

RBI permits remittance to IFSC under the Liberalised Remittance Scheme

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In news : Recently, RBI has permitted residents of India to use the liberalised remittance scheme to invest in International Financial Services Centres (IFSCs) in India

Key updates

In order to deepen the financial markets in IFSCs and provide an opportunity to resident individuals to diversify their portfolio, the extant guidelines on Liberalised Remittance Scheme (LRS) have been reviewed by RBI and it has been decided to permit resident individuals to make remittances under LRS to IFSCs set up in India under the Special Economic Zone Act, 2005. Accordingly, AD Category – I banks may allow resident individuals to make remittances under LRS to IFSCs in India, subject to the following conditions:

- The remittance shall be made only for making investments in IFSCs in securities, other than those issued by entities/companies resident (outside IFSC) in India.
- Resident Individuals may also open a non interest bearing Foreign Currency Account (FCA) in IFSCs, for making the above permissible investments under LRS. Any funds lying idle in the account for a period upto 15 days from the date of its receipt into the account shall be immediately repatriated to domestic INR account of the investor in India.
- Resident Individuals shall not settle any domestic transactions with other residents through these FCAs held in IFSC.

RBI, added that AD Category – I banks, while allowing such

remittances, shall ensure compliance with all other terms and conditions, including reporting requirements prescribed under the Scheme.

Governing rules

It may be noted that any person resident in India (outside IFSC) entering into any transaction with a person/entity in IFSC shall only be governed by regulations/directions and rules issued/notified by the Reserve Bank of India and the Government of India respectively under Foreign Exchange Management Act (FEMA), 1999.

Liberalised Remittance Scheme

Under the Liberalised Remittance Scheme, all resident individuals, including minors, are allowed to freely remit up to USD 2,50,000 per financial year (April – March) for any permissible current or capital account transaction or a combination of both. The Scheme was introduced on February 4, 2004, with a limit of USD 25,000. The LRS limit has been revised in stages consistent with prevailing macro and micro economic conditions. In case of remitter being a minor, the LRS declaration form must be countersigned by the minor's natural guardian. The Scheme is not available to corporates, partnership firms, HUF, Trusts etc.

AD Category – I banks

They are the banks with an RBI license to buy and sell foreign exchange for specified purposes. Such banks aim to ease the foreign exchange facilities for NRI