Sending money overseas under LRS? Should you remit the full amount or stagger transfers and where should you park the dollars?

economictimes.indiatimes.com/wealth/invest/sending-money-overseas-under-lrs-should-you-remit-the-full-amount-or-stagger-transfers-and-where-should-you-park-the-dollars/printarticle/135812745.cms

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ET AI | Briefing

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Opening an overseas bank account is itself a permitted purpose, so money parked in that account or in a term deposit is generally treated as used.

Indian investors have been show ing growing interest in moving money overseas. Reports in late October suggested that the Reserve Bank of India was considering placing a sub-limit on certain categories of Liberalised Remittance Scheme (LRS) transactions; no official announcement has followed, but the possibility has nudged many investors to act sooner than they had planned.

The question they face, however, is not just whether to remit. Many of them are uncomfortable putting money straight into global equities at current valuations and would prefer to wait for a better entry point. That creates a specific problem: how do you move money abroad, keep it safe, earn something on it, and still have it ready to deploy when the opportunity comes? Should you remit the entire

amount or stagger it?

What LRS lets you do

Under LRS, a resident individual can remit up to $250,000 per financial year for permitted current and capital account transactions. Karan Kalra, Partner at Bombay Law Chambers, says making overseas investments is a permitted purpose, and direct remittance to a foreign brokerage account is allowed; routing through a savings account is one option, not a requirement.

Wealth managers say the shift in client behaviour has been noticeable. “A year ago, the conversation was whether or not to do global investing or LRS,” says Ankita Pathak, Head of Global Investments at Ionic Asset. “Today it is increasingly about access: ‘Should I use my limit now, before the rules change?’ Some families who had planned to remit across the year are bringing those transfers forward.”

Arihant Bardia, Founder and CIO at Valtrust, describes the same trend: “The urgency is less about chasing an immediate market opportunity and more about preserving access to international markets while the existing regulatory framework remains available.”

Naveen Wadhwa, Vice-President at Taxmann, points out that there is a legal distinction between remitting money to open an overseas bank account and remitting it to acquire a foreign financial asset. Residents can hold funds in a foreign currency account without immediately investing in a financial product, subject to the provisions of the Foreign Exchange Management Act (FEMA). “A resident individual may change the intended use of funds after remittance without prior RBI approval, provided the revised use is permissible under LRS,” Wadhwa says, adding that the authorised dealer bank must be informed.

Opening and maintaining an eligible over seas bank account is a permitted purpose under LRS. However, funds held in such an account, including a term deposit, may qualify as utilised. However, FEMA does not expressly clarify this treatment, and the position should be confirmed with the author ised dealer bank.

Should you remit the entire amount or stagger it?



Lump-sum remittance

Potential advantages

- Money reaches overseas sooner.
- Immediate access to markets.
- Useful for identified investments or overseas liabilities.

Potential drawbacks

- Greater exposure to one exchange rate.
- Higher initial currency exposure.
- More money could remain idle.

