insurance sector from 26% to 49% on the premise that the insurance sector in India requires long term capital to maintain healthy capital base, introduce new products, protect consumer interests and increase penetration in the market.

The increase in FDI cap is proposed through the approval route, requiring approval of the FIPB, with the management and control being with Indian promoters. The approval shall come in to effect only after the Insurance Law (Amendment) Bill, 2008 is approved by the Parliament. The Bill introduced in Parliament has already been approved by the Lok Sabha (Lower House). However, approval of the Rajya Sabha (Upper House) is still pending.

### Real Estate

While presenting the Union Budget 2014, the Hon'ble Finance Minister announced setting up of "one hundred Smart Cities" as satellite towns of larger cities and modernisation of the existing mid-size cities, with the objective of addressing the issue of the pace of migration from rural areas to urban areas.

To encourage development of Smart Cities, the Government has proposed a relaxation in the built-up area and capital conditions for FDI in Real Estate Development (these conditions do not apply to investments by NRIs as per current FDI policy). The built-up area is proposed to be reduced from 50,000 square metres to 20,000 square metres. The capital requirement is proposed to be reduced from US\$ 10 million to US\$ 5 million with a three year lock in period. The Government expects that this shall enable affordable housing for the middle class and at the same time allow mid-sized and smaller developers with good track records with better access to FDI, thereby boosting the affordable housing in the country.



## Policy updates

The Government, in its recent Union Budget 2014, came out with a number of measures with a view of removing procedural hurdles and improving efficiency and productivity. These include focussing on infrastructure, financial markets and agriculture on one hand and putting efforts in the direction of fiscal & policy reforms on the other hand.

Few of the key policy initiatives announced during the Union Budget 2014 are given below:

### Sector Specific initiatives

#### Infrastructure (Mining, Ports, Aviation, Roads, Power, Housing, etc.)

The Government has proposed renewed thrust to two crucial sectors - power and roads. The Government proposes to take steps to ensure that the adequate coal linkages are being provided to power plants to meet the growing demand for power and to make available uninterrupted power 24 x 7 to the people.

With the objective of spurring investment and creating job opportunities, the Government is considering initiatives such as new projects for linking ports, inland navigation, linking of rivers, new airports in Tier I and Tier II cities, development of industrial corridors and revival of Special Economic Zones (SEZs).

The Government has granted infrastructure status to housing sector and has set an ambitious target of providing affordable housing to all by 2022. With this objective, the Government plans to build 100 smart cities to meet the demand for increased urbanisation, the funding of which is proposed through private and foreign investors by the Government.

To channelise the funds in real estate and infrastructure sector, the Government has introduced tax incentives to Investment Structures comprising of Real Estate Investment Trusts (REITs) for the real estate sector and Infrastructure Investments Trusts (InvITs). These instruments are popular in developed countries due to their potential to attract long term funds.

#### Agriculture

Agriculture and farming have been the key contributors to India's National GDP. To make farming competitive and profitable, the Government realises that it needs to step up investment, both public and private, in agro-technology development and creation and modernisation of existing agri-business infrastructure.

In view of the above, the Government proposes to set up 2 more Indian Agricultural Research Institutes for cutting edge research in the field of agriculture. In addition, the Government is looking at setting up an "Agri-Tech Infrastructure Fund". The Government is also considering to establish Agriculture Universities in Andhra Pradesh and Rajasthan and Horticulture Universities in Telangana and Haryana.

To administer the issue of deteriorating soil health, the Government is proposing to provide a Soil Health Card to every farmer and set up 100 Mobile Soil Testing Laboratories across the country. To meet the challenge posed by climate, the Government is also considering to establish a "National Adaptation Fund" for climate change.

The Government is proposing to establish a Price Stabilisation Fund to address the issue of price volatility in the agriculture produce.

The Government is planning to set up National Market to augment the farmers and consumers' interest and set up a Warehousing Fund keeping in view the need for availability of scientific warehousing infrastructure in the country.



The Government is proposing to set up various Funds such as Long Term Rural Credit Fund in National Bank for Agriculture and Rural Development (NABARD) for the purpose of providing refinance support to Cooperative Banks and Regional Rural Banks, and increase in allocation of STCRC (Refinance) Fund to avoid high cost market borrowings by NABARD.

The Government is also proposing to restructure Food Corporation of India, reduce transportation and distribution losses and efficacy of Public Distribution System on priority basis. It is considering launching of Kisan TV dedicated to the interests of the agriculture and allied sector to disseminate real time information to the farmers regarding new farming techniques, water conservation, and organic farming.



## **Financial Sector – Banking and Capital Markets**

Recognising that higher growth and financial stability can be achieved only with a strong banking system, the Government is proposing to capitalise public banks by raising funds through sale of equity shares to people in a phased manner and at the same time preserving public ownership.

The Government, through RBI, is closely monitoring the inflation and interest rates in order to reduce the capital cost of doing business and to bring reprieve to the common man. The Government proposes to launch Financial Inclusion Mission, wherein each household will be entitled to open two bank accounts which will also be eligible for credits, so as to empower weaker sections of the society, including women, small and marginal farmers and labourers.

In order to protect the banking system from wilful defaulters, the RBI has decided to initiate strong penal action against such defaulters. The finance ministry is also considering a new wilful defaulter legislation that will give powers to banks to incorporate new members in the boards of defaulting borrower and to attach even those assets which had not been pledged.

Capital Markets being the barometer of business confidence, the Government has recognised the need to strengthen and modernise the legislative regulatory framework. Some recommendations like enactment of the Indian Financial Code are being deliberated that is necessary for better governance and accountability. In order to energise the capital markets, the Government is planning to introduce uniform KYC norms, inter-usability of the KYC records across the entire sector and a single operating demat account so that the access to financial assets is through this one account.

## **Rural and Urban Development**

### ***Rural Development***

The Government is working on a series of initiatives for Rural and Urban Development. Allocations of funds towards Rural Housing Fund and provision of safe drinking water are some of the key initiatives being looked upon by the Government.

### ***Urban Development***

In order to make cities and towns a better place to live in and to improve standards of living, the Government has outlined four fundamental activities, namely safe drinking water and sewage management, use of recycled water for growing organic fruits and vegetables, solid waste management and digital connectivity.





## Education

Elementary education has been identified as one of the top priorities for the Government. The Government proposes to allocate funds for providing toilets and drinking water in all girls' schools in the first phase and set up virtual classrooms as Communication Linked Interface for Cultivating Knowledge (CLICK) and online courses. At the same time, the Government is considering to simplify norms to facilitate education loans for higher studies.

The Government is also proposing to set up IITs in Jammu, Chattisgarh, Goa, Andhra Pradesh and Kerala and five IIMs in the States of Himachal Pradesh, Punjab, Bihar, Odisha and Maharashtra.





## Tax Administration

Realising the importance of building trust and confidence with the tax payers, the Hon'ble Finance Minister, in the Union Budget speech, has indicated that the Government would take several administrative and legislative measures to reduce direct tax litigation and to provide stable and predictable taxation regime.

The Government is proposing to set up a High Level Committee to interact with trade and industry on a continuous basis to determine areas where clarity in tax laws is required.

Few of the legislative measures announced by the Hon'ble Finance Minister are given below:

### Retrospective Amendments

Retrospective amendments (especially related to indirect transfers) have been a matter of great concern not only with tax payers but also with foreign investors. To address this concern, the Government is proposing that all fresh cases arising out of retrospective amendments involving indirect transfers will be scrutinised by a High Level Committee, to be constituted by Central Board of Direct Taxes (CBDT) before taking any action. The Government has indicated that it will not generally bring any change retrospectively that could create a fresh liability, as a measure to restore investors' confidence.

### Transfer Pricing

Recognising that India's Transfer Pricing regulations need to be made more consistent and to address the issue of ongoing litigation in Transfer Pricing, certain changes have been introduced in the tax laws that have been the subject matter of disputes. Further, to address the ongoing litigation and to bring certainty in tax positions, the Government proposes to strengthen the administrative set up of Advance Pricing Agreement (APA)<sup>2</sup> to expedite disposal of applications.

### Advance Ruling

An Advance Ruling means determination of any question of law or of fact by an Authority for Advance Rulings (AAR) in relation to a transaction undertaken or proposed to be undertaken by an applicant.

Pre-Budget 2014, the facility of Advance Ruling was not available to resident tax payers. The Government has now extended the scope of Advance Ruling to resident tax payers in respect of their income tax liability exceeding a threshold limit (to be prescribed). Additional benches are also proposed to be set up to strengthen the AAR and hasten the redressal of rulings.

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<sup>2</sup> An APA is an agreement that the Government enters into with a tax payer for determining the arm's length price or specifying the manner in which arm's length price is to be determined in relation to an international transaction to be entered into by that person

## Direct Tax Code

The Direct Taxes Code (DTC) Bill was originally introduced in 2009 and later revised in 2010 and 2013. DTC 2010 was referred to the Standing Committee of Finance for its review and comments and the latest version of DTC (DTC 2013) was released in early 2014. The Government proposes to review the present DTC and conclude the same.

## Goods and Services Tax (GST)

GST is proposed to replace the current indirect tax regime. GST shall subsume and integrate taxes on supply of goods and services.

While pronouncing the Union Budget 2014, the Hon'ble Finance Minister indicated approving the legislative scheme which enables the introduction of GST.



## Socio-economic measures

### **E -governance**

The Hon'ble Finance Minister has announced setting up of an e-biz platform for all Central Government agencies operating under an integrated National e-Governance platform to streamline the business and investment related clearances and compliances. The same is expected to be operational by 31st December 2014.

### **Pro-business approach**

The Government is considering to reduce the number of approvals to be obtained and documents to be submitted for setting up/starting new business and to introduce the facility of single window clearance for getting licenses, with the objective of promoting business friendly ecosystem.

In order to promote entrepreneurship and start-up-companies to commence business, the Government proposes to allocate ₹10,000 crore to attract private investment by way of providing equity, quasi equity and soft loans to start up-companies.

### **Expenditure Management Commission**

While delivering the Union Budget 2014, the Hon'ble Finance Minister indicated setting up of an Expenditure Management Commission. The Commission is expected to look into various aspects of expenditure reforms to be taken by the Government and provide inputs on the subsidy regime. The Commission has now been constituted, which is expected to submit its interim report in few months.

### **Culture and Tourism**

In order to give boost to tourism in India, the Government proposes to introduce facility of Electronic Travel Authorisation (e-visa) in 9 Indian airports in a phased manner.

The Government is also considering to promote tourism by creating 5 tourist circuits with specific themes.

### **Health and Family Welfare**

The Government intends to put adequate focus on health and family welfare – “Health for All”. In order to achieve universal access to early quality diagnosis and treatment to TB patients, the Government proposes to set up two National Institutes of Ageing at All India Institute of Medical Sciences (AIIMS), New Delhi and Madras Medical College, Chennai.

The Government plans to set up four more AIIMS like institutions at Andhra Pradesh, West Bengal, Vidarbha in Maharashtra and Poorvanchal in UP, in addition to already functional six AIIMS in Jodhpur, Raipur, Rishikesh, Bhopal, Patna and Bhubhaneshwar.

