

# STUDENTS' ECONOMIC FORUM

*To kindle interest in economic affairs...  
To empower the student community...*



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Theme 271

## FOREX FACILITIES FOR RESIDENTS

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Theme No. 271 : FOREX FACILITIES FOR RESIDENTS

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A well informed customer will make the policy makers as well as organisations which produce goods and services more responsive to the customer needs. This will also result in healthy competition among organisations and improve the quality of goods and services produced.

The “SIB Students’ Economic Forum” is designed to kindle interest in economic affairs in the minds of our younger generation. We highlight one theme in every monthly meeting of the “Forum”. As per Foreign exchange Management Act (FEMA) 1999, persons resident in India are free to buy or sell foreign exchange for any current account transaction except for those prohibited by Central Government. All foreign exchange transactions undertaken by a resident that do not alter his / her assets or liabilities, including contingent liabilities, outside India are current account transactions. This month we discuss on the forex facilities available to a resident individual.

**Who is a person resident in India as per FEMA 1999?**

As per section 2(v) of FEMA, 1999 a person residing in India for more than one hundred and eighty-two days during the course of the preceding financial year but does not include

1. A person, gone out of India for employment, business or vocation, for any other purpose, indicating his intention to stay outside India for an uncertain period;
2. A person staying in India, otherwise than for employment or business or vocation or for any other purpose, indicating his intention to stay in India for an uncertain period.
3. Any person or body corporate registered or incorporated in India, an office, branch or agency in India owned or controlled by a person resident outside India, an office, branch or agency outside India owned or controlled by a person resident in India

**Who is an Authorized Dealer (AD)?**

An Authorised Dealer is any person specifically authorized by the Reserve Bank under Section 10(1) of FEMA, 1999, to deal in foreign exchange or foreign securities and normally includes banks. Foreign exchange can be purchased from any authorised person, AD Category-I and AD Category II and also from Full-Fledged Money Changers (FFMCs) for business and private visits.

**How much foreign currency can be brought /taken on foreign travel?**

A person coming to India from abroad can bring with him foreign exchange without any limit. However, if the aggregate value of the foreign exchange in the form of currency notes, bank notes or travellers cheques brought in exceeds USD 10,000 or its equivalent

and/or the value of foreign currency alone exceeds USD 5,000 or its equivalent, it should be declared to the Customs Authorities at the Airport in the Currency Declaration Form (CDF), on arrival in India. Persons going abroad are allowed to purchase foreign currency notes / coins only up to USD 3000 and balance amount can be carried in the form of travellers cheque or banker's draft.

### **How much foreign exchange can one buy on private visits/business trips to a country outside?**

A resident can obtain foreign exchange (except for visit to Nepal & Bhutan) up to an aggregate amount of USD 10,000, from an AD, in any one financial year, on self-declaration basis, irrespective of the number of private visits undertaken during the year for any purposes, such as, for employment or immigration or studies. For business trips abroad to countries, other than to Nepal and Bhutan, a person can avail of foreign exchange up to USD 25,000 per visit.

### **How much foreign exchange can be drawn for medical treatment abroad?**

AD Banks are allowed to release foreign exchange up to USD 100,000 or its equivalent to resident Indians for medical treatment abroad on self declaration basis, without insisting on any estimate from a hospital/doctor in India/abroad and for release of foreign exchange exceeding the above limit, the request is to be supported by an estimate from a hospital/doctor in India/abroad. An amount up to USD 25,000, in addition, is allowed for maintenance expenses of a patient, or to a person for accompanying as attendant.

### **What are the facilities available to students for pursuing their studies abroad?**

Students, pursuing their studies abroad- treated as NRIs- may avail USD 1,00,000 or the estimate received from the institution abroad, per academic year, whichever is higher. Educational and other loans availed of by students as residents in India can be allowed to continue. A student holding NRO account may withdraw and repatriate up to USD 1 million per financial year. The student may avail of an amount of USD 10,000 or its equivalent for incidental expenses out of which USD 3000 or its equivalent may be carried in the form of foreign currency.

### **How much foreign exchange is available to a person going abroad on employment/emigration?**

A person going abroad for employment can draw foreign exchange up to USD 100,000 from any AD in India on the basis of self-declaration. A person going abroad on emigration can draw foreign exchange up to USD 100,000 on self-declaration basis from an AD in India to meet the incidental expenses in the country of emigration. Any foreign exchange remittance outside India to earn points or credits for eligibility requires prior permission of the Reserve Bank.

### **How much foreign exchange can a resident individual send as gift / donation outside India?**

Any resident individual, if he so desires, may remit the entire limit of USD 75,000 in one

financial year under the Liberalised Remittance Scheme (LRS) as gift to a person residing outside India or as donation to a charitable/educational/ religious/cultural organization outside India.

**Is it permitted to use International Credit Card (ICC)/ATM/Debit card for undertaking foreign exchange transactions?**

Use of International Credit Cards (ICCs) / ATMs/ Debit Cards can be made for travel abroad in connection with various purposes and for making personal payments like subscription to foreign journals, internet subscription, etc. The entitlement of foreign exchange on International Credit Cards (ICCs) is limited by the credit limit fixed by the card issuing authority only. However, use of International Credit Cards/ATMs/Debit Cards is NOT permitted for prohibited transactions such as purchase of lottery tickets, banned magazines etc,

**Which are the foreign currencies denominated accounts that can be maintained by a resident in India?**

Resident Indians can maintain foreign currency accounts in three schemes.

