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LIBERALISED REMITTANCE SCHEME (LRS)

12.1 Background

In view of comfortable position of foreign exchange reserves of India, Liberalised Remittance Scheme (LRS) was introduced on 4-2-2004, *vide* RBI A.P. (DIR Series) Circular No. 64 dated February 4, 2004 read with GoI Notification G.S.R. No. 207(E) dated March 23, 2004. Interestingly, this scheme is not part of any Rules or Regulations.

The scheme was introduced as a liberalization measure to facilitate resident individuals to remit funds abroad for permitted current or capital account transactions or combination of both. RBI DED Master Direction No. 7/2015-16 dated 1-1-2016 on 'Liberalised Remittance Scheme (LRS)' contains consolidated instructions on this issue.

Reporting instructions can be found in RBI FED Master Direction No. 18 dated 1-1-2016 on 'Reporting'.

Limit of USD 2,50,000 per financial year for current account transactions for individuals and others - The overall limit is USD 2,50,000 per financial year. This limit applies to individuals as well as other - Schedule III item 1(*ix*) of FEM (Current Account Transactions) Rules, 2000.

Thus, indirectly, LRS applies to all current account transactions.

Tax Collection at Source @ 20% on LRS remittance and sale of overseas tour package - Section 206C(1G) of the Income-tax Act, 1961 provides for TCS (Tax Collection at Source) on foreign remittance through the Liberalised Remittance Scheme and on the sale of overseas tour packages w.e.f. 1-7-2023. It includes the drawal of foreign exchange from an authorised person and use of an International Credit Card, International Debit Card or ATM Card. The TCS rate is 20% without any threshold limit. However, exemption is available for remittances upto ₹7 lakhs per annum, made for education and medical purposes.

Payments through International Credit Cards are not included in LRS limit and TCS will not apply – Payments made through International Credit Cards are not included in LRS as per press release dated 28-6-2023 and Answer to Q 1 in CBDT circular No. 10 of 2023 dated 30-6-2023. The effect is that TCS will not apply on such spending [It seems this relaxation may continue after 1-10-2023 also].

See para 12.2-5 for details regarding TCS provisions on LRS and OTPP as applicable w.e.f. 1-7-2023.

12.1-1 Remittances to International Financial Services Centres (IFSCs) under LRS and opening FCA in IFSC

Resident individuals can make remittances under LRS to IFSCs set up in India under the Special Economic Zone Act, 2005, as amended from time to time under Liberalised Remittance Scheme (LRS) - RBI A.P. (DIR Series) Circular No. 11 dated 16-2-2021.

Resident Individuals can open foreign currency account in IFSC. The money can be remitted for all current and capital account transactions and for availing financial services or financial products as per the IFSC Act within IFSCs - RBI AP (DIR) Circular No. 15 dated 10-7-2024.

12.2 Liberalised Remittance Scheme (LRS) of USD 2,50,000 for resident individuals

Para A of RBI DED Master Direction No. 7/2015-16 dated 1-1-2016 gives details of the LRS scheme as follows.

Under the Liberalised Remittance Scheme, Authorised Dealers may freely allow remittances by resident individuals up to USD 2,50,000 per Financial Year (April-March) for any permitted current or capital account transaction or a combination of both. The Scheme is not available to corporates, partnership firms, HUF, Trusts, etc.

The LRS limit has been revised in stages consistent with prevailing macro and micro economic conditions. The scheme started with LRS limit of USD 25,000 on 4-2-2004. The LRS limit has been revised from time to time, and present limit w.e.f. 26-5-2015 is USD 2,50,000 per financial year per resident individual.

Scheme available to minors also - The Scheme is available to all resident individuals including minors. In case of remitter being a minor, the Form A2 must be countersigned by the minor's natural guardian.

Consolidation of remittance of family members - Remittances under the Scheme can be consolidated in respect of family members subject to individual family members complying with its terms and conditions. However, clubbing is not permitted by other family members for capital account transactions such as opening a bank account/investment/purchase of property, if they are not the co-owners/co-partners of the overseas bank account/investment/property. Further, a resident cannot gift to another resident, in foreign currency, for the credit of the latter's foreign currency account held abroad under LRS.