The Government is also proposing to create new drug testing laboratories and strengthen the 31 existing State laboratories.

The Government also proposes to set up 15 Model Rural Health Research centre in the States to undertake research on local health issues concerning rural population.



## **Digital India**

A pan India programme “Digital India” is proposed to be launched by the Government to bridge the gap between digital “haves” and “have nots” to ensure that Broadband connectivity is provided at village level, there is improved access to services through IT enabled platforms, greater transparency in Government processes and increased indigenous production of IT hardware and software for exports and improved domestic availability. The Government is looking at allocating funds towards a National Rural Internet and Technology Mission for services in villages and schools, training in IT skills and E-Kranti for Government service delivery and governance scheme.

## **River Ganga Project**

Ganga has a very special sacred place in the collective consciousness of India, and hence, in the Union Budget 2014, the Hon’ble Finance Minister announced a proposal to set up Integrated Ganga Conservation Mission called “Namami Gange”. Further, it is proposed that ‘NRI Fund’ for Ganga will be set up to finance special projects.







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एक सौ रुपये

मैं धारक को  
एक सौ रुपये  
अदा करने का  
वचन देता हूँ।

I PROMISE TO  
PAY THE BEARER  
THE SUM OF ONE  
HUNDRED RUPEES

ड. सुब्बाराव  
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MAHATMA GANDHI



महात्मा गांधी



MAHATMA GANDHI

GOVERNOR  
I PROMISE TO  
PAY THE BEARER  
THE SUM OF FIVE  
HUNDRED RUPEES

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केन्द्रीय सरकार द्वारा प्रत्याभूत  
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# Individual Tax framework in India

## Income Tax

The India income tax framework is laid down by the Income Tax Act, 1961 (the Act). The CBDT which is a part of the Department of Revenue in the Ministry of Finance is the governing body for India income tax. India has entered into over 80 Double Taxation Avoidance Agreements (DTAA tax treaty) with various countries for avoiding double taxation, claiming relief and for exchange of information. An individual can opt for the provisions of the Act or DTAA, whichever are more beneficial. However, an individual can resort to such beneficial provisions only if he/she qualifies as a tax resident of either India or the other DTAA Country.

## Tax Year

The tax year in India runs from 1 April to 31 March. Income earned during a tax year is reported in a tax return to be filed in the year following the said tax year.

## Residential Status

The taxability of an individual in India is dependent on his/her residential status in a tax year. The residential status in turn depends on the number of days an individual is physically present in India.

An individual is considered to be a Resident in India during a tax year, if he/she satisfies any of the following two basic conditions –

- He/she stays in India during the tax year for 182 days or more; or
- He/she stays in India for 60 days or more during a tax year and 365 days or more during the 4 tax years immediately preceding the relevant tax year.

An individual is regarded as a **‘Non-resident’ (NR)**, if he/she does not satisfy either of the above conditions.

Where an individual qualifies as a “Resident” during a tax year, he/she is further classified into

- Resident and Ordinarily Resident (ROR); or
- Resident but Not Ordinarily Resident (RNOR)

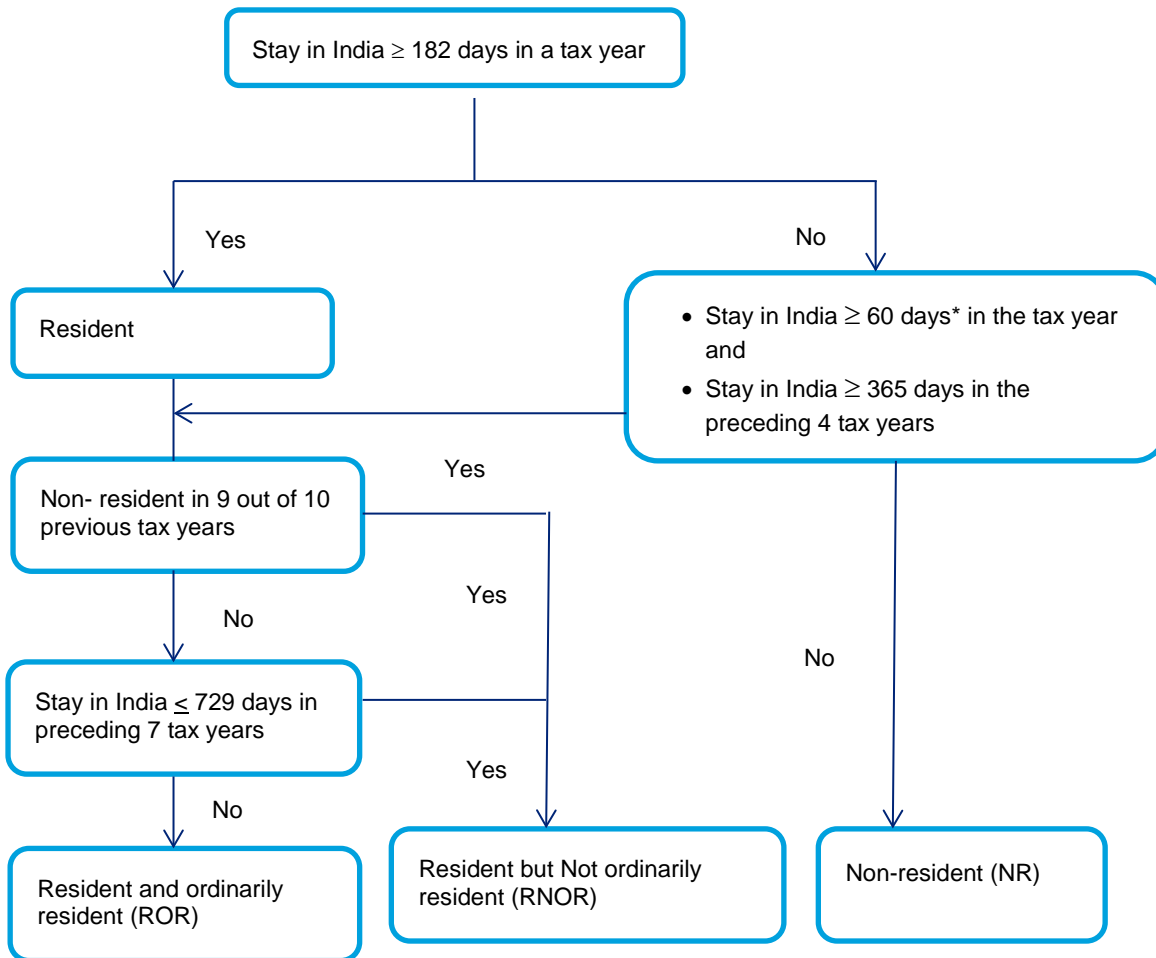
An individual qualifies as RNOR in India in any tax year, if such person:

- has been a non-resident in India in nine out of the ten tax years preceding the relevant tax year; or
- has, during the seven tax years preceding the relevant tax year, been in India for 729 days or less.

If none of the above conditions are fulfilled, he would be considered as ROR in India.

The above residency provisions as per the domestic laws of India can be explained in a diagrammatic form below:

## Determination of residential status



\* The period of 60 days stands extended to 182 days in case of a citizen of India who leaves India for the purposes of taking employment overseas in the relevant tax year.

\* The period of 60 days stands extended to 182 days in case of a citizen of India or person of Indian origin who is based outside of India, visits India during a tax year.

The tax residential status has no relevance to the residential status under the Foreign Exchange Management Act (FEMA) which is a separate legislation.





## Scope of income liable to tax

As mentioned, in India, the taxability of an individual is determined by his/her residential status in a tax year.

While a ROR is taxable on worldwide income in India, RNOR and NR are taxable on income which is earned /received in India or which accrues or arises or is deemed to accrue or arise in India.

The synopsis of the scope of income to be taxed in India is as follows:

Tax status	Income sourced in India	Income received in India *	Income received outside India
ROR	Yes	Yes	Yes
RNOR**	Yes	Yes	No
NR	Yes	Yes	No

*\* Income received in first instance outside India and subsequently remitted/ transferred to India is not to be treated as 'income received in India'.*

*\*\* Scope of Income taxable in India also includes income sourced outside India from business controlled in or a profession set up in India.*

## Sources of Income

The Act classifies taxable income into five broad heads detailed as under:

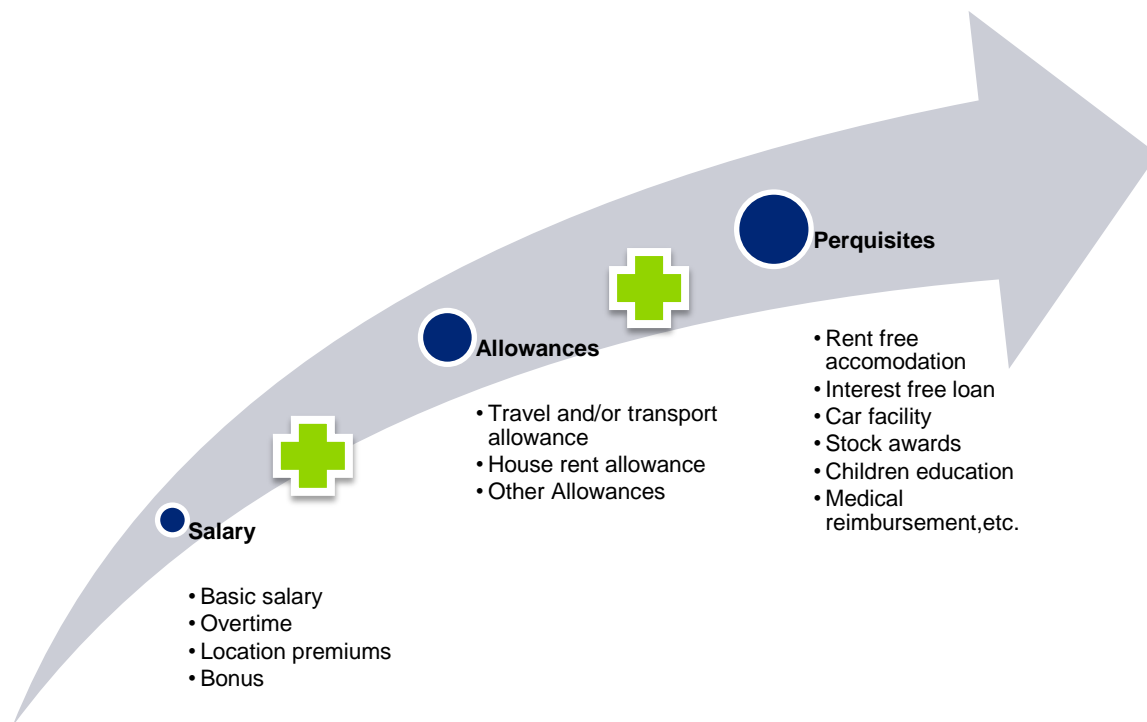
1. Salaries
2. Income from House Property
3. Profit and Gains from Business or Profession
4. Capital Gains
5. Income from Other Sources

The important provisions with reference to the above mentioned heads of income are provided below:

### Salaries

Salary income refers to any compensation due to an employee from his employer or former employer for rendering of the employment services. Salary earned by an employee for services rendered in India is taxable in India, irrespective of the place of receipt of the salary or the residential status of the individual. Employed individuals are subject to income-tax on the cash salary and non-cash benefits received from employment. Regardless of the nomenclature, all components of salary are taxable unless specifically exempted or taxed concessonally.

