**FAQs issued by RBI on Liberalized Remittance Scheme**

The Reserve Bank of India had announced a Liberalised Remittance Scheme (the Scheme) in February 2004 as a step towards further simplification and liberalization of the foreign exchange facilities available to resident individuals. As per the Scheme, resident individuals may remit up to USD 200,000 per financial year for any permitted capital and current account transactions or a combination of both. The Scheme was operationalised vide [A.P. (DIR Series) Circular No. 64 dated February 4, 2004](http://rbi.org.in/scripts/NotificationUser.aspx?Id=1466&Mode=0).

**PART A :**

**Q.1. What is the Liberalised Remittance Scheme of USD 200,000?**

**Ans**. Under the Liberalised Remittance Scheme, all resident individuals, including minors, are allowed to freely remit up to USD 200,000 per **financial** year (April – March) for any permissible current or capital account transaction or a combination of both.

**Q.2. Please provide an illustrative list of capital account transactions permitted under the scheme.**

**Ans.**. Under the Scheme, resident individuals can acquire and hold immovable property or 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.

**Q. 3. What are the prohibited items under the Scheme?**

**Ans.** The remittance facility under the Scheme is not available for the following:

i) Remittance for any purpose specifically prohibited under Schedule-I (like purchase of lottery tickets/sweep stakes, proscribed magazines, etc.) or any item restricted under Schedule II of Foreign Exchange Management (Current Account Transactions) Rules, 2000;

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 setting up a company abroad;

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.

**Q.4. Whether LRS facility is in addition to existing facilities detailed in Schedule III under remittances?**

**Ans.** Yes, The facility under the Scheme is **in addition** to those already available for private travel, business travel, studies, medical treatment, etc., as described in Schedule III of Foreign Exchange Management (Current Account Transactions) Rules, 2000. The Scheme can also be used for these purposes.

However, remittances for gift and donation can not be made separately and have to be made under the Scheme only. Accordingly, resident individuals can remit towards gifts and donations up to USD 200,000 per financial year under the Scheme.

Further, a resident individual can give rupee gifts to his visiting NRI/PIO close relatives [means relative as defined in Section 6 of the Companies Act, 1956] by way of crossed cheque/electronic transfer within the overall limit of USD 200,000 per financial year for the resident individual and the gifted amount should be credited to the beneficiary’s NRO account. An individual resident can lend money by way of crossed cheque /electronic transfer to a Non resident Indian (NRI)/ Person of Indian Origin (PIO) close relative [means relative as defined in Section 6 of the Companies Act, 1956] within the overall limit of USD 200,000 per financial year under the Liberalised Remittance Scheme, to meet the borrower’s personal or business requirements in India, subject to conditions. The loan should be interest free and have a maturity of minimum one year and cannot be remitted outside India.

**Q. 5. Are resident individuals under this Scheme required to repatriate the accrued interest/dividend on deposits/investments abroad, over and above the principal amount?**

**Ans**. The resident individual investors can retain and re-invest the income earned on investments made under the Scheme. The residents are not required to repatriate the funds or income generated out of investments made under the Scheme.

**Q.6. Are remittances under the Scheme on gross basis or net basis (net of repatriation from abroad)?**

**Ans.** Remittance under this scheme is on a gross basis.

**Q. 7. Can remittances under the facility be consolidated in respect of family members?**

**Ans**. Remittances under the facility can be consolidated in respect of family members subject to the individual family members complying with the terms and conditions of the Scheme.

**Q. 8. Can one use the Scheme for purchase of objects of art (paintings, etc.) either directly or through auction house?**

**Ans**. Remittances under the Scheme can be used for purchasing objects of art subject to compliance with the extant Foreign Trade Policy of the Government of India and other applicable laws.

**Q.9. Is the AD required to check permissibility of remittances based on nature of transaction or allow the same based on remitters declaration?**

**Ans**. AD will be guided by the nature of transaction as declared by the remitter and will certify that the remittance is in conformity with the instructions issued by the Reserve Bank, in this regard from time to time.

**Q.10. Can remittance be made under this Scheme for acquisition of ESOPs?**

**Ans**. The Scheme can also be used for remittance of funds for acquisition of ESOPs.

**Q.11. Is this scheme in addition to acquisition of ESOPs linked to ADR/GDR (i.e USD 50,000/- for a block of 5 calendar years)?**

**Ans.** The remittance under the Scheme is in addition to acquisition of ESOPs linked to ADR/GDR.

**Q.12. Is this Scheme is in addition to acquisition of qualification shares (i.e. USD 20,000 or 1% of paid up capital of overseas company, whichever is lower)?**

**Ans**. The remittance under the Scheme is in addition to acquisition of qualification shares

**Q.13. Can a resident individual invest in units of Mutual Funds, Venture Funds, unrated debt securities, promissory notes, etc., under this scheme?**

**Ans**. A resident individual can invest in units of Mutual Funds, Venture Funds, unrated debt securities, promissory notes, etc. under this Scheme. Further, the resident can invest in such securities through the bank account opened abroad for the purpose under the Scheme.

