

Q1). What are the formalities required to be completed by foreign citizen of Indian Origin for purchasing residential immovable property in India under the general permission?

Ans: They are required to file a declaration in form IPI 7 with the Central Office of Reserve Bank at Mumbai within a period of 90 days from the date of purchase of immovable property or final payment of purchase consideration along with a certified copy of the document evidencing the transactions and bank certificate regarding the consideration paid.

Q2). Can such property be sold without the permission of Reserve Bank?

Ans: Yes, Reserve Bank has granted general permission for sale of such property. However whether the property is purchased by another foreign citizen of Indian Origin, funds towards the purchase consideration should either be remitted to India or paid out of balance in NRE/FCNR accounts.

Q3). Can sale proceeds of such property if and when sold be remitted out of India?

Ans: In respect of residential properties purchased on or after 26th May 1993, Reserve Bank considers applications for repatriation of sale proceeds up to the consideration amount remitted in foreign exchange for the acquisition of the property for two such properties. The balance amount of sale proceeds if any or sale proceeds in respect of properties purchased prior to 26th May 1993 will have to be credited to the ordinary non-resident rupee account of the owner of the property.

Q4). In what manner the purchase consideration for the residential immovable property should be paid by foreign citizen of Indian Origin under the general permission?

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 accounts maintained with banks in India.

Q5). 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.

Q6). 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.

Q7). Can foreign citizen of Indian Origin acquire or dispose of residential property by way of gift?

Ans: Yes. Reserve Bank has granted general permission to foreign citizen of Indian Origin to acquire or dispose of properties up to two houses by way of gift from or to a relative who may be an Indian Citizen or a person of Indian origin whether resident in India or not, subject to compliance with applicable tax laws.

Q8). Can immovable property held in India, be transferred by way of gift to relatives/registered charitable trusts/organizations in India?

Ans: Yes. General permission has been granted by Reserve Bank to non-resident persons (foreign citizen) of Indian Origin to transfer by way of gift immovable property held by them in India to relatives and charitable trust/organizations subject to the conditions that the provisions of any other law, including Foreign Contribution (Regulation) Act, 1976, as applicable, are duly complied with.

Q9). Can foreign citizen of Indian Origin acquire commercial properties in India?

Ans: Yes. Under the general permission granted by Reserve Bank properties other than agricultural land/farm house/plantation property can be acquired by foreign citizen of Indian Origin provided the purchase consideration is met either out of inward remittance in foreign exchange through normal banking channels or out of funds from the purchaser's NRE/FCNR accounts maintained with banks in India and a declaration is submitted to the Central Office of Reserve Bank in Form IPI 7 within a period of 90 days from the date of purchase of the property/final payment of purchase consideration.

Q10). Can they dispose of such property?

Ans: Yes.

Q11). Can sale proceeds of such property be remitted out of India?

Ans: Yes. Repatriation of original investment in respect of properties purchased by foreign citizen of Indian Origin on or after 26th May 1993 will be allowed to be remitted up to the consideration amount originally remitted from abroad provided the property is sold after a period of three years from the date of the final purchase deed or from the date of payment of final installment of consideration amount, whichever is later. Application for the purpose is required to be made to the Central Office of Reserve Bank within 90 days of the sale of property in Form IPI 8.

Q12). Can the properties (residential/commercial) be given on rent if not required for immediate use?

Ans: Yes. Reserve Bank has granted general permission for letting out any immovable property in India. The rental income or proceeds of any investment of such income are eligible for repatriation.

Q13). Can authorized dealer grant housing loan to non-residents of Indian nationality where he is a principal borrower with his resident close relative as a co-obligator/guarantor or where the land is owned jointly by such NRI borrower with his resident close relatives?

Ans: Yes. However, in such cases the payment of margin money and repayment of the loan installment should be made by the NRI.

Q14). Can NRIs obtain loans for acquisition of house/flat for residential purpose from authorized dealers/financial institutions providing housing finance?

Ans: Reserve Bank has granted general permission to certain financial institutions providing housing finance e.g. HDFC, LIC Housing Finance Ltd., etc., and authorized dealers to grant housing loans to non-resident Indian nationals for acquisition of a house/flat for self-occupation subject to certain conditions. The purpose of the loan, margin money and the quantum of loan will be at par with those applicable to housing loans to residents. Repayment of loan should be made within a period not exceeding 15 years out of inward remittance or out of funds held in the investor's NRE/FCNR/NRO accounts.

Q15). 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.

Q16). While purchasing real estate most developers demand a Power of Attorney in their favor, is there a way to avoid it?

Ans: One can choose not to grant the Power of Attorney (POA) to the developers. However this will mandate the mailing of all documents to your foreign residence and associated time delays. A good compromise is to grant the POA to the builder only for specific necessary items.

If you are an NRI or a Property Buyer/Investor you need to understand your Investment Horizons in Real Estate pretty well.