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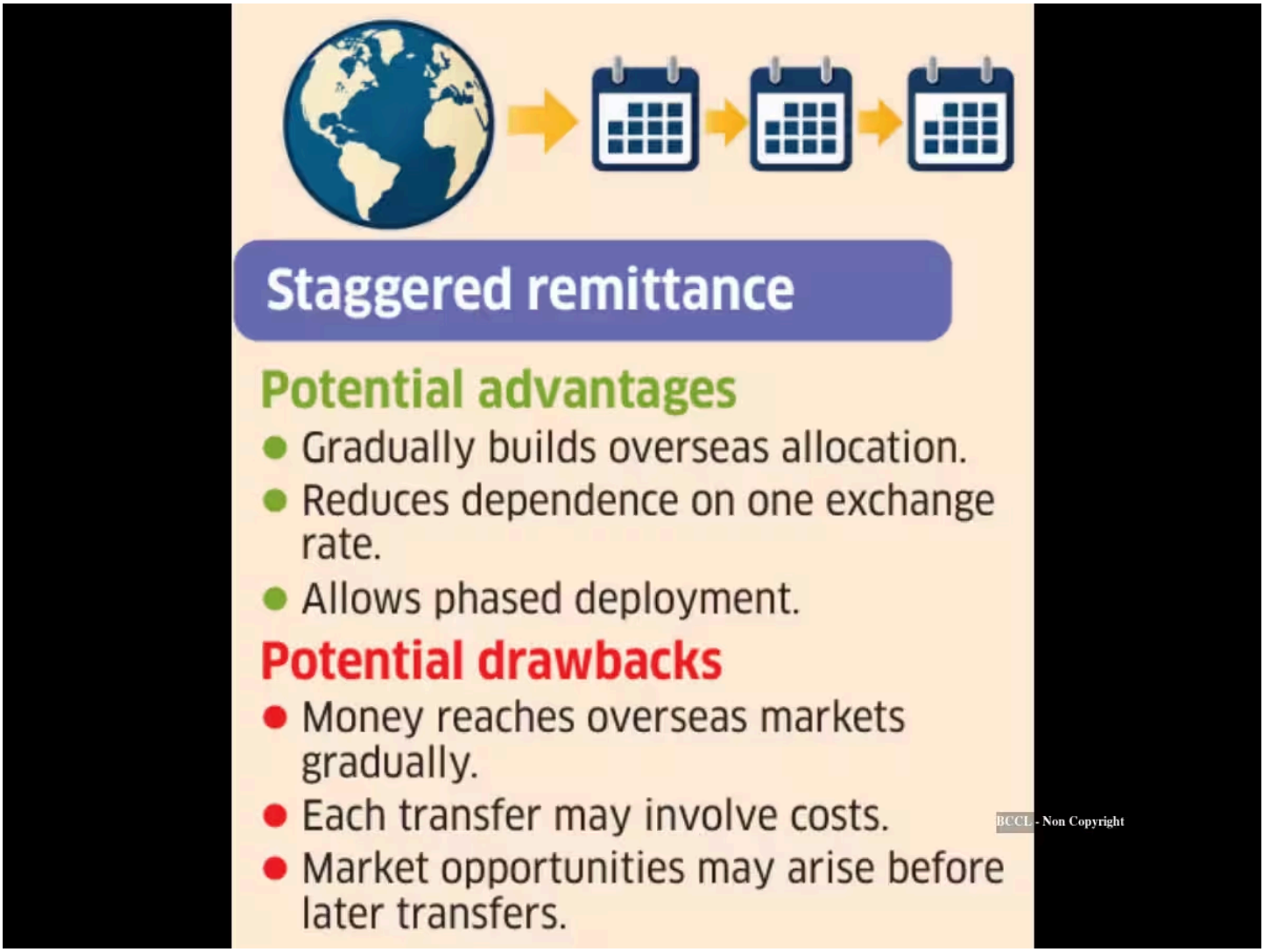

The 180-day catch

The rule most investors overlook is the 180 day repatriation requirement. When you send money abroad under LRS, you declare what it is for. Any money not used for that purpose, or another permitted one, must return to India within 180 days.

For most investors, this is less restrictive than it sounds. Opening an overseas bank account is itself a permitted purpose, so money parked in that account or in a term deposit is generally treated as used. Money you invest in shares, bonds or funds is also used. The rule doesn't push you to invest immediately after remitting.

The clock usually starts when you sell. Say you sell US shares on 1 March. That money is now idle, and you have until roughly 28 August to either put it into another permit ted investment or bring it back to India. Reinvesting stops the clock and doesn't eat into your LRS limit, because only fresh remittances from India count towards the $250,000. Dividends and interest you earn on overseas investments can also stay abroad and be reinvested.

Sale proceeds from overseas investments are treated as realised foreign exchange. The 180-day repatriation clock starts from the date of sale unless the proceeds are reinvested in permissible overseas invest ments.

