

NRI Investment

As one of the emerging economies in the world, India attracts thousands of foreign investors. Some Indians migrate abroad in search of better job opportunities. However, they want to invest in India, being their own country. NRIs (Except USA and Canada Residents) can invest in LIC MF. They need to fill the Foreign Account Tax Compliance Act (FATCA) form and give their tax identification number of the country where they are staying.

Following Information is provided for general; Investor may contact their Financial Advisors for any Tax implications.

Who is a Non-Resident Indian (NRI)?

NRI is a person residing outside India who is a citizen of India or Person of Indian Origin (PIO).

Who is a Person of Indian Origin (PIO)?

A Person of Indian Origin (PIO) means a citizen of any country (other than Bangladesh or Pakistan), if:

- a. He/ She at any time has held an Indian passport or
- b. He/ She or either of his / her parents or grandparents was a citizen of India by virtue of the constitution of India or Citizenship Act, 1955 (57 of 1995) or He / She is a spouse of an Indian citizen or of a person referred above.

Who is a Foreign Institutional Investor (FII)?

FII means an institution established or incorporated outside India, which proposes to make investments in Indian securities and is registered with SEBI.

What are the different types of rupee accounts that are permitted and can be maintained by NRIs?

The three types of rupee accounts permitted, that can be maintained by NRIs are as follows:

- a. **NRE** : Non-Resident (External) Rupee Account
- b. **NRO** : Non-Resident (Ordinary) Rupee Account
- c. **FCNR** : Foreign Currency (Non –Resident) Accounts (Banks)

Note : With effect from 01/04/2002, both NRSR and NRNR deposit schemes have been discontinued.

What are NRE and NRO accounts?

Non-Resident (External) Rupee (NRE) account is a rupee account from which funds are freely repatriable. It can be opened with either funds remitted from abroad or local funds maintained in NRE/ FCNR accounts, which can be remitted abroad. The deposits can be used for all legitimate purposes. The balance in the account is freely repatriable.

Non-Resident Ordinary Rupee (NRO) account is a rupee account and can be opened with funds either remitted from abroad or generated in India. The amounts in such an account are generally non-repatriable. However, funds in NRO accounts can be remitted abroad subject to/as per various directives in force at the time of repatriation. More details can be found on the Reserve Bank of India (RBI) website www.rbi.org.in

What is the distinction between NRE and NRO Accounts?

Balances held in NRE accounts can be repatriated abroad freely, whereas funds in NRO accounts cannot be remitted abroad but have to be used only for local payments in rupees. Funds due to the non-resident account holder which do not qualify, under the Exchange Control regulations, for remittance outside India are required to be credited to NRO accounts.

Does an NRI, PIO, FII requires any approval from the RBI to invest in mutual fund schemes?

No special approval is required. NRIs/FIIs have been granted a general permission by RBI [Schedule 5 of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000] for investing in/redeeming units of the schemes subject to conditions set out in the aforesaid regulations.

What is a PIO Card? Who Issues PIO Cards? How to get a PIO Card?

Person of Indian Origin (PIO) Cards are issued by Ministry of External Affairs (CPV Division), Government of India to persons of Indian origin through Indian embassy abroad. Specific information on rules, forms, particular offices, missions is available on the website

Repatriable Basis

To invest on a repatriable basis, NRI investor must have an NRE or FCNR Bank Account in India. The Reserve Bank of India (RBI) has granted a general permission to Mutual Funds to offer mutual fund schemes on repatriation basis, subject to the following conditions:

The amount representing investment should be received by inward remittance through normal banking channels, or by debit to an NRE / FCNR account of the non-resident investor.

The net amount representing the dividend / interest and maturity proceeds of units may be remitted through normal banking channels or credited to NRE / FCNR account of the investor, as desired by him subject to payment of applicable tax.

