

## **Unlocking the benefits of NRE and NRO accounts for international investors**

In today's globalised world, many Non-Resident Indians (NRIs) are seeking investment opportunities in their home country. To facilitate seamless banking and wealth management for NRIs, the Reserve Bank of India (RBI) has introduced two essential banking options – Non-Resident External (NRE) and Non-Resident Ordinary (NRO) accounts. These accounts serve as crucial financial tools for NRIs to efficiently manage their finances, including investments in India, while enjoying various benefits. Let's delve into the details of NRE and NRO accounts so that you can decide which one is better suited for you.

### **Understanding NRE and NRO accounts**

NRE and NRO accounts are specialised banking accounts designed exclusively for NRIs. Both accounts enable NRIs to manage their finances effectively, but they serve different purposes.

An NRE account is an external rupee account, allowing NRIs to hold and manage their foreign earnings in India. The account is maintained in Indian rupees and is freely repatriable. This means that funds held in an NRE account can be converted into any foreign currency and transferred abroad without any restrictions. NRIs can deposit their overseas income, such as salary, dividends, and rental income, into an NRE account.

On the other hand, an NRO account is an ordinary rupee account meant for NRIs to manage their income generated in India. NRIs can deposit their Indian earnings, such as rent, dividends, pension, and other income sources, into an NRO account. Unlike the NRE account, the repatriation of funds from an NRO account is subject to certain restrictions, making it suitable for managing Indian income and expenses.

### **Benefits of NRE and NRO accounts**

#### **1. Tax efficiency**

Both NRE and NRO accounts offer tax benefits. Funds in an NRE account are exempt from income tax, wealth tax, and gift tax in India, making it an attractive option for NRIs to park their foreign earnings. NRO accounts, on the other hand, are subject to applicable taxes in India but offer the benefit of claiming deductions and exemptions.

#### **2. Repatriation**

NRE accounts provide full repatriation of funds, allowing NRIs to transfer their money abroad without any restrictions. This flexibility makes NRE accounts ideal for NRIs who want to maintain their savings and investments in India while having the freedom to repatriate funds when needed. NRO accounts, although subject to restrictions on repatriation, still provide a convenient way to manage Indian income and make local investments, payments, and more.

#### **3. Currency risk management**

NRIs with significant foreign income can leverage NRE accounts to protect themselves against currency fluctuations. By holding funds in rupees, NRIs can mitigate the risk of foreign exchange volatility, providing stability to their investments and wealth.

### **Choosing between NRE and NRO accounts**

Choosing between an NRE and NRO account for investments in India depends on various factors, including the nature of your income, the type of investments you want to make, your repatriation requirements, and tax implications.

An NRE account is an ideal choice for you if you are looking to invest your foreign earnings in India because your funds can be freely transferred back to your foreign country of residence without any restrictions. This account type is particularly suited for NRIs looking for long-term investment options in India.

If you are earning income in India such as rent and want to use this income in Indian rupees to invest within India, then an NRO account may be more suitable. This account is also a good option for NRIs looking for shorter-term investments in India.

### **Wrapping up**

Opening either an NRE or an NRO account is crucial for effective wealth management as an NRI. And Kotak Private's NRE and NRO accounts are designed specifically keeping in mind the needs of NRIs when it comes to private banking, wealth management, and investments. So, if you are looking to capitalise on the investment opportunities offered by your home country and want to be guided by the right private banking services, open an account with Kotak Private today!