As Sidhant Agarwal, Co-Founder of India for NRI, notes: reinvesting does not use up the LRS limit; only fresh remittances from India count.

Where to park while you wait

There are broadly four categories of instruments where remitted funds can be placed while an investor waits for the right entry point.

Short-term US Treasury bills are the most straightforward. Issued by the US government in tenors from four weeks to 52 weeks, they carry minimal credit risk and are highly liquid. Pathak recommends them as a core waiting instrument: “Park it in short-duration US Treasuries or a money-market fund. It can potentially earn a yield while an investor waits and can move into equities when valuations offer a margin of safety.” Bardia puts a number to it: Treasury instruments and high-quality debt currently offer yields of around 4.5-5%. Switching into equities from this position does not require a fresh LRS remittance.

Dollar money-market funds invest in short-term, high-quality instruments, Treasury bills, government-backed repurchase agreements, commercial paper, and offer daily liquidity. Moving from these funds into equities is treated as a switch within the same overseas portfolio and needs no fresh remittance. Pathak also points to multi-asset funds, where a man ager can shift between equities and bonds as conditions change.

Both, short-duration bond funds and liquid funds are currently offering attractive yields. Bardia notes that investors with near term liquidity needs are using these along side absolute-return strategies as a waiting room. The fund must be regulated in the host jurisdiction to qualify as Overseas Portfolio Investment under FEMA.

Overseas bank deposits are the simplest option but carry a legal nuance. Opening a foreign bank account is a permitted LRS purpose, and funds need not return to India as long as they are disclosed annually in Schedule FA. However, Pathak cautions that a plain bank deposit may not qualify as an overseas investment, a distinction that affects the 180-day analysis and should be confirmed with the authorised dealer bank.

Offshore, without leaving India

For investors who prefer not to open an overseas bank account, GIFT City, India’s International Financial Services Centre in Gujarat, offers a domestic alternative. There are two routes.

The first is opening a Foreign Currency Account with an IFSC Banking Unit using LRS remittances. The account can be used to avail financial services within the IFSC or conduct permitted transactions in foreign jurisdictions. The 180-day repatriation rule still applies to sale proceeds that are not re invested.

The second is investing in an IFSC regulated fund, such as an AIF regulated by the IFSCA, which counts as Overseas Portfolio Investment. Pallabi Ghosal, Partner for Corporate, Asset Management and Funds at Trilegal, explains the differ ence: “A bank account holds the individual’s foreign currency balance. The individual de cides when to use the money for a permitted purpose, subject to a repatriation deadline. A fund subscription permits the resident individual to purchase units in a pooled in vestment vehicle. The manager then invests it according to the fund’s mandate; the inves tor bears the portfolio risk, and access to the money depends on redemption, transfer and distribution terms.”

The route appeals because it brings Indian regulatory oversight and removes the need for foreign custodian accounts. One important clarification: GIFT City is not an additional remittance limit. As Ghosal says, “The LRS limits still apply to such transac tions, and there is no exemption available to investments being made into GIFT City.”

Where should you park your dollars?

Investment avenue	What it offers	Key consideration
US Treasury bills	Short-term exposure to US government debt	Interest-rate and maturity considerations
Dollar money-market funds	Exposure to short-term money-market instruments	Fund expenses, liquidity and credit exposure
Short-duration investment-grade bond funds	Exposure to relatively high-quality short-term debt	Interest-rate and credit risk
Overseas bank deposits	Interest-bearing foreign currency deposits	Bank risk, deposit protection and FEMA treatment

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How to deploy your dollars through GIFT City

Route A

- Foreign Currency Account (FCA)
- Open an eligible account with an IFSC banking unit.
- Remit money through LRS.
- Hold foreign currency.
- Use funds for permitted financial services or overseas transactions.
- Retain flexibility over when to invest, subject to applicable rules.