Non-Repatriable Basis

The Reserve Bank of India (RBI) has granted a general permission to Mutual Funds to offer mutual fund schemes on non-repatriation basis, subject to the following conditions:

Funds for investment should be provided by debit to NRO account of the NRI/ FII investor. Alternatively, funds may be invested by inward remittance or by debit to NRE / FCNR Account.

No permission of Reserve Bank either by the Mutual Fund or the NRI investor is necessary. FII Investors. FIIs may pay for their purchases with funds held in a Foreign Currency account or Non-resident Rupee account maintained in a designated branch of an authorized dealer [Clause 3(1) of the Regulations]. Payments may be made by cheques payable at a city where the application is accepted by any LIC MF Investor Service Centers.

Applications from FIIs should be accompanied by appropriate documentation supporting the status of the FII investor and should be sent to the AMC/ISC , so as to reach them not later than 7 days after the date of the subscription.

Similarly, in case of an Applications under a Power of Attorney or by an FII, the original Power of Attorney or the relevant resolution/authority to make the Applications(or a duly notarized certified true copy thereof), along with a certified copy of the Memorandum and Articles of Association and/or bye laws and Certificate of Registration should be submitted to the Mumbai ISC within 7 days from the date of the application. The officials should sign the Applications under their official designation.

The NRIs/PIOs/FIIs may also be required to furnish other documents needed to process their investments.

Can NRI invest in foreign currency?

An NRI cannot make the investment in foreign currency. He needs to give us a Rupee cheque from his NRE, NRO bank account in India. He may also send a Rupee cheque from abroad payable in a bank in India. However, for an NRI to invest, it is mandatory that he maintains a bank account in India.

What is the mode of payment for Repatriation and Non-Repatriation Basis?

NRI Investor:

Repatriable Basis. Payments for the purchase of the units may be made by Indian Rupee drafts purchased abroad, or by cheques drawn on the NRE/FCNR Account of the investor, payable at the city where the Applications form is accepted by any LIC MF Investor Service Centers.

Non-Repatriable Basis. Payments for the purchase of the units may be made by Indian Rupee drafts purchased abroad, or by cheques / demand drafts drawn on the NRE / FCNR / NRO / NRSR / NRNR account of the investor, payable at the city where the Applications form is accepted by any LIC MF Investor Service Centers.

FII Investors. FIIs may pay for their subscription amounts by Indian Rupee drafts purchased abroad, or from funds held in a Foreign Currency account or Non-resident Rupee account maintained in a designated branch of an authorized dealer. The Indian Rupee drafts/cheques should be made payable at a city where the Applications are accepted by any LIC MF Investor Service Centers.

Will the fund accept an NRI Applications with an overseas bank account detail?

No.

How will the redemption proceeds be paid?

Redemption proceeds may be paid by cheque. The cheque will be payable to the first unitholder and will include the bank account number. Alternatively, the redemption proceeds may be credited directly to the investor's (Unit Holder/ First Holder in the folio) bank account. This facility is available with select banks as mentioned in our Applications forms.

Redemption proceeds/repurchase price and/or dividend or income earned (if any) will be payable in Indian Rupees only. The fund will not be liable for any loss due to exchange fluctuations, while converting the Rupee amount into US Dollar or any other currency.

How can the redemption proceeds be repatriated?

The investments shall carry the right of repatriation of capital invested and capital appreciation so long as the investor continues to be a resident outside India.

In the case of an FII, the designated branch of the authorized dealer may allow remittance of net sale/maturity proceeds (after payment of taxes) or credit the amount to the Foreign Currency account or Non-Resident Rupee account of the FII, maintained in accordance with the approval granted to it by the RBI [Clause 5(i) of the Regulations].

In the case of NRIs:-, where the investment is made out of inward remittance or from funds held in the NRE/FCNR account of the investor, the maturity proceeds/repurchase price of units (after payment of taxes) may be credited to the NRE/FCNR/NRO/NRSR account of the non-resident investor maintained with an authorized dealer in India [Clause 5(ii) of the Regulations].

What about redemption proceeds where investments were made on a non-repatriable basis?