Transactions not permissible under LRS - All other transactions which are otherwise not permissible under FEMA and those in the nature of remittance for margins or margin calls to overseas exchanges/overseas counterparty are not allowed under the Scheme.

12.2-1 Capital Account transactions permissible under LRS

The permissible capital account transactions by an individual under LRS, as enumerated in para A.6 of RBI DED Master Direction No. 7/2015-16 dated 1-1-2016 are as follows.

(*i*) opening of foreign currency account abroad with a bank,

(*ii*) purchase of property abroad,

(*iii*) making investments abroad- acquisition and holding shares of both listed and unlisted overseas company or debt instruments; acquisition of qualification shares of an overseas company for holding the post of Director; acquisition of shares of a foreign company towards professional services rendered or in lieu of Director's remuneration; investment in units of Mutual Funds, Venture Capital Funds, unrated debt securities, promissory notes,

(*iv*) setting up Wholly Owned Subsidiaries and Joint Ventures (with effect from August 05, 2013) outside India for *bona fide* business,

(*v*) extending loans including loans in Indian Rupees to Non-resident Indians (NRIs) who are relatives as defined in Companies Act, 2013.

Banks should not finance to facilitate capital account remittances - Banks should not extend any kind of credit facilities to resident individuals to facilitate capital account remittances under the Scheme - Para A.11 of RBI DED Master Direction No. 7/2015-16 dated 1-1-2016.

12.2-2 LRS for current account transactions

The LRS limit of USD 2,50,000 per Financial Year (FY) under the Scheme also includes/subsumes remittances for current account transactions (viz. private visit; gift/donation; going abroad on employment; emigration; maintenance of close relatives abroad; business trip; medical treatment abroad; studies abroad) available to resident individuals under Para 1 of Schedule III to Foreign Exchange Management (Current Account Transactions) Rules, 2000. Release of foreign exchange exceeding USD 2,50,000 requires prior permission from the RBI - Para A.7 of RBI DED Master Direction No. 7/2015-16 dated 1-1-2016.

Provisions in respect of each type of current account transactions are as follows.

Private visits abroad - For private visits abroad, other than to Nepal and Bhutan, any resident individual can obtain foreign exchange up to an aggregate amount of USD 2,50,000 from an Authorised Dealer or FFMC, in any one financial year, irrespective of the number of visits undertaken during the year.

Tour related expenses - All tour related expenses including cost of rail/road/water transportation; cost of Euro Rail; passes/tickets, etc. outside India; and overseas hotel/lodging expenses shall be subsumed under the LRS limit. The tour operator can collect this amount either in Indian rupees or in foreign currency from the resident traveller.

Gift/donation to person resident out of India - Any resident individual may remit up-to USD 2,50,000 in one FY as gift to a person residing outside India or as donation to an organization outside India.

Going abroad on employment - A person going abroad for employment can draw foreign exchange up to USD 2,50,000 per FY from any Authorised Dealer in India.

Emigration - A person wanting to emigrate can draw foreign exchange from AD Category I bank and AD Category II up to the amount prescribed by the country of emigration or USD 2,50,000. Remittance of any amount of foreign exchange outside India in excess of this limit may be allowed only towards meeting incidental expenses in the country of immigration and not for earning points or credits to become

eligible for immigration by way of overseas investments in government bonds; land; commercial enterprise; etc.

Maintenance of close relatives abroad - A resident individual can remit up-to USD 2,50,000 per FY towards maintenance of close relatives ['relative' as defined in Section 2(77) of the Companies Act, 2013] abroad.

Business trips abroad - Visits by individuals in connection with attending of an international conference, seminar, specialised training, apprentice training, etc., are treated as business visits. For business trips to foreign countries, resident individuals can avail of foreign exchange up to USD 2,50,000 in a FY irrespective of the number of visits undertaken during the year.

LRS not permissible if employee deputed out of India - If an employee is being deputed by an entity for any of the above and the expenses are borne by the latter, such expenses shall be treated as residual current account transactions outside LRS and may be permitted by the AD without any limit, subject to verifying the *bona fides* of the transaction.

