



## FAQ'S - REAL ESTATE FOR NRI

There are often doubts about acquiring property in India in the minds of Non Resident Indians (NRIs). Questions such as "Is it possible for me to apply for a loan from abroad" are bound to arise. Here, in this section, we have tried to considerably reduce the doubts by providing information on NRI investment rules in property, Acquisitions, Holding and documents required.

### **NRI Investment in the Indian Property Market**

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#### **Defination**

- Indian citizens who stay abroad for employment or for carrying on business or vocation or for any other purpose in the circumstances indicating a definite intention to stay outside India for an indefinite period.
- Indian citizens working abroad on assignment with Foreign Government or International Agencies
- Officials of Central and State Government and Public Sector undertakings deputed abroad on temporary assignments or posted to their offices abroad
- Indians who have settled abroad permanently or gone abroad on immigration. Non-resident Indians become residents of India when they return to India for employment or for carrying on any business or vocation or for any other purpose indicating a definite intention to stay in India for an indefinite period. However, during their short visits to India for holidays or business, non-residents are not to be regarded as persons ordinarily resident in India.

#### **Acquisition, Holding, etc. of Immovable Property in India by Certain Persons**

11E.1 In terms of Section 31(1) of FERA 1973, persons who are not citizen of India (whether resident in India or not) and companies (other than banking companies) which are not incorporated under any law in force in India are required to obtain prior permission of Reserve Bank to acquire, hold, transfer or dispose of by sale, mortgage, lease, gift, settlement or otherwise any immovable property situated in India.

The work relating to the permission for acquisition etc. of immovable property is centralized in the Central Office of Reserve Bank (Foreign Investment Division) at Mumbai.

#### **Notes:**

A. The above restrictions do not apply to immovable property taken or given on lease for a period not exceeding five years.

B. Prior permission of Reserve Bank is necessary for acquisition, disposal etc. of flats in co-operative housing societies.



C. Nepalese or Bhutanese nationals, whether resident in India or not, as well as Nepalese companies in Bhutan should obtain, prior permission of Reserve Bank for acquisition, holding etc. of immovable property in India even though the transactions may be settled in Indian Rupees .

D. In case of partnership firms, if any of the partner is a Foreign citizen, the firm should obtain permission of Reserve Bank for acquisition /disposal of the immovable property. Likewise, if any member of the governing body of an association/organisation or any trustee of a trust is a Foreign citizen, such, a body/trustee should obtain Reserve Bank"s permission under Section 31(1) of FERA 1973.

### **Acquisition, Sale etc. of Immovable Property by Foreign Banks**

11E.2 The acquisition, sale ect. Of immovable properties in India by Foreign banks operating in India is governed by the relevant provisions of Banking Regulation Act,1949 and the policy of Reserve Bank in this regard in force from time to time. Foreign banks should ensure while undertaking such transactions in immovable property that they are in accordance with the provision of the Act and directions issued, in any, by the Department of Banking Operations and Development of Reserve Bank.

### **Application forms**

11E.3 Application for fresh acquisition or holding of immovable property in India (other than those covered under the general permission granted by Reserve Bank) should be made to Reserve bank in form IPI 1 and for sale/transfer of property (other than tea, coffee, rubber, etc. plantation or those covered by general permissions granted by Reserve Bank) in form IPI 2. Application for sale/transfer of tea, coffee, rubber etc. plantation should, however, be made in form IPI 3 together with the particulars of productivity, income, etc. in form IPI 4.

### **General permission for Acquisition of Property for Carrying on Activities permitted by the Reserve Bank**

11E.4. By its Notification No. FERA 1343/93-RB dated 26th April 1993, Reserve Bank has granted general permission to companies, (other than banking companies), which are not incorporated under any law in force in India, to acquire or hold activity permitted by Reserve Bank under Section 28 or Section 29 of FERA 1973. Companies which acquire or hold any immovable property in India in terms of the general permission are required to submit to Reserve Bank a declaration in form IPI 5 not later than 90 days from the date of acquisition of the immovable property.