### ***Illustrative Components of Salary***



### ***PAYE (Pay As You Earn) Obligation***

India follows a PAYE mechanism for deposit of taxes. The employer is required to comply with monthly withholding tax obligations on salary income taxable in India. Tax is required to be deducted on payment of salary and deposited into the Government treasury within seven days from end of the month in which deduction is made (except for the month of March for which the tax is required to be deposited by 30th April).

At the end of the tax year, the employer is required to issue the tax deduction and remuneration certificate in Form No.16 together with certificate of benefits in Form 12BA. These certificates specifically mention income earned by an individual and the taxes withheld thereon during a specific tax year. The employer is also required to register with the Indian tax authorities and obtain a Tax Registration Number, commonly known as Permanent Account Number (PAN) and Withholding Tax Registration Number, commonly known as Tax Deduction Account Number (TAN) and comply with quarterly filing of Withholding Tax Returns.

## Income from House Property

The rental income earned on property owned by an individual is taxable under the head 'Income from House Property'. Based upon the occupancy of the property, the tax provisions, as applicable, have been tabulated below:

Particulars	Self-occupied property	Let out property
<b>Property covered</b>	<ul style="list-style-type: none"><li>Property which has not been let out and which is occupied by the owner of the property</li><li>Residential house property which cannot be occupied by the owner of the property as the property is away from the place of work of the owner</li></ul>	Let out during the whole or any part of the tax year
<b>Gross Annual Value</b>	NIL	Actual rent received during the year
<b>Deductions</b>	<ul style="list-style-type: none"><li>Mortgage/ loan interest upto ₹200,000 (including the eligible pre-construction period interest portion)</li></ul>	<ul style="list-style-type: none"><li>Municipal taxes paid to the authorities</li><li>Standard deduction at 30% of rent after reducing municipal taxes</li><li>Actual mortgage/ loan interest paid during the year (including the eligible pre-construction period interest portion).</li></ul>

If more than one residential property are owned by any individual, then out of the self-occupied properties, only one property can be treated as self-occupied while the other(s) will be treated as a 'deemed to be let out property'. These properties are taxable on the notional value determined on the basis of standard rent calculated as per the municipal laws. The deductions, as available for the let out property, are also available for the deemed to be let out property.

## Profit or Gains from Business or Profession

Any income derived from business or rendering of professional services are taxable, subject to allowability and disallowability of expenses incurred while earning the said income. The words 'profits and gains' are defined as 'the surplus by which the receipts from the business or profession exceed the expenditure necessary for the purpose of earning those receipts'. Commonly allowable deductions include wages, salaries, commission, rent, repairs, insurance, royalty payments, interest, lease payments, certain taxes (sales, municipal, road, property and customs duties), depreciation, expenditure for materials, etc.

Some of the specific deductions (illustrative) which can be allowed are as follows:

- Interest payments on capital borrowed for business purposes
- Investment linked incentives
- Capital expenditure on research conducted in-house
- Interest, royalties and fees for technical services paid outside India to overseas affiliates or in India to a non-resident provided tax is withheld thereon as may be applicable



Specifically, it may be noted that Indian tax laws do not permit companies to take a deduction for a general bad debt reserve, although specific bad debts may be deducted when written off. Expenses incurred for raising share capital are not deductible, as the expenditure is considered capital in nature. No deduction is allowed for expenditure incurred for earning income that is not taxable or for payments incurred for purposes that are an offense or prohibited by law, penal in nature or for payments that were subject to withholding tax by the payer but the withholding obligation has not been correctly administered.

There are certain tax holidays provided for operating in specific sectors such as developing of infrastructure facilities (as defined in the Act) or specific States and for operating in Special Economic Zones (SEZ).



## ***Scheme of business income taxation***

### **Maintenance of books**

Income or turnover exceeding the ceiling limit in the current tax year or immediately preceding 3 tax years:

Individuals carrying out the prescribed professional activities with gross receipts exceeding ₹150,000

Others - Income exceeding ₹120,000 or the total turnover or gross receipts exceeding ₹1 million

### **Audit of accounts**

Compulsory if the total turnover exceeds ₹10 million in case of business and ₹2.5 million in case of profession (includes law, medicine, accountancy, architecture, technical consultancy, interior decoration, information technology professionals etc.)

### **VAT and Service tax registration**

**VAT registration:** VAT is state levy at the point of sale of goods. Every trader or manufacturer who is engaged in selling of goods needs VAT registration according to the respective state VAT laws.

**Service Tax Registration:** A service provider has to mandatorily obtain service tax registration if the turnover exceeds ₹900,000 and remit service tax as per service tax rules.

## ***Transfer Pricing***

The Indian Transfer Pricing regulations were introduced in the tax year 2001-02 to ensure that the international transactions between related parties/associated enterprises conform to the arm's length principle. The ambit of international transactions is wide enough to cover all cross border transactions pertaining to goods, facilities, services and assets, including intangible assets. The provisions provide an extensive definition for 'associated enterprise' covering individuals and corporates/other entities.

The taxpayer is required to maintain detailed TP documentation on an annual basis to support the arm's length nature of such transactions. There is a statutory requirement to maintain such documentation if the value of transactions exceeds ₹10 million. Further, a report from an Accountant has to be obtained in a prescribed form, which needs to be furnished on or before the due date of the filing of the income tax return.

Any non-compliance under the law attracts stringent penalties.

Effective tax year 2012-13, the scope of the TP regulations has been extended to cover Specified Domestic Transactions. The government has also offered certain programs to ease the compliance burden and reduce uncertainty. Safe Harbor provisions and Advance Pricing Agreement are couple of examples of such programs.

For instance, the taxpayers now have an option of entering into Advance Pricing Agreements with the Government for determining the arm's length price or specifying the manner in which arm's length price is to be determined in relation to an international transaction. These can cover up to five years in the future and upto four years in the past.

## Capital Gains

Any profits or gains arising from the transfer of any capital asset (as defined) in a tax year is chargeable to income-tax under the head 'Capital Gains' and is deemed to be the income of the tax year in which the transfer took place.

### ***Key features of capital gains taxation***

Any capital asset held for more than 36 months immediately preceding the date of transfer is referred to as long term capital asset and those held for not more than 36 months are referred to as short term capital assets. Listed shares on a recognised stock exchange in India or units of an equity oriented mutual fund are classified as long term capital assets if the period of holding exceeds 12 months. Thus, shares of overseas companies or shares listed on overseas stock exchanges shall be regarded as long term capital assets only if they are held for more than 36 months preceding the date of transfer.

Computation of Capital Gains:-

• Full value of consideration	xxx
• Less: Cost of acquisition	(xx)
• Less: Cost of improvement	(xx)
• Less: Expenditure pertaining to transfer incurred by the transferor	(xx)

In the case of long term capital asset, indexation can be applied on the cost of acquisition and improvement of the asset, using defined cost inflation indices to arrive at the current price of the asset.

Generally, long term capital gains attract a special rate of 20% (plus the applicable surcharge and cess) on the gains, while short term capital gains are taxed at applicable slab rates. However, long term capital gain on listed shares on a recognised stock exchange in India or units of an equity oriented mutual fund is exempt from tax provided Securities Transaction Tax (STT)<sup>3</sup> has been paid. Short-term capital gains on India listed shares and units of an equity oriented mutual fund, where STT is paid, are taxed at 15% (plus the applicable surcharge and cess).

NRIs are required to pay taxes on capital gains on the sale of securities in an Indian company, based on the value of the securities in the foreign currency in which they were purchased. Benefit of indexation on sale of long term asset is not available to NRIs in the said case.

There are certain exemptions which can be claimed on sale of long term capital assets such as re-investment in residential property, agricultural land, certain securities, etc. on fulfillment of certain conditions.

Any long term capital gain arising to an individual from sale of a residential house property is exempt from taxation provided the gain is invested in another residential house property (new property). Similar exemption is provided in case of sale of any long term capital asset other than a residential house property where the net proceeds are invested in a new property. In the Union Budget 2014, it has been clarified that the said exemption will be available only if the investment is made in one residential house property situated in India.

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<sup>3</sup> STT is levied on every purchase or sale of securities that are listed on the Indian stock exchanges.



Further, long term capital gain invested in specified assets within a period of six months from the date of transfer of any capital asset is eligible for exemption, provided the value of investment in such specified assets during any financial year does not exceed ₹5 million. In the Union Budget 2014, it has been clarified that the aggregate investment made in such specified assets during the financial year and in the subsequent financial year cannot exceed ₹5 million.



### Income from Other Sources

All residual income (not falling in the above stated Heads of Income) earned by a taxpayer such as interest, etc. are taxable under this head after deduction of expenses incurred in relation to earning such income. Specifically, gifts received in the form of cash or kind in excess of ₹50,000 are taxable except when it is received from relatives or on the occasion of marriage or other circumstances, as defined in the Act. Presently, dividend received from an Indian Company or from units of mutual fund is exempt in the hands of individuals. However, foreign dividends are not exempt and are to be offered for taxation. Any interest income arising from Non-Resident External (NRE) Account or Foreign Currency Non-Resident (FCNR) Account is exempt from taxation in India.

## Specified deductions

On the gross total income computed after aggregating the income from all sources, an individual is entitled to claim certain deductions which are capped at specified limits. An illustrative list of such deductions includes:

- Life/health insurance premiums
- Contributions to Provident Fund, Public Provident Fund etc.
- Contribution to National Pension Scheme
- Principal repayment of loan for a mortgaged property
- Purchase of notified mutual funds
- Tuition fees for children
- Donations
- Interest on loan for higher education
- Treatment/maintenance of dependents
- Interest on savings bank accounts

## Computation of tax

An individual is taxed at progressive rates on the net taxable income.

### Applicable tax rates for the tax year 2014-15

Income Slab ₹	Rate %
Up to 250,000*	Nil
250,000 – 500,000	10
500,001 – 1,000,000	20
1,000,001 or above	30

*\* Exemption limit for resident senior citizens 60 years and above but below 80 years is ₹300,000 and for senior citizens 80 years and above is ₹500,000*

Additionally, surcharge at the rate of 10% (in case total income exceeds ₹10 million) and education cess at the rate of 3% of the total tax liability is payable.

## Tax Registration

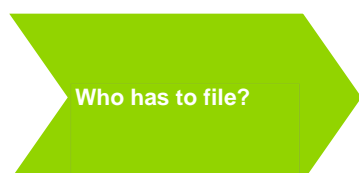
Every tax payer is required to register with the Indian tax authorities and obtain a Tax Registration Number, PAN, which is mandatorily required to be quoted on tax return, for opening of bank accounts and other specified transactions.