Medical treatment abroad - Authorised Dealers may release foreign exchange up to an amount of USD 2,50,000 or its equivalent per FY without insisting on any estimate from a hospital/doctor. For amount exceeding the above limit, Authorised Dealers may release foreign exchange under general permission based on the estimate from the doctor in India or hospital/doctor abroad. A person who has fallen sick after proceeding abroad may also be released foreign exchange by an Authorised Dealer (without seeking prior approval of the Reserve Bank of India) for medical treatment outside India.

In addition to the above, an amount up to USD 2,50,000 per financial year is allowed to a person for accompanying as attendant to a patient going abroad for medical treatment/check-up.

Facilities available to students for pursuing their studies abroad - AD Category I banks and AD Category II, may release foreign exchange up to USD 2,50,000 or its equivalent to resident individuals for studies abroad without insisting on any estimate from the foreign University. However, AD Category I bank and AD Category II may allow remittances (without seeking prior approval of the Reserve Bank of India) exceeding USD 2,50,000 based on the estimate received from the institution abroad - Para A.7 of RBI DED Master Direction No. 7/2015-16 dated 1-1-2016.

Payment for Courses in Financial Management, Engineering etc. by foreign universities or institutions in IFSC - Courses offered in Financial Management, FinTech, Science, Technology, Engineering and Mathematics by foreign universities or foreign institutions in the International Financial Services Centre (IFSC), is notified as financial service – Notification No. S.O. 2374(E) dated 23-5-2022.

Authorised persons can facilitate remittance by resident individuals for payment of fees to foreign institutions or foreign universities in IFSC for pursing the courses as permitted above under LRS – RBI circular dated 22-6-2023.

12.2-3 Other remittance and expenses permissible under LRS

Besides personal expenses as above, LRS can be used for following purposes.

Purchase of objects or art - Remittances under the Scheme can be used for purchasing objects of art subject to the provisions of other applicable laws such as the extant Foreign Trade Policy of the Government of India - Para A.8 of RBI DED Master Direction No. 7/2015-16 dated 1-1-2016.

Remittances by DD for permissible transactions - The Scheme can be used for outward remittance in the form of a DD either in the resident individual's own name or in the name of beneficiary with whom he intends putting through the permissible transactions at the time of private visit abroad, against self-declaration of the remitter in the format prescribed - Para A.9 of RBI DED Master Direction No. 7/2015-16 dated 1-1-2016.

Opening and maintaining foreign currency account for LRS expenses - Individuals can also open, maintain and hold foreign currency accounts with a bank outside India for making remittances under the Scheme without prior approval of the Reserve Bank. The foreign currency accounts may be used for putting through all transactions connected with or arising from remittances eligible under this Scheme - Para A.10 of RBI DED Master Direction No. 7/2015-16 dated 1-1-2016.

Remittances to International Financial Services Centres (IFSCs) under LRS and opening FCA in IFSC - Resident individuals can make remittances under LRS to IFSCs set up in India under the Special Economic Zones Act, 2005, as amended from time to time – RBI A.P. (DIR Series) Circular No. 11 dated 16-2-2021.

Resident Individuals may also open a Foreign Currency Account (FCA) in IFSCs, for making the permissible investments under LRS. Thus, the condition of repatriating any funds lying idle in the account for a period up to 15 days from the date of its receipt is withdrawn with immediate effect, which shall now be governed by the provisions of the scheme as contained in the Master Direction on LRS - RBI A.P. (DIR) Circular No. 03 dated 26-4-2023.

Remittance for payment of fees under LRS from IFSC - Authorised persons can facilitate remittance by resident individuals for payment of fees to foreign institutions or foreign universities in IFSC for pursing the courses as permitted above under LRS – RBI circular dated 22-6-2023.

12.2-4 Prohibited transactions under LRS

Following transactions are prohibited.

Purposes prohibited under Current Account transaction rules - The Scheme is not available for remittances for any purpose specifically prohibited under Schedule I or any item restricted under Schedule II of Foreign Exchange Management (Current Account Transaction) Rules, 2000, dated May 3, 2000, as amended from time to time - Para A.12 of RBI DED Master Direction No. 7/2015-16 dated 1-1-2016.

