



Aatma Capital  
Nurturing Relationships



# Impact due to change in residential status – FEMA perspective

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# Research Credits

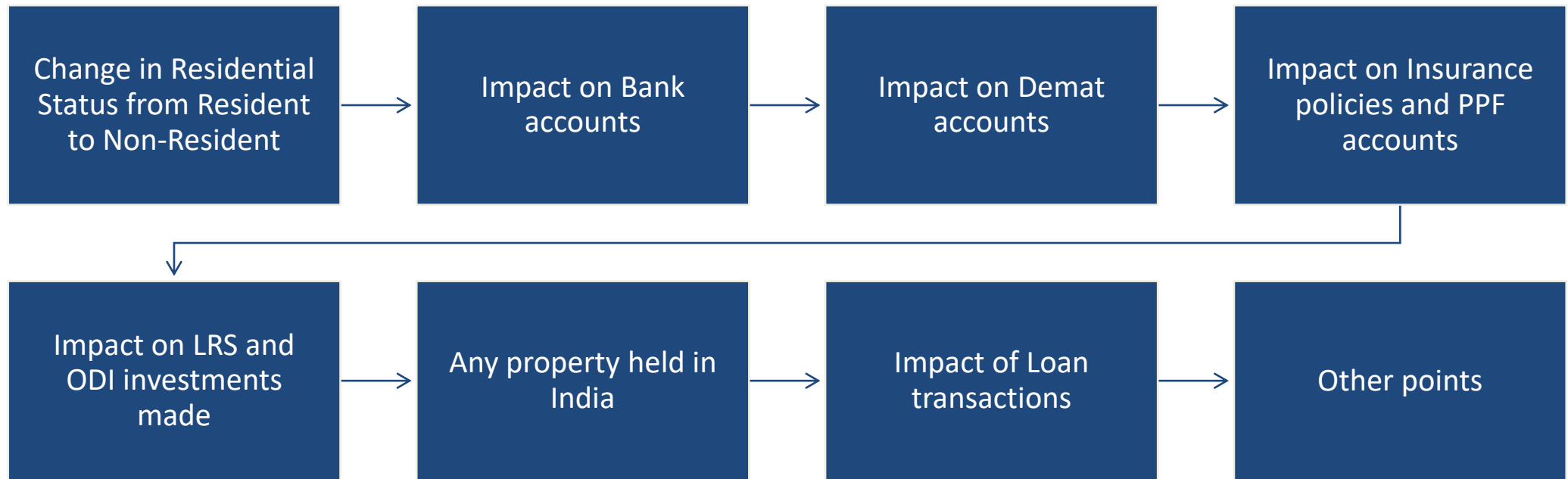


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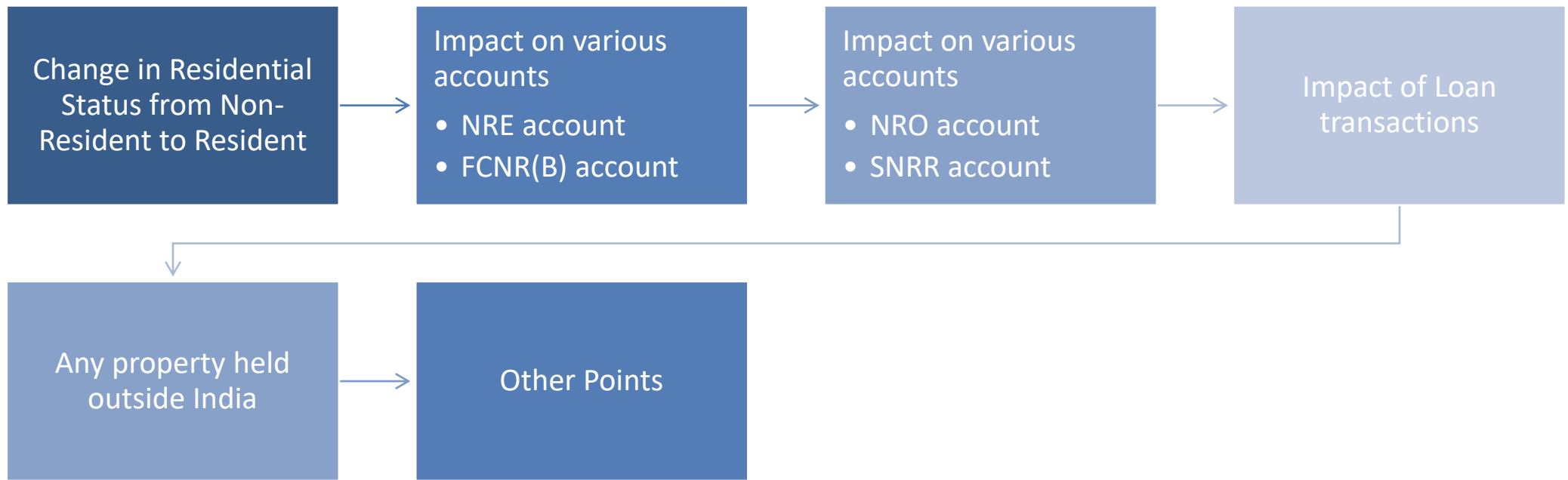
# Legends used in the Presentation