## Mode of tax payment

Taxes on income earned are payable through the following mechanisms:

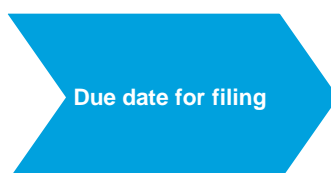
Advance Tax	<ul style="list-style-type: none"><li>• Estimation of total taxable income</li><li>• Determination of tax liability on the above</li><li>• Payment of tax in three installments (if the net tax liability after considering tax deducted at source exceeds ₹10,000)</li><li>• Due dates for individuals – 15<sup>th</sup> September, 15<sup>th</sup> December and 15<sup>th</sup> March of every tax year</li></ul>
Self-Assessment Tax	<ul style="list-style-type: none"><li>• Final residual tax payment by individual</li><li>• To be paid before filing the return of income</li><li>• Interest levy for default/deferment in payment of taxes</li></ul>

## Tax Filing – Process flow chart



Individuals having income more than the exemption threshold

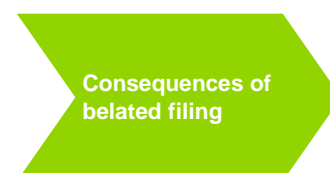
Before filing the tax return, it is important to view the Annual Tax Credit Statement (Form 26AS) which summarises the taxes deducted/deposited against each tax payer against each tax payer



Individuals whose books of accounts are to be audited - on or before 30th September following the relevant tax year

Individuals who are required to submit report by an Accountant under TP regulations - on or before 30th November following the relevant tax year

Other individuals - Tax return has to be filed on or before 31<sup>st</sup> July following the relevant tax year



Belated filing of return may attract interest and penalties and revision of the same is not permissible

Current year loss may not be permitted to be carried forward



### Special provisions relating to certain incomes of Non Residents

- The Act stipulates special provisions on taxability of income earned by NRIs. NRIs have an option to be governed by these special provisions or the normal provisions of the Act. If an NRI wants to opt out of these special provisions, a declaration to that effect is required to be given in the return of the income.
- The concessional rates of tax available under this Special Provisions are summarised below:
  - Investment income is taxable at 20%
  - Long term capital gains from specified assets [(e.g. shares in Indian company, debentures/ deposits in an Indian company (excluding private company)], and any security of the Central Government acquired out of convertible foreign exchange are taxable at 10%
- If an NRI opts for the concessional tax treatment discussed above, then he/she would not be able to claim any corresponding deduction, as specified, as also the benefit of cost inflation indexation for capital gains.
- The concessional rates of tax would continue to apply for the individuals returning to India even in the years they qualify as a Resident. However, they would need to file a declaration, in writing, to the concerned Tax Officer along with the return of income expressing their desire to be governed by these special provisions.
- NRIs, opting for this scheme, need not file their Return of Income, if their total income consists only of investment income/ long term capital gains or both, and tax has been deducted at source on the same.



## Wealth Tax

Wealth tax is a direct tax levied on individuals, HUFs and companies whose net wealth exceeds the minimum threshold of ₹3 million as on the valuation date. It is charged at the rate of 1% of net wealth (the value of specified assets on the valuation date in excess of the value of the debt that the taxpayer owes on the said assets) in excess of ₹3 million of a person. Valuation date for the purposes of this statute is March 31. Hence, the assets sold during the year are not subject to Wealth tax. This tax is levied on specific assets held by the individual as on the valuation date.

The intent of this law is to tax assets that do not generate any income, i.e. non-productive assets.

### Wealth Tax – inclusions and exclusions

Incidence of wealth tax and location of asset	Assets covered	Assets to be excluded
<p>ROR who is a citizen of India is liable to be taxed on the global net wealth</p> <p>However, foreign nationals/ NRIs will be liable to wealth tax on the assets located in India</p>	<ul style="list-style-type: none"> <li>Buildings- residential house, commercial building, guest house, farm house situated within 25 kms from municipality limits</li> <li>Motor cars</li> <li>Jewellery, bullion and other articles made of gold, silver or other precious metals</li> <li>Yachts, Boats and aircrafts</li> <li>Urban Land</li> <li>Cash in hand in excess of ₹50,000</li> </ul>	<ul style="list-style-type: none"> <li>One self-occupied residential house property</li> <li>Residential house let out for 300 days or more in a tax year</li> <li>House occupied for own business or profession</li> <li>Assets held as stock-in-trade in business.</li> <li>Cash up to ₹50,000</li> <li>Shares and securities of listed/unlisted companies</li> <li>Bank accounts</li> </ul>
<p>Special exemption for NRIs and PIOs repatriating for permanent settlement</p>		<p>Besides the above assets, the following assets will be exempt for seven tax years from the year of repatriation of an individual:</p> <ul style="list-style-type: none"> <li>Money and value of assets brought to India</li> <li>Assets acquired out of monies brought to India</li> <li>Assets purchased out of NRE account</li> </ul>

Any corresponding debts relating to the assets can be claimed as a deduction for arriving at the net wealth. The value of assets should be disclosed through a separate return that is to be filed on or before 31 July of the year following the tax year (i.e. 31 July 2015 for the tax year 2014-15). The tax due on the return is required to be paid before filing of the return. Further, the return has to be submitted electronically in the case of tax payers who are governed by the tax audit requirement under the Act, the due date for them to file the wealth tax return is 30 September of the year following the tax year.

The value of taxable assets (except cash) has to be determined in accordance with the valuation norms prescribed under the Wealth Tax Act, 1957.

## Indirect Tax

### Central Level

#### Customs

In India, Customs functions cover substantial areas of activities involving international passengers, importers, exporters, traders, manufacturers, carriers, port and airport authorities, postal authorities, banks, etc.

As a member of the World Customs Organisation, Indian Customs has adopted various international Customs Conventions and procedures including the Revised Kyoto Convention, Harmonised Classification System and GATT based valuation.

All incoming international passengers after immigration clearance have to pass through the Customs who have the duty to ensure their maximum facilitation and speedy clearance. Customs have to also ensure that passengers do not smuggle out foreign currency, antiques or other prohibited items.

Besides air, sea and road, goods can be imported/ exported through post/ courier or even through passengers as accompanied baggage. There are various Customs regulations framed for all such transactions.

#### Customs duty

Customs duty is levied by the Central Government generally on import of goods into India, although certain exported goods too are liable to customs duty. The basis of valuation in respect of imports and exports is the transaction value, except where the value is not available or has to be established owing to the relationship between the importer and exporter.

The aggregate customs duty, including additional duties and education cess, is 27.57%. The rates vary depending on the classification/ end use of goods under the Customs Tariff Act and could be higher or lower. The rates could vary, ranging from nil to > 100%, depending on the category of imports.

#### Baggage Rules

All goods imported by a passenger or a member of crew in baggage, with value exceeding the duty free allowance admissible under the Baggage Rules, and are subjected to customs duty, including education cess, at 36.05%. This rate, however, does not apply to motor vehicles, alcoholic drinks, which would be chargeable to customs duty, as commercial imports.

There are special allowances for professionals returning to India. Typically, there are allowances for used household articles and professional equipment.



Customs Baggage Declaration Regulations have been framed to ensure complete disclosure of baggage/ imports at the time of Customs clearance.

### **Excise duty**

Excise duty is levied by the Central Government on the production or manufacture of goods in India. Liability for paying the duty is on the producer or manufacturer. Excise duty rates are based on the transaction value, except where such value is not available or has to be otherwise established. The rates vary depending on the classification/ end use of goods under the Central Excise Tariff Act.

The standard excise duty rate is 12.36%, including education cess. Credit for inputs, capital goods and input services used in the production of excisable goods is available subject to specific conditions.

### **Service tax**

Service tax is levied by the Central Government at 12.36%, including education cess. Service tax is applicable on all services except those specified in the negative list or notified as exempt. Service tax is usually levied on the gross value charged by service providers for services rendered. A service provider has to mandatorily obtain service tax registration if the turnover from services exceeds ₹900,000 and remit service tax as per service tax rules.

An exception to the above is in case of reverse charge, where, in respect of certain specified services, the recipient of services is required to discharge service tax liability. Such services include supply of manpower, security services, works contract services, legal services, and sponsorship services. Reverse charge could either be partial or full.

Amongst various machinery provisions, the Place of Provision of Services Rules and Point of Taxation Rules have been notified, which govern taxability, export/ import of services.

### **Cesses**

Import of technology or payment towards cost of designs/ drawings, in terms of a foreign collaboration agreement, or payment to foreign collaborators/ any other person for or in connection with deputation of technical personnel to India, in terms of a foreign collaboration agreement, attracts research and development cess, currently levied at the rate of 5%.

Product specific cesses are levied on production/ manufacture or import of certain commodities such as cement, coal/ coke, crude oil, iron ore.

### **State Level**

#### **Value Added Tax (VAT)**

VAT is levied by State Governments, including Union Territories, on intra State sale of goods. . Since the levy is State specific, the applicable rates generally differ across States. VAT rate varies between 14.5%, 5% and 1%, depending on the products. The reduced rates apply to the sale of agricultural and industrial inputs, capital goods and medicines, precious metals, etc.

Every trader or manufacturer who is engaged in selling of goods needs VAT registration according to the respective state VAT laws as every State has prescribed its own threshold for seeking VAT registration. VAT paid at the time of procurement is available as a credit against the output sales. A refund of input tax is available for exporters.

Besides typical sale/ purchase transactions, certain transactions involving transfer of right to use goods or composite contracts comprising of supply of goods as well as services also fall under the purview of VAT. For such transactions, interplay of VAT and service tax assumes relevance. Valuation provisions under both VAT and service tax laws have been framed for compliance under both these legislations simultaneously.

VAT payable on inter-State movement of goods is termed as Central Sales Tax (CST).

### **Municipal tax**

At the municipality level, entry tax/ octroi/ local body tax is imposed on entry of goods into specified limits. Taxes on professions, trades, callings and employments or on luxuries including entertainment, amusement, betting and gambling are also imposed.

### **Goods and Services Tax (GST)**

GST is proposed to replace the current indirect tax regime. GST shall subsume and integrate taxes on supply of goods and services. With its introduction, there should be minimal cascading effect due to availability of input tax credit at each taxation point.

GST would be applicable on supply of goods or services as against the present concept of tax on manufacture or sale of goods or provision of services. GST would be a destination based tax as against the present concept of origin based tax.

Due to India's federal structure, a dual GST is proposed in India, with levy of Central GST (CGST) by Central Government and levy of State GST (SGST) by State Government. There would be concurrent levy of CGST and SGST on each transaction of supply of goods and services. An Integrated GST (IGST) would be levied on inter-State supply of goods or services.

Currently, fiscal powers between the Centre and States are clearly demarcated in the Constitution of India. Assignment of concurrent jurisdiction to the Centre and States for levy of GST would require a unique institutional mechanism and an amendment of the Constitution of India. The Constitution (115th Amendment) Bill was introduced in the Lok Sabha in 2011. The process of enactment would be complete upon passage by both Houses of Parliament, ratification by State Legislatures and receipt of assent by the President.





