FDI norms eased for NRIs, others of Indian origin

The Union Cabinet on Thursday approved a relaxation of policy on investment proposals from Persons of Indian Origin (PIOs) and Overseas Citizens of India (OCIs), treating them at par with NonResident Indians (NRIs) in this regard.

NRIs are Indian citizens; the other two are not. " The decision that NRI includes OCI cardholders as well as PIO cardholders is meant to align the Foreign Direct Investment (FDI) policy with the governments stated policy to provide PIOs and OCIs parity with NRIs in (the) economic, financial and educational fields," was the official statement after the meeting, chaired by Prime Minister Narendra Modi.

The government also approved an amendment to Schedule 4 of the Foreign Exchange Management Act (Fema) Regulations, that NRI investments would be " deemed to be domestic investment made by residents".

"The measure is expected to result in increased investments across sectors and greater inflow of foreign exchange remittance, leading to economic growth of the country… This will enable investments by NRIs, OCI cardholders and PIO cardholders under Schedule 4 on a non-repatriation basis, across sectors, without being subjected to any of the conditions associated to foreign investment," the Cabinet said.

The proposal to tap NRIs for investments came from the department of industrial policy and promotion (DIPP), to augment inflow of foreign capital in key sectors.

Last year, the government had formed a committee to look into the possibility of treating non-repatriable NRI funds as domestic investment. This was to push the Make in India campaign.

The idea is to encourage NRIs owning business ventures abroad to put money here, too, by giving them domestic investment treatment.

Presently, under Schedule 4 of Fema, investments by NRIs are made on a non- repatriation basis, though it has not been provided that these are domestic investments. In the FDI policy, the definition of NRIs as including PIOs and OCIs is not mentioned. Between April 2014 and February 2015, the FDI equity inflow was $ 28.8 billion, a rise of nearly 39 per cent over the same period in 2013- 14.

The government has tried to liberalise the FDI regime. In its year in power, the FDI limit in the defence sector has been raised to 49 per cent, up to 100 per cent has been permitted in railways and norms pertaining to FDI in construction development were liberalised. That in medical devices were exempted from the sectoral restrictions for pharmaceuticals. And, FDI in the insurance and pension sectors have been permitted up to 49 per cent.

(Business Standard)