NRO	Non-resident (Ordinary) account
FCNR(B)	Foreign currency Non-resident bank account
NRE	Non-resident (External) account
SNRR	Special Non-resident rupee account
RBI	Reserve bank of India
FEMA	Foreign Exchange Management Act, 1999
LRS	Liberalized remittance scheme
ODI	Overseas Direct investment
NRI	Non-resident Indian
EEFC	Exchange Earner's Foreign currency account
RFC(D)	Resident Foreign currency (Domestic) account
PPF	Public Provident fund
KYC	Know your customer
UIN	Unique Identification number

# Presentation Schema - 1



# Presentation Schema - 2



# From Resident to Non-resident

# Impact on Bank accounts

As per Schedule III of FEM (Deposit) Regulations, 2016, When a person resident in India leaves India for a country (other than Nepal or Bhutan) for taking up employment, or for carrying on business or vocation outside India or for any other purpose indicating his intention to stay outside India for an uncertain period, then:



his existing account should be designated as a Non-Resident (Ordinary) account (NRO account).



Balances in EEFC and RFC(D) can be credited to NRE/FCNR(B) accounts.

# Impact on Demat account

- 1. Sec 6(5) of FEMA permits NRI to continue to own securities which were acquired while person was resident of India.
- 2. Securities in Demat account can be continued to be held by NRI. NRI needs to Intimate Depository about change in his residential status.
- 3. Schedule 3 and 4 of Non Debt Instrument Rules, 2019 permits NRI to make portfolio on repatriation and non-repatriation basis.
- 4. The investment in securities (Demat Account) existing on date of becoming NRI will be characterized as non-repatriable investment.
- 5. For making fresh investment on repatriation basis, new Demat account needs to be opened.

Portfolio for an individual means - The total holding shall not exceed 5 percent of the total paid-up equity capital on a fully diluted basis or shall not exceed 5 percent of the paid-up value of each series of debentures or preference shares or share warrants issued by an Indian company and the total holdings of all NRIs and OCIs put together shall not exceed ten percent of the total paid-up equity capital on a fully diluted basis or shall not exceed ten percent of the paid-up value of each series of debentures or preference shares or share warrants: - Provided that the aggregate ceiling of 10 percent may be raised to 24 percent if a special resolution to that effect is passed by the General Body of the Indian company.



## Impact on PPF account

Prior to the year 2018

- The PPF account of a Resident was deemed to be closed prior to the year 2018 on him becoming a Non-resident

As per F. No. 01/10/2016-NS dated 23rd February, 2018

- An NRI can continue to operate PPF account and continue to invest further till the time it matures (after 15/5 years).
- However, after maturity account cannot be renewed.

## Impact on existing Insurance policies

Life /General Insurance Policy taken in India can be continued. No permission required for payment of premium.

However, prompt intimation is required to be made to the insurance company for updating the KYC documentation and payment of balance premium.

Note: After maturity of the existing policy, it is on the insurance company to accept new policy for a Non-resident or not.

# Impact on investments made under LRS and ODI

## LRS remittances and investments made

The LRS remittances already made as residents can be continued and held by such person after becoming Non-resident.

## ODI investments made

In case of ODI transactions, upon turning NRI it will no longer remain ODI.

However, intimation to RBI is required to be given and Form ODI Part III will be required to be filed for cancellation of UIN.