**Note:** The above general permission does not apply to Foreign companies that have been permitted under Section 29 of the Act to open liaison offices or to post representatives in India.

### **Properties held at the commencement of the Act**

11E.5 In terms of Section 31(4), properties held since prior to 1st January 1974 i.e. the date of coming into force of FERA 1973, were required to be declared to Reserve Bank. Applications for



the purpose were required to be made in form IPI 6. Holding licences have been issued by Reserve Bank on the basis of declarations received by it in terms of this provision.

### **General Permission for Acquisition/Disposal of Residential/Commercial properties by Foreign Citizens of Indian origin**

11E.6 (i) By its Notification No.FERA.152/93-RB dated 26th May 1993, Reserve Bank has granted general permission to Foreign citizens of Indian origin, (whether resident in India or not), to acquire and dispose of immovable properties (other than agricultural land/farm house/plantation property) situated in India subject to the fulfilment of the following conditions:

#### **A) Acquisition/Disposal of Residential Property/ies in India other than by way of Gift**

1.Property is acquired by way of purchase or inheritance for the person's bonafide residential use and transferred by way of sale. (No restrictions are placed on the number of residential properties that can be acquired/disposed of under the general permission except what is mentioned against condition 6 below)

2.Consideration for the property purchased is met out of Foreign exchange remitted from abroad through normal banking channels of funds withdrawn from the purchaser's NRE/FCNR account maintained with a bank in India.

3.Property purchased is not let out, except where it is not immediately required for the purchaser's own residential use.

4.A declaration is submitted to Reserve Bank (Central Office) about such acquisition in form IPI-7 within a period of 90 days from such acquisition/final payment of purchase consideration along with a certified of the document evidencing the transaction and bank certificate regarding the consideration paid.

5.Income accruing by way of rent or sale proceeds of the property or income arising out of investment of such proceeds is credited to the person's NRO account (if the property is held by a non-resident Foreign citizen of Indian origin) or to the Resident Rupee Account i.e. Q.A.22 Account )if the property is held by a Foreign citizen of Indian origin resident in India) with a bank in India.

6.In respect of residential properties purchased on or after 26th May 1993, Reserve Bank would consider applications for the repatriation of sale proceeds up to the consideration amount remitted in Foreign exchange for the acquisition of the property (only up to two such properties) provided the sale takes place after three years from the date of final purchase deed or from the date of payment of final instalment of consideration amount, whichever is later. Applications for the purpose should be made to Reserve Bank (Central Office) in form IPI 8 within 90 days of the sale of the property.

#### **B) Acquisition/Disposal of Residential property by way of Gift**



1.Properties (up to two houses) are acquired, transferred or disposed of by way of gift from or to a relative who may be an Indian citizen or a person of Indian origin whether resident in India or not.

2.Gift tax, if any, has been paid.

C) Acquisition by way of purchase or inheritance or Disposal by way of Sale of commercial Property/ies in India

1.Property (not being agricultural land/farm house/plantation property) situate in India is acquired by way of purchase or inheritance and transferred or disposed of by way of sale (No restrictions are placed on the number of such properties acquired/disposed of under the general permission except what is mentioned against condition 4 below).

2.Consideration for the property purchased is met out of Foreign exchange remitted from abroad through normal banking channels or funds withdrawn from the purchaser's NRE/FCNT account maintained with banks in India.

3.A declaration of submitted to Reserve bank (Central Office) about acquisition of the commercial property in form IPI-7 within a period of 90 days from such acquisition/final payment of purchase consideration along with a certified copy of the document evidencing the transaction and bank certificate regarding the consideration paid.

4.Reserve Bank would consider applications for repatriation of original investment in commercial property in respect of properties purchased on or after 26th May 1993 up to the consideration amount remitted in Foreign exchange for the acquisition of the property provided the property is sold after a period of three years from the date of the final purchase deed or from the date of payment of final instalment of consideration amount, whichever is later.

The balance amount of sale proceeds of the property/ies should be credited to the seller's NRO account or Resident Rupee Account (Q.A. 22 Account) in the case of resident Foreign citizens maintained with a bank in India. Applications for repatriation of the amount should be made to Reserve Bank (Central Office) in form IPI-8 within 90 days of the sale of the property.

