

Liberalized Remittance Scheme (LRS) Reserve Bank of India

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Company Secretaries



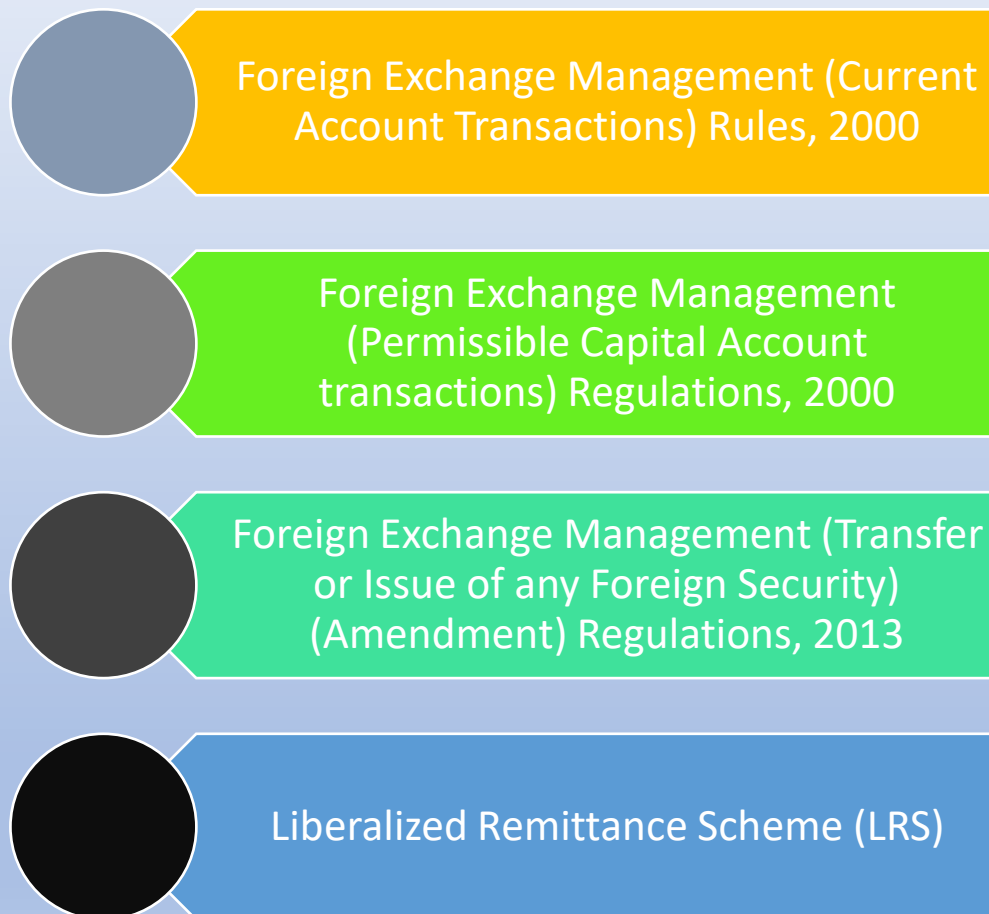
Liberalized Remittance Scheme (LRS)?



Liberalized Remittance Scheme (LRS) facilitates resident individuals to remit up to USD 250,000 or its equivalent abroad per Financial Year (April-March) for permitted current or capital account transactions or combination of both.

Under LRS, you can spend money in foreign countries for education, purchase of assets like shares and property, tourism, medical treatment and more. You can also spend for maintenance of relatives living abroad, gifts and donations. You can open and maintain foreign currency accounts with overseas banks for carrying out transactions.

Regulatory Framework



Foreign Exchange Management (Current Account Transactions) Rules, 2000

Foreign Exchange Management (Permissible Capital Account transactions) Regulations, 2000

Foreign Exchange Management (Transfer or Issue of any Foreign Security) (Amendment) Regulations, 2013

Liberalized Remittance Scheme (LRS)

Snapshot- Liberalized Remittance Scheme (LRS)



Liberalised Remittance Scheme (LRS)