Route B

- IFSC Investment Funds
- Invest in eligible IFSC-regulated funds.
- Access pooled investment vehicles.
- Gain exposure to overseas assets through the fund's mandate.
- Returns depend on the underlying portfolio.
- Redemption depends on the fund's terms.

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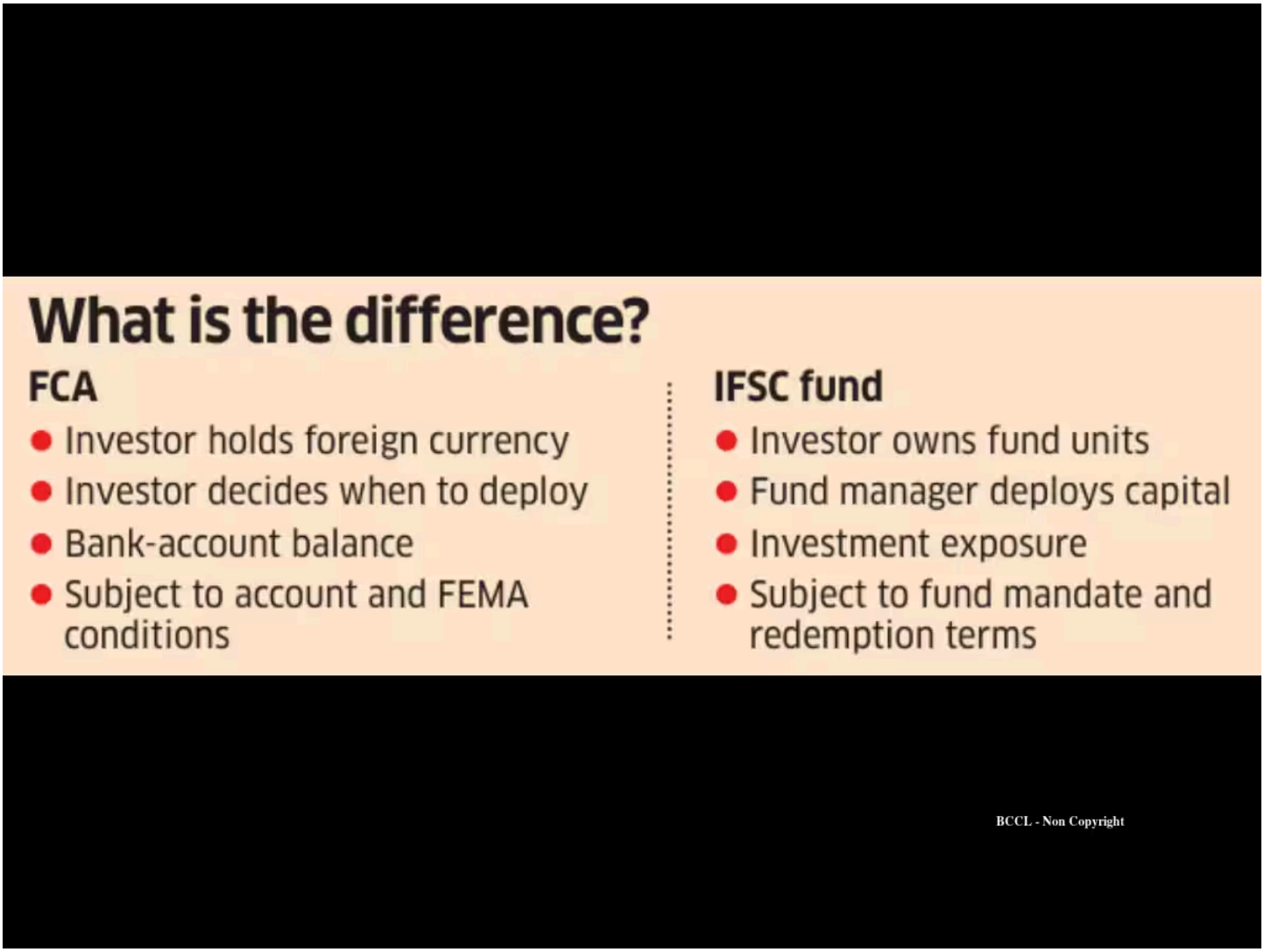


