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# ***Entire salary of Indian residents on deputation to group company/ LLP and foreign citizens on employment with LLP in India can be credited to foreign bank account***

*January 15, 2015*

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## ***In brief***

The Reserve Bank of India (RBI) has liberalised the policy allowing resident expatriate employees currently on deputation to a group company/ limited liability partnership (LLP) in India, to receive the entire salary into overseas bank account for services rendered to such group company/ LLP in India.

In addition, RBI has now permitted foreign citizens employed directly by an Indian LLP to also freely remit the whole amount of salaries received in India by such individuals into their foreign currency accounts outside India.

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## ***In detail***

RBI has amended Regulation 7(8) of Foreign Exchange Management (Foreign Currency Accounts by a Person Resident in India) Regulations, 2000, (Notification No. FEMA. 10/2000-RB dated 3 May, 2000). This allows a citizen of a foreign State, being an employee of a foreign company, or a citizen of India employed by a foreign company outside India, and in either case on deputation to a group company/ group LLP in India, to open, hold and maintain a foreign currency account with

a bank outside India and receive the whole salary payable to him for services rendered to the group company, by credit to such account, provided that income-tax chargeable under the Income-tax Act, 1961 (the Act) is paid on the entire salary as accrued in India.

Further, RBI has also permitted a foreign citizen, resident in India being in employment with a LLP incorporated in India to open, hold and maintain a foreign currency account with a bank outside India and to remit the

whole salary received in India in Indian Rupees for the services rendered to such LLP, to such account, provided that income-tax chargeable under the Act was paid on the entire salary as accrued in India.

The change is prospective in nature and was made effective from 24 December, 2014. However, the term, “group company/ group LLP” has not been defined under the amendment. Clarity on this is expected when instructions are issued to by the RBI to all Authorised Dealer Banks.

## **Let's talk**

For a deeper discussion of how this issue might affect your business, please contact:

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