**Q.14. Can an individual, who has availed of a loan abroad while as a non-resident Indian can repay the same on return to India, under this Scheme as a resident?**

**Ans.** This is permissible.

**Q. 15. Is it mandatory for resident individuals to have PAN number for sending outward remittances under the Scheme?**

**Ans.** It is mandatory to have PAN number to make remittances under the Scheme.

**Q. 16. In case a resident individual requests for an outward remittance by way of issuance of a demand draft (either in his own name or in the name of the beneficiary with whom he intends to putting through the permissible transactions) at the time of his private visit abroad, whether the remitter can effect such an outward remittance against self-declaration?**

**Ans.** Such outward remittance in the form of a DD can be effected against the declaration by the resident individual in the format prescribed under the Scheme.

**Q. 17. Are there any restrictions on the frequency of the remittance?**

**Ans**. There is no restriction on the frequency. However, the total amount of foreign exchange purchased from or remitted through, all sources in India during a financial year should be within the cumulative limit of USD 200,000.

**Q.18. What are the requirements to be complied with by the remitter?**

**Ans.** The individual will have to designate a branch of an AD through which all the remittances under the Scheme will be made. 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 of the bank, Authorised Dealers 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 ([Annex](http://www.rbi.org.in/scripts/FAQView.aspx?Id=66#A1)) regarding the purpose of the remittance and declare that the funds belong to him and will not be used for the purposes prohibited or regulated under the Scheme.

**Q. 19. Can an individual, who has repatriated the amount remitted during the financial year, avail of the facility once again?**

**Ans.** Once a remittance is made for an amount up to USD 200,000 during the **financial** **year**, he would not be eligible to make any further remittances under this scheme, even if the proceeds of the investments have been brought back into the country.

**Q.20. Can remittances be made only in US Dollars?**

**Ans.** The remittances can be made in any freely convertible foreign currency equivalent to USD 200,000 in a **financial year.**

**Q. 21. In the past resident individuals could invest in overseas companies listed on a recognised stock exchange abroad and which has the shareholding of at least 10 per cent in an Indian company listed on a recognised stock exchange in India.** **Does this condition still exist?**

**Ans.** Investment by resident individual in overseas companies is subsumed under the Scheme of USD 200,000. The requirement of 10 per cent reciprocal shareholding in the listed Indian companies by such overseas companies has since been dispensed with.

**PART – B :**

**Guidelines for Financial Intermediaries**

**Q. 22. Are intermediaries expected to seek specific approval for making overseas investments available to clients?**

**Ans**. Banks including those not having operational presence in India are required to obtain prior approval from the Department of Banking Operations and Development, Central Office, Reserve Bank of India, Central Office Building, Shahid Bhagat Singh Marg, Mumbai, for soliciting deposits for their foreign/overseas branches or for acting as agents for overseas mutual funds or any other foreign financial services company.

**Q.23. Are there any restrictions on the kind/quality of debt or equity instruments an individual can invest in?**

**Ans**. No ratings or guidelines have been prescribed under the Liberalised Remittance Scheme. However, the individual investor is expected to exercise due diligence while taking a decision regarding the investments under the Scheme.

**Q. 24. Whether credit facilities in Indian Rupees or foreign currency would be permissible against security of such deposits?**

**Ans.** No. The Scheme does not envisage extension of credit facility against the security of the deposits. Further, the banks should not extend any kind of credit facilities to resident individuals to facilitate outward remittances under the Scheme.

**Q. 25. Can bankers open foreign currency accounts in India for residents under the Scheme?**

**Ans.** No. Banks in India cannot open foreign currency accounts in India for residents under the Scheme.

**Q. 26. Can an Offshore Banking Unit (OBU) in India be treated on par with a branch of the bank outside India for the purpose of opening of foreign currency accounts by residents under the Scheme?**

**Ans.** No. For the purpose of the Scheme, an OBU in India is not treated as an overseas branch of a bank in India.

**General Information**

For further details/guidance, please approach any bank authorised to deal in foreign exchange or contact Regional Offices of the Foreign Exchange Department of the Reserve Bank

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