Capital account remittances to FATF countries - The Scheme is not available for capital account remittances to countries identified by Financial Action Task Force (FATF) as non-co-operative countries and territories as available on FATF website www.fatf-gafi.org or as notified by the Reserve Bank. 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 is also not permitted - Para A.13 of RBI DED Master Direction No. 7/2015-16 dated 1-1-2016.

12.2-5 Tax Collection at Source (TCS) on remittances under LRS and Overseas Tour Programme Packages [OTPP]

Section 206C(1G) of Income-tax Act as amended by Finance Act, 2023, read with press release dated 28-6-2023 and CBDT circular No. 10 of 2023 dated 30-6-2023 provides for higher tax collection at source [TCS] on foreign remittances made under the Liberalised Remittance Scheme (LRS) and on the sale of Overseas Tour Program Packages (OTPP). The provisions have been amended w.e.f. 1-10-2023.

Rate of TCS under Section 206C(1G) of Income-tax Act - The rates of TCS under Section 206C(1G) for various remittances under the LRS, before and after 1-10-2023, are as follows -

Type of remittance	*TCS Rate Upto 1-10-2023*	*New TCS Rate (effective from 1-10-2023) [If remitter has PAN and files Income Tax Returns]*
Remittance for education, if the amount being remitted out is a loan obtained from any financial institution as defined in Section 80E	0.5% of the amount in excess of Rs. 7 lakhs	No change
Remittance for the purpose of education (other than referred to above)	5% of the amount in excess of Rs. 7 lakhs	No change
Remittance for the purpose of medical treatment	5% of the amount in excess of Rs. 7 lakhs	No change
Remittance under LRS for any other purpose [other than education and medical treatment]	5% of the amount in excess of Rs. 7 lakhs	20% of amount in excess of Rs. 7 lakhs
Overseas tour programme package [OTPP]	5% without any threshold limit	5% upto Rs. 7 lakhs and 20% if above Rs. 7 lakhs

Amount paid abroad through International Credit Cards will not be considered as remittance under LRS and no TCS- Amount paid abroad through International Credit Cards (ICC) will not be considered as remittance under LRS and TCS provisions will not apply – confirmed in Answer to Question 1 in CBDT circular No. 10 of 2023 dated 30-6-2023.

Limit of Rs. seven lakhs is for entire financial year and for all transactions together - The new rates and threshold limit will only apply to remittances made on or after 1-10-2023. However, the threshold limit of Rs. 7 lakh is based on the remittance amount made during the entire financial year. Thus, amount already remitted under LRS earlier in financial year will also be considered for calculating limit of Rs. seven lakhs. If this threshold has already been exhausted; all subsequent remittances under LRS, whether in the first half or in the second half, would be liable for TCS at applicable rate – Answer to Question 3 in CBDT Circular No. 10 of 2023 dated 30-6-2023.

No separate LRS limit for each type of transaction – The limit of Rs. seven lakhs is for all payments under LRS together. There is no separate limit for medical expenses, educational expenses and other expenses. Thus, upto Rs. 7 lakh remittance under LRS during a financial year shall not be liable for TCS. However, subsequent remittances under LRS shall be liable for TCS in accordance with the TCS rates applicable for such remittance – Answer to Question 2 in CBDT circular No. 10 of 2023 dated 30-6-2023.

When should tax be collected under Section 206C(1G) of Income-tax Act – TCS is required if all the following conditions are satisfied -

(*a*) The buyer is an individual

(*b*) He should be a person resident in India as per section 2(*v*) of the FEMA

(*c*) He makes payment to an authorised dealer for remittances of foreign currency under LRS or pays to a person for an overseas tour program package

(*d*) The remittance should be within the prescribed limit of USD 2,50,000

(*e*) The remittance should be out of disclosed sources of income or assets

(*f*) The remittance is not made for the prohibited transactions or transactions allowed only under the approval route.

TCS rate if the remitter does not furnish his PAN or is a non-filer of income-tax return - Where a remitter does not furnish his PAN to the collector or has not furnished the return of income for a specified period, the tax is collected at the rate prescribed under Section 206CC or Section 206CCA of Income-tax Act, respectively. Both provisions require the collection of tax at the highest of the following rates - At twice the rate specified in Section 206C [but not exceeding 20% as provided in proviso to Section 206CC(1) and Section 206CCA(1) of Income-tax Act] (*b*) At the rate of 5%.