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# Foreign Exchange Regulations

## Residency under FEMA

Under the FEMA regulations, an individual will be Resident in India if he/she satisfies the following tests:

- a. The individual must have resided in India during the preceding financial year (April to March) for more than 182 days.
- b. An individual who has resided in India during the preceding financial year (April to March) for 182 days or less will be regarded as Resident in India if he / she resides in India for either of the following purposes i.e.:
  - For or on taking up employment in India; or
  - For carrying on a business or a vocation in India; or
  - For any purpose in such circumstances as would indicate his intention to stay in India for an uncertain period.

The following individuals would be treated as non-residents in a financial year despite satisfying the basic condition of 182 days stay in the preceding financial year –

A person staying/ going outside India for	A person staying/coming in India, otherwise than for
Taking up employment outside India	Taking up employment in India
Carrying on business or vocation	Carrying on business or vocation
For any other purpose in such circumstances as would indicate his intention to stay outside India for an uncertain period	For any other purpose in such circumstances as would indicate his intention to stay in India for an uncertain period

Based on the above, it may be noted that an individual may be resident as per FEMA depending on length of stay in India during the previous financial year or based on the purpose of stay in India.

## Definition of NRI and PIO under FEMA

The terms Non-Resident Indian (NRI) and Person of Indian Origin (PIO) have been used in some of the rules issued under the Foreign Exchange Management Act. Under the Consolidated FDI Policy, the definition of NRI/PIO is as follows:

- NRI means an individual resident outside India who is a citizen of India or is a Person of Indian Origin;
- PIO means an individual (not being a citizen of Pakistan or Bangladesh):
  - who at any time, held an Indian passport;
  - who or either of whose father or mother or whose grandfather or grandmother was a citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955;
  - who is a spouse of an Indian citizen or a person referred herein above.



## Banking in India

The banking sector extends a beneficial treatment in terms of NRI accounts to Indians remitting their foreign exchange earnings to India. There may be different categories of Indians who are settled abroad but yet are keen to invest in India. The Government is ensuring that the NRIs/PIOs receive favoured treatment.

NRIs are permitted to hold certain types of bank accounts in India. The permissible bank accounts would differ based on the category of non-residents and type of remittances - some more privileged than the rest.

### Foreign Currency (Non- resident) Account (Banks) Scheme- FCNR (B)

This is a foreign currency account which can be opened with overseas remittances through normal banking channels. NRIs/PIOs (except individuals/entities of Bangladesh/Pakistan nationality/ ownership) are permitted to open and maintain these accounts with Authorised Dealer Category-I Banks (AD banks).

In the case of Indian citizens/PIOs who subsequently become a person resident in India, deposits can continue until the maturity period at the contracted rate of interest. However, such deposits shall be treated as resident deposits from the date of the account holder's return to India barring the exception of the applicability of rate of interest and a few other requirements.

### Non-Resident (External) Rupee Account Scheme - NRE Account

This is a Rupee designated account which can be opened with overseas remittances through normal banking channels. NRIs/PIOs (except individuals/entities of Bangladesh/Pakistan nationality/ownership) are permitted to open and maintain these accounts with AD banks.

These accounts need to be designated as resident accounts on change of the residential status of the individual under FEMA. Visitors however are permitted to continue with their NRE accounts even during the stay.

### Non-Resident Ordinary – (NRO) Rupee Account Scheme

This is an account which can be opened with permitted overseas remittances through normal banking channels and legitimate dues of the account holder in India. Any person resident outside India, including an NRI/PIO (except individual who is a Pakistan national/ entities of Bangladesh/ Pakistan ownership) is permitted to open an NRO account with AD Banks. When a person resident in India leaves India for another country (other than Nepal or Bhutan) for employment, conducting business, or any other purpose, indicating intention to stay outside India for an uncertain period, his existing bank accounts in India are designated as a Non-Resident (Ordinary) accounts.

Likewise NRO accounts are re-designated as resident rupee accounts on the account holder's return to India for employment, conducting business or any other purpose, indicating their intention to stay in India for an uncertain period. Where the account holder is only on a temporary visit to India, there is no need to redesignate the account.

Most banks offer services like e-transfer of funds, auto bill pay, online payments, debit and credit cards etc. to its account holder. An account/deposit can be maintained with a nationalised bank, a co-operative bank or a private bank.

## Features of the various accounts – Comparative

Please find below the comparative analysis of the various types of accounts permissible for NRI/PIO:

Particulars	FCNR (B) account	NRE account	NRO account
Account holder	NRIs/ PIOs	NRIs/ PIOs	NRIs/ PIOs/ foreign entities (subject to conditions)
Joint account of two or more Nominees	Permitted	Permitted	Permitted
Joint account with another person resident in India	With resident close relative on former or survivor basis	With resident close relative on former or survivor basis	Permitted
Currency denomination	Any freely convertible currency	Indian Rupees	Indian Rupees
Repatriability: Principal	Freely repatriable	Freely repatriable	Not repatriable except in certain cases
Interest earned on deposits	Freely repatriable	Freely repatriable	Freely repatriable
Type of accounts	Term Deposits of specified maturity period only	Current Savings Recurring Fixed Deposits	Current Savings Recurring Fixed Deposits
Period for Fixed Deposits	For terms not less than 1 year and not exceeding 5 years	For the periods as announced by the deposit taking bank	For the periods as announced by the deposit taking bank
Nomination facility	Available	Available	Available
Rupee loans in India against the security of the funds held in the account	Permissible up to specific limits	Permissible up to specific limits	Permissible
Permitted credits	All permissible credits in respect of NRE accounts are permissible in FCNR accounts as well	<ul style="list-style-type: none"> <li>• Proceeds of remittances to India in any permitted currency.</li> <li>• Transfers from other NRE/ FCNR accounts.</li> <li>• Interest accruing on the funds held in the account.</li> <li>• Interest on Government securities and dividend on units of mutual funds, provided the securities/units were purchased by debit to the account holder's NRE/ FCNR account or out of inward remittance through normal banking channels.</li> <li>• Certain types of refunds</li> </ul>	<ul style="list-style-type: none"> <li>• Proceeds of remittances from outside India through normal banking channels received in foreign currency which is freely convertible.</li> <li>• Any foreign currency, which is freely convertible, tendered by the account holder during his temporary visit to India. Rupee funds should be supported by encashment certificate, if they represent funds brought from outside India.</li> <li>• Transfers from rupee accounts of non-resident banks.</li> <li>• Legitimate dues in India of the account holder. This includes current income like rent, dividend, pension, interest, etc.</li> <li>• Sale proceeds of assets including immovable property acquired out of rupee/ foreign currency funds or by way of legacy/ inheritance.</li> </ul>

Particulars	FCNR account	NRE account	NRO account
Permitted debits	All permissible debits in respect of NRE accounts are permissible in FCNR accounts also	<ul style="list-style-type: none"> <li>Local disbursements.</li> <li>Permissible remittances outside India.</li> <li>Transfer to NRE/ FCNR accounts of the account holder or any other person eligible to maintain such account.</li> <li>Investment in shares/securities/commercial paper of an Indian company or for purchase of immovable property in India provided such investment/purchase is covered by the regulations made, or the general/special permission granted, by the Reserve Bank.</li> <li>Any other transaction if covered under general or special permission granted by the Reserve Bank.</li> </ul>	<ul style="list-style-type: none"> <li>All local payments in rupees including payments for investments in India subject to compliance with the relevant regulations made by the Reserve Bank.</li> <li>Remittance outside India of current income like rent, dividend, pension, interest, etc. in India of the account holder.</li> <li>Remittance up to US\$ One million, per financial year (April-March), for all bonafide purposes, to the satisfaction of the authorised dealer bank.</li> <li>All remittances of income need to be net of applicable India taxes</li> </ul>

## Remittance Facilities for NRIs/ PIOs

### 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 transaction in the NRO account without any limit. Authorised Dealer banks may also allow repatriation of the said income of NRIs who do not have a NRO account in India. The same is subject to deduction of relevant taxes.

NRIs/ PIO have the option to transfer the above mentioned income to their Non Resident (External) Rupee account, provided income tax has been deducted thereon.

Foreign nationals who come to India on employment and become residents (as per the relevant provisions of FEMA), and are eligible to open/ hold a resident savings bank account, are permitted to convert their resident account maintained in India to NRO account on leaving the country after their employment.





### Remittance of assets by NRI/ PIO

A NRI/ PIO can transfer an amount up to US\$ 1 million, per financial year, out of the Non-Resident (Ordinary) Rupee (NRO) account/ sale proceeds of assets for all bona fide purposes, subject to the satisfaction of the AD bank and as per the prescribed rules.

NRI/ PIO can also remit sale proceeds of immovable property purchased by him out of Rupee funds (or as a person resident in India) as indicated above without any lock-in-period.

In respect of remittance of sale proceeds of assets acquired by way of inheritance, NRI/ PIO can submit documentary evidence in support of such inheritance to the AD for effecting the remittance.

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

### Facilities for students

Students going abroad for studies are treated as Non- Resident Indians (NRIs) and are eligible for all the facilities available to NRIs. Further, release of foreign exchange to students going abroad for studies exceeding the estimates from the institution abroad or US\$ 100,000 per academic year, whichever is higher is allowed.

Educational and other loans availed of by them as residents in India will continue to be available as per FEMA regulations.

### International Credit Cards

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







# Investment Opportunities in India

## Foreign Direct Investment

India is always seen as an attractive destination for foreign investment in the world. Under FDI Scheme, investments can be made in shares, mandatorily and fully convertible debentures and mandatorily and fully convertible preference shares of an Indian company by Non-Residents through two routes:

- Automatic Route: Under the Automatic Route, the foreign investor or the Indian company does not require any approval from RBI or Government of India for the investment.
- Government Route: Under the Government Route, the foreign investor or the Indian company should obtain prior approval of the Government of India (Ministry of Finance, FIPB, Department of Economic Affairs (DEA) or DIPP, as the case may be)

## Eligibility for Investment under FDI in India

- A person resident outside India or an entity incorporated outside India can invest in India, subject to the FDI Policy of the Government of India. A person who is a citizen of Bangladesh or an entity incorporated in Bangladesh can invest in India under the FDI Scheme, with the prior approval of the FIPB. A citizen of Pakistan or an entity incorporated in Pakistan can invest, only under the Government route (prior approval of FIPB), in sectors/activities other than defence, space and atomic energy.
- NRIs, resident in Nepal and Bhutan as well as citizens of Nepal and Bhutan are permitted to invest in shares and convertible debentures of Indian companies under FDI Scheme on repatriation basis, subject to the condition that the amount of consideration for such investment shall be paid only by way of inward remittance in free foreign exchange through normal banking channels.
- Overseas Corporate Bodies (OCBs) have been de-recognised as a class of investors in India with effect from September 16, 2003.





