



**RESERVE BANK OF INDIA  
Foreign Exchange Department  
Central Office  
Mumbai - 400 001**

---

RBI/2004-05/397  
Master Circular No.9/2004-05

March 19, 2005

To  
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Master Circular – Non-Resident Ordinary Rupee (NRO) Account**

As you are aware, acceptance of deposits by an authorised dealer/authorised bank from persons resident outside India are regulated in terms of sub-sections (1) and (2) of section 6 of the Foreign Exchange Management Act, 1999 read with FEMA Notification No.5/2000 RB dated May 3, 2000 as amended from time to time.

2. This Master Circular consolidates the existing instructions on the subject of “Non-Resident Ordinary Rupee (NRO) Account” at one place. The list of underlying circulars/notifications is set out in the annex.

3. As recommended by the Committee on Procedures and Performance Audit on Public Services (CPPAPS) (Chairman: Shri S. S. Tarapore) set up by the Reserve Bank, this Master Circular is being issued with a sunset clause and as such will stand withdrawn on July 1, 2005 and be replaced by an updated Master Circular on the subject.

Yours faithfully,

F. R. Joseph  
Chief General Manager

**Annex**

List of circulars, which have been consolidated in this Master Circular on  
**NRO account**

<b>Sr.No.</b>	<b>AP(DIR Series) Circular No.</b>	<b>Dated</b>
1.	AP (DIR Series) Circular No.45	May 14, 2002
2.	AP (DIR Series) Circular No.1	July 2, 2002
3.	AP (DIR Series) Circular No.5	July 15, 2002
4.	AP (DIR Series) Circular No.19	September 12, 2002
5.	AP (DIR Series) Circular No.26	September 28, 2002
6.	AP (DIR Series) Circular No.27	September 28, 2002
7.	AP (DIR Series) Circular No.56	November 26, 2002
8.	AP (DIR Series) Circular No.59	December 9, 2002
9.	AP (DIR Series) Circular No.67	January 13, 2003
10.	AP (DIR Series) Circular No.43	December 8, 2003
11.	AP (DIR Series) Circular No.45	December 8, 2003
12.	AP (DIR Series) Circular No.62	January 31, 2004

**Notifications issued**

<b>Sr.No.</b>	<b>Notification No.</b>	<b>Dated</b>
1.	Notification No. FEMA 62/2002-RB	May 13, 2002
2.	Notification No.FEMA 97/2003-RB	July 8, 2003

## INDEX

### Master Circular on NRO Account

#### **Subject**

1.	Eligibility
2.	Types of Accounts
3	Joint Accounts with Residents/Non-Residents
4	Permissible Credits/ Debits
5.	Remittance of assets
6.	Foreign Nationals of non-Indian origin on a visit to India
7.	Grant of Loans/Overdrafts
8.	Change of Resident Status of Account holder
9.	Treatment of Loans/Overdrafts in the event of change in the resident status of the borrower
10.	Payment of funds to Non-Resident/ Resident Nominee
11.	Facilities to a person going abroad for studies
12.	International Credit Cards
13.	Income-Tax clearance

## **Master Circular - Non-Resident Ordinary Rupee (NRO) Account Scheme**

### **1. Eligibility**

- (a) Any person/entity resident outside India may open NRO account with an authorised dealer or an authorised bank for the purpose of putting through bonafide transactions denominated in Rupees.
- (b) Opening of accounts by individuals/entities of Bangladesh/Pakistan nationality/ownership requires prior approval of Reserve Bank.

### **2. Types of Accounts**

NRO accounts may be opened/maintained in the form of current, savings, recurring or fixed deposit accounts. Rate of interest applicable to these accounts and guidelines for opening, operating and maintenance of such accounts shall be in accordance with directives/instructions issued by Reserve Bank (DBOD) from time to time.

### **3. Joint Accounts with Residents/Non-residents**

The accounts may be held jointly with residents and/or with non-residents.

### **4. Permissible Credits/Debits**

#### **A. Credits**

- (i) Proceeds of remittances from outside India through normal banking channels received in foreign currency which is freely convertible
- (ii) Any foreign currency which is freely convertible tendered by the account-holder during his temporary visit to India. Foreign currency exceeding USD 5000/- or its equivalent in form of cash should be supported by Currency Declaration Form. Rupee funds should be supported by Encashment Certificate, if they represent funds brought from outside India.
- (iii) Transfers from rupee accounts of non-resident banks.
- (iv) Legitimate dues in India of the account holder. This includes current income like rent, dividend, pension, interest etc. as also sale proceeds of

assets including immovable property acquired out of rupee/foreign currency funds or by way of legacy/inheritance.

## **B. Debits**

- (i) All local payments in rupees including payments for investments in India subject to compliance with the relevant regulations made by the Reserve Bank.
- (ii) Remittance outside India of current income like rent, dividend, pension, interest etc. in India of the account holder.
- (iii) Remittance of an amount of balances in NRO account of NRI/PIO up to USD One million, per calendar year, for all bonafide purposes to the satisfaction of the authorised dealer.

## **5. Remittance of assets**

### **5.1 Remittance of assets by NRI/PIO**

NRIs/PIO may remit through an Authorised Dealer, an amount not exceeding USD One million per calendar year, out of balances held in the NRO account representing the sale proceeds of assets (a) acquired in India out of rupee/foreign currency funds or (b) by way of inheritance legacy from a person who was resident in India subject to conditions outlined below:

#### **(a) Assets acquired in India out rupee/foreign currency funds**

##### **(i) Immovable property**

NRI/PIO may remit sale proceeds of immovable property purchased by him as a resident or out of Rupee funds as NRI/PIO provided such a property was held by him for a period of not less than ten years. If such a property is sold after being held of less than ten years, remittance can be made, if the sale proceeds were held for the balance period in NRO account (Savings/Term Deposit) or in any other eligible investment to the satisfaction of the authorised dealer.

