

FEMA ke FUNDAE

**Borrowings by Indian
resident from NRI**

#FamiliarwithFEMA

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Issue No. : 9

Hello, Mr Fema Gyani, I am in need of some funds and wanted to borrow from my brother, Akshit residing outside India. I am eager to know that being an Indian Resident, can I borrow from an NRI in INR?



Akshita
(Indian citizen)

Hey Akshita. Glad to know that you are borrowing from your brother(Close relative) otherwise you wont be able to do it as in general terms, borrowings from NRI is not allowed as per FEMA. Come let's see some points by which you can do it.



The FEMA Gyani

Borrowings shall be on a **non-repatriated basis**.

Rate of interest on the loans shall **not be more than two percent above the bank rate** prevailing on the date of availment of loan.

Period of loan shall **not exceed three years**.

If proceeds have been made out of NRSR Account, payment of interest and principal amount shall be credited to **NRSR Account**.

Funds should be received either by **inward remittance** from outside India or by **debit NRE/NRO/FCNR/NRNR/NRSR account** of your brother, **maintained with an authorised dealer or an authorised bank in India**.

If proceeds have been made out of account other than NRSR Account, payment of interest and principal amount shall be credited to **NRO/NRSR Account** as desired by your brother.



The FEMA Gyani



The FEMA Gyani

Can I borrow such funds in foreign currency?



Akshita
(Indian citizen)

Yes, Akshita. You can borrow in foreign currency but it is subject to following conditions:

- You may borrow a sum upto **USD 250,000**.
- The minimum maturity period of the loan is **one year**.
- The loan is **free of interest**.
- The loan shall be received by **inward remittance** through normal banking channels or by **debit to the NRE/FCNR Account** of your brother.



Akshita
(Indian citizen)

Okay! One last question. Can I use such funds for the construction of my farmhouse ?



The FEMA Gyani

No, Akshita. There are certain restrictions to such borrowed funds such as :

1. Such borrowed funds cannot be deployed to the following end uses :
 - i. Business of chit fund
 - ii. Nidhi company
 - iii. Agricultural or plantation activities
 - iv. Real Estate or Construction of Farm Houses (Real estate does not include-development of townships, construction of residential/commercial premises, roads or bridges and purchase/ leasing of long term industrial land).
 - v. Investment in capital market including margin trading and derivatives
 - vi. Trading in Transferable Development Rights(TDRs).
2. Borrowed funds **shall not be used for any investment**, whether by way of capital or otherwise, in any company/partnership firm/proprietorship concern/any entity, whether incorporated or not, or for relending.

Thank You!

Let's meet every
Wednesday.

To make you more familiar with FEMA,
we are happy to listen to your

Comments

Feedbacks

Suggestions



The FEMA Gyani

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