

## Important information on Remittances for Residents

### Liberalised Remittance Scheme of USD 250,000 for Resident Individuals

Effective 1 June 2015, Under the Liberalised Remittance Scheme, (hereinafter referred to as the Scheme/LRS) resident individuals are allowed to remit up to USD 250,000 per financial year (April-March) for any permitted current or capital account transactions or a combination of both. If an individual has already remitted any amount under the LRS, then the applicable limit for such an individual would be reduced from the present limit of USD 250,000 for the financial year by the amount already remitted.

The Scheme is available to all resident individuals including minors. In case of remitter being a minor, the LRS declaration form should be signed by the minor's natural guardian.

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

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.

Under the Scheme, resident individuals are permitted to purchase property abroad and/or make investment abroad and/or in setting up Wholly owned subsidiaries and Joint Ventures abroad (subject to the terms and conditions stipulated in FEMA notification no. 263).

To facilitate ease of transactions, all the facilities (including private/business visits) for release of exchange/remittances for current account transactions available to resident individuals under Foreign Exchange Management (Current Account Transactions) Rules, 2000, as amended from time to time, shall now be subsumed under the overall limit of USD 250,000. However, for remittance related to emigration, expenses in connection with medical treatment abroad and studies abroad, individuals may avail of exchange facility for an amount in excess of the overall limit prescribed under the LRS, if it is so required by a country of emigration, medical institute offering treatment or the university respectively. Evidence related to the same should be submitted to the Bank for review.

A resident individual is permitted to make a rupee gift/loan to a NRI/PIO who is a close relative of the resident individual (close relative as defined in Section 6 of the Indian Companies Act, 1956). The gift/loan amount should be within the overall limit of USD 250,000 per financial year as permitted under the Liberalised Remittance Scheme (LRS) for a resident individual.

However, it would be the responsibility of the resident donor/lender to ensure that the gift/loan amount is under the LRS and all the remittances under the LRS during the financial year including the gift/loan amount have not exceeded the limit prescribed under the LRS. It may be observed that only LRS limit of the remitter would be utilised and gift/loan amount as the case may be would actually be credited to NRO A/c. of NRI/PIO close relative.

International use of debit card by a resident individual for drawing cash or making payment to a merchant establishment overseas during his visit abroad comes under the Liberalised Remittance Scheme(LRS).

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. Under the Scheme banks should not extend any kind of funded and non-funded facilities to resident individuals to facilitate capital account remittances under the Scheme.

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.

The Scheme is not available for remittance to countries notified as non-cooperative countries and territories by the Financial Action Task Force (FATF) from time to time and communicated by the Reserve Bank of India to all concerned.

### **Facilities for individuals**

1. Individuals can avail of foreign exchange facility for the following purposes within the limit of USD 2,50,000 only. Any additional remittance in excess of the said limit for the following purposes shall require prior approval of the Reserve Bank of India (Except Emigration, medical treatment abroad and studies abroad)

(i) Private visits to any country (except Nepal and Bhutan)

(ii) Gift or donation.

(iii) Going abroad for employment

(iv) Emigration\*

(v) Maintenance of close relatives abroad

(vi) Travel for business, or attending a conference or specialised training or for meeting expenses for meeting medical expenses, or check-up abroad, or for accompanying as attendant to a patient going abroad for medical treatment/ check-up.

(vii) Expenses in connection with medical treatment abroad \*

(viii) Studies abroad\*

(ix) Any other current account transaction

\***For** remittance related to emigration, expenses in connection with medical treatment abroad and studies abroad, individuals may avail of exchange facility for an amount in excess of the overall limit prescribed under the LRS, if it is so required by a country of emigration, medical institute offering treatment or the university respectively. Evidence related to the same should be submitted to the Bank for review in such a case.

**No release of foreign exchange is admissible for any kind of travel to Nepal and Bhutan or for any transaction with persons resident in Nepal and Bhutan.**

### **International Credit Card (ICC) for undertaking foreign exchange transactions**

Use of the International Credit Cards (ICCs)/ATMs/Debit Cards can be made for making personal payments like subscription to foreign journals, internet subscription, etc., and for travel abroad in connection with various purposes. The entitlement of foreign exchange on International Credit Cards (ICCs) is limited by the credit limit fixed by the card issuing authority only. With ICCs one can (i) meet expenses/make purchases while abroad, (ii) make payments in foreign exchange for purchase of books and other items through internet in India. If the person has a foreign currency account in India or with a bank overseas, he/she can even obtain ICCs of overseas banks and reputed agencies. Use of these instruments for payment in foreign exchange in Nepal and Bhutan is not permitted.