(ii) For the purpose of above general permission, a Foreign citizens is deemed to be of Indian origin if (a) he held an Indian passport at any time, or (b) he or his father or paternal grandfather was a citizen of India by virtue of the constitution of India or the citizenship Act, 1955 (57 of 1955) provided that the citizen of Pakistan, Bangladesh, Afghanistan, Bhutan, Sri Lanka and Nepal shall be deemed to be not of Indian origin.

(iii) Non-resident Indian nationals are also eligible for the facility regarding repatriation of sale proceeds of the properties referred in terms A.6 and C.4 above of sub-paragraph (i), provided the other conditions referred to in the said sub-paragraph are satisfied.

### **General Permission for letting out of Residential Property in India by Non-resident Indians and Persons of Indian origin**

11E.7 By its Notification No.FERA.155/93-RB dated 16th September 1993, issued under Section 29(1) of FERA 1973, Reserve Bank has granted general permission to non-resident Indian



citizens and Foreign citizens of Indian origin to let out any immovable property in India held by them.

The rental income or proceeds of any investment of such income shall not be repatriable outside India at any time in future and such funds should be credited to the owner's Ordinary Non-Resident Rupee (NRO) account maintained with a bank in India.

### **Purchase of Immovable Property in India by Foreign Citizens of Non-Indian origin/Foreign Companies**

11E.8 (i) Foreign citizens of Non-Indian origin (whether resident in India or not) and Foreign companies including trusts, societies and associations incorporated/registered abroad will be permitted by Reserve Bank, on application, to acquire immovable property in India, provided the following conditions are satisfied.

- a. The property to be purchased is for residential use only.
- b. The consideration for purchase of the property is met out of Foreign exchange remitted from abroad in any convertible currency through normal banking channels.
- c. Income accruing by way of rent from the property purchased, or the sale proceeds of such property/income arising out of investment of such sale proceeds at any future date shall be credited only to the Ordinary Non-resident rupee (NRO) account of the non-resident purchaser and will not be allowed to be repatriated outside India.

Applications for necessary permission under Section 31(1) of FERA, 1973 for purchase of immovable property in India should be made in form IPI 1 together with the documents indicated therein the chief General Manager, Exchange control Department, (Foreign Investment division-III), Reserve Bank of India, Central Office, Mumbai-1.

### **Acquisition, Transfer of Property in India by way of Lease, Mortgage, Gift, Inheritance, etc.**

11E.9 Applications for permission to acquire or transfer immovable property by way of lease exceeding 5 years or by way of mortgage, gift, inheritance, settlement, etc. other than those covered by general permissions referred to in paragraphs 11E.4 and 11E.6 should be made to Reserve Bank in the appropriate form together with relevant documents indicated therein (see paragraph 11E.3).

### **Documents Required for Housing Loan**

- Latest Work Permit/Employment Contract attested by Embassy/Employer.
- Copy of Visa stamped on passport.
- Salary particulars of last three months.
- Identity Card.
- C.D Certificate for Merchant Navy employees.
- General Power of Attorney holder in India (for those institution not having office in the respective country of loanee) .



- Letter from Bank stating Account type and Number, balance in account and rate of exchange of currency .
- Repayments through NRE Account.

## **NRI Investment In The Indian Property Market**

### **What I need to know to invest in real estate as NRI in India**

Following rules are required to be known by you to invest in real estate in India:

- Exchange Control Regulations affecting the acquisition of residential property in India  
Consequent to the liberalisation in Exchange Control policy and procedures, certain relaxations in the existing regulations and procedures governing the acquisition, holdings, etc. of Immovable property in India, have been announced.

Immovable property may be a residential house, a residential flat or a plot of residential house.