Sr. No.	Particulars	Provisions
1.	Issue of shares to NRIs/ PIOs	<p>Price of shares issued to NRIs/ PIOs, <b>shall not be less than:</b></p> <ol style="list-style-type: none"> <li>the price worked out in accordance with the Securities and Exchange Board of India (SEBI) guidelines, as applicable, where the shares of the company is listed on any recognised stock exchange in India;</li> <li>the fair valuation of shares done as per any internationally accepted pricing methodology for valuation of shares on arm's length basis, duly certified by a Chartered Accountant (CA) or a SEBI registered Merchant Banker where the shares of the company are not listed on any recognised stock exchange in India</li> </ol>
2.	Transfer of shares	<p><b>Transfer by Resident to NRIs/ PIOs</b></p> <ol style="list-style-type: none"> <li>where shares of an Indian company are listed on a recognised stock exchange in India, the price of shares transferred by way of sale <b>shall not be less than</b> the price at which a preferential allotment of shares can be made under the SEBI Guidelines, as applicable, provided that the same is determined for such duration as specified therein, preceding the relevant date, which shall be the date of purchase or sale of shares.</li> <li>where the shares of an Indian company are not listed on a recognised stock exchange in India, the transfer of shares <b>shall be at a price not less than</b> the fair value worked out as per any internationally accepted pricing methodology for valuation of shares on arm's length basis which should be duly certified by a CA or a SEBI registered Merchant Banker.</li> </ol> <hr/> <p><b>Transfer by NRIs/ PIOs to Resident</b></p> <p>Price of shares transferred by way of sale, by NRIs/PIOs to resident <b>shall not be more</b> than the minimum price at which the transfer of shares can be made from a resident to a non-resident as given above.</p>

## Optionality in FDI instruments

FDI instruments may be issued to NRIs/ PIOs under optionality clause which will oblige the buy-back of securities from the investor at the price prevailing/value determined at the time of exercise of the optionality so as to enable the investor to exit without guarantee of any assured return. The provision of optionality clause shall be subject to the following conditions:

- a. Minimum lock-in period of one year or a minimum lock-in period as prescribed under FDI Regulations, whichever is higher (e.g. defence and construction development sector where the lock-in period of three years has been prescribed). The lock-in period shall be effective from the date of allotment of such shares or convertible debentures or as prescribed various sectors as amended from time to time;
- b. After the lock-in period, as applicable above, the NRIs/PIOs exercising option/right shall be eligible to exit without any assured return, as under:
  - i. In case of a listed company, at the market price prevailing at the recognised stock exchanges;
  - ii. In case of unlisted company, at a price as per any internationally accepted pricing methodology on arm's length basis, duly certified by a CA or a SEBI registered Merchant Banker.

The guiding principle for the above is that NRIs/ PIOs is not guaranteed any assured exit price at the time of making such investment/agreements and shall exit at the fair price computed as above, at the time of exit, subject to lock-in period requirement, as applicable under FDI Regulations

## Other Investment opportunities

Investment in India by Indians working overseas continues to remain highly attractive due to several promising circumstances. Families back home provide the emotional backdrop. High rates of return, be it escalation in real estate prices or rate of interest on deposits as compared to the rest of the world despite inflationary trends, is also a determinative factor. These trends are reflected in a World Bank forecast<sup>4</sup> which indicates that India's migrant workers are expected to rush back more dollars home to take advantage of the weak rupee. At an estimated US\$ 71 billion (₹4,402 billion), India had been the top recipient of official remittances in 2013.

So what are the investment options in India that may be considered by NRIs/ PIOs? While deciding on the investment options, a lot of factors need to be kept in mind – whether the investment is for the short or long term, liquidity, repatriation benefits on sale of investment, etc.

Broadly the investment opportunities for a NRI/ PIO can be classified under the below heads:

1. Investment in Immovable Property in India
2. Investment on Repatriation basis
3. Investment on non-repatriation basis
4. Portfolio Investment Scheme

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<sup>4</sup> Migration and Development Brief dated April 11, 2014

## Investment in Immovable Property in India

Capital appreciation of immovable property while riding on the wave of the real estate sector boom has made investment in immovable property a hot favourite. The norms in connection with acquisition, transfer/ sale and repatriation of the sale proceeds have been discussed below.

### Acquisition

NRIs/ PIOs are permitted to purchase any immovable property (other than agricultural land/ plantation property/ farm house) in India without the RBI's permission. Such property can be acquired by way of gift as well. There is no requirement to file any documents or any declaration with the RBI in case residential and commercial property is purchased under the general permission.

For the purpose of acquisition of immovable property, a PIO means an individual, who is not a citizen of Pakistan, Bangladesh, Sri Lanka, Afghanistan, China, Iran, Nepal or Bhutan and who at any time held an Indian passport or who or either of whose father or grandfather was a citizen of India. Hence, a PIO who is a citizen of one of these countries may acquire an immovable property only with the prior permission of the RBI.





## **Payment**

Payment for such acquisition of immovable property (other than agricultural land/ plantation property/ farm house) can be made out of the funds received in India through normal banking channels by way of inward remittance from any place outside India or by debit to NRE/ FCNR(B)/ NRO account of the NRI/ PIO. Such payments, however, cannot be made by the travellers' cheques or foreign currency notes or any other mode.

Loans can be availed from ADs or from a housing finance institution, subject to certain conditions. NRIs/ PIOs are permitted to repay such loans by way of inward remittance through normal banking channels or by debit to NRE/ FCNR (B)/ NRO account of the NRI/ PIO or out of the rental income from such property or by the borrower's close relatives.

Refund of application/ earnest money/ purchase consideration made by the house building agencies/ seller on account of non-allotment of flat/ plot/ cancellation of bookings/ deals for purchase of residential/ commercial property, together with interest, if any (net of income tax payable thereon) can be allowed by the ADs by way of credit to NRE/ FCNR account, provided the original payment was made out of NRE/ FCNR account of the account holder or remittance from outside India through normal banking channels and the AD is satisfied about the genuineness of the transaction.

Caution should be exercised to comply with the foreign exchange requirements, as may be necessary. A recent report<sup>5</sup> suggests that it has come to the notice of the Central Government that foreign nationals are buying immovable property illegally. The concerned authorities are hence likely to be extra vigilant about the eligibility of such transactions under FEMA and compliance with the legal requirements.

## **Transfer/ sale**

An NRI can transfer any immovable property in India to a person resident in India. He can transfer any immovable property (other than agricultural land or plantation property or farm house) to an Indian Citizen resident outside India or a PIO resident outside India.

A PIO can transfer any immovable property in India (other than agricultural land/ farm house/ plantation property) by way of sale to a person resident in India. He can transfer agricultural land/farm house/ plantation property in India, by way of gift or sale to a person resident in India, who is a citizen of India. A PIO can also transfer residential or commercial property in India by way of gift to a person resident in India or to a person resident outside India, who is a citizen of India or to a PIO resident outside India.

A person, who had bought the residential or commercial property or agricultural land or plantation property or farm house in India when he was a resident, can continue to hold such immovable property without approval of RBI after becoming an NRI/ PIO. Sale proceeds, if any, of such immovable property can be credited to NRO account of the NRI/ PIO.

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<sup>5</sup> Clarification regarding Acquisition and Transfer of Immovable Property in India by Foreign Nationals issued by Press Information Bureau dated July 31, 2014

## Repatriation of sale proceeds

Repatriation of sale proceeds on sale of immovable property, other than agricultural land or plantation property or farm house, is possible in the case of a person resident outside India who is a citizen of India or a PIO resident outside India provided the following conditions are fulfilled:

- The property was acquired by the seller in compliance with the FEMA provisions in force at the time of purchase
- The amount to be repatriated is limited to the amount paid out of inward remittances through normal banking channels or funds held in FCNR accounts/ NRE account for acquisition of property
- In the case of residential property, the repatriation is restricted to proceeds from not more than two properties.

NRIs/ PIOs are permitted to remit up to US\$ 1 million per calendar year out of assets in India acquired by them by way of inheritances/ legacies.

## Investment on repatriation basis

NRIs/ PIOs (other than citizens of Pakistan or Bangladesh) can invest in shares and/ or convertible debentures of Indian companies (carrying on almost any kind of business in India barring a few wherein prior approval of Government/ FIPB is necessary) under the FDI policy on repatriation basis, subject to the condition that the amount of consideration for such investment shall be made only by way of inward remittance in freely convertible foreign currency through normal banking channels. NRIs/ PIOs can also acquire existing shares from Indian shareholders or other non-resident shareholders, subject to conditions.

Another investment option that can be explored is the domestic venture capital funds registered with SEBI subject to the specified conditions.

In all the above cases, specified conditions such as pricing guidelines, reporting requirements, mode of payment, minimum capitalisation norms, etc. needs to be complied with.

NRIs/ PIOs can also invest in the following:

- Government securities or treasury bills
- Units of domestic mutual funds
- Bonds issued by public sector undertakings in India
- Non-convertible debentures of a company incorporated in India
- Investment in shares of Public Sector Units (PSUs) under divestment offer
- Perpetual debt instruments and debt capital instruments issued by banks in India

## Investment on non-repatriation basis<sup>6</sup>

NRIs/ PIOs can invest, in the following:

- Units of money market mutual funds
- Government dated security/ treasury bills
- Units of domestic mutual funds

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<sup>6</sup> See Facitiles for NRI and PIO issued by RBI as on 26 May 2014.

- National Plan/ savings certificate
- Non-convertible debentures of an Indian company
- Shares and convertible debentures of Indian companies under the Portfolio Investment Scheme (PIS)
- Exchange Traded Derivatives contracts approved by the Securities and Exchange Board of India from time to time out of Rupee funds held in India on non repatriable basis, subject to conditions.
- Deposits with a company registered under the Companies Act, 2013 including Non-banking Financial Company (NBFC) registered with the RBI or a body corporate, proprietorship concern or a firm

The above investments are permitted on non-repatriation basis.

NRIs are not permitted to invest in small savings or Public Provident Fund (PPF).

### **Repatriation of funds**

While NRIs are investing in India, they may want to sell their investments and repatriate the proceeds out of India at some point in time. The Indian Government has liberalised provisions related to the repatriation of assets, whether acquired by NRI from foreign exchange or Rupee funds or which were held by him when he was a resident in India.

All money that is brought in India from abroad into the NRE account or FCNR account can be freely repatriated back. As per FEMA, the rent, interest and dividends deposited into NRE or FCNR accounts can be freely repatriated, net of Indian Income Tax.

Investment made in shares under FDI policy (other than investment made on non-repatriable basis), can be repatriated subject to the payment of taxes, on the sale of shares. However, sale of shares from NRIs/ PIOs to a non-resident (other than NRIs/ PIOs) would require prior approval of RBI.

Any balance in the NRO account can be repatriated to the extent of US\$ 1 million per financial year, provided a CA certificate is submitted to the banker, certifying that all taxes have been duly deposited with the Revenue Authorities. If a person is required to repatriate above this limit, he/she can make a specific application to RBI for increasing the repatriation limit.