Thus, if remitter does not provide his PAN or has not furnished income return. TCS rate will be double the normal rate, but with minimum of 5% and maximum of 20%.

TCS applies even when LRS remittance is made to Bank or FI in International Financial Services Centre (IFSC)- Section 206C(1G)(*a*) of Income-tax Act has been amended to omit the words "out of India" to expand the scope of the provision to the remittance made under LRS, even within India. Thus, where the remittance is made under LRS to the GIFT city (in IFSC), the new rates of TCS shall apply.

Rate of TCS if PAN of collectee is not available are as follows –

Nature of remittance	*New provision*		
	PAN/ Aadhaar furnished	*PAN/ Aadhaar not furnished*	*If collectee has not furnished return of income*
Remittance for education, if the amount being remitted out is a loan obtained from any financial institution as defined in Section 80E	0.5% of the amount in excess of Rs. 7 lakhs	5%	5%
Remittance for the purpose of education (other than referred to above)	5% of the amount in excess of Rs. 7 lakhs	10%	10%
Remittance for the purpose of medical treatment	5% of the amount in excess of Rs. 7 lakhs	10%	10%
Overseas tour package	20% without any threshold limit	20%	20%
Remittance under LRS for any other purpose	20% without any threshold limit	20%	20%

Threshold of Rs. 7 lakhs applies to all remittances made through different authorised dealers or different OTPP together and hence declaration from remitter required - - Answer to Question 4 in CBDT circular No. 10 of 2023 dated 30-6-2023 states as follows –

The threshold of Rs. 7 lakh for LRS is *qua* remitter and not *qua* authorised dealer.

The facility to provide real time update of remittance under LRS by remitter is still under development by the RBI. Hence, the details of earlier remittances under LRS by the remitter during the financial year may be taken by the authorised dealer through an undertaking at the time of remittance. If the authorised dealer correctly collects the tax at source based on information given in this undertaking, he will not be treated as "assessee in default". However, for any false information in the undertaking, appropriate action may be taken against the remitter under the Income-tax Act.

Same methodology of taking undertaking from the buyer of overseas tour program package (OTPP) may be followed by the seller of such package.

Provisions of TCS on LRS and TCS on OTPP are separate and independent – The two thresholds under LRS and OTPP apply independently. For LRS, the threshold of Rs. 7 lakh applies to make TCS applicable. For purchase of overseas tour program package, the threshold of Rs. 7 lakh applies to determine the applicable TCS rate as 5% or 20% – Answer to Question 5 in CBDT circular No. 10 of 2023 dated 30-6-2023.

Remittance for purchase of package tour will be considered as OTPP even if amount is remitted under LRS - In case of purchase of overseas tour program package (OTPP) which is classified under LRS, TCS provision for purchase of overseas tour program package shall apply and not TCS provisions for remittance under LRS and TCS will apply accordingly – Answer to Question 6 in CBDT circular No. 10 of 2023 dated 30-6-2023.

Scope of remittance under LRS for medical treatment purposes - Answer to Question 7 (part I) in CBDT circular No. 10 of 2023 dated 30-6-2023 clarifies as follows –

As per the clarification by the RBI, remittance for the purposes of medical treatment shall include - (*i*) remittance for purchase of tickets of the person to be treated medically overseas (and his attendant) for commuting between India and the overseas destination (*ii*) his medical expense; and (*iii*) other day to day expenses required for such purpose.

Code S0304 (under the Purpose Group Name "Travel"), in RBI master direction for LRS, pertains to travel for medical treatment. As per BPM6, A.P. (DIR Series) Circular No. 50, dated 11-2-2016 this code covers the transactions which are related to health services acquired by residents travelling abroad for medical reasons, which includes medical services, other healthcare, food, accommodation and local transport transactions.

In addition, code S1108 (under the Purpose Group Name "Personal, Cultural & Recreational services") covers transactions for health services rendered remotely or on-site (that is no travel by service recipient is involved). This cover services from hospitals, doctors, nurses, paramedical and similar services, etc.

TCS provision for purpose of medical treatment would apply when remittance is under code S0304 or under code S1108.