The current position therefore is as under:

- 1.1. Non-resident Indian holding Indians passport do not require any permission from RBI for acquiring Immovable Property for bona fide residential purposes, as section 31 of FERA 1973 is not applicable to them.
- 1.2. Non-resident Indians holding Indian passport may pay the purchase consideration either by remittance of funds from abroad through normal banking channels or out of NRO Account or out of NRE Account or out of FCNR Account.
- 1.3. As per the recent relaxation RBI has granted General Permission to Non-resident Indians holding Foreign Passport (i.e. Foreign Citizens of Indian Origin) to acquire, hold, transfer or dispose of by way of sale or inheritance immovable properties situated in India provided;

a) the property is for the purchasers bona fide residential purpose.

b) the purchase consideration is met either by remittance of funds from abroad through normal banking channels or out of NRE/FCNR Account or out of FCNR Special Account.

c) income accruing by way of rent from the properties purchased or acquired by inheritance will have to be credited to the non-resident ordinary (NRO) account even if the purchase consideration was met out of NRE / FCNR Account.

- 1.4. Foreign citizens of Indian origin are however required to declare the properties to RBI within a period of 90 days from the date of purchase in Form IPI 7.

The following documents must be submitted along with the declaration.

- a) A certified copy of the purchase deed or a certificate from the Co-operative Housing Society or an Association of the apartment owners as an evidence of transfer / registration of the property in the declarant's





name.

b) Certificate from the declarant's bankers in India evidencing receipt of inward remittance(s) in Foreign exchange through normal banking channel or withdrawal of funds from the declarant's NRE / FCNR account / FCNR Special Deposit Account and payment of consideration for the property out of those funds.

- 1.5. Where a Foreign Citizen of Indian origin wishes to acquire a property out of funds held in NRO Account then the aforesaid general permission does not hold and a prior permission from RBI will be required which can be applied for in Form IPI.1.
- 1.6. Where a Foreign Citizens of Indian origin wishes to acquire a property from the sale proceeds of another property prior permission of RBI is essential and may be obtained by applying in Form IPI I.
- 1.7. Any number of properties can be acquired by a non-resident Indian regardless of whether they are holding Indian passport provided they are required for bona fide residential purposes.

### **Frequently Asked Questions**

#### **Is it possible for me to apply for a loan at HDFC or any other source from United States. If so How?**

Yes. It is possible for you to apply for a loan through HDFC or any other financial institution from USA. You will have to approach HDFC or any other financial institution directly and request them to send you the rules and regulations for such loan.

#### **What is an NRI/NRE account and how one can set one up?**

NRIs are permitted to maintain accounts in rupees and Foreign currency. NRE account is Non-resident (External) Rupee Account permitted to be maintained by NRIs. This account can be opened by an authorised Bank without the prior permission of Reserve Bank. Funds for opening of or credit to NRE accounts shall, however, have to be remitted from abroad or FCNR account or tendered in the form of Foreign currency notes, travellers cheques etc., while on a visit to India. Further, that amounts deposited in NRE accounts are allowed to be repatriated.

#### **Repatriate the sale proceeds:**

Repatriate the preceeding as the RBI has vide Notification No.FERA/152/152/93-RB dtd.26.5.93 allowed repatriation of Investment in Residential property to persons of Indian origin whether holding Indian passport or a Foreign passport (NRI) after obtaining the prior approval from the RBI and this facility is restricted to a maximum of two houses.

The above permission allowing repatriation is subject to the following conditions :-

- The residential properties are purchased on or after 26.6.1993.



- The residential properties are not transferred or sold for a period of 3 years from the date of the final purchase deed or from the date of the payment of final instalment, where the agreement for purchase so provides.
- Only the amount of sale proceeds equivalent to the original investment in Foreign exchange will be allowed to be repatriated outside India; balance if any will have to be credited to the NRO Account of the NRI.
  - The repatriation is subject to prior approval from RBI which is required to be obtained in Form IPI 8, within a period of 90 days of the sale of the property. Form IPI 8 must be accompanied by a copy of the Form IPI 7 submitted earlier at the time of acquisition of the property.
  - As regard the property which you may inherit from your parents after their death you shall be entitled to hold the same subject to the rules and regulation of Foreign Exchange Manuals but repatriation shall not be allowed as aforementioned.