1. Exchange Earners Foreign Currency Accounts (EEFC):- All categories of resident foreign exchange earners can credit up to 100 per cent of their foreign exchange earnings, to their EEFC Account with an Authorised Dealer in India, maintained in the form of a non-interest bearing current account.
2. Resident Foreign Currency Accounts: RFC: A person resident in India may open, hold and maintain with an Authorised Dealer in India a Resident Foreign Currency (RFC) Account to keep their foreign currency assets which were held outside India at the time of return can be credited to such accounts. The foreign exchange received as pension, superannuation or other monetary benefits from the employer outside India; gift or inheritance, proceeds of life insurance policy claims/maturity/ surrender values settled in foreign currency from an insurance company in India may also be credited to this account. RFC account can be maintained in the form of current or savings or term deposit accounts.
3. Resident Foreign Currency (Domestic) Account:-A resident Individual may open, hold and maintain with an Authorized Dealer in India, a Resident Foreign Currency (Domestic) Account, out of foreign exchange acquired in the form of currency notes, Bank notes and travellers cheques, from any of the sources like, payment for services rendered abroad, as honorarium, gift, services rendered or in settlement of any lawful obligation from any person not resident in India. The account shall be maintained in the form of Current Account and shall not bear any interest.

**Can a person resident in India hold assets outside India?**

In terms of sub-section 4, of Section (6) of the Foreign Exchange Management Act, 1999, 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

### **What is the Liberalised Remittance Scheme(LRS) ?**

Under the Liberalised Remittance Scheme, all resident individuals, including minors, are allowed to freely remit up to USD 75,000 per **financial** year (April – March) for any permissible current or capital account transaction or a combination of both. Under the Scheme, resident individuals can acquire and hold shares or debt instruments or any other assets outside India, without prior approval of the Reserve Bank. Individuals can also open, maintain and hold foreign currency accounts with banks outside India for carrying out transactions permitted under the Scheme. The facility under the Scheme is in addition to those already available for private travel, business travel, studies, medical treatment, etc., of Foreign Exchange Management (Current Account Transactions) Rules, 2000

### **Which are the prohibited items under the Scheme?**

- i. Remittance for any purpose specifically prohibited like purchase of lottery tickets/ sweep stakes, proscribed magazines, etc.
- ii. Remittance from India for margins or margin calls to overseas exchanges / overseas counterparty;
- iii. Remittances for purchase of FCCBs issued by Indian companies in the overseas secondary market;
- iv. Remittance for trading in foreign exchange abroad;
- v. Remittance by a resident individual for acquiring immovable property ;
- vi. Remittances directly or indirectly to Bhutan, Nepal, Mauritius and Pakistan;
- vii. Remittances directly or indirectly to countries identified by the Financial Action Task Force (FATF) as “non co-operative countries and territories”, from time to time; and
- viii. Remittances directly or indirectly to those individuals and entities identified as posing significant risk of committing acts of terrorism as advised separately by the Reserve Bank to the banks.

### **What are the requirements to be complied with by the remitter?**

The applicants should have maintained the bank account with the bank for a minimum period of one year prior to the remittance. If the applicant seeking to make the remittance is a new customer, the Bank should carry out due diligence on the opening, operation and maintenance of the account. Further, the AD should obtain bank statement for the previous year from the applicant to satisfy themselves regarding the source of funds. If such a bank statement is not available, copies of the latest Income Tax Assessment Order or Return filed by the applicant may be obtained. He has to furnish an application-cum-declaration in the specified format regarding the purpose of the remittance and declare that the funds belong to him and will not be used for purposes prohibited or regulated under the Scheme. All the statutory provisions under Income tax to be adhered to before making the remittance.

## Foreign Outward Remittance by Residents:

Sl. No	Purpose	Amount	Details
1	Tourism /Pvt visits to all countries except Nepal & Bhutan	USD10000	Per F/Y per family member for 1 or more visits.
2	Employment abroad	USD 1 lakh	Going abroad for gainful employment.
3	Immigration abroad	USD 1 lakh	To meet the incidental expenses in the country of migration. Production of evidence that the traveller has obtained immigration visa is necessary.
4	Education abroad	USD 1 lakh	Per academic year
5	Medical treatment	USD 1 lakh	Self- declaration only. Rs.25,000 additional for maintenance of patient / for accompanying as attendant. Exceeding USD 1 lakh to be supported by estimates from a doctor/ hospital in india /abroad.
6	Maintenance of close relative abroad	USD 1 lakh	Declaration basis
7	Business trip	USD25000	Per trip except to Nepal /Bhutan for seminars, trade conference, training, study tours etc.
8	Small value remittance	USD 5000	For any permissible transaction on the basis of a simple letter not insisting for Form A2, but declaration in RBI format.

The limits mentioned above is inclusive of all forms of foreign currency (cash, cards, travelers cheque etc.) that is issued to a person in a financial year.

### LRS: Liberalised Remittance Scheme:

- Upto USD 0.75lakh per F/Y for any current /capital account transaction or combination of both (to acquire/hold immovable property or shares/any other asset outside India) without prior approval of RBI.
- LRS facility is in addition to remittances allowed as above (except gifts / donations which are only under LRS)
- Prohibited for purchase of lottery tickets, sweep stakes, proscribed / prohibited magazines & to Nepal, Bhutan, Mauritius, Pakistan and countries under FATF).

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*Your comments and feedback on this publication may be sent to Staff Training College, The South Indian Bank Ltd., Thrissur 680 001 or by E.mail: ho2099@sib.co.in*

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