

MUST-KNOW RULES FOR NRIs FOR INVESTMENT



Buying a property for a non-resident Indians (NRI) is easier than ever before. Anyone with an Indian passport can invest in Indian real estate, given that the property is not an agricultural land, plantation property or a farmhouse.

One of the most important considerations for an NRI investing in Indian real estate is understanding of the financial landscape. If you are an NRI looking to invest in a property in India, here are few things you need to keep in mind before you start looking out for properties:

Regulatory Act

If you have an Indian passport, you do not require any prior permission to make a property investment in India. The Reserve Bank of India has made the rules very simple to attract more foreign investment. Real estate transactions are governed by the rules under the Foreign Exchange Management Act (FEMA).

Types of properties to invest in

There is no restriction on the number of properties than an NRI can invest in. An NRI, as well as a Person of Indian Origin (PIO), can purchase as many residential

as well as commercial properties in India as they want. However, there is a restriction on foreign investment when it comes to agricultural land, plantation property or a farmhouse. Such properties are allowed only in case they are inherited or gifted to the NRI.

Financial transactions and funding

For any property investment in India, all the transactions should be done in Indian currency through Indian banks. One of the mandates is to have an NRI account in an authorized Indian bank.

An NRI can easily get funding for the purchase if his paperwork is clean. There are several NRI home loan schemes available under different financial institutions in India. If you are getting your property funded make sure that you have a minimum of 20% of the value of the property to invest from your own sources. You can take funding for a maximum of 80% of the value of the property.

All your transaction should be carried through Indian banking channels, so make sure to use your NRO/NRE account for all your inward remittances. You can also issue post-dated cheque's or ECS from your NRE, NRO or FCNR (Foreign Currency Non Resident) account.

Before you approach the bank for funding, check that all your paperwork is clean and verified by a lawyer. Take a no-dues certificate from the seller if you are buying a property and if it's inherited or jointly held, work to get the title cleared. Also, ensure that there are no pending bills or dues with any authorities.

Power of attorney

If you are buying an under-construction property, you will have to give power of attorney to your builder or a trusted associate. Take help from your lawyer to appropriately word the document so that there is no chance of forgery and your investment is secured while the property is being developed.

Tax benefits

As an NRI you can enjoy most of the tax benefits that an Indian resident is entitled to on purchase of property. You can claim a deduction of Rs. 1 Lakh under section 80 C on the Income Tax Act, 1961. If you sell the property within three years of

purchase, it is considered as short-term capital gain, and the earnings through the property are taxable. If you sell the property after three years, you have the option of reducing the long-term capital gains tax by investing in another property.