Where the purchase of units is made on a non-repatriable basis, the maturity proceeds/repurchase price of units (after payment of taxes) will not qualify for repatriation and may be credited to the NRO/NRSR account of the non-resident investor [Clause 5(ii) of the Regulations].

Where the investment is made out of funds held in a NRSR account, the maturity proceeds/ repurchase price of units (after payment of taxes) may be credited to the NRSR account maintained by the investor with an authorized dealer in India [Clause 5(ii) of the Regulations].

Similarly, investments in units purchased in Rupees, where the investor was a resident of India and subsequently becomes a non-resident, will not qualify for repatriation of repurchase proceeds of units.

The entire income distribution on the investment will, however, qualify for full repatriation. Investors are advised to contact their banks/tax consultants if they desire remittance of the income distribution on units abroad.

Will you transfer money to an investor's overseas account?

No. Investors need to contact their authorized dealers for this service.

What is the tax liability on redemptions?

Section 206AA of the Income Tax Act (the Act) provides for tax deduction at source at the higher of the following rates, if the recipient of the income has not furnished their Permanent Account Number (PAN).

- At the rate specified in the relevant provision of this Act
- At the rate or rates in force
- At the rate of 20%

To reduce the compliance burden of foreign companies and non-residents, the Finance Act, 2016 has relaxed the condition of obtaining a PAN by such foreign companies and non-residents, subject to the recipient foreign companies or non-residents (deductee) furnishing the following details:

- name, email id, contact number;
- address in the country or specified territory outside India of the home country of the non-resident;
- a certificate of residence in any country or specified territory outside India from the government of that country or specified territory if the law of that country or specified territory provides for the issuance of such certificate i.e. Tax Residency Certificate (TRC); and
- Tax Identification Number (TIN) of the non-resident in the country or specified territory of his residence and, in case no such number is available, a unique number on the basis of which the non-resident is identified by the government of that country or specified territory of which he claims to be a resident.

Furthermore, these details are required to be reported to the Indian tax authorities by LIC MF Mutual Fund (for investments in our schemes) by way of including it in the withholding tax returns and stating 'PAN not available'

What is the proof of the Tax Deduction at Source?

A TDS certificate is issued in the name of the Unit holder / First holder mentioning the details of the transaction and the tax deducted. The TDS certificate is commonly known as Form 16 A.

When will the TDS certificate be issued?

The digitally signed TDS Certificates (Form 16A) are dispatched to the investors once in a quarter.

Is the indexation benefit available to NRIs?

Yes, if units are held for more than 12 months i.e. on long-term capital gains.

Are fund units liable to the wealth tax?

No, Units issued to FIIs/NRIs will not be treated as assets as defined under section 2(ea) of the Wealth-Tax Act, 1957 and hence will not be liable to wealth tax.

Can an NRI send soft copy of the application followed by the original documents?

No, Units cannot be redeemed or allotted on the basis of. A request that lacks a valid signature cannot be processed/accepted.

Can a Power of Attorney (POA) invest on behalf of the NRI investor?

Yes, Unlike banks where a POA holder cannot open an account on behalf of the NRI/FIIs, in a mutual fund the POA has the authority to invest on behalf of the investor and sign documents for initial and additional purchases as well as redemptions. While applying for purchase of units the POA holder needs to submit the original POA or a copy duly notarized should be submitted. The Power of attorney should contain the signature of both the first holder and the POA holder. Only when the POA is registered does the POA holder have the right to transact on behalf of the NRI/FII investor. His signature will be verified for processing any transaction/request.

Is nomination by NRIs allowed in LIC MF Schemes?

Yes, it is allowed only for Individuals.

Can a resident Indian have an NRI as nominee?

Yes, the same rules apply for nominees to resident Indian folio(s). An NRI can be a nominee to a folio(s) which is in the name of a resident Indian.

For the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 and Schedule 5 thereof?

Visit the Reserve Bank of India (RBI) website at <http://www.rbi.org.in>