After you sell: reinvest or repatriate

The strategy does not end when the investor buys equities. When they eventually sell, the proceeds can stay overseas, Agarwal says to keep them in a foreign bank account, and reinvesting them does not consume the LRS limit. Kalra confirms that income earned under LRS, including dividends, can also be retained and reinvested. The 180-day repa triation clock applies only to realised funds that are not reinvested; moving sale pro ceeds into a Treasury bill or money-market fund satisfies the reinvestment require ment. The restriction bites only when money sits completely idle. Investors should keep clear records of remittances, purchases, and redemptions, and keep investment income separate from sale proceeds, since the tax and repatriation treatment differs.

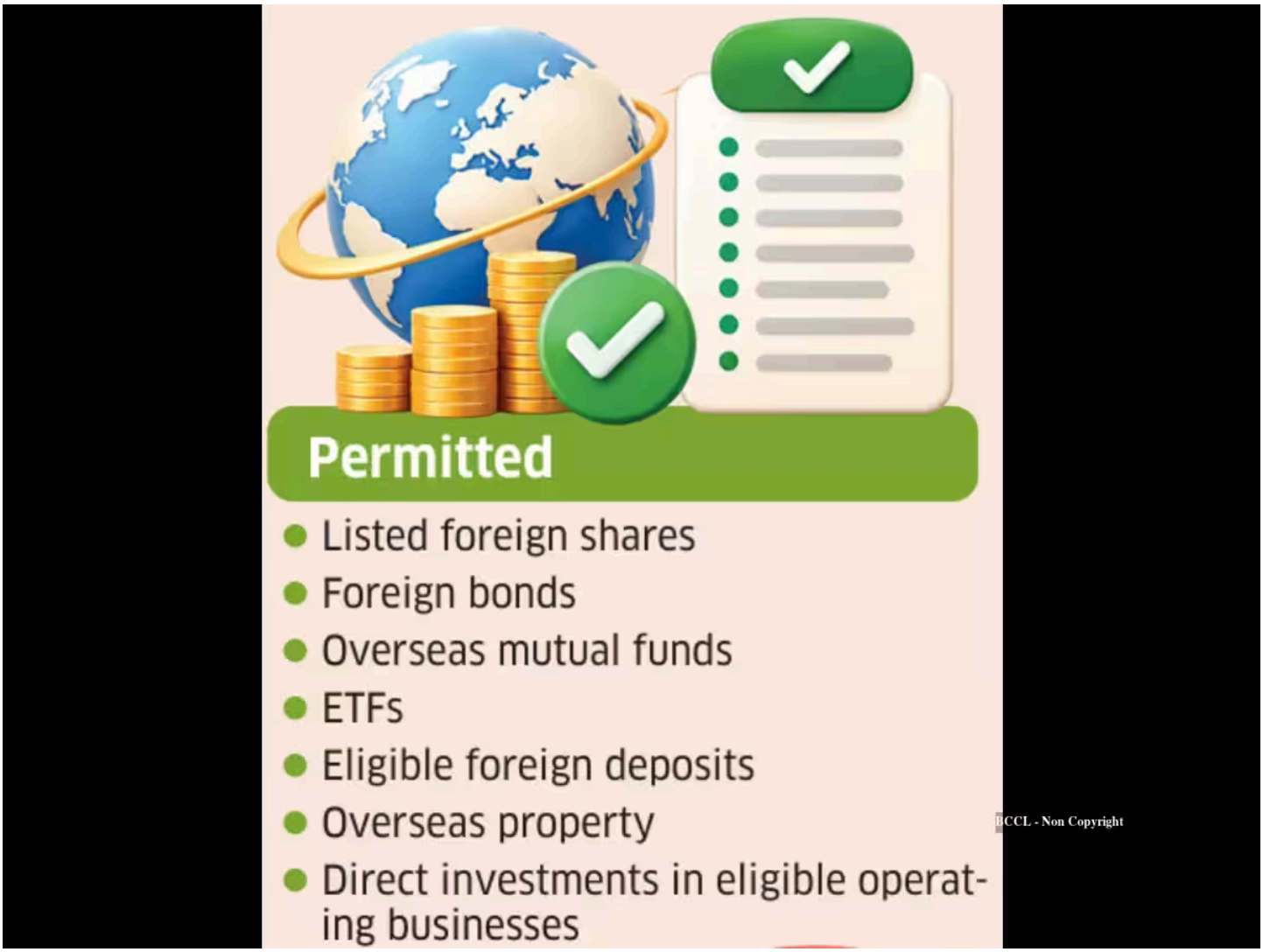
What the taxman takes

A headline yield of 4.5% on a dollar instru ment does not mean 4.5% in the investor’s pocket. Interest on overseas accounts is tax able in India at slab rates; tax paid abroad can be credited through Form 67. Capital gains are taxable at rates that depend on the holding period and instrument type. There is also a currency dimension: if the rupee weakens, the rupee return exceeds the dollar return, and that gain is taxable. Conversion costs at entry and exit further reduce net returns for shorter holding

periods. Bardia cautions that every opportunity should be evaluated “on a post-tax basis, taking into account the specific instrument, income classification, currency risk and applicable Indian tax rules.”

Viram Shah, Founder & CEO, Vested, frames it as an opportunity cost question: investors should weigh returns on overseas balances against comparable options in India, after accounting for currency move ments, taxation and remittance costs. Feroze Azeez, Joint CEO, Anand Rathi Wealth, adds context: Indian equities are trading at a P/E (Price to Earnings) ratio of 20.4 against a 10 year average of 23.3. The case for overseas parking is not that it beats Indian markets; it is that it serves a different purpose.

Overseas investment shopping list





A crucial distinction

Buying overseas shares is permitted, but remitting money for margin trading or margin calls is not.

