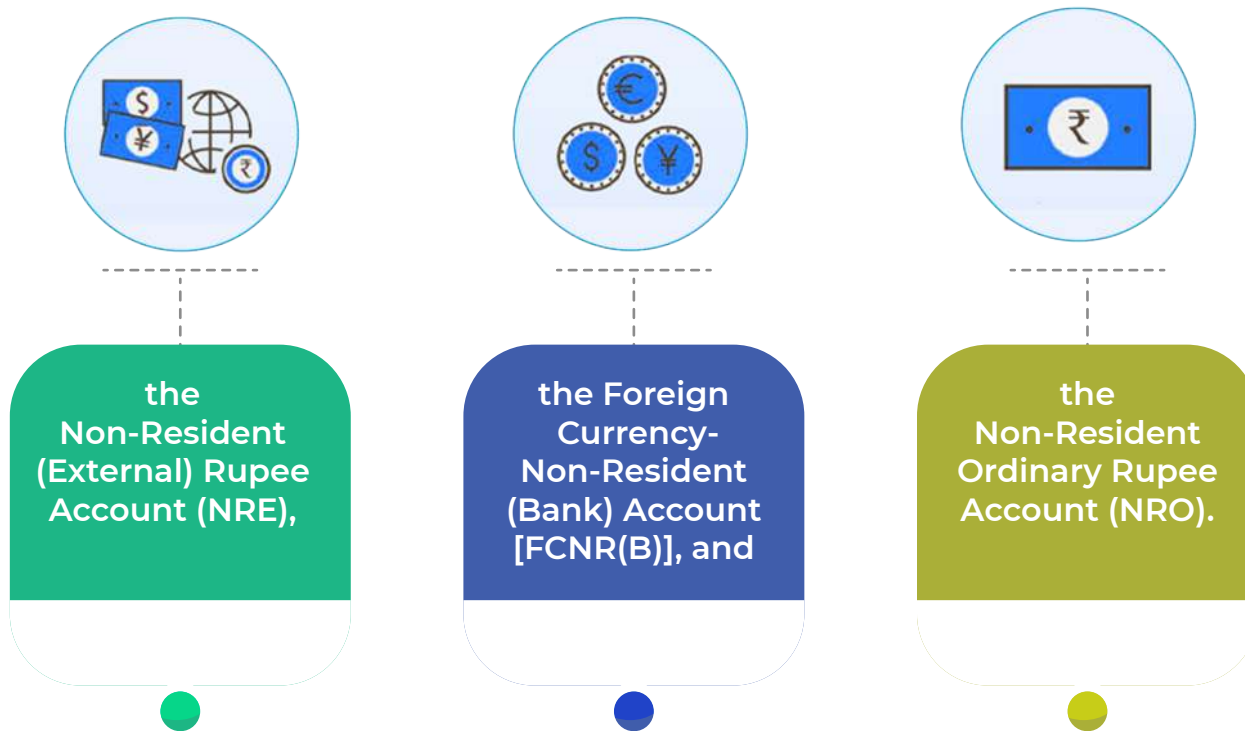




MOORE Singhi

Comparative Analysis of NRE, FCNR(B), and NRO Accounts

Non-Resident Indians (NRIs) often retain enduring financial, familial, and economic ties with India even after relocating abroad. In recognition of this reality, the Reserve Bank of India (RBI), acting under the aegis of the Foreign Exchange Management Act, 1999 (FEMA), has established a structured framework to facilitate the banking and remittance needs of NRIs. Central to this framework are three types of accounts that can be maintained by persons resident outside India:



Under FEMA, a person is classified as a “person resident outside India” if they reside outside India for employment, business, vocation, or any other purpose that indicates an intention to stay abroad for an indefinite period. Consequently, NRIs and Persons of Indian Origin (PIOs) are permitted to open and maintain NRE, FCNR(B), or NRO accounts with authorised dealers (banks) in India.

The classification of these accounts is primarily based on the source of funds (foreign vs Indian income), repatriation rights, and the currency in which the funds are held.



Key Features and Comparative Overview

| Feature | NRE Account | FCNR(B) Account | NRO Account |
|------------------------------|--|--|--|
| Purpose | To hold foreign income in INR | To hold foreign income in foreign currency | To manage income earned in India |
| Currency | Indian Rupees (INR) | Foreign currencies (USD, GBP, EUR, etc.) | Indian Rupees (INR) |
| Repatriability | Fully repatriable | Fully repatriable | Restricted to USD 1 million per year |
| Eligible Depositors | NRIs/PIOs | NRIs/PIOs | NRIs/PIOs |
| Joint Account with Residents | Not allowed | Not allowed | Allowed |
| Tax on Interest | Tax-free | Tax-free | Taxable in India |
| TDS on Interest | No | No | Yes (applicable rates) |
| Account Types | Savings, Current, Fixed, Recurring | Fixed Deposit only | Savings, Current, Fixed, Recurring |
| Exchange Rate Risk | Yes | No | Yes |
| Permitted Credits | Foreign income | Foreign income | Indian income and foreign remittances |
| Permitted Debits | Local payments, investments, remittance abroad | Same as NRE | Local payments, investments, repatriation (within limit) |

Regulatory and Compliance Snapshot

- **KYC Requirements:** NRI accounts must meet RBI's KYC norms, including passport, visa, and overseas address proof.
- **FATCA & CRS:** Banks must collect FATCA and CRS declarations to ensure compliance with global tax reporting standards.
- **TDS on Interest:** Interest on NRE and FCNR(B) accounts is tax-exempt (subject to residency tests), while NRO account interest is taxable and subject to 30% TDS plus surcharge and cess.
- **Repatriation Formalities:** NRO repatriation requires Form 15CA/CB, A2 declaration, and adherence to Rule 37BB of the Income-tax Rules.
- **LRS Not Applicable:** LRS is only for resident individuals, but NRO repatriation follows similar procedures in terms of limits and compliance.

NRE, FCNR(B), and NRO accounts form the legal and operational foundation of NRI banking in India. Each account type aligns with distinct transactional objectives and regulatory considerations, particularly under the Foreign Exchange Management (Deposit) Regulations, 2016 and relevant provisions of the Income-tax Act, 1961. A nuanced understanding of the differences in repatriation rights, currency exposure, tax implications, and compliance requirements is essential for effective cross-border financial planning and risk mitigation by NRIs.

In view of India's increasing integration with global financial systems, adherence to proper legal procedures while choosing and operating these accounts is not only prudent but imperative for ensuring tax efficiency, transparency, and lawful remittance practices.