Remittance for medical-related expenses on estimate basis - LRS authorises AD to release foreign exchange up to USD 2,50,000 or its equivalent per financial year without requiring any estimate from a hospital/doctor. If the remittance amount

exceeds the above limit, AD may release foreign exchange under general permission based on the estimate provided by a doctor in India or a hospital/doctor abroad. Further, an amount of up to USD 250,000 per financial year is also allowed to a person for accompanying as an attendant to a patient going abroad for medical treatment/check-up.

Scope of remittance under LRS for education purposes - Answer to Question 7 (part II) in CBDT circular No. 10 of 2023 dated 30-6-2023 clarifies as follows –

Remittance for purpose of education shall include - (*i*) remittance for purchase of tickets of the person undertaking study overseas for commuting between India and the overseas destination (*ii*) the tuition and other fees to be paid to educational institute; and (*iii*) other day to day expenses required for undertaking such study.

Code S0305 (under the Purpose Group Name "Travel"), in RBI master direction for LRS, pertains to travel for education (including fees, hostel expenses, etc.). As per BPM6, A.P. (DIR Series) Circular No. 50, dated 11-2-2016 this code covers education related services such as tuition, food, accommodation, local transport and health services acquired by resident students while residing overseas.

In addition, code S1107 (under the Purpose Group Name "Personal, Cultural & Recreational services") covers transactions for education (e.g. fees for correspondence courses abroad) where the person receiving education does not travel overseas.

TCS provision for purpose of education would apply when remittance is under code S0305 or under S1107.

Mere international travel ticket or booking of hotel accommodation abroad is not OTPP - The term 'overseas tour program package' (OTPP) is defined to mean any tour package which offers visit to a country or countries or territory or territories outside India and includes expenses for travel or hotel stay or boarding or lodging or any other expenditure of similar nature or in relation thereto. - - Purchase of only international travel ticket or purchase of only hotel accommodation, by itself is not covered within the definition of 'overseas tour program package'. To qualify as 'overseas tour program package', the package should include at least two of the followings:-(*i*) international travel ticket (*ii*) hotel accommodation (with or without food)/boarding/lodging (*iii*) any other expenditure of similar nature or in relation thereto – Answer to Question 8 in CBDT circular No. 10 of 2023 dated 30-6-2023.

12.3 Documentation by the remitter for availment of LRS

The individual will have to designate a branch of an AD through which all the remittances under the Scheme will be made. The resident individual seeking to make the remittance should furnish Form A2 for purchase of foreign exchange under LRS [form A2 given as annex in RBI DED Master Direction No. 7/2015-16 dated 1-1-2016]. - Para A.14 of RBI DED Master Direction No. 7/2015-16 dated 1-1-2016.

It is mandatory for the resident individual to provide his/her Permanent Account Number (PAN) to make remittance under the Scheme.

Funds can be retained and invest abroad - Investor, who has remitted funds under LRS can retain, reinvest the income earned on the investments. At present, the resident individual is not required to repatriate the funds or income generated out of investments made under the Scheme. However, a resident individual who has made overseas direct investment in the equity shares; compulsorily convertible preference

shares of a JV/WoS outside India, within the LRS limit, shall have to comply with the terms and conditions prescribed by the overseas investment guidelines under FEM (Transfer or issue of any Foreign Security) Regulations, 2004 as amended - Para A.16 of RBI DED Master Direction No. 7/2015-16 dated 1-1-2016.

Investor can retain and reinvest income under LRS - An investor can retain and reinvest the income earned on investments made under the Liberalised Remittance Scheme - Para 2(*b*) of RBI FED Master Direction No. 19/2015-16 on 'Miscellaneous'.

12.4 Facility to grant loan in rupees to NRI/OCI close relative under the Scheme

Resident individual is permitted to lend to a Non-resident Indian (NRI)/Overseas Citizen of India (OCI) close relative ['relative' as defined in Section 2(77) of the Companies Act, 2013] by way of crossed cheque/electronic transfer subject to the following conditions, as specified in para 17 of RBI DED Master Direction No. 7/2015-16 dated 1-1-2016.

(*i*) the loan is free of interest and the minimum maturity of the loan is one year.

