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Frequently Asked Questions under the Liberalized Remittance Scheme – Reserve Bank's Response

The Reserve Bank of India had announced a Liberalized Remittance Scheme (the Scheme) in February 2004 as a step towards further simplification and liberalization of the foreign exchange facilities available to resident individuals. As per the Scheme, resident individuals may remit up to USD 100,000 per financial year for any permitted capital and current account transactions. The Scheme was operationalised vide A.P. (DIR Series) Circular No. 64 dated February 4, 2004. The Reserve Bank of India has received feedback on the Scheme from Authorised Dealer banks and the Foreign Exchange Dealers Association of India and based on the discussions, clarifications on various operational issues of the Scheme are being given below:

Q1. Provide an illustrative list of capital account transactions permitted under the scheme?

The remittance under the Scheme is available to the resident individuals for any permitted current or capital account transactions or a combination of both. Under the Scheme, resident individuals can acquire and hold immovable property or shares or debt instruments or any other assets outside India, without prior approval of the Reserve Bank. Individuals can also open, maintain and hold foreign currency accounts with banks outside India. However, it was clarified that remittance from India for margins or margin calls to overseas exchanges / overseas counterparty are not allowed under the Scheme.

The remittance facility under the Scheme is also not available for the following:

- i) Remittance for any purpose specifically prohibited under Schedule-I (like purchase of lottery/sweep stakes, tickets proscribed magazines etc) or any item restricted under Schedule II of Foreign Exchange Management (Current Account Transactions) Rules, 2000.
- ii) Remittances made directly or indirectly to Bhutan, Nepal, Mauritius or Pakistan.
- iii) Remittances made directly or indirectly to countries identified by the Financial Action Task Force (FATF) as “non co-operative countries and territories” from time to time.

iv) 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.

Q2. Whether this facility is in addition to existing facilities detailed in Schedule III under remittances?

The facility under the Scheme is **in addition** to those already available for private travel, business travel, studies, medical treatment, etc as described in Schedule III of Foreign Exchange Management (Current Account Transactions) Rules, 2000. The Scheme can be also be used for these purposes. However, gift and donation remittances cannot be made separately and have to be made under the Scheme only. Accordingly, resident individuals can remit gifts and donations up to USD 100,000 per financial year under the Scheme.

Q3. Whether resident individuals under this Scheme have to repatriate the accrued yield on deposits/investments abroad, over and above the principal amount?

The investor can retain and reinvest the income earned on investments made under the Scheme. Currently, the residents are not required to repatriate the funds or income generated out of investments made under the Scheme.

Q4. Whether remittance under the Scheme is on gross basis or net basis (net of repatriation from abroad)?

Remittance under this scheme is on a gross basis.

Q5. Whether minors can also avail of the remittance facility?

The facility is available to all the resident individuals including minors.

Q6. Whether remittances under the facility can be consolidated in respect of family members?

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

Q7. Whether the Scheme can be used for purchase of objects of art (paintings etc) either directly or through auction house?

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.

Q8. Whether small value remittance of USD 5000/- (gifts, donation etc) is in addition to LRS of US \$ 100,000/-?

Remittance against gifts and donations cannot be made separately and have to be made under the Scheme only and therefore no separate limits for gift and donation are available.

Q9. Whether the AD is required to check permissibility of remittances based on nature of transaction or allow the same based on remitters declaration?

AD will be guided by the nature of transaction as declared by the remitter and will certify that the remittance is in conformity with the instructions issued by Reserve Bank.

Q10. Whether under this scheme a customer can remit funds for acquisition of ESOPs?

The Scheme can also be used for remittance of funds for acquisition of ESOPs.

Q11. Whether the scheme is in addition to acquisition of ESOPs linked to ADR/GDR (i.e USD 50,000/- for a block of 5 calendar years)?

The remittance under the Scheme is in addition to acquisition of ESOPs linked to ADR/GDR.

Q12. Whether the Scheme is in addition to acquisition of qualification shares (i.e USD 20,000/- as 1% of paid up capital of overseas company whichever is lower)?

The remittance under the Scheme is in addition to acquisition of qualification shares.

Q13. Whether a resident individual can invest in units of Mutual Funds, Venture Funds, unrated debt securities, promissory notes etc under this scheme?

A resident individual can invest in units of Mutual Funds, Venture Funds, unrated debt securities, promissory notes, etc under this Scheme. Further, the resident can invest in such securities out of the bank account opened abroad under the Scheme.

Q14. Whether an individual, who has availed of a loan abroad while a non-resident can repay the same on return to India, under this Scheme as a resident?

This is permissible.

Q15. Whether it is mandatory for resident individuals to have PAN number for sending outward remittances under the Scheme?

It is mandatory to have PAN number to make remittances under the Scheme.

Q16. In case a resident individual requests for an outward remittance by way of issuance of a demand draft (either in his own name or in the name of the beneficiary with whom he intends putting through the permissible transactions) at the time of his private visit abroad, whether against self declaration of the remitter such an outward remittance can be effected?

Such outward remittance in the form of a DD can be effected against the declaration by the resident individual in the format prescribed under the Scheme.

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