EXPLORE THE NRI INVESTMENT OPTIONS IN INDIA

Teaser for the listing page: *Are you an NRI wondering where to invest in India? From real estate to stock market, we've got you covered. Find all the answers in this simple guide!*

Many people still think that **NRIs (Non-Resident Indians)** cannot invest when they leave the country, yet this is not true. Whether you're an NRI or a resident, the Indian market welcomes you with several investment options.

There are certain guidelines set by **RBI (Reserve Bank of India)** and **SEBI (Securities and Exchange Board of India)** to make sure you receive fair value when you invest. These rules ensure that your investments are secure in India.

As an NRI, when you are thinking about investing in India, you will come across two main routes:

- **Automatic Route**

This is the easiest route to take while making investments in India. If you choose this, you do not need to wait for any approvals from the RBI or the Indian Government[1].

- **Government Route**

This route is more structured as you will need to first receive a confirmation from the (DEA) Department of Economic Affairs, Ministry of Finance or Department of Industrial Policy & Promotion[2], (FIPB) Foreign Investment Promotion Board before making your investment.

Considering the routes, you can follow the investment options listed below:

1) **Mutual Funds**

Mutual funds are a popular choice by NRIs which pool money together from various investors to purchase a diverse range of assets. NRIs can invest using their **NRE (Non-Resident External)** and **NRO (Non-Resident Ordinary) accounts**, ensuring that the investment made is in Indian Rupees.

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[1] https://www.rbi.org.in/commonperson/English/Scripts/Notification.aspx?Id=1006#1
[2] https://www.rbi.org.in/commonperson/English/Scripts/Notification.aspx?Id=1006#1

You can invest in mutual funds through a **Systematic Investment Plan (SIP)** for regular contributions or make a **lump-sum investment.** However, some **AMCs** (Asset Management Companies) in India might have restrictions for NRIs based in the USA or Canada with the implementation of FACTA (Foreign Account Tax Compliance Act). However, there are some mutual fund houses which accept investments from NRIs based in the USA or Canada.

So, if you are considering making or diversifying your investments in India, mutual funds can be a great choice.

2) **Stock Market**

NRIs can actively participate in the **Indian stock market** by investing in different companies listed on the markets to earn profits and create wealth. Here are the essentials:

- NRIs can **purchase/sell shares** and **convertible debentures** (debt which are convertible into shares of equity stock) of Indian companies through the **Portfolio Investment Scheme (PIS)** backed by the RBI.
- To purchase shares in India, you need an **NRE or NRO bank account,** a **Demat account** to hold your shares, and a **trading account**.
- NRIs can also invest in **government securities**, **treasury bills**, **units of Indian mutual funds**, **bonds from the Indian public sector**, and **shares in public enterprises** that the government is selling. [3]
- NRIs can invest in **ETFs** which are mutual funds but traded on stock exchanges. [4]

The RBI has set specific guidelines for NRI stock market investments. Before commencing your investments, you can connect with a branch authorized by the RBI to manage the PIS.

3) **Portfolio Management Services (PMS)**

PMS is a specialized investment platform for investors seeking growth over the **medium to long term.** It focuses on **selecting the undervalued stocks** from the extensive research list, to ensure that investors receive positive returns.

[3]https://www.nseindia.com/trade/members-faqs-nri-trading-account#:~:text=Yes%2C%20NRI%20can%20purchase%20shares,and%20%2For%20non%20repatriation%20basis.
[4]https://www.nseindia.com/trade/members-faqs-nri-trading-account#:~:text=Yes%2C%20NRI%20can%20purchase%20shares,and%20%2For%20non%20repatriation%20basis.

As per SEBI guidelines, to initiate a PMS account, there's a **minimum investment requirement of ₹50 lakh**[5]. Investors have the flexibility to withdraw their funds anytime post-account creation. For NRIs looking to invest in PMS, they can invest through NRE or NRO accounts.

4) **Alternate Investment Funds (AIF)**

AIFs are investment platforms which cater to **high-net-worth individuals**. Unlike traditional source like stocks and bonds, AIFs are for people who are looking for **diversified investment strategies** that can potentially yield higher returns. NRI investors might need documentation requirements such as:

- **Indian Passport**
- **Proof of NRI status**
- **Tax Residency Certificate**

While AIFs provide diverse high-yielding investment opportunities, NRIs should exercise due diligence and possibly **seek expert advice** before making a commitment.

5) **Real Estates**

NRIs and **OCIs (Overseas Citizens of India)** are **eligible** to invest in the Indian real estate sector. Under the **KYC (Know Your Customer)** protocols, NRIs need to provide the following:

- A copy of the passport.
- A copy of **PAN (Permanent Account Number).**
- Overseas address, either permanent or correspondence.

In real estate in India, **NRIs, OCIs, and PIOs (Persons of Indian Origin)** can freely invest in residential and commercial properties. However, you cannot purchase agricultural, plantation, or farmhouse properties, but can inherit as an NRI.

NRIs should get their property **registered at the local registrar's office**. Essential documents like the Title Deed with a recent photo and signature are mandatory. **In case NRI can't be present**, a registered **POA (Power of Attorney)** [6]can be your close relative.

[5] https://www.sebi.gov.in/sebi_data/faqfiles/oct-2020/1603946323909.pdf
[6] https://www.legalserviceindia.com/legal/article-4422-nri-s-power-of-attorney-to-sell-property-in-india.html

6) Government Securities

NRIs can purchase **G-secs (Government Securities)** and **Treasury bills** without any upper limit. However, this investment is on a **non-repatriation basis**[7] which means they cannot transfer the principal and interest overseas without specific permission. It determines that the funds have to remain in India, specifically in the NRO account.