(*ii*) the loan amount should be within the overall limit under the Liberalised Remittance Scheme of USD 2,50,000 per financial year available for a resident individual. It would be the responsibility of the resident individual to ensure that the amount of loan granted by him is within the LRS limit and all the remittances made by the resident individual during a given financial year including the loan together have not exceeded the limit prescribed under LRS;

(*iii*) the loan shall be utilized for meeting the borrower's personal requirements or for his own business purposes in India.

(*iv*) the loan shall not be utilized, either singly or in association with other person for any of the activities in which investment by persons resident outside India is prohibited, namely - (*a*) The business of chit fund, or (*b*) Nidhi Company, or (*c*) Agricultural or plantation activities or in real estate business, or construction of farm houses [real estate business shall not include development of townships, construction of residential/commercial premises, roads or bridges] or (*d*) Trading in Transferable Development Rights (TDRs).

(*v*) the loan amount should be credited to the NRO a/c of the NRI/OCI. Credit of such loan amount may be treated as an eligible credit to NRO a/c.

(*vi*) the loan amount shall not be remitted outside India; and

(*vii*) repayment of loan shall be made by way of inward remittances through normal banking channels or by debit to the Non-resident Ordinary (NRO)/Non-resident External (NRE)/Foreign Currency Non-resident (FCNR) account of the borrower or out of the sale proceeds of the shares or securities or immovable property against which such loan was granted.

12.4-1 Rupee Gift to NRI/OCI who is relative of remitter

A resident individual can make a rupee gift to a NRI/OCI who is a relative of the resident individual ['relative' as defined in Section 2(77) of the Companies Act, 2013] by way of crossed cheque/electronic transfer. The amount should be credited to

the Non-Resident (Ordinary) Rupee Account (NRO) a/c of the NRI/OCI and credit of such gift amount may be treated as an eligible credit to NRO a/c.

The gift amount would be within the overall limit of USD 250,000 per FY as permitted under the LRS for a resident individual. It would be the responsibility of the resident donor to ensure that the gift amount is within the LRS limit and all the remittances made by the donor during the financial year including the gift amount have not exceeded the limit prescribed under the LRS - RBI Notification FEMA 16/2000-RB dated 3-5-2000 [GSR 403(E) dated 3-5-2000].

12.5 Operational instructions to Authorised Persons

The instructions are contained in para B of RBI DED Master Direction No. 7/2015-16 dated 1-1-2016.

Authorized Persons may carefully study the provisions of the Act/Regulations/ Notifications issued under Foreign Exchange Management Act, 1999.

No document specified by RBI - The RBI will not, generally, prescribe the documents which should be verified by the Authorised Persons while releasing foreign exchange for current account transactions. Attention of authorized persons is drawn to Section 10(5) of the FEMA, 1999 which provides that an authorised person shall require any person desiring to transact in foreign exchange to make such a declaration and to give such information as will reasonably satisfy him that the transaction will not involve and is not designed for the purpose of any contravention or evasion of the provisions of the FEMA or any rule, regulation, notification, direction or order issued there under.

AD Bank can prescribe documents to be obtained by branches - With a view to maintaining uniform practices, Authorized Dealers may consider requirements or documents to be obtained by their branches to ensure compliance with provisions of section 10(5) of the Act.

AD Bank to keep records and report suspicious transactions to RBI - Authorised Dealers are also required to keep on record any information/documentation, on the basis of which the transaction was undertaken for verification by the Reserve Bank. In case the applicant refuses to comply with any such requirement or makes unsatisfactory compliance therewith, the Authorised Dealer shall refuse, in writing, to undertake the transaction and shall, if he has reasons to believe that any contravention/evasion is contemplated by the person, report the matter to RBI.

AD Bank to ensure compliance of income tax TDS provisions - RBI will not issue any instructions under the FEMA, regarding the procedure to be followed in respect of deduction of tax at source while allowing remittances to the non-residents. It shall be mandatory on the part of Authorised Dealers to comply with the requirement of the tax laws, as applicable.

AD Bank to follow KYC norms and Anti-Money Laundering Rules - While allowing the facility to resident individuals, Authorised Dealers are required to ensure that "Know Your Customer" guidelines have been implemented in respect of bank accounts. They should also comply with the Anti-Money Laundering Rules in force while allowing the facility.