



## COVID-19 Hits NRI Deposits

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### Why in News

Major private sector banks are refusing foreign currency deposits by Non Resident Indians (NRIs) over fears that transmission of **COVID-19** could occur via foreign currency notes.

### NRI Deposits

- A '**Non-Resident Indian (NRI)**' is an Indian citizen resident outside India for the purpose of employment, etc.
- NRIs have been parking funds in Indian banks largely due to the wide interest rate differential between their country of residence and country of origin, enjoying the rate advantage.
- They have the option of parking money in:

### Foreign Currency Non-Resident Accounts

- These accept any permitted foreign currency.
- FCNR Accounts are **Term Deposit Accounts** and **not Saving Accounts**.
- The currency risk (change in price of one currency in relation to another) is **borne by the bank**.
- They are **fully repatriable** (ability to move money abroad).

### Non Resident External-Rupee (NRE) Accounts

- The NRE account is an **Indian rupee-denominated account**, offering complete security.
- These accounts can be in the form of savings, current, recurring, or fixed deposits.
- The **currency risk is on the depositor**.
- They are **fully repatriable**.

### Non-Resident Ordinary (NRO) Account

- It is for NRIs to manage their deposits or income earned in India such as dividends, pension, rent, etc.
- This account allows NRIs to receive funds in **either Indian or foreign currency**.
- However, **only Indian currency can be withdrawn** as NRO Accounts are kept in Indian currency and **are not freely repatriable**.
- There are **no currency risks involved**.
- **Taxation on NRI deposits**
  - Interest earned on NRE and FCNR accounts is tax-free in India.
  - The tax rate for interest income from NRO accounts is 30%. However, NRIs living in countries with which India has a **Double Taxation Avoidance Agreement (DTAA)** can avail of lower tax rates.

**Source : TH**