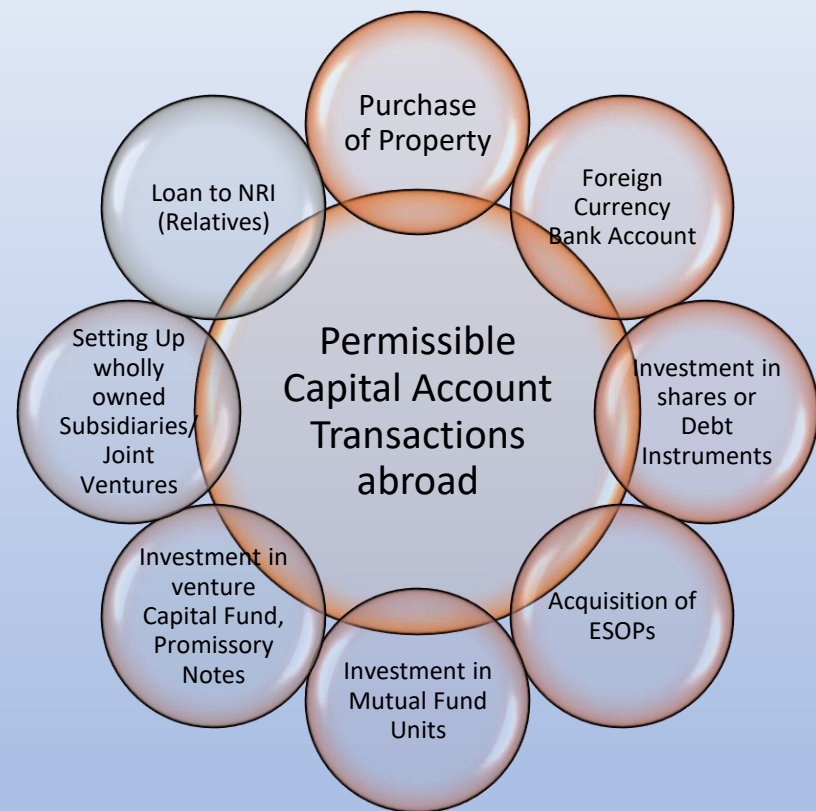
Capital a/c

Current a/c



LRS- Capital Account Transactions

- Opening of **foreign currency account** abroad with a bank;
- Purchase of **property** abroad;
- Making **investments abroad**- acquisition and holding shares of both listed and unlisted overseas company or debt instruments;
- Acquisition of **qualification shares** of an overseas company for holding the post of Director;
- acquisition of shares of a foreign company **towards professional services** rendered or in lieu of Director's remuneration; investment in units of Mutual Funds, Venture Capital Funds, unrated debt securities, promissory notes;
- **Setting up Wholly Owned Subsidiaries and Joint Ventures outside India** for bonafide business subject to FEMA.263/ RB-2013 dated March 5, 2013;
- **Extending loans including loans in Indian Rupees to Non-resident Indians (NRIs)** who are relatives as defined in Companies Act, 2013.