**I am a US citizen of Indian origin. What legal steps do I need to take to purchase property in India? Can I hold property under a living trust that I have in USA?**

- Non-resident Indians holding Indian passport do not require any permission from RBI for acquiring immovable property for bonafide residential purposes, as Section 31 of FERA 1973 is not applicable to them.
- Non-resident Indians holding Indian passport may pay the purchase consideration either by remittance of funds from abroad through normal banking channels or out of NRO Account or out of NRE Account or out of FCNR Account.
- As per the recent relaxation RBI has granted general permission to Non-resident Indians holding Foreign passport (i.e. Foreign citizens of Indian origin) to acquire, hold, transfer or dispose of by way of sale or inheritance immovable properties situated in India provided
  - the property is for the purchasers bonafide residential purpose;
  - the purchase consideration is met either by remittance of funds from abroad through normal banking channels or out of NRE/FCNR Account or out of FCNR Special Deposit Account;
  - income accruing by way of rent from the properties purchased or acquired by inheritance will have to be credited to the non-resident ordinary (NRO) account even if the purchase consideration was met out of NRE/FCNR Account.

You cannot hold property under a living Trust that you have in USA as FERA 1973 cannot be extended to Foreign branches of societies, institutions, firms, bodies corporate not registered or incorporated in India.

**I am an NRI and I wish to buy a house in India which is coming up for sale. My family also resides with me. I need to send some money (more than US \$ 10,000) to purchase the same.**





- How do I send money to India?  
You can remit funds through any normal banking channels in NRE/FCNR Account.
- Can I send this money to an SB account of my wife as a gift?
- If I send this money to an SB account, is this taxable?  
2) & 3) In answer to your query we advise you to remit the funds in your wife's account abroad and pay for the flat by funds in your wife's account through any normal banking channels as aforementioned and as then in that event the question of Tax does not arise.
- If I send this money to an SB account, can I issue cheques of that account to the sellers?

Yes.

- Can I send rupee drafts to settle for the sellers directly from here?

Yes.

- I wish to buy the property in my daughters' names who are minors. What should I do for this?

Father as a guardian can buy the house in the name of minors. As such, in your case you can buy the house in the name of your minor daughters.

- Are there any other formalities?
  - Non-resident Indian holding Indian passport do not require any permission from RBI for acquiring Immovable Property for bonafide residential purposes, as section 31 of FERA 1973 is not applicable to them.
  - Non-resident Indians holding Indian passport may pay the purchase consideration either by remittance of funds from abroad through normal banking channels or out of NRO Account or out of NRE Account or out of FCNR Account.
  - As per the recent relaxation RBI has granted general permission to Non-resident Indians holding Foreign passport (i.e. Foreign citizens of Indian origin) to acquire, hold, transfer or dispose of by way of sale or inheritance immovable properties situated in India provided
    - the property is for the purchasers bonafide residential purpose;
    - the purchase consideration is met either by remittance of funds from abroad through normal banking channels or out of NRE/FCNR Account or out of FCNR Special Deposit Account;
    - income accruing by way of rent from the properties purchased or acquired by inheritance will have to be credited to the non-resident ordinary (NRO) account even if the purchase consideration was met out of NRE/FCNR Account.
  - Foreign citizens of Indian origin are however required to declare the properties to RBI within a period of 90 days from the date of purchase in Form IPI 7. The following documents must be submitted along with the declaration.
    - A certified copy of the purchase deed or a certificate from the Co-operative Housing Society or an Association of the apartment owners as an evidence of transfer/registration of the property in the declarant's name.
    - Certificate from the declarant's bankers in India evidencing receipt of inward remittance(s) in Foreign exchange through normal banking



channel or withdrawal of funds from the declarant's NRE/FCNR account/FCNR Special Deposit Account and payment of consideration for the property out of those funds.

- Where a Foreign citizen of Indian origin wishes to acquire a property out of funds held in NRO Account then the aforesaid general permission does not hold and a prior permission from RBI will be required which can be applied for in Form IPI 1.
- Can I send the whole amount by one single cheque? Will that be a problem?  
You can send the whole lot of money by one single cheque and there is no problem on that.

