Corpsec Hotline

December 21, 2006

RBI ALLOWS INDIANS TO BE MORE GENEROUS: EASES FOREIGN REMITTANCE NORMS

The Reserve Bank of India ("RBI") has further liberalized the norms applicable to foreign remittances by Indian resident individuals, vide A.P. (DIR Series) Circular No 24, dated December 20, 2006 ("Circular 24"). The earlier scheme of liberalization under the USD 25,000 Scheme ("Scheme")[1], provided that an Indian resident individual could freely remit:

- USD 25,000 for any current or capital account transactions, per calendar year, including acquisition of immoveable property, shares and any other assets outside India;

In addition, Indian resident individual were also allowed, under the Current Account Rules, to remit:

- USD 5,000 per annum towards a gift;
- USD 5,000 per annum towards donations.

Thus, a resident individual could avail of the Scheme in addition to the allowable limit under the Current Account Rules.

Further, the Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2000 ("Overseas Investment Regulations"), earlier allowed Indian resident individuals to freely remit for the purpose of investment in listed foreign securities of an overseas company, provided that the overseas company at least held a 10% shareholding in an Indian listed company, as on January 1st of the year of investment.

The RBI has vide Circular 24, liberalized the Scheme by increasing the investment limit from USD 25,000 to USD 50,000 in a financial year (April – March), for any capital and current account remittance. It has also rationalized remittances for gifts and donations by including them under this limit.

Further, the Circular has brought investment in foreign securities, unlisted or listed, within the ambit of the USD 50,000, and the requirement of the overseas company holding at least 10% shareholding in an Indian listed company, has been deleted.

[1] A.P. (DIR Series) Circular No.64, dated February 4, 2004

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You can direct your queries or comments to the authors

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