

RBI expands investment options under Liberalised Remittance Scheme via International Financial Services Centre

12 July 2024

Background

- Under the Liberalised Remittance Scheme (LRS), Resident Individuals (RI) are allowed to make remittances to an International Financial Services Centre (IFSC) for:
 - Investment in securities, other than those issued by entities/companies resident in India (outside IFSC)¹;
 - Payment of fees for education to foreign universities or foreign institutions in IFSCs for pursuing courses as notified by the Central Government²
- To align IFSC with other global financial centres, the Reserve Bank of India (RBI) has now expanded the scope of remittances by making the following two changes³:
 1. Remittances are now permitted for:
 - Availing financial services or financial products as per the International Financial Services Centres Authority Act, 2019 within IFSC;
 - All current or capital account transactions, in any other foreign jurisdiction (other than IFSC) through a Foreign Currency Account (FCA) held in IFSC.
 2. To facilitate these transactions, RIs are now allowed to open a FCA in an IFSC.

Impact

- IFSC gets a bigger boost as a financial centre as multiple investment avenues for RIs such as insurance products, fixed deposits, etc. will now be available.
- Opening a FCA in IFSC will make it more convenient and cost-efficient for RIs to route remittances under LRS for all permitted purposes such as investment in immovable property, remittance of gifts, maintenance of relatives to overseas jurisdictions, etc.

Our comments

This is a welcome move by RBI wherein more investment avenues have opened up through IFSC and enhances the attractiveness of IFSC, within the monetary threshold of LRS of USD 2,50,000 per financial year.

However, unutilised/unspent/unused balances from the remittances made to a FCA in IFSC will need to be repatriated to India within 180 days.

¹ A.P. (DIR Series) Circular No. 11 dated 16 February 2021

² A.P. (DIR Series) Circular No. 06 dated 22 June 2023

³ A.P. (DIR Series) Circular No. 15 dated 10 July 2024

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