**I am an NRI. I want to buy a flat in India in my mother's name. Does my mom have to pay tax on it or are there other complications? My mom has no other source of income.**

Under Section 31 (1) of FERA 1973, General Permission has been granted to persons of Indian origin whether holding Indian passports or Foreign passports to acquire, transfer or dispose of residential properties (restricted to two houses) situated in India by way of gift from or to a relative who may be an Indian citizen or a person of Indian origin, whether resident in India or not.

For enabling you to buy the house in your mother's name you must transfer the money through normal banking channels in her account in India and she should buy the flat in her name from the money remitted by you. As the money remitted by you will be considered a gift to your mother, there will be no tax payable by her.

**Is it difficult for a US citizen to purchase property in India?**

Consequent to the liberalisation in Exchange Control policy and procedures, certain relaxations in the existing regulations and procedures governing the acquisition, holdings, etc. of immovable property in India, it is not very difficult for a US citizen of Indian origin to purchase property in India subject to the following:

As per the recent relaxation, the RBI has granted General Permission to Non-Resident Indians holding Foreign passports (Foreign citizens of Indian origin) to acquire, hold, transfer or dispose off by way of sale or inheritance immovable properties situated in India provided

- the property is for the purchaser's bona fide residential purpose
  - the purchase consideration is met either by remittance of funds from abroad through normal banking channels or out of NRE/FCNR Account or out of FCNR Special Deposit Account
  - income accruing by way of rent from the properties purchased or acquired by inheritance will have to be credited to the Non-Resident Ordinary (NRO) Account even if the purchase consideration was met out of the NRE/FCNR Account.
- Foreign citizens of Indian origin are, however, required to declare the properties to RBI within a period of 90 days from the date of purchase in Form IPI 7.



## **I need information on investment in property by NRIs.**

Consequent to the liberalisation in exchange control policy and procedures, certain relaxations in the existing regulations and procedures governing the acquisition, holdings, etc., of immovable property in India have been announced.

Immovable property may be a residential house, a residential flat or a plot of land. The current position is as under. A Non-Resident Indian holding Indian passport does not require any permission from RBI for acquiring immovable property for bona fide residential purposes, as section 31 of FERA 1973 is not applicable to them. Non-Resident Indians holding Indian passports may pay the purchase consideration either by remittance of funds from abroad through normal banking channels or out of NRO Accounts or out of NRE Account or FCNR Account.

As per the recent relaxation, RBI has granted General Permission to Non-Resident Indians holding Foreign Passport (i.e., Foreign citizens of Indian origin) to acquire, hold, transfer or dispose of by way of sale or inheritance immovable properties situated in India provided

- the property is for the purchaser's bona fide residential purpose (b) the purchase consideration is met either by remittance of funds from abroad through normal banking channels or out of NRE/FCNR Account or out of FCNR Special Deposit Account (c) income accruing by inheritance will have to be credited to the Non-Resident Ordinary (NR) Account even if the purchase consideration was met out of NRE/FCNR Account.

Foreign citizens of Indian origin are however required to declare the properties to RBI within a period of 90 days from the date of purchase in Form IPI 7.

## **Does an NRI holding Indian passport need permission from Reserve Bank to purchase immovable property in India?**

No. There is no provision in FERA 1973 which puts any restriction on NRIs holding Indian Passports to acquire any immovable property in India provided the NRI does not engage in any agricultural/plantation activity or real estate business i.e. dealing in land and immovable property with a view to earning profit or income therefrom.

## **Are Foreign passport holders of Indian origin allowed to purchase immovable property in India?**

Yes. Foreign nationals of Indian origin whether resident in India or abroad, have been granted general permission to purchase immovable property in India for their bonafide residential purposes, if the consideration is paid out of inward remittances in Foreign currency or by debit to NRE/FCNR accounts. However if the consideration for the property purchased is proposed to be paid in Indian rupee, prior permission of Reserve Bank is necessary.