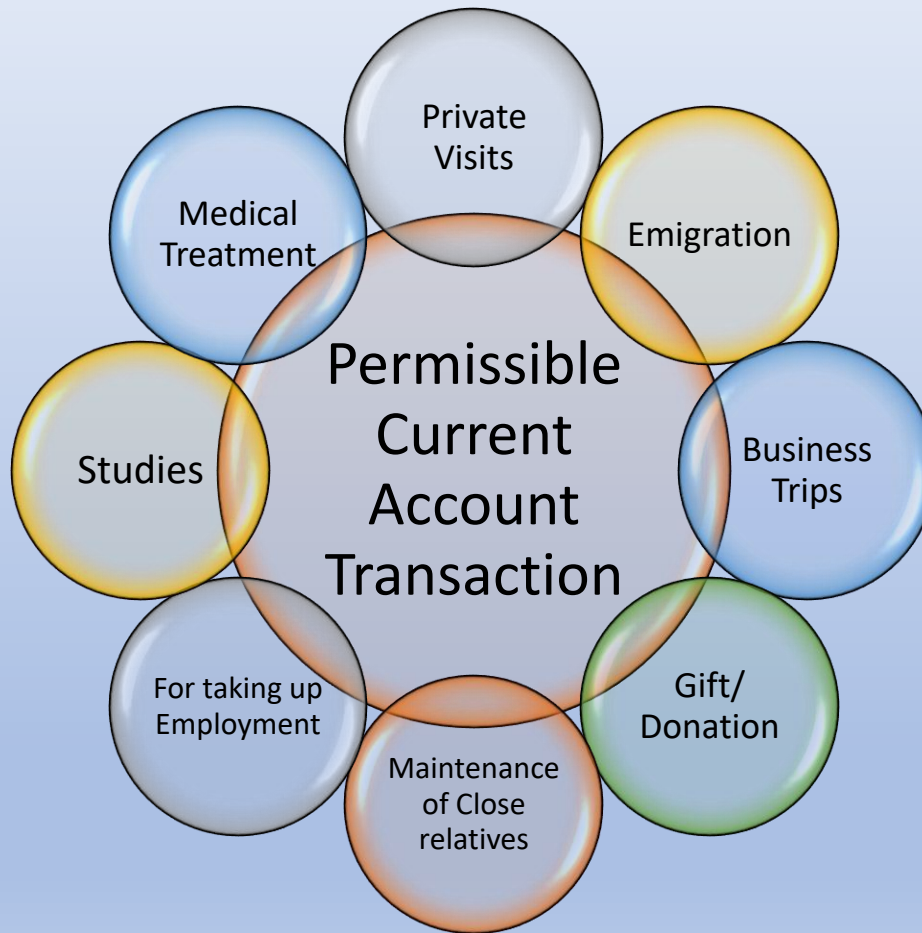


Conditions for Loan in rupees to NRI/ PIO (close relative) under the scheme

- Loan is **interest free**.
- **Minimum maturity** of the loan is **one year**.
- Within **overall LRS limit of USD 250,000** per financial year available for a resident individual.
- Utilized for meeting the **borrower's personal requirements** or for his **own business purposes in India**.
- **Restriction** on utilizing, either singly or in association with other person for any of the activities in which investment by persons resident outside India is prohibited, namely:
 - The business of **chit fund**, or
 - **Nidhi Company**, or
 - **Agricultural or plantation activities** or in **real estate business****, or **construction of farm houses**, or
 - Trading in **Transferable Development Rights (TDRs)**.
- **Credited to the NRO a/c** of the NRI / PIO. [eligible Credit to NRO a/c];
- **Repayment of loan** shall be made by way of inward remittances through normal banking channels or by debit to the **Non-resident Ordinary (NRO) / Non-resident External (NRE) / Foreign Currency Non-resident (FCNR) account** of the borrower or out of the **sale proceeds of the shares or securities or immovable property** against which such loan was granted.

******real estate business shall not include development of townships, construction of residential/ commercial premises, roads or bridges.

LRS- Current Account Transactions



Current Account Transactions

Private Visits	Private visits abroad, other than to Nepal and Bhutan (irrespective of the number of visits undertaken during the year)
Going abroad on employment	For employment outside India.
Gift/Donation	<ul style="list-style-type: none"> • Gift to a person residing outside India • Donation to an organization outside India.
Emigration (to live one country)	<ul style="list-style-type: none"> • Remittance in excess of LRS limit may be allowed only towards meeting incidental expenses in the country of immigration and not for earning points or credits to become eligible for immigration by way of overseas investments in government bonds; land; commercial enterprise; etc.
Maintenance of close relatives abroad	Towards maintenance of close relatives [‘relative’ as defined in Section 2(77) of the Companies Act, 2013] abroad.
Business trip	<ul style="list-style-type: none"> • international conference, seminar, specialized training, apprentice training, etc. are business visits • business trips to foreign countries (irrespective of the number of visits undertaken during the year.)

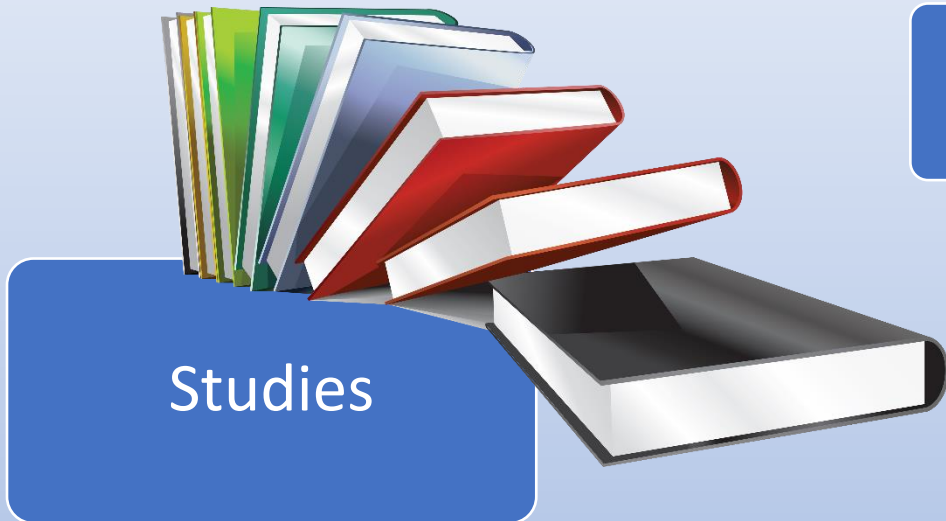
Current Account Transactions

<p>Students for pursuing their studies abroad</p>	<ul style="list-style-type: none"> • Within LRS Limit – no estimate required • Exceeding LRS Limit – estimate from institution abroad
<p>Purchasing objects of art</p>	<ul style="list-style-type: none"> • Subject to Foreign Trade Policy of the Government of India.
<p>Bank Account</p>	<ul style="list-style-type: none"> • open, maintain and hold foreign currency accounts with a bank outside India • Banks not to extend any kind of credit facilities to resident individuals
<p>Prohibition</p>	<ul style="list-style-type: none"> • Schedule I or Schedule II item of Foreign Exchange Management (Current Account Transaction) Rules, 2000, dated May 3, 2000, as amended from time to time. • LRS not available for capital account remittances to countries identified by Financial Action Task Force (FATF) as non-co-operative countries and territories as available on FATF website www.fatf-gafi.org or as notified by the Reserve Bank

Prohibited Transactions



Exceptional Cases – Where Limit under LRS is not applicable



Medical Treatment



Emigration Expenses





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Thank You

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