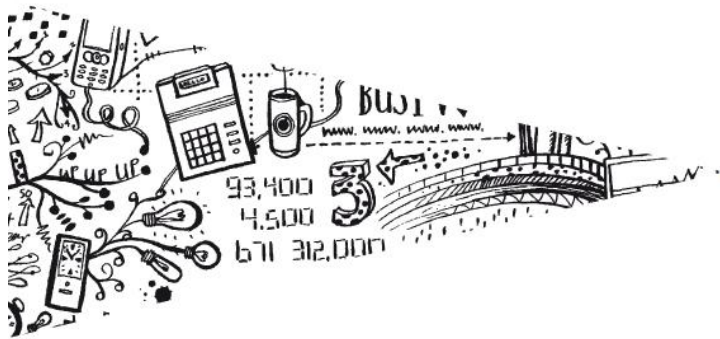


1 November 2011

EY Regulatory Alert

Liberalised Remittance Scheme - Clarification



Background

Under section 6(4) of the Foreign Exchange Management Act, 1999 (Act), any person resident in India may hold, own, transfer or invest in foreign currency, foreign security, immovable property situated outside India, if the person had acquired, held, owned or inherited the same while he was resident outside India. Further, as per section 8 of the Act, where any amount of foreign exchange is due or has accrued to a person resident in India, such person shall take reasonable steps to realise and repatriate the same within such period and manner as specified by the Reserve Bank of India (RBI).

Given the above, there was a lack of clarity as to whether the income, earned on assets held abroad by Non-resident Indians who have returned to India for permanent settlement and assets held outside India through Liberalised Remittance Scheme, are required to be realized and repatriated to India.

Clarification

The RBI vide A.P. (DIR Series) Circular No. 37, dated 19 October 2011, has clarified that income and sale proceeds of assets held abroad need not be repatriated to India and can be retained and invested outside India.

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