



Overview

According to analysts, the real estate market in India is worth about \$15 billion and is growing at about 35 percent a year. With current shortage in housing pegged at 20 million units, the demand is only going up by the minute. Reports state, India will face a shortage of over 45 million homes by 2012. In this high growth scenario and with the government relaxing stringent norms, investments from the NRI community has risen from \$362 million in 2000-01 to \$6.3 billion in March 2007.

For NRI

FAQs

Q1. Who is an NRI under the provisions of Foreign Exchange Management Act?

Ans: An Indian Citizen who stays abroad for employment or is carrying on business or vocation outside India or stays abroad under circumstances indicating an intention for an non- resident Indian is an NRI. Person who is not resident in India for a period over 182 days is a non-resident Indian. Persons posted in U.N. organizations and officials deputed abroad by Central/State governments and Public Sector undertakings on temporary assignments are also treated as non-residents.

Q2. Who is a Person of Indian Origin (PIO)?

Ans: Under the provisions of Foreign Exchange Management Act a person of Indian origin is an individual (other than a citizen of Pakistan, Bangladesh, Sri Lanka, Afghanistan, China, Iran, Nepal, Bhutan) who at any time held an Indian passport, or he or his father or his grandfather was a citizen of India by virtue of the Constitution of India or Citizenship Act, 1955 (57 of 1955).



Q3. Do NRIs and PIOs require permission from Reserve Bank to acquire residential / commercial property in India?

Ans: No, NRIs and PIOs do not require permission from RBI to acquire residential / commercial premises in India (other than agricultural land/farm house/plantation property).

Q4. Can the sale proceeds of residential / commercial premises be remitted out of India?

Ans: The sale proceeds of immovable property other than agricultural land / farmhouse / plantation property can be remitted out of India on fulfillment of certain conditions.

Q5. Can NRIs obtain loans for acquisition of residential premises from authorized dealers / financial institutional providing housing finance?

Ans: Yes. NRIs can obtain loans. However repayment of loan should be made within a period not exceeding 15 years out of inward remittances or out of funds held in the borrower's NRE/FCNR/NRO accounts.

Q6. What are the documents required for loan application?

Personal details documents

- passport size latest photograph of each applicant (applicant & co-applicant) with signature across
- Valid passport copies for all the applicants
- Valid visa copies for all the applicants
- Cheque / Draft in INR for fees (as per applicable rate)
- Power of Attorney document duly signed by all the applicants (POA execution process)
- Authority letter duly signed by all the applicants
- Company details
- Copy of PAN Card for the 1st applicant OR Form 60



- Copy of current overseas residential verification proof of all the applicants to the loan. (Driving license or bank statement showing)
- Self attested address proof of all applicants

Financial details documents: for salaried individuals

- Copy of current appointment letter OR Copy of salary certificate clearly mentioning the date of joining, current salary earned and designation held in the company
- Copy of previous appointment letters
- Last 3 months salary slip for fixed salary and last 4 months for variable salary
- Last 6 months bank statements clearly mentioning salary credits in the account

Financial details documents: for self employed individuals

- Incorporation of business
- Income Proof –
 - Middle East: Last 2 years audited/C.A certified P&L accounts.
 - US & Canada: Last 2 years CPA compiled/reviewed/audited P&L accounts.
 - Others: Last 2 years C.A or equivalent certified/audited P&L accounts.
- Partnership deed (in case of a partnership firm)
- MOA & AOA of the company (in case of a private ltd. company)
- Last 6 months bank statements in individual's name
- Business profile and office address proof

NRI Personal Guarantor documents

- If you have opted for a NRI Personal Guarantor on your loan, arrange to send the following documents



Passport & visa copies of the NRI Guarantor

Current overseas address verification proof of the NRI Guarantor.
(Driving license or bank statement showing overseas address or latest insurance premium receipt or utility bill)

Current income documents of guarantor

Note:

Co-applicant's income can be considered for enhancing your loan eligibility or increasing your loan amount. Please ensure that all financial documents of co-applicant(s) are attached with your India Home Loan Application. In case, you have opted to not consider your co-applicant's

In case there is no co-applicant, an NRI Guarantor is required compulsorily along with his / her identity and address proof.

Q7. What loan am I eligible for?

You can get a home loan ranging from a minimum of Rs 5 lakh to a maximum of Rs 1 crore, based on your repayment capacity and the cost of the property. You will be eligible for a maximum of 80% of the cost of the property or the cost of construction as applicable and 65% of the cost

- Age
- Income
- Qualifications
- Number of dependants
- Assets
- Liabilities
- Stability / continuity of your employment / business
- Income of co-applicant/s

Q8. Can Indian companies grant loans to their NRI staff?

Ans: Reserve Bank permits Indian firms/companies to grant housing loans



to their employees deputed abroad and holding Indian passports subject to certain conditions.

Q9. Can NRIs and PIOs gift residential / commercial premises to relatives / registered charitable trusts / organizations in India?

Ans: Yes. General permission has been granted by Reserve Bank to NRIs and PIOs to transfer by way of gift immovable property held by them in India to relatives and charitable trusts/organisations subject to compliance of the condition the provisions of other applicable laws.

Q10. Can NRIs and PIOs give residential / commercial premises on rent if not required for immediate use?

Ans: Yes. Reserve Bank has granted general permissions for letting out any immovable property in India. The rental income or proceeds of any such income are eligible for repatriation subject to payment of taxes and production of a certificate issued by a chartered accountant with the

Q11. How should NRIs and PIOs make payment of the consideration for residential/commercial property?

Ans: The purchase consideration should be met either out of inward remittances in foreign exchange through normal banking channels or out of funds from NRE/FCNR/NRO accounts maintained with banks in India.