### **Portfolio Investment Scheme**

NRIs/ PIOs can make portfolio investment in shares/ (convertible and non-convertible) debentures of Indian companies, with or without repatriation benefit provided the purchase is made through a stock exchange and also through a designated branch of an authorised dealer. However, the total paid up value of the shares/ convertible debentures invested by an NRI/ PIO cannot exceed 5% of the paid up capital of the Indian Company. Further, all NRIs/PIOs taken together cannot purchase more than 10% of the paid up value of the Indian Company. The sale proceeds of the repatriable investments can be either remitted outside India to the foreign currency bank account of the NRI/ PIO or credited to the NRE/ NRO accounts of the NRI/ PIO, whereas the sale proceeds of non-repatriable investment can be credited only to NRO accounts.

### **Concluding remarks**

While the above are the different investment opportunities available for NRIs/PIOs, they are meant to serve as information and not as a professional advice on regulation and taxes. It is imperative to be aware of the guidelines/ regulations that may be applicable for a specific investment transaction in a given fact pattern. This would also be relevant vis-a-vis the country where the individual is based. For example, NRIs/PIOs based in the US may need to be aware of the SEC guidelines for investments in mutual funds in India. An individual making an investment in India



should consult his AD/ professional consultant to make the permitted investment in compliance with specified regulations, inheritance and taxation laws and procedures laid down.

The Government and the RBI have laid out a roadmap towards stable economic growth and liberalised foreign investment policies. Given the current investment climate, a further surge in the inward remittances in India is expected. It's a welcome phase in the Indian economy where foreign investors would be keen to take advantage of liberalised policies and further contribute to growth in India.







# Immigration

## Classification of Overseas Indians

An overseas Indian can be classified into three broad categories under immigration laws. The key features and requirements of the categories, as specified under immigration laws, are tabulated below:

Particulars	Non –resident Indian [NRI]	PIO card holder	Overseas Citizen of India [OCI]
Definition	An Indian citizen ordinarily residing outside India and holding an Indian passport	A person registered as a PIO card holder under MHA's scheme	A person registered as Overseas Citizen of India under Section 7A of the Citizenship Act, 1955
Eligibility	-	Any person who at any time has held an Indian passport or who/ either of whose parents or grandparents were born in or were permanently resident in India as defined in Government of India Act, 1935 and other territories forming part of India thereafter provided neither was at any time citizen of Afghanistan, Bhutan, China, Nepal, Pakistan and Sri Lanka or spouse of Indian citizen or PIO	A foreign national who was eligible <ul style="list-style-type: none"> <li>• To become citizen of India on 26.01.1950 or anytime thereafter; or</li> <li>• Belonged to a territory that became part of India after 15.08.1947 and his/her children and grand children</li> <li>• Excluding persons who were citizens of Pakistan or Bangladesh at any time</li> <li>• Whose country of nationality allows dual citizenship under local laws</li> </ul>
Exclusion	None	PIOs of all countries except Afghanistan, Bhutan, China, Nepal, Pakistan and Sri Lanka	PIOs of all countries except Pakistan and Bangladesh
Procedure for registration	None prescribed	Eligible person can apply in prescribed form with enclosures to the Indian Mission/ Post in the country where he/ she is ordinarily resident <sup>7</sup>	Eligible person can apply to the Indian Mission/Post in the country of citizenship or where he/she is ordinarily resident <sup>8</sup>

<sup>7</sup> If the person is in India on long term visa of more than one year, he can apply to the specified FRRO or the Joint Secretary (Foreigners) MHA

<sup>8</sup> If the applicant is in India, he/she can apply to the specified FRRO or to the Under Secretary, OCI Cell, Citizenship Section , Foreigners' Division, MHA



Particulars	Non –resident Indian [NRI]	PIO card holder	Overseas Citizen of India [OCI]
Fees for application	Not applicable	₹15,000 or equivalent in local currency for adults and ₹7,500 or equivalent in local currency for children below 18 years of age <sup>9</sup>	US\$ 275 or equivalent in local currency. US\$ 25 or equivalent in local currency for PIO card holders
Permitted activities	All activities are permitted	All activities except mountaineering, missionary and research work and existing prohibited/restricted areas which require specific permit	All activities except mountaineering, missionary and research work and existing prohibited/ restricted areas which require specific permit
Indian citizenship	Already an Indian citizen	As per Citizenship Act; has to reside in India for minimum 7 years before applying for citizenship	Can obtain citizenship after 5 years from the date of OCI registration, provided he/ she stays in India for one year before applying for citizenship

## Regulations relating to movement in and out of India

### Indian citizen

An Indian citizen who is ordinarily residing outside India and holds an Indian Passport does not require visa to travel to India or Foreigners' Regional Registration Office (FRRO) registration to stay and work in India. An NRI falling in this category can take a flight to India without having to go through the above formalities.

### The PIO card holder

PIO cards allow their holders to enjoy visa-free travel in and out of India and to freely engage in work or study in India. Such visa-free travel facility can be enjoyed for a period of 15 years from the date of issue of the PIO card. Besides, the PIO card holder can apply for Indian citizenship after the minimum 7 year residency requirement is fulfilled. With this, the PIO card holder can travel in and out of India without any visa restrictions for life.

PIO card holders are exempt from the requirement of FRRO registration if the stay on any single visit in India does not exceed 180 days. The registration requirement will step in for extended stay and the PIO card holder will have to comply with the requirement within 30 days of the expiry of 180 days

### The Overseas Citizenship of India (OCI) card holder

OCI allows visa free travel to India for the life time of the individual. Although often referred to as Indian 'Dual Citizenship', it is important to note that India does not recognise dual nationality and thus OCI, whilst offering many benefits, is not equivalent to citizenship of India.

OCI cardholders are exempted from registration with FRRO for any length of stay in India.

<sup>9</sup> <http://mha.nic.in>

## Others

This category covers immigrants who hold foreign passports, but who do not possess a PIO or OCI Card. They would require a specific visa depending on the purpose of visit to India. Listed below are details of some of the visas, categorised on the basis of visit to India:

Type	Duration	Purpose of Visit to India
Employment Visa	Initial visa is for one year. It can be extended for upto 5 years.	Employment to be exercised in India
Entry Visa ("X" Visa)	Co-terminus with the period of visa granted to the principal visa holder	Spouse/ child of Person of Indian Origin and/or spouse/ dependent family member accompanying foreign citizen coming to India on a long term visa
Business Visa	One year or more with multiple entries, but stay limited to a maximum of 6 months in a single visit	Business
Conference Visa	Three month single entry visa	To attend international conferences and seminars on certain subjects
Student Visa	Valid for the period of study, as approved by the educational institution in India - It is a multiple entry visa.	Pursue regular studies at recognised institutions
Research Visa	Validity and duration depends upon the proposed research period to be conducted	Issued to research professors or scholars for conducting research in India
Journalist Visa	Three months with a single entry to India	Issued to professional journalists and photographers
Medical Visa	The initial duration of the visa is up to a year or the period of the treatment, whichever is less. The visa will be valid for a maximum of 3 entries during the one year	Medical treatment in reputed/ recognised specialised hospitals/ treatment centres in India.

## FRRO registration

Registration formalities for foreigners are prescribed by the Registration of Foreigners Act, 1939, and Registration of Foreigners Rules, 1992. A foreign national arriving in India on any visa category that is valid for a period of 180 days or less is not required to go through the registration formalities unless it is specifically endorsed on the visa.

Foreigners holding a visa, which is valid for more than 180 days and having a registration endorsement, would need to get themselves registered with the FRRO office within 14 days of arrival in India. Dependents accompanying E-Visa holders are also required to register with FRRO/ local police. Besides, children below 16 years of age generally do not require registration.

A list of FRRO offices in India with contact details is given hereunder:

Location	Address	Contact Number
Delhi	East Block –VIII, Level – 2, Sector – 1, R.K. Puram, New Delhi – 110 066	+91-011-26711384
Mumbai	Badruddin Tayyabji Marg, Mumbai – 400 001	+91-022-26571998
Chennai	Shastri Bhavan Annexe 26, Haddows Road, Chennai – 600 006	+91-044-28232642
Kolkata	237, A.J.C. Bose Road, Kolkata	+91-033-22470549
Amritsar	D-123, Ranjeet Avenue, Amritsar	+91-0183-2508250
Hyderabad	Bureau of Immigration, Besides Vijaya Bank Counter, Rajiv Gandhi Terminal, Begumpet Old Airport, Hyderabad	+91-040-27900211
Bangalore	5th Floor, 'A' Block, TTM, BMTB Bus Stand Building, K.H. Road, Shantinagar, Bangalore - 560027	+91-080-22218195

Upon registration, a residential permit is provided to the foreign national. Since the validity of the registration is usually co-terminus with the validity of the Visa, the registration needs to be renewed along with the Visa. Delay in adhering to the timelines may warrant levy of fine by the authorities.

#### **Surrender of residential permit**

A foreign national has to surrender the residential permit at the time of leaving India. This needs to be submitted to the FRRO/ FRO where he is registered, or of the place from where he intends to depart, or to the Immigration Officer at the port of exit from India. If the certificate is surrendered to any authority other than the Immigration Officer of the port of exit, a receipt indicating such surrender of the document may be obtained and shown to the Immigration Officer.

#### **Special Provision/ Facility**

Temporary Landing Facility (TLF) and Temporary Landing Permit (TLP) are special provisions, which permit a foreigner to enter India for emergency situations such as death or serious illness in the family, without an Indian visa. The statutory fee of US\$ 40 is charged for issuance of a TLF or TLP.

This facility can also be extended by the MHA, New Delhi to transiting foreigners having confirmed onward journey tickets within 72 hours. The provisions of TLF/ TLP are not available to the nationals of Afghanistan, Algeria, Bangladesh, Ethiopia, Iran, Pakistan, Nigeria, Somalia and Sri Lanka.

#### **Proposal to introduce e-visa facility**

In the Union Budget 2014, the Hon'ble Finance Minister announced that in order to give boost to tourism in India, the facility of Electronic Travel Authorisation (e-visa) will be introduced in 9 Indian airports in a phased manner. This would further facilitate the visa on arrival facility.



## Emigration Services

The Government established the Emigration Services Division of the Ministry of Overseas Indian Affairs (MOIA) in March 2006 to facilitate, protect and empower emigrants from India. This Division deals with all policy matters relating to emigration of workers from India.

Its key responsibilities include:

- Formulation of policies for improving Emigration Management
- Implementing emigration reforms (including institutional changes and e-Governance)
- Formulation of welfare schemes for emigrants
- Proposing legislative changes
- Promoting bilateral and multilateral co-operation in international migration

Being ignorant of the relevant laws and procedures, the Indian emigrant (other than the white collar worker) is highly susceptible to exploitation. The policy of localisation by host countries along with the high cost of migration further reduces the emigrational benefits to the worker.

Hence, the Ministry has taken various steps to transform the emigration system and empower the Emigrants, some of which are as follows:

- Drafting of new Emigration legislation to replace the Emigration Act, 1983;
- Proposals for signing Memorandum of Understanding (MoU)s with the Gulf countries;
- Schemes for skill up gradation and pre-departure orientation of potential emigrants;
- Building up a framework for carrying out on-site welfare measures;
- Setting up Overseas Indian Centers to coordinate on-site welfare;
- Replicate the best practices of other countries in the area of emigrant welfare;
- Revamping the recruitment system to make it more professional and accountable;
- Establishment of Indian Centre for Migration (ICM) to advise the Government on overseas employment matters and to develop strategies and best practices in migration management through research and studies.