Your HSBC Credit Card transactions outside India must be made strictly in accordance with Exchange Control Regulations of the Reserve Bank of India. Kindly note that a cardholder resident in India is notified that collecting and effecting/remitting payments directly/indirectly outside India in any form towards overseas foreign exchange trading through electronic/internet trading portals is prohibited and a cardholder making such transactions would make himself/herself/themselves liable to be proceeded against with for contravention of the Foreign Exchange Management Act (FEMA), 1999 besides being liable for violation of regulations relating to Know Your Customer (KYC) norms/Anti-Money Laundering (AML) standards. Any violation of the Exchange Control Regulations arising out of utilisation of this HSBC Credit Card is the responsibility of the individual HSBC Credit Cardholder.

If the Bank comes across any prohibited transaction undertaken by the cardholder vide credit card or online banking, the Bank will immediately close the card and the matter will be reported to the Reserve Bank of India.

Cardholder (primary/additional) and he/she would be liable for action under the provisions of the Foreign Exchange Management Act (FEMA), 1999 and any other regulations in force from time to time. Please note that the onus of ensuring compliance with the regulations is with the holder of the international credit card.

### **Purpose of remittance**

All cross border transactions undertaken in foreign exchange need to be compliant with FEMA 1999 and/or other relevant extant regulations.

Overseas remitter needs to clearly specify the 'purpose of payment' in the remittance application form used by them for making these payments.

To comply with the RBI requirement on Cross Border Wire Transfers, the overseas remitter needs to provide their name, address and account number in the remittance application form so that these can be included in the remittance message.

### **Disclaimer:**

The limits specified above and the provisions thereof are subject to change from time to time. Please call our contact centre or our customer service desk for the latest limit or for any further clarifications/information.

## Frequent Asked Questions (FAQs)

Q. 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. Capital account remittances, directly or indirectly, to countries identified by the Financial Action Task Force (FATF) as 'non-cooperative countries and territories', from time to time.
- vi. 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. Under LRS are resident individuals required to repatriate the accrued interest/dividend on deposits/investments abroad, over and above the principal amount?

Ans. No, the investor can retain and reinvest the income earned from portfolio investments made under the Scheme.

However, a resident individual who has made overseas direct investment in the equity shares and compulsorily convertible preference shares of a Joint Venture or Wholly Owned Subsidiary outside India, within the LRS limit, then he/she shall have to comply with the terms and conditions as prescribed under [Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations 2004 as amended from time to time] Notification No. 263/RB-2013 dated August 5, 2013.

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

Ans. Remittances under the facility can be consolidated in respect of close family members subject to the individual family members complying with the terms and conditions of the Scheme. 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 investment/property/overseas bank account. 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.

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

Ans. Yes., however, PAN card need not be insisted upon for remittance made towards permissible current account transactions up to USD 25,000 per financial year.

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

Ans. There are no restrictions on the frequency of remittances under LRS. 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 2,50,000.

Once a remittance is made for an amount up to USD 2,50,000 during the financial year, a resident individual 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. Can remittances be made only in US Dollars?

Ans. The remittances can be made in any freely convertible foreign currency.

Q. Clarification on remittance by sole proprietor under LRS.

Ans. In a sole proprietorship business, there is no legal distinction between the individual / owner of the business / the sole proprietor and the sole proprietorship concern. Hence the individual / owner of the business / sole proprietor can remit USD up to the permissible limit under LRS. If a sole proprietorship concern intends to remit the money under LRS by debiting its current account then the eligibility of the proprietor in his individual capacity has to be reckoned. Hence, if an individual / owner of the business / sole proprietor in his own capacity remits USD 250,000 in a financial year under LRS, the sole proprietorship concern cannot remit another USD 250,000 as there is no legal distinction between the individual / owner of the business / the sole proprietor and the sole proprietorship concern.