##### **(ii) Other financial assets**

For remittance of sale proceeds of financial assets there is no lock-in-period.

### **(b) Assets acquired by way of inheritance/legacy**

For remittance of sale proceeds of assets, both financial and immovable property acquired by way of inheritance/legacy from a person who was resident in India there is no lock-in-period. NRI/PIO may submit to the satisfaction of Authorised Dealer documentary evidence in support of inheritance/legacy.

### **5.2 Remittance of assets out of NRO account by a person resident outside India other than NRI/PIO**

A citizen of a foreign state not being a citizen of Pakistan, Bangladesh, Nepal or Bhutan who

- (i) has retired from an employment in India, or
- (ii) has inherited assets from a person who was resident in India, or
- (iii) is a widow resident outside India and has inherited assets of her deceased husband who was an Indian citizen resident in India.

may remit an amount up to USD One million, per calendar year on production of documentary evidence in support of acquisition, inheritance or legacy of assets to the authorised dealer.

### **5.3 Restrictions**

(a) The facility of remittance of sale proceeds of immovable property to a citizen of Pakistan, Bangladesh, Sri Lanka, China, Afghanistan, Iran, Nepal and Bhutan is not available.

(b) The facility of remittance of sale proceeds of other financial assets is not available to a citizen of Pakistan, Bangladesh, Nepal and Bhutan.

### **6. Foreign Nationals of non-Indian origin on a visit to India**

NRO account (current/savings) can be opened by a **foreign national** of non-Indian origin visiting India, with funds remitted from outside India through banking channel or by sale of foreign exchange brought by him to India. The balance in the NRO account may be converted by the authorized dealer into foreign currency for payment to the account holder at the time of his departure from India provided the

account has been maintained for a period not exceeding six months and the account has not been credited with any local funds, other than interest accrued thereon.

## **7. Grant of Loans/overdrafts by authorised dealers/bank to account holders and third parties**

(a) Loans to non-resident account holders and to third parties may be granted in Rupees by authorised dealers against the security of fixed deposits subject to the following terms and conditions:

(i) The loans shall be **utilised** only for meeting borrower's personal requirements and/or business purpose and **not** for carrying on agricultural/plantation activities or real estate business or for relending.

(ii) Regulations relating to margin and rate of interest as stipulated by Reserve Bank from time to time shall be complied with.

(iii) The usual norms and considerations as applicable in the case of advances to trade/industry shall be applicable for such loans/facilities granted to third parties.

(b) Authorised dealer/bank may permit overdraft in the account of the account holder subject to his commercial judgement and compliance with the interest rate etc. directives.

## **8. Change of Resident Status of Account holder**

### **(a) From Resident to Non-resident**

When a person resident in India leaves India for a country (other than Nepal or Bhutan) for taking up employment or for carrying on business or vocation outside India or for any other purpose indicating his intention to stay outside India for an uncertain period, his existing account should be designated as a Non-Resident (Ordinary) Account.

When a person resident in India leaves for Nepal or Bhutan for taking up employment or for carrying on business or vocation or for any other purposes indicating his intention to stay in Nepal or Bhutan for an uncertain period, his existing

account will continue as a resident account. Such account should not be designated as Non-Resident (Ordinary) Account (NRO).

**(b) From Non-Resident to Resident**

NRO accounts may be re-designated as resident rupee accounts on the return of the account holder to India for taking up employment, or for carrying on business or vocation or for any other purpose indicating his intention to stay in India for an uncertain period. Where the account holder is only on a temporary visit to India, the account should continue to be treated as non-resident during such visit.

**9. Treatment of loans/overdrafts in the event of change in the resident status of the borrower**

In case of person who had availed of loan or overdraft facilities while resident in India and who subsequently becomes a person resident outside India, the authorised dealer may at their discretion and commercial judgement allow continuance of the loan/overdraft facilities. In such cases, payment of interest and repayment of loan may be made by inward remittance or out of legitimate resources in India of the person concerned.

**10. Payment of funds to Non-resident/Resident Nominee**

The amount due/payable to non-resident nominee from the NRO account of a deceased account holder shall be credited to NRO account of the nominee with an authorised dealer/authorised bank in India.

The amount payable to resident nominee from the NRO account of a deceased account holder shall be credited to resident account of the nominee with a bank in India.

**11. Facilities to a person going abroad for studies**

Persons going abroad for studies are treated as Non-Resident Indians (NRIs) and are eligible for all the facilities available to NRIs. Educational and other loans availed of by them as residents in India will continue to be available as per FEMA regulations.



## **12. International Credit Cards**

Authorised dealers have been permitted to issue International Credit Cards to NRIs/PIO, without prior approval of RBI. Such transactions may be settled by inward remittance or out of balances held in the cardholder's FCNR/NRE/NRO Accounts.

## **13. Income-Tax**

The remittances (net of applicable taxes) will be allowed to be made by the authorised dealers on production of an undertaking by the remitter and a Certificate from a Chartered Accountant in the formats prescribed by the Central Board of Direct Taxes, Ministry of Finance, Government of India in their Circular No. 10/2002 dated October 9, 2002 [cf. our A.P. (DIR Series) Circular No. 56 dated November 26, 2002 ].