Term of Investment - This is important as you need to hold on for at least 1 to 3 Years for a decent capital appreciation and if you sell your property within 3 years you are in for a short term capital gains which is at par with the Income Tax rules of nearly 30 to

35% as applicable. It is better to stay invested for 3 years and then plan the next investments with Capital Gains etc.

Pre-Launch offers - Investing in property means also an entry load by paying stamp duty and registration fees and other incidental charges to the Builder etc. If you are investing it is always wise to invest as soon as the project is launched as this gives you enough time for appreciation as usually the builder goes in the Stock Market kind of a mode in the first year of its property by hiking the prices every few months.

Know your Builder - It is imperative to know your Builder and the project as at the time of your exit the builder has to be extremely co-operative, the first question to shoot when you are buying an Under Construction Project is - If I sell what happens? When can I Sell? Will you charge me some transfer fees? How the paper work will be done between the Seller, Builder and the Buyer?

Invest with Deep Thought - The present market is volatile in Mumbai and it is imperative for you to give a deep thought on various accounts, which begins from the Project, Infrastructure available within the Project, Outside the project in the neighborhood, Selling prospects, Leasing prospects, Neighborhood development, Distances to Schools, Markets, Malls, Hospitals, Highways, Airports, Railway stations etc. These should act as your analysis points.

For NRIs - especially before coming to India, make sure you are carrying most of the relevant papers with you. You should always have an NRE and an NRO account in India and if you are looking to invest in Mumbai then one should have an account in Mumbai for easiness. Review your NRI allowances by the Government of India every budget etc.

Home Loans - You can set off your EMI's if you invest wisely in a property as the rates are presently around 8% and your rental returns are around 4-6%. You can be a happy man if you do this fool proof homework as your EMI can be hedged off against the rent receipts to a certain degree.

Re-Sale Properties - In a booming market every property owner wants to encash his property at the best value. A few issues which we face is the commitment level of the seller and we can stumble on to good transactions at times, but this is more of a time consuming process at times. The repair value, old building and other property documentation issues can be challenging in certain transactions.

Returns - It is always advisable to take a conservative approach in both Capital Appreciation and Rental returns. However one can safely expect appreciations anywhere upwards of 15% Per Year and Rental Yields of 4 to 6%.

Commercial and Malls - The opening of new Malls is surely a good sign but one has to be very careful in investments in Malls and Commercial real estate. The returns though can be constant, but for smaller players the Malls and Commercial complexes can be

too hot to handle as the outgoings are pretty steep and there is a huge difference between the built up and carpet ratio. It is excellent for self use and business or for a pre-leased option.

Q17). What are the options available for obtaining guarantors while applying for a HDFC/LIC loan

Ans: One will need a guarantor for a loan mainly for collateral security. The guarantor will have to demonstrate appropriate net worth to cover for the loan. Usually one can have a guarantor in any city where the loan issuer has a branch. Talk to loan issuers they will work something out for NRIs and foreign banks.

Q18). What are the criteria regarding avail of home loans for NRIs in India?

Ans: According to Reserve Bank guidelines for NRIs

The loan amount shall not exceed 85% of the cost of the dwelling unit.

Own contribution, which is the cost of dwelling unit financed less the loan amount, can be met from direct remittances from abroad only through normal banking channels, your Non-Resident (External) [NR (E)] Account and /or Non-Resident (Ordinary) [NR (O)] account and /or Non-Resident Special Rupee account [NRSR] in India.

Repayment of the loan, comprising of the principal and interest including all the charges are to be remitted from abroad only through normal banking channels, your Non-Resident (External) [NR (E)] Account and /or Non-Resident (Ordinary) [NR (O)] account and /or Non-Resident Special Rupee account [NRSR] in India.

Q19). Can an NRI give a Power of Attorney to a person in India for completion of loan formalities on their behalf?

Ans: Yes. We very well understand that as an NRI you have a different set of needs with respect to your real estate management and investment requirements and we also understand that it needs special set of services to cater to your requirements. The good news from India is that government has allowed 100% repatriation for NRIs.

Reserve Bank has granted general permission to certain financial institutions providing housing finance e.g. HDFC, LIC Housing Finance Ltd., etc. to grant housing loans to non-resident Indian nationals for acquisition of houses/flats for self-occupation subject to certain conditions.

Q20). How much loan can one get?

Ans: You can get a Home Loan of up to 85% of the Total Consideration Value.

Q21). What are the conditions if the power of attorney is being executed outside India?

Ans: The attorney should preferably be a resident of India.

The power of attorney should be executed on a stamp paper/plain paper as the case may be as applicable in the country in which the power of attorney is executed.

Any authorized official of the Indian Embassy/Consulate/Trade commissioner in the country where the executants resides should attest the signature of the executants.

The attorney's signature should be verified in India by Notary Public or his employer or his banker on a separate piece of paper, which should be submitted to SHFL together with the power of attorney.