## **How many properties can be acquired by a Foreign national of Indian origin in India without the permission of Reserve Bank of India ?**

There are no restrictions on the number of properties that a Foreign national of Indian Origin can acquire for residential purposes, provided the purchase price is paid in Foreign currency remitted



to India. Partial repatriation out of sale proceeds, limited to the original investments in respect of only two properties will be allowed, provided such properties were acquired after 26-5-1993 and sold only after a period of three years from the date of their acquisition.

**Can a Foreign national of Indian origin pay the purchase price of the residential property out of his NRO account?**

No. The purchase price should either come from remittances from abroad or by debit to his NRE/FCNR account.

**A Foreign national of Indian origin does not require his flat immediately for his residential use. He therefore wants to give on rent. Can the rent be credited to his NRE / FCNR account?**

No. The rental income should be credited only to his NRO account.

**A Foreign citizen of Indian origin wants to give his immovable property in gift to resident in India who is his friend. Can he do so?**

Property (Upto to a limit of two houses) can be acquired, transferred or disposed of by way of gift from or to a relative who may be an Indian citizen or a person of Indian origin whether resident in India or not provided Gift tax is paid and the donee falls in the category of a relative within the meaning of Section 6 of the Companies Act, 1956.

**Does a Foreign citizen of non-Indian origin require permission of RBI for acquisition of immovable property?**

Yes. Reserve Bank may grant necessary permission to Foreign citizens of non-Indian origin/Foreign Companies, if the property is purchased for residential use and the consideration is paid by way of Foreign exchange . Income accruing by way of rent etc. from such properties will be credited only to the NRO account. Sale Proceeds will not be allowed to be repatriated but are to be credited in NRO account only. The application by Foreign citizen be made in form IPI 1.

**Can Nepalese / Bhutanese acquire immovable property in India, without any restriction?**

No. They are treated as Foreign nationals of Non-Indian Origin. Permission under section 31 of FERA is must. RBI gives permission only after getting clearance from Ministry of Finance, Govt. of India, New Delhi.

**Stamp Duty and Annual taxes.**

As far as payment of taxes are concerned, it is Rs 1 per square feet approximately of the super built-up area of the premises comprised in the buildings constructed on or before 1983-84. Taxes for the buildings constructed after the year 1985 vary from building to building depending on the year of construction, amenities, location of building, etc., and usually varies from Rs 1-3 per square feet approximately.

**NRI News**



## **Overseas Corporate Bodies enter Real Estate business**

Non Resident Indians (NRIs) are now permitted to invest upto 100% in the new issues of equity shares/convertible debentures of Indian companies engaged/proposing to engage in the following areas:

- Real Estate covering construction of residential and commercial premises including business centres and offices.
- Development of township.
- Development of serviced plots and construction of built-up residential premises.
- Manufacturing of building materials.
- Financing of housing development.
- City and regional level urban infrastructure facilities including roads and bridges.
- On "non-repatriable" basis, investment in proprietary or partnership firms engaged in real estate development is permitted.

The Reserve Bank of India (RBI) has permitted Overseas Corporate Bodies (OCBs) to enter the sector by relaxing certain provisions with regard to investment in Indian companies engaged in housing and real estate development. It can be done by either forming a partnership firm or investing in a company incorporated in India.

RBI has permitted limited repatriation facility to the interest or income portion on the investment subject to the terms and conditions that capital invested shall not be repatriable.

Investment in real estate development has since been extended to OCBs predominantly owned by NRIs.

Repatriation of the original investment in Foreign exchange made by NRIs/OCBs will be permitted with prior permission of RBI, only after a lock in period of three years from the date of issue of shares/debentures. In addition, they will be permitted to repatriate the net profit (upto 16%) arising from the sale of such investment after the lock in period of three years.

## **Housing loans for NRIs**

Housing and Urban Development Corporation (HUDCO) has decided to enter into retail financing for the non-resident Indian (NRI) category and will announce an NRI-oriented scheme offering credit up to Rs.50 lakh in the next three months.

HUDCO has already received the necessary approvals from the Reserve Bank of India for this scheme, which should be launched by March 2000. The loans would be given for purposes involving purchase of plots, improvement of existing property and construction on plots with a repayment facility in both, Indian currency and Foreign exchange.