# Impact on Properties already held in India

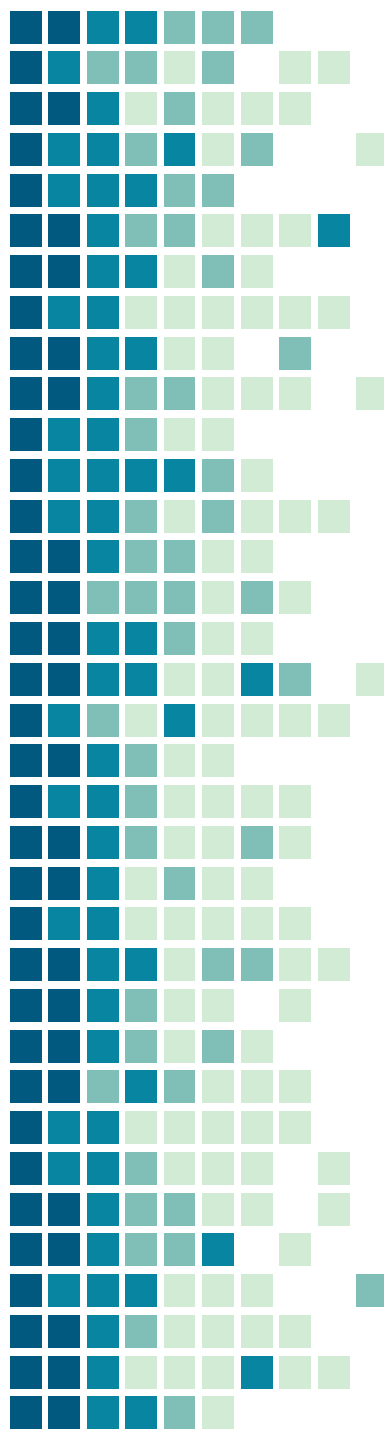
As per Section 6(5) of FEMA, A person resident outside India may hold, own, transfer or invest in Indian currency, security or any immovable property situated in India if such currency, security or property was acquired, held or owned by such person when he was resident in India or inherited from a person who was resident in India.

NRI can hold the already acquired agricultural property but cannot further invest or purchase such property after attaining the status of Non-resident.

Resident after becoming Non-resident, cannot continue to be a partner in a partnership firm which is involved in agricultural / plantation activity or real estate business, i.e. dealing in land and immovable property.

Investing in any activity of Agriculture / Plantation is restricted by a NRI

# Impact on Loan transactions



Loan already  
availed by Non-  
resident

The Relevant regulations are provided under the Schedule III of FEM (Deposit) Regulations, 2016

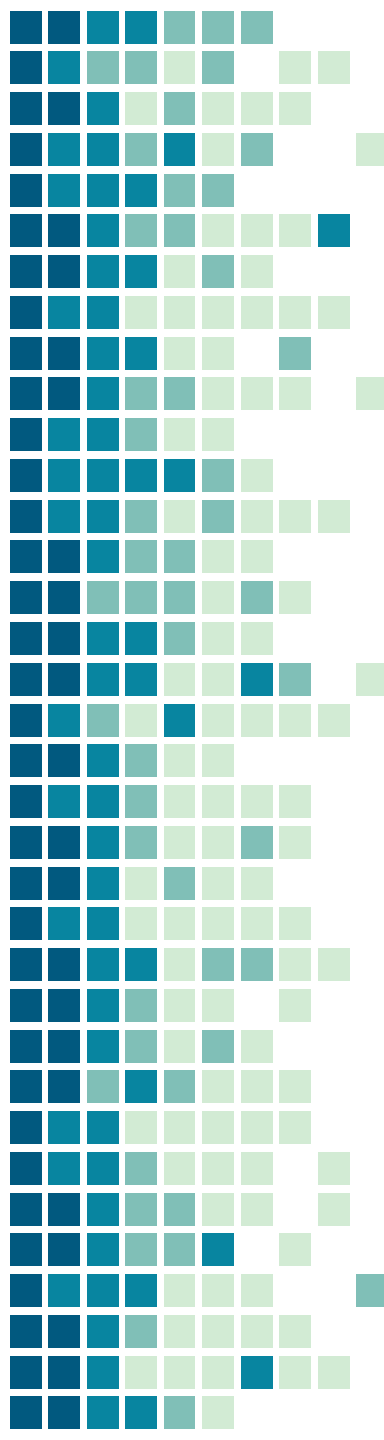
The authorised dealer may at their discretion and commercial judgement allow continuance of the loan/ overdraft facilities.

In such cases, payment of interest and repayment of loan may be made by inward remittance or out of legitimate resources in India of the person concerned.