7) Debt Instruments

The Indian debt market attracts investments from NRIs for its **risk-free** and **guaranteed return nature.** Hence, NRIs prefer to park their funds in debt instruments such as:

- **Debt Mutual Funds:** NRIs can invest in **debt mutual funds** through an NRE or NRO account after submitting a **FATCA (Foreign Account Tax Compliance Act)** declaration.
- **Bharat Bond ETF**: It is an initiative by the Government of India which consists of '**AAA-rated' CPSE** (Central Public Sector Enterprises) bonds[8].
- **Secure Corporate Bonds and Non-Convertible Debentures (NCDs)**: Companies which have a **fixed interest rate** issue these bonds.
- **Public Sector Units (PSU) and Capital Bonds**: These are tax-free bonds with interest exempted under section 10(15) of the Income Tax Act, 1961[9].
- **State Development Loans (SDLs)**: A government bond issued by individual state governments in India to finance their budgetary deficits.

8) Fixed Deposits (FDs)

NRIs can open FD accounts with both banks and NBFCs in India. While interest earned on NRE FD is **tax-free** in India, the interest on NRO FD is subject to **TDS (Tax-deducted at Source).**

You can invest your funds in three kinds of Fixed deposits in India:

- NRE account to invest their **foreign earnings** in India.
- NRO account to invest **income generated** in India.
- **FCNR (Foreign-Currency Non-Resident)** account to deposit funds in **foreign currency.**

[7] https://www.rbi.org.in/commonperson/English/Scripts/Notification.aspx?Id=1006#3
[8] https://www.bharatbond.in/assets/images/downloads/pdf/Product_FAQs.pdf
[9] https://incometaxindia.gov.in/Pages/utilities/Tax-Free-bonds-or-Certificates.aspx

One of the main limitations of FD is that **NRIs cannot withdraw funds before maturity**. Thus, NRIs need to evaluate options and choose the one that aligns with their financial goals and tax considerations.

9) Investment in Startups

As per RBI and SEBI's guidelines, You can invest in startups on either **repatriation or non-repatriation basis.** If NRIs want to invest on a repatriation basis, they need to send funds from overseas or use money from their NRE/FCNR account.

Start-ups in India can give out equity shares to NRIs under the (FDI) Foreign Direct Investment scheme. **NRIs can make investments under the automatic route**, without needing government permission.

10) Venture Capital

NRIs can invest in **VCF (Venture Capital Funds)** registered with the SEBI. While the rules for domestic investors generally apply to NRIs in the case of VCF investments, they also need to follow **FEMA regulations** for fund sourcing.

3 Investment Sources where NRIs should exercise caution

Sovereign Gold Bonds (SGBs)

RBI issues SGBs on behalf of the Indian government, and they serve as a substitute for holding physical gold. An **NRI cannot invest in SGBs** due to the **FEMA, 1999 implications**[10], however, there are alternative gold investment avenues:

- ✔ **Physical Gold:** NRIs can purchase physical gold from jewellers directly.
- ✔ **Gold Mutual Funds:** NRIs can invest in gold mutual funds using their Demat and Trading account to buy **Gold ETFs (Exchange Traded Funds).** Each unit of a Gold ETF is equivalent to one gram of gold.
- ✔ **E-Gold:** NRIs can also invest in electronic gold which you can trade in stock markets like equity shares.

[10] **No. 4**: https://www.rbi.org.in/commonperson/English/Scripts/FAQs.aspx?Id=1658

Saving Schemes

NRIs are **not eligible** to open an account or invest in **post-office savings schemes**[11]**.** As per the directions of the government of India, NRIs are also **restricted from investing** in **Small Savings Scheme** which also includes the **Public Provident Fund (PPF)**[12]**.**

Previously, NRIs could invest in **PPF,** but, after the **notification from the Ministry of Finance in 2017**[13]**,** the PPF account becomes deemed closed once a person attains non-resident status.

Similar to PPF, if a resident who purchased a **National Savings Certificate (NSC)** becomes an NRI before the certificate's maturity, they can continue to hold it until maturity without making any changes to it.

- ✔ NRIs between the **age of 18-60 years**[14]**,** can consider investing in **National Pension System (NPS)** which is a voluntary, **long-term retirement savings scheme**[15]. You can only open an individual NPS account and not joint accounts.

Agricultural Investment

NRIs are **not permitted to invest** in **agricultural land** in India. This restriction extends to purchasing agricultural land, farmhouses, and plantation properties. If an NRI inherits farming land or houses, then they can sell them to people who are Indian citizens and live in India[16]. The buyer can make payment to the NRI:

- Through **any banking channel** from any place in India, or
- Through a **Non-Resident account maintained in India** which follows the FEMA Act, 1999 and the RBI guidelines[17].

In conclusion:

So, there are a lot of ways for an NRI to make investments in India. Every investment comes with its own set of rules, returns, and risks. As an NRI, remember that investing is about making smart choices and being patient. While you have understood where NRIs can invest and where NRIs are not allowed, it is the opportunity to take your time, think it through, and pick what's suitable for you. If you are ever confused about where to invest your money as an NRI, it might be a good idea to talk to an investment expert and ask for assistance.

[14] https://mea.gov.in/Portal/CountryNews/4929_FAQs_on_NPA_for_NRIs.pdf
[15] https://www.pfrda.org.in/writereaddata/links/faqsallcitizensmodelbf322a1a-be90-4eba-9356-4258f4bdfafd.pdf
[16] https://www.mea.gov.in/images/pdf/acquisition-and-transfer-of-immovable-property-in-india.pdf
[17] https://www.mea.gov.in/images/pdf/acquisition-and-transfer-of-immovable-property-in-india.pdf

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