Additionally, in order to implement appropriate policy decisions, the Government has established the Indian Council on Overseas Employment which undertakes research and obtains data through surveys. This would enable the Government to take informed decisions and adequate steps in grappling with various immigration issues.

Apart from the above, the MOIA has taken steps for the collation and dispersion of valuable information in terms of rights, powers, and responsibilities of emigrants, contact details of help centres, process to obtain assistance etc.







प्रवासी भारतीय कार्य मंत्रालय  
**Ministry of Overseas Indian Affairs**

The Ministry of Overseas Indian Affairs (MOIA) is a dynamic, young and interactive ministry, dedicated to the multitude of Indian Nationals settled abroad. Established in May 2004 as the Ministry of Non-Resident Indians' Affairs, it was renamed as the Ministry of Overseas Indian Affairs (MOIA) in September 2004. Driven by a mission of development through coalitions in a world without borders, MOIA seeks to connect the Indian Diaspora community with its motherland.

Positioned as a 'Services' Ministry, it provides information, partnerships and facilitations for all matters related to Overseas Indians (comprising Persons of Indian Origin (PIOs) and Non-Resident Indians (NRIs) ).

It is a contemporary, lean and efficient Ministry headed by a Cabinet Minister. The Ministry has four functional service divisions to handle its diverse scope of services:

- Diaspora Services
- Financial Services
- Emigration Services
- Management Services

The Ministry focuses on developing networks with and amongst Overseas Indians with the intent of building partnership with the Diaspora.

Besides dealing with all matters relating to Overseas Indians, the Ministry is engaged in several initiatives with Overseas Indians for the promotion of trade and investment, emigration, education, culture, health and science & technology.

**Ministry of Overseas Indian Affairs**

Government of India

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The Overseas Indian Facilitation Centre (OIFC) set up by the Ministry of Overseas Indian Affairs' (MOIA) in 2007, in partnership with the Confederation of Indian Industry (CII), provides facilitation services to the Overseas Indians, especially assisting them in deepening their economic and intellectual engagement with India. The OIFC is governed by a Council of prominent Overseas Indians, Industry leaders and senior policy makers from the Government.

OIFC has been uniquely constituted and positioned to serve as a single-point contact for the overseas Indians through its facilitation – whether in areas of information, economic engagement, knowledge partnering, mentoring or build any other association with Indian states that helps the Indian Diaspora, professionals and small/ mid-sized entrepreneurs build strong inter linkages with India, thus effectively enabling them to build upon or expand their engagement with India.

OIFC enjoys the due credibility of serving Indians globally extended under the umbrella of the Government, the Ministry of Overseas Indian Affairs' (MOIA), the Confederation of Indian Industry (CII), coupled with the support of a network of 'Knowledge Partners', Indian states, Indian missions and Indian Diaspora associations.

Currently OIFC's activities include, query addressal on various issues faced by the NRIs & PIOs, a robust online business networking portal, projection of member states' projects, Diaspora Engagement Meets in various countries, Market Place business forums in India and more.

#### **Overseas Indian Facilitation Centre**

(C/o Confederation of Indian Industry)  
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## Confederation of Indian Industry

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering industry, Government, and civil society, through advisory and consultative processes.

CII is a non-government, not-for-profit, industry-led and industry-managed organisation, playing a proactive role in India's development process. Founded in 1895, India's premier business association has over 7200 members, from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 100,000 enterprises from around 242 national and regional sectoral industry bodies.

CII charts change by working closely with Government on policy issues, interfacing with thought leaders, and enhancing efficiency, competitiveness and business opportunities for industry through a range of specialised services and strategic global linkages. It also provides a platform for consensus-building and networking on key issues.

Extending its agenda beyond business, CII assists industry to identify and execute corporate citizenship programmes. Partnerships with civil society organisations carry forward corporate initiatives for integrated and inclusive development across diverse domains including affirmative action, healthcare, education, livelihood, diversity management, skill development, empowerment of women, and water, to name a few.

The CII theme of 'Accelerating Growth, Creating Employment' for 2014-15 aims to strengthen a growth process that meets the aspirations of today's India. During the year, CII will specially focus on economic growth, education, skill development, manufacturing, investments, ease of doing business, export competitiveness, legal and regulatory architecture, labour law reforms and entrepreneurship as growth enablers.

With 64 offices, including 9 Centres of Excellence, in India, and 7 overseas offices in Australia, China, Egypt, France, Singapore, UK, and USA, as well as institutional partnerships with 312 counterpart organisations in 106 countries, CII serves as a reference point for Indian industry and the international business community.

### **Confederation of Indian Industry**

The Mantosh Sondhi Centre

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T: 91 11 45771000 / 24629994-7 \* F: 91 11 24626149

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**Reach us via our Membership Helpline: 00-91-11-435 46244 / 00-91-99104 46244**  
**CII Helpline Toll free No: 1800-103-1244**



## Globally

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## India

Deloitte is spread across thirteen locations and its 18,000 professionals take pride in their ability to deliver to clients the right combination of local insight and international expertise.



# Useful Websites

S.No.	Particulars	Website
1	Air India	<a href="http://home.airindia.in">http://home.airindia.in</a>
2	Airports Authority of India	<a href="http://www.aai.aero">www.aai.aero</a>
3	Bureau of Immigration	<a href="http://www.immigrationindia.nic.in">www.immigrationindia.nic.in</a>
4	Business Knowledge Resource, Government of India	<a href="http://www.business.gov.in">www.business.gov.in</a>
5	Central Board of Excise and Customs	<a href="http://www.cbec.gov.in">www.cbec.gov.in</a>
6	Confederation of Indian Industry	<a href="http://www.cii.in">www.cii.in</a>
7	Council for The Indian School Certificate Examinations	<a href="http://www.cicse.org">www.cicse.org</a>
8	Directorate of Income Tax (e-filing of tax return)	<a href="https://incometaxindiaefiling.gov.in">https://incometaxindiaefiling.gov.in</a>
9	Economist Intelligence Unit	<a href="http://www.eiu.com">www.eiu.com</a>
10	Employees' Provident Fund Organisation	<a href="http://www.epfindia.com">www.epfindia.com</a>
11	Employees' State Insurance Corporation	<a href="http://esic.nic.in">http://esic.nic.in</a>
12	Income Tax Department of India	<a href="http://www.incometaxindia.gov.in">www.incometaxindia.gov.in</a>
13	India Brand Equity Foundation	<a href="http://www.ibef.org">www.ibef.org</a>
14	Indian visa	<a href="https://www.indianvisaonline.gov.in/visa/">https://www.indianvisaonline.gov.in/visa/</a>
15	Indian Workers' Resource Centre	<a href="http://www.iwrc-uae.com">www.iwrc-uae.com</a>
16	Insurance Regulatory and Development Authority	<a href="http://www.irda.gov.in">www.irda.gov.in</a>
17	Just dial	<a href="http://www.justdial.com">www.justdial.com</a>
18	Maps of India	<a href="http://www.mapsofindia.com">www.mapsofindia.com</a>
19	Ministry of Corporate Affairs	<a href="http://www.mca.gov.in">www.mca.gov.in</a>
20	Ministry of Home Affairs	<a href="http://www.mha.nic.in">www.mha.nic.in</a>
21	Ministry of Overseas Indian Affairs	<a href="http://www.moia.gov.in">www.moia.gov.in</a>
22	National Securities Depository Limited	<a href="http://www.tin-nsdl.com">www.tin-nsdl.com</a>
23	National Stock Exchange	<a href="http://www.nse-india.com">www.nse-india.com</a>
24	New Pension Scheme	<a href="http://www.pfrda.org.in">www.pfrda.org.in</a>
25	National Portal of India	<a href="http://www.india.gov.in/">www.india.gov.in/</a>
26	Online Indian visa application	<a href="https://www.indianvisaonline.gov.in">https://www.indianvisaonline.gov.in</a>
27	Overseas Indian Facilitation Centre	<a href="http://www.oifc.in">www.oifc.in</a>
28	Overseas Worker Resource Centre	<a href="http://www.owrc.in">http://www.owrc.in</a>
29	Press Information Bureau, Government of India	<a href="http://www.pib.nic.in">www.pib.nic.in</a>
30	Reserve Bank of India	<a href="http://www.rbi.org.in">www.rbi.org.in</a>
31	Securities and Exchange Board of India	<a href="http://www.sebi.gov.in">www.sebi.gov.in</a>
32	timescity.com	<a href="http://timescity.com">http://timescity.com</a>

# Glossary

List of Abbreviations	
AD	Authorised Dealer
AAR	Authority of Advance Ruling
AIIMS	All India Institute of Medical Sciences
APA	Advance Pricing Agreement
CA	Chartered Accountant
CBDT	Central Board of Direct Taxes
CBEC	Central Board of Excise and Customs
CCEA	Cabinet Committee on Economic Affairs
CCS	Cabinet Committee on Security
CLICK	Communication Linked Interface for Cultivating Knowledge
CPI	Consumer Price Index
DTAA	Double Taxation Avoidance Agreement
DTC	Direct Taxes Code
FCNR	Foreign Currency (Non Resident) Account
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act
FII	Foreign Institutional Investment
FIPB	Foreign Investment Promotion Board
FRBM	Fiscal Responsibility and Budget Management
FRRO	Foreigners' Regional Registration Office
GDP	Gross Domestic Product
GST	Goods and Service Tax
HUF	Hindu Undivided Family
IAS	Indian Accounting Standards
IFRS	International Financial Reporting Standards
IIM	Indian Institute of Management
IIT	Indian Institute of Technology
InvIT	Infrastructure investments trust
IT	Information Technology
LRS	Liberalised Remittance Scheme
MHA	Ministry of Home Affairs
MOSPI	Ministry of Statistics and Programme Implementation
NABARD	National Bank for Agriculture and Rural Development
NBFC	Non-banking Financial Company
NR	Non Resident
NRE	Non Resident External account
NRI	Non Resident Indian
NRO	Non Resident Ordinary Rupee account
OCI	Overseas Citizen of India
OIFC	Overseas Indian Facilitation Centre
PAYE	Pay As You Earn
PIO	Person of Indian Origin
PIS	Portfolio Investment Scheme

PPF	Public Provident Fund
PPP	Public Private Partnership
PSU	Public Sector Undertaking
REIT	Real Estate Investment Trust
ROR	Resident and Ordinarily Resident
RNOR	Resident but Not Ordinarily Resident
RBI	Reserve Bank of India
SC	Scheduled Caste
SCF	Standing Committee of Finance
SEBI	Securities and Exchange Board of India
SEZ	Special Economic Zone
ST	Scheduled Tribe
STT	Securities Transaction Tax
TLF	Temporary Landing Facility
TLP	Temporary Landing Permit
TP	Transfer Pricing
VAT	Value Added Tax
WPI	Wholesale Price Index









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