

**CTC Study Group -
*Liberalized
Remittance Scheme/
Deposit Norms -
Analysis***

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Liberalized Remittance Scheme

- Purpose - facilitate all permitted capital and current account transactions
- Available only to Resident Individuals (not for Non-Residents, or for partnerships, HUFs, trusts, etc.)
 - current limit of US\$ 250,000 per financial year (April - March)
- Remittances can be consolidated for a family - subject to individual family members complying with LRS. Clubbing permitted for bank accounts/ immoveable property only if family members are co-owners
- LRS limit also subsumes other current account transactions (example: travel, education, medical expenses, etc.)
- Designated single branch of AD - for all LRS operations

Permissibility

Permitted

- Purchase of overseas property
- Gifts, art objects and donations
- Loans to NRI relatives - but credit to NRO Account only
- Employment/ emigration/ studies
- Shares, debt instruments, VC and mutual funds/ JV/WOS abroad, subject to restrictions
- Open foreign currency account outside India
- Retention and reinvestment of income earned abroad

Not Permitted

- No credit facilities for LRS
- Resident to resident gift in foreign currency not permitted
- Restrictions under CA Rules apply
- Bhutan/ Nepal remittances/ FATF non-cooperative countries

Remittances by individuals

- ▶ All remittances by individuals now subsumed under LRS limits
- ▶ Including travel-related expenses, studies abroad, gifts and donations
- ▶ Gift - resident to resident in foreign currency not permitted. Gift from resident to non-resident permitted within LRS limits. Gift in rupees from resident to NRI/ OCI non-resident who is a relative also permitted within LRS limits.
- ▶ Foreign currency accounts can be opened and maintained for making LRS remittances and transactions eligible under LRS.

ODI by Individuals

- Resident individuals invest/ acquire equity shares/ CCPS in JV/ WOS abroad - Regulation 20A. LRS limits apply.
- Conditions:
 - No real estate/ banking or financial services
 - *Bona fide* business activity
 - Not under investigation
 - Only operating companies
 - No step down subsidiaries
 - Valuation - to be undertaken by a CA/ CPA
 - No other financial commitments [only capital contributions]
 - Share certificates (6 months); Form ODI; APR; Audited Accounts - all apply to individuals
 - Change in shareholding pattern/ divestments to be permitted after 1 year; no write-off permitted
 - Repatriation of income - dividend, royalty, FTS, others (60 days)

Other ODI - individuals

- ▶ Gift of securities from a person resident outside India
- ▶ Cashless ESOP
- ▶ Inheritance (by person resident in India/ outside India)
- ▶ Indian employee/ director can remit funds towards ESOP offered by foreign parent company of an Indian company; annual return to be filed by Indian company to RBI with details of remittances/ beneficiaries
- ▶ Any transfer of shares - funds to be repatriated within 90 days

Deposit Regulations

- ▶ NRI/ OCI vs. PIO
- ▶ NRE account vs. NRO Account
- ▶ NRE account - rupee account (NRIs/ PIOs), on a repatriation basis
- ▶ NRO account - rupee account (any person resident outside India), on non-repatriation basis
- ▶ Permissible credits and debits - specified in the regulations
- ▶ Exhaustive list
- ▶ Repatriation under the \$1m channel
- ▶ Issue of remittance of current income

Thank you!

With regards,
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