Loan already  
Granted by Non-  
resident

In case a loan was granted by a resident individual to another resident individual and lender subsequently becomes a non-resident, then repayment by the resident borrower shall be made by credit to the NRO account.

# Other points to be considered

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- As per RBI norms for KYC, it is mandatory to update the change of your tax status to NRI status and submit the new KYC details.
  - Such details to be submitted to the financial institutions such as Banks, mutual fund houses and insurance companies.
  - It is required for ECS or auto debit facility because change in your residential status will result in change of your savings account and you will have to link it to your NRO / NRE account.

# From Non-resident to Resident

# Impact on various accounts

The relevant regulations are provided under Schedule I of FEM (Deposit) Regulations, 2016

NRE accounts should be designated as resident accounts

## NRE Account

The funds can also be transferred to RFC account at the option of the assessee.

Such transfer shall be made immediately on change of the residential status

The relevant regulations are provided under Schedule II of FEM (Deposit) Regulations, 2016

FCNR(B) deposits may be allowed to continue till maturity at the contracted rate of interest

## FCNR(B) account

Bank should convert the FCNR(B) deposits on maturity into resident rupee deposit accounts or RFC account

Option is available to the assessee for making appropriate decision

# Impact on various accounts

The relevant regulations are provided under Schedule III of FEM (Deposit) Regulations, 2016

NRO accounts should be designated as resident accounts

NRO Account

Where the account holder is only on a temporary visit to India, the account should continue to be treated as non-resident during such visit.

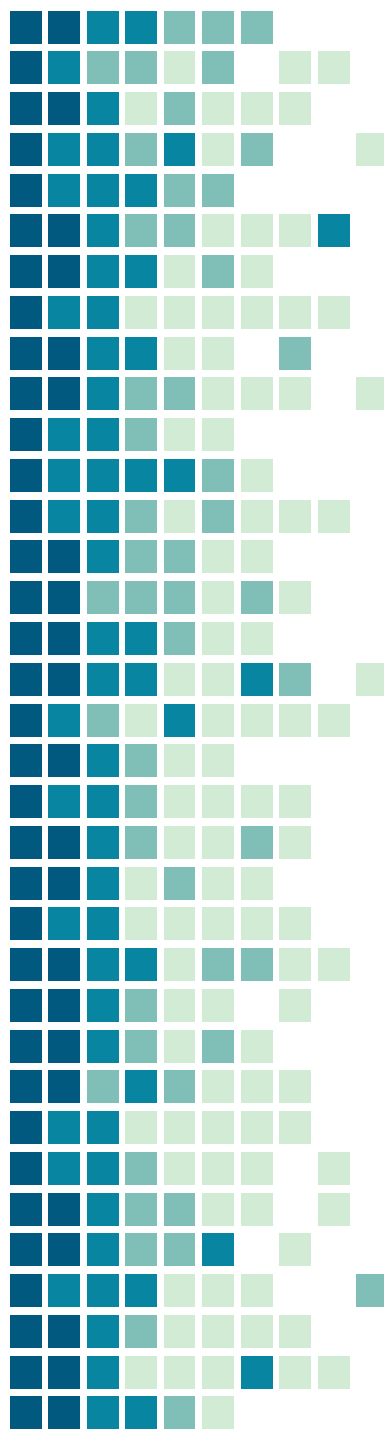
Such transfer shall be made immediately on change of the residential status

## Special Non-Resident Rupee Account - SNRR account

As per Schedule IV of FEM (Deposit) Regulations, 2016, SNRR account may be designated as resident rupee account on the account holder becoming a resident.



# Impact on Loan transactions




Loan already  
availed by  
resident


Resident Individuals now permitted to service loan taken overseas as person resident outside India, subject to specified terms and conditions

Loan already  
Granted by  
resident

In case loan was granted by NRI/OCI cardholder to an RI and the lender subsequently becomes resident then repayment of loan may be made to the designated account of the lender maintained in India.

# Impact on Properties already held outside India

- 
- In terms of sub-section 4, of Section (6) of the FEMA, a person resident in India is free to hold, own, transfer or invest in foreign currency, foreign security or any immovable property situated outside India

- 
- if such currency, security or property was acquired, held or owned by such person when he was resident outside India or inherited from a person who was resident outside India

As per RBI FAQ no. 6 on Foreign Currency Accounts by Resident Individuals,

A person resident in India may maintain a foreign currency account outside India if he had opened it when he was resident outside India or inherited it from a person resident outside India.



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