

## **NRI (Buyer's Guide)**

The frequently asked questions and answers on this page are useful for Non Resident Indians who wish to purchase or invest in residential and commercial property in India.

According to analysts, the real estate market in India is worth about US\$ 15 billion and growing at about 35 percent a year. With current shortage in housing pegged at 20 million units, demand is only going up by the minute. Reports state, India will face a shortage of over 45 million homes by 2012. In this high growth scenario and with the government relaxing stringent norms, investments from the NRI community have risen from US\$ 362 million in 2000-01 to US\$ 6.3 billion in March 2007.

### **Who is an NRI under the provisions of Foreign Exchange Management Act?**

An Indian Citizen who stays abroad for employment or is engaged in business or vocation outside India or stays abroad under circumstances indicating an intention for an non-resident Indian is an NRI. A person who is not resident in India for a period over 182 days is a non-resident Indian. Persons posted in U.N. organizations and officials deputed abroad by Central / State governments and Public Sector undertakings on temporary assignments are also treated as non-resident Indians.

### **Who is a Person of Indian Origin (PIO)?**

Under the provisions of Foreign Exchange Management Act (FEMA), a person of Indian origin is an individual (other than a citizen of Pakistan, Bangladesh, Sri Lanka, Afghanistan, China, Iran, Nepal, Bhutan) who at any time held an Indian passport, or he or his father or his grandfather was a citizen of India by virtue of the Constitution of India or Citizenship Act, 1955 (57 of 1955).

### **Do NRIs and PIOs require permission from Reserve Bank to acquire residential / commercial property in India?**

NRIs and PIOs do not require permission from RBI to acquire residential / commercial premises in India (other than agricultural land / farm house / plantation property).

### **Can the sale proceeds of residential / commercial premises be remitted out of India?**

The sale proceeds of immovable property other than agricultural land / farmhouse / plantation property can be remitted out of India on fulfillment of certain conditions.

### **Can NRIs obtain loans for acquisition of residential premises from authorised dealers / financial institutions providing housing finance?**

Yes, NRIs can obtain loans. However, repayment of loan should be made within a period not exceeding 15 years out of inward remittances or out of funds held in the borrower's NRE / FCNR / NRO accounts.

### **Can Indian companies grant loans to their NRI staff?**

The Reserve Bank of India (RBI) permits Indian firms / companies to grant housing loans to their employees deputed abroad and holding Indian passports, subject to certain conditions.

### **Can NRIs and PIOs gift residential / commercial premises to relatives / registered charitable trusts / organizations in India?**

Yes, general permission has been granted by RBI to NRIs and PIOs to transfer by way of gift, immovable property held by them in India, to relatives and charitable trusts / organizations subject to compliance with conditions and provisions of other applicable laws.

### **Can NRIs and PIOs give residential / commercial premises on rent if not required for immediate use?**

Yes, RBI has granted general permissions for letting out any immovable property in India. The rental income or proceeds of any such income are eligible for repatriation subject to payment of taxes and production of a certificate issued by a chartered accountant with the guidance of an Authorised Dealer, such as, a bank for completion of formalities.

### **How should NRIs and PIOs make payment of the consideration for residential / commercial property?**

The purchase consideration should be met either out of inward remittances in foreign exchange through normal banking channels or out of funds from NRE / FCNR / NRO accounts maintained with banks in India.

**Are any conditions required to be fulfilled if repatriation of sale proceeds is desired?**

Applications for repatriation of sale proceeds are considered, provided the sale takes place after three years from the date of final purchase deed from the date of payment of final installment of consideration amount, whichever is later.

**What is the procedure for seeking such repatriation?**

Applications for necessary permission for remittance of sale proceeds should be made in form IPI 8 to the Central Office of Reserve Bank at Mumbai within 90 days of the sale of the property.

**Do foreign citizens of Indian origin require permission of Reserve Bank to purchase immovable property in India for their residential use?**

Reserve Bank has granted general permission to foreign citizens of Indian origin, whether resident in India or abroad, to purchase immovable property in India for their bona fide residential purpose. They are, therefore, not required to obtain permission of Reserve Bank.

**In what manner the purchase consideration for the residential immovable property should be paid by foreign citizens of Indian origin under the general permission?**

The purchase consideration should be met either out of inward remittances in foreign exchange through normal banking channels or out of funds from NRE/FCNR accounts maintained with banks in India

**What are the formalities required to be completed by foreign citizens of Indian origin for purchasing residential immovable property in India under the general permission?**

They are required to file a declaration in form IPI 7 with the Central Office of Reserve Bank at Mumbai within a period of 90 days from the date of purchase of immovable property or final payment of purchase consideration along with a certified copy of the document evidencing the transaction and bank certificate regarding the consideration paid.

**Can immovable property held in India, be transferred by way of gift to relatives/registered charitable trusts/organizations in India?**

Yes. General permission has been granted by Reserve Bank to non-resident persons (foreign citizens) of Indian origin to transfer by way of gift immovable property held by them in India to relatives and charitable trusts/organizations subject to the condition that the provisions of any other law, including Foreign Contribution (Regulation) Act, 1976, as applicable, are duly complied with.

**Can authorized dealer grant housing loan to non-residents of Indian nationality where he is a principal borrower with his resident close relative as a co-obligant/guarantor or where the land is owned jointly by such NRI borrower with his resident close relative?**

Yes. However, in such cases the payment of margin money and repayment of the loan installments should be made by the NRI borrower.