



# HPMG

GROWING TOGETHER

## Introduction

Non Resident Indians can invest with ease in Indian stocks through various intermediaries in the stock markets. There are guidelines specified for such investments by regulators like the Reserve Bank of India that have to be followed while making such investments. An NRI can invest in Indian stocks through a Portfolio Investment Scheme (PIS) account. A PIS account is required specially when there are foreign funds being used for investment on a repatriable basis. Alternately, NRIs can also use their Indian funds from a NRO account to invest in Indian stocks.

All NRI investments are governed according to the Foreign Exchange Management Act (FEMA).

## Who is an NRI?

As per FEMA, an NRI is an Indian resident or a person of Indian origin who resides outside of India for employment, education or business, etc. NRI must also satisfy two other conditions:

- They should stay abroad for more than 183 days or more during the course of preceding financial year
- Or
- They need to be in India for a tenure of less than 60 days during the last year and less than 365 days during four years before the previous year, on an aggregate.

## PIS account

PIS account stands for Portfolio Investment Scheme. A PIS Account enables NRIs to buy and sell shares and convertible debentures in Indian stock exchanges. It is used to route all NRI transactions in listed securities via valid banks that have to report back to the RBI on these investments.

Purchases are debited from the account while sales are credited. The RBI needs to provide a PIS permission letter to open a trading and demat Account. The PIS-enabled account can be an NRE or an NRO account. NRE accounts allow repatriation of funds, while NRO accounts do not allow the same. An NRI can choose between the two or choose both depending on their needs.

## Trading and Demat accounts

The RBI uses PIS accounts to track all NRI investments in India. NRIs also need Trading and Demat Accounts to operate in the stock market. These accounts have to be linked to the PIS account.

## How does trading work?

Apart from these formalities, the actual trading process for NRIs is the same as Indian residents. However, a few considerations have to be kept in mind. The ceiling for overall investment for NRIs/PIOs is 10 per cent of the paid up capital of the Indian company. And the ceiling for individual investment for NRIs/PIOs is 5 per cent of the paid up capital of Indian company. A list of companies can be found on the RBI's website.

NRIs are also not permitted to engage in intraday trading. They have to make investments that are delivery-based.

## Tax implications on NRI

The Indian capital markets are attractive investment avenues. And so, they find investors from across the globe. Among this investor fraternity, NRIs occupy a significant portion. NRIs may migrate to affluent countries for employment, education, and business, but when it comes to equity investments, their home country remains one of their favourites.

Did you know that there are some tax implications for NRIs on the capital gains earned through equity instruments? And these implications could go on to disturb financial plans too. Hence, if you are an NRI, you ought to be aware of these implications before going deeper into equity investments.

Profits or gains arising from transfer of a capital assets are called "capital gains". Long Term Capital Gains (LTCG) refers to gains arising out of sale/transfer of financial assets held for more than 1 year and securities held for less than 1 year are subject to Short Term Capital Gains (STCG). However, long term capital gain from equity investments up to Rs. 1 lakh is exempted from tax.

In India, NRIs are charged long and short term capital gains tax and it is deducted at source. Below are the TDS rates as on 1st April 2022:

Segment	Base TDS Rate	Surcharge	Edu. Cess (4%)	Total TDS
Equity LTCG	10	1.5	0.46	11.96
Equity STCG	15	2.25	0.69	17.94

## NRI client account opening documents requirements.

- Proof of Identity (copy of passport/driving license).
- Proof of foreign address and Indian address (if any).

In the case of an NRI A/c without repatriation, proof of Indian address has to be Given.

In case of foreign address, the address containing Post Office Box Number (P.O.Box. No.) may be accepted as valid address provided such P.O. Box No. is Mentioned in the valid proof of address documents. The address with P.O. Box No. may be accepted as Permanent and/or Correspondence address. In such cases, additionally the DPs shall obtain the complete residential address of the NRI BO, under declaration at the time of opening of the account. Such BO shall give an undertaking that whenever there is a change in the residential address,

The BO shall inform the DP.

c) Bank account details.

d) Power of Attorney, if any.

e) PAN card.

f) A declaration duly signed by the NRI that he/she has complied with, and will Continue to comply with, FEMA regulations and other applicable laws.

g) OCI or PIO card

h) NRI PIS account details along with RBL preference no.

Note:

In person verification is compulsory, if not, Photocopies of the above documents, if accepted, shall be attested by the Indian Embassy / Consulate General / Notary Public / Any Court / Magistrate / Judge / Local Banker in the country where the NRI resides. The attesting authority shall affix a "verified with originals" stamp on the said documents. The photocopies of the KYC documents and PAN card shall also be signed by the NRI. **If the NRI comes in person to open the account, the above attestation requirement may be waived.**

Change of status from NRI to Resident and vice versa:

It is the responsibility of the individual to inform the change of status to the DP with whom he/she has opened the demat account. Subsequently, a new demat account in the new status will have to be opened, securities shall be transferred from the old demat account to the new demat account and then the old demat account shall be closed.

## Conclusion

The Indian government welcomes all kinds of participants to invest in the stock markets. NRIs can invest in the stock markets as long as they follow the guidelines specified by regulators. If you are an NRI and want to open a Trading and Demat account, contact a SEBI-registered broker of your choice and get the formalities started.

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