Q12. Are any conditions required to be fulfilled if repatriation of sale proceeds is desired?

Ans: Applications for repatriation of sale proceeds are considered provided the sale takes place after three years from the date of final purchase deed from the date of payment of final installment of consideration amount, whichever is later.

Q11. What is the procedure for seeking such repatriation?

Ans: Applications for necessary permission for remittance of sale proceeds should be made in form IPI 8 to the Central Office of Reserve Bank at Mumbai within 90 days of the sale of the property



HOME LOAN PROCEDURE-

Q1.: For what kinds of property is a NRI eligible for Home loans?

Ans.: A home loan is sanctioned to the NRIs for any of the following

1. To purchase a house either ready-built, under construction or from a second owner.
2. For self-construction of a property on a plot of land.
3. To finance the purchase of a plot of land allotted by a society / development authority.
4. For renovation or improvement of an existing property in India.

Q2.: What is the eligibility for obtaining NRI Home Loans?

Ans.: Your eligibility is calculated in the same way as it is calculated for resident Indians. More emphasis is laid on the following criteria in the appraisal of a NRI case:

1. Qualifications - the NRI applicant has to be graduate
2. Current job profile & Past experience
3. Probability of continuing abroad for the loan tenure
4. Probability of servicing the loan with an extended tenure in case you have to return to India.

Q3.: What is the repayment period for a NRI Home Loan?

Ans.: The housing finance offered to NRIs normally do not exceed 5 years. However, some HFCs offer loans for a term of 7 years. The repayment for the loan is by way of EMIs. The EMIs begin only after the entire loan is disbursed. In case of a part disbursement, you pay simple interest at the rate applicable on the loan amount that is disbursed to

Q4.: How is the mode of payment for NRI home loans?

Ans.: The loan towards the house has to be paid upfront for the entire tenure of the loan by way of direct remittances from abroad through



normal banking channels or from such accounts as may be permitted by RBI from time to time. As of today, the payments are done through NRO, NRE, NRNR and FCNR accounts. These accounts change on the basis of RBI permissions to each HFC.

Q5.: What are the Tax Benefits applicable to Non-Resident Indians?

Ans.: No tax benefits are available for NRI customers unless you file returns and thereby become eligible to avail of the tax benefits as mentioned under Home Loans.

Q6.: What are the documents required for obtaining NRI Home Loans?

Ans.: NRIs are required to submit additional documents than is normally required for a resident Indian.

1. A copy of the passport
2. A copy of the works contract (also sometimes referred to as the contract card/labor card)
3. The power of attorney (POA). The POA is required because the borrower is not based in India and in such a scenario; the HFC would need a representative 'in lieu of' the NRI to deal with as required. Although not mandatory, the POA is usually drawn on the NRI's parents, wife or children

WHO CAN INVEST

To invest in an immovable property in India, following criteria of people are applicable.

- A Person of Indian origin (PIO), who is an individual, who:
 - At any time held Indian passport;
 - was himself/ herself a citizen of India or whose father or grandfather was a citizen of India
 - Is not a citizen of Pakistan or Bangladesh or Sri Lanka or Afghanistan or China or Iran or Nepal or Bhutan



PURCHASE/SALE OF PROPERTY

Purchase:

A specified form called the IPI 7 needs to be filed with the central office of the RBI along with the title deed or any other certified copy of the document proving that the NRI has executed an agreement to purchase property within the country. The form has to be filed within 90 days of the purchase of property and has to be accompanied with a bank certificate stating the consideration paid for the purchase. Permissions are generally granted without undue delays if all the relevant papers are submitted. There is no limit on the number of investments or the quantity of investments that can be made in real estate. The immovable property can be purchased by inward remittances from any place outside India or through funds maintained in NRI accounts in the banks within the country

Sale Factor:

In the selling factor the difference of that of a Person of Indian origin (PIO) and Indian Citizen is that a PIO can sell immovable property only to a person resident in India, while an Indian citizen can sell immovable property to any other Indian citizen or person resident in India or a PIO. A lock in period of three years is set for a NRI desiring to sell property.

This is with accordance to the FEMA (Foreign Exchange Management Act) regulations. NRI can sell property only after three years from the date of acquisition of the property or from the date of payment of the final installment of the consideration for its acquisition, whichever is later.

RENTAL INCOME

"Income from house property " this is the term used for the income that is derived from renting out a property. The Annual value will be subject to taxation after allowing deductions for

- (a) 30% of annual value



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(b) interest payable on borrowed capital for acquisition of property.

Annual value is higher of

(i) Actual rent received/ receivable or

(ii) fair rent of the property. If the property is let out as a complete business centre wherein the purpose is to provide a composite service of providing fully furnished infrastructure for commercial use, the income will be taxed as business income. TDS would have to be deducted from Rental income.

NRI BANKING

NRIs/OCBs (Overseas Corporate Bodies) can open the following types of accounts with banks in India, which hold authorized dealer licenses, as also other banks, specifically authorized by the Reserve Bank to maintain accounts in the names of NRIs/OCBs.

Rupee Accounts

- Non-Resident (Ordinary) Account - NRO A/c.
- Non-Resident (External) Rupee Account - NRE A/c.

Foreign Currency Accounts

Non-Resident (Foreign Currency) Account - FCNR A/c
(in Pounds, Sterling, US Dollars, Japanese Yen and Euro).

A person, resident in India, who is earning foreign exchange, is also permitted to maintain a Foreign Currency account in India with an authorized dealer bank, to the extent of 50% of such foreign exchange earnings, under the Exchange Earners Foreign Currency Account (EEFC) Scheme.

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