

# FEMA ke FUNDAE

## Foreign Currency Accounts

#FamiliarwithFEMA

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Jain Shrimal & Co.



**Ayush  
(PROI)**

Hello, Mr Fema Gyani, My daughter who is a Person Resident Outside India (PROI) wants to come to India for a course on Yoga. As she will be staying in India for a few months, she need the money for her expenses. I I don't want her to carry a lot of cash, so I wanted to know that whether she can hold a bank account in India during her period of stay so that I can transfer the amount to that account?

Hello Ayush, yes she can hold various accounts as a PROI. Some of them are-

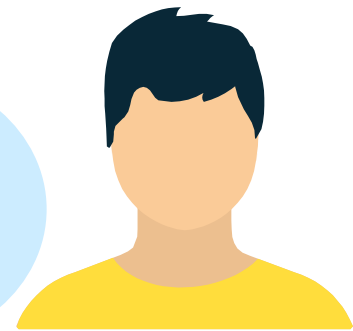
**Non Resident  
External  
(NRE)  
account**

**Foreign  
Currency  
Non-  
Resident  
Bank  
(B) (FCNR)  
account**

**Non  
Resident  
Ordinary  
(NRO)  
account**

**Special Non-  
Resident  
Rupee  
(SNRR)  
Account**

**Escrow  
Account**



**The FEMA Gyani**

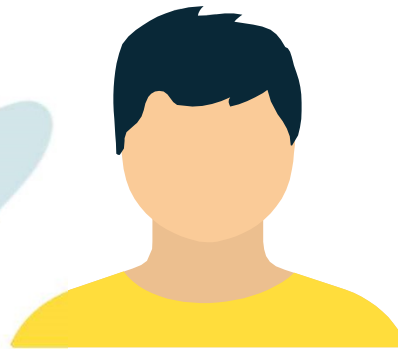
Let's discuss these accounts in detail.

2. An **FCNR** account allows NRIs to invest foreign currency in term deposits in India and earn tax-free interest. Interest income on these accounts is not subject to taxation as per Indian laws.

3. Foreign tourists can open an **NRO** for a maximum period of 6 months, during their stay in India but if the deposit is held for more than six months, then RBI permission is required to repatriate the amount.

4. **SNRR Account** is a Current account opened by any PROI having some sort of business interest in India. It is mainly used for specified transactions in trade, foreign investments, External Commercial Borrowings, etc.,

1. An **NRE account** helps NRIs manage their financial commitments in India. You can deposit your foreign currency earnings and withdraw in rupees to manage Indian expenses and you can fully repatriate the amount you hold in an NRE account.



**The FEMA Gyani**

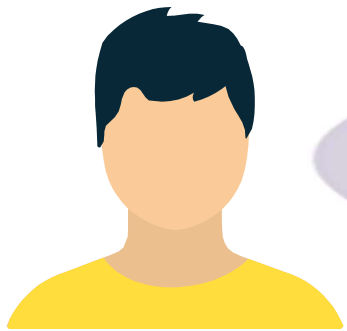
5. An **Escrow Account** is a third party account where funds are kept before they are transferred to the ultimate party. It provides security against scams and frauds especially with high asset value and dispute-prone sectors like Real Estate.

**Jain Shrimal & Co.**

Okay, Mr. FEMA Gyani. I don't want an account for business purpose, investment or a third party account. So, I think I am left with only two options, i.e., NRE and NRO account. Which one is better?



**Ayush  
(PROI)**



**The FEMA Gyani**

Yes Mr. Ayush, you are right. Let me tell you the features of both NRE and NRO accounts first.

<b>NRE Account</b>	<b>NRO Account</b>
The deposits and the interest earned on them are fully repatriable.	There are no restrictions. One can transfer/ repatriate USD 1 million in a year from an NRO account with the help of a chartered accountant.
Interest earned on deposits is exempt from tax in India	The income from the NRO account is taxable. NRIs can reduce their tax liability by availing benefits under the Double Taxation Avoidance Agreement with a few countries.
Can deposit in foreign currency and withdraw in Indian Rupee.	Can deposit in foreign currency and withdraw in Indian Rupee.
One can transfer funds from an NRE savings account to another NRE savings account and also NRO account.	Funds from one NRO account can be transferred to another NRO account. However, they require a lot of formalities for transfer to another NRE savings account subject to an overall ceiling of \$ 1 million in a financial year.
One can open an account jointly only with an NRI.	NRO account does not have any restrictions, and one can open it with a resident Indian.
The deposits are exposed to exchange rate fluctuations and also currency loss.	The deposits are not exposed to currency fluctuations.

So what do you think is better Mr. FEMA Gyani? What should I opt for?



**Ayush  
(PROI)**

I think you should opt for NRE account because in NRO account repatriation is a little difficult and quite a lot of formalities are required for transfer of funds from NRO to NRE account.



**The FEMA Gyani**

Okay Mr. FEMA Gyani! Thanks for the information. It will be very helpful.



**Ayush  
(PROI)**

The FEMA Gyani

# Thank You!

Let's meet every  
Wednesday.

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

Comments

Feedbacks

Suggestions



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