Are US stocks too pricey?

The logic of parking money overseas rests on one assumption: that US equities are expensive, and a correction will offer a bet ter entry point. Azeez notes that the S&P 500 is currently trading at a P/E of 27, against a 10-year average of 22. “US equity valuations remain relatively expensive, compared with their historical averages and several other global markets,” he says. He is also sceptical of the AI rally underpinning much of those gains: “The recent rally at several AI-linked markets has elevated valuations, and we are already witnessing heightened volatility in markets with significant exposure to the AI theme. This indicates how quickly investor sentiment can change when valuations be come stretched, and expectations run ahead of earnings.”

Pathak, however, sees opportunity in the volatility itself. She notes that on 5 November, US market volatility jumped almost 70% in a single day, a larger one-day spike than any during the March 2020 Covid crash. “While we don’t usually see merit in trying to time the market, such big swings can be rather opportunistic for investors with capital ready to deploy,” she says. “Until then, Treasury bills and

dollar money mar ket funds are acting as a waiting room for that money." Bardia adds: "Some of the most significant investment opportunities emerg ing globally, particularly in artificial intel ligence, semiconductors and technology-led innovation, are not easily accessible through Indian markets. The concern is not whether global equities will outperform Indian equi ties over the next six or twelve months. It is about ensuring that investors retain the abil ity to participate in global wealth creation over the next decade."

Remit with a plan, not in panic

Moving money overseas is not automatically beneficial simply because an investor fears a future regulatory change. Shah warns that a large remittance can create currency exposure, reduce domestic liquidity and involve conversion costs that cut into returns if the money needs to come back. Azeez puts it plainly: "The objective is not to utilise the maximum permissible limit but to ensure that every rupee is deployed efficiently in line with their objective and financial need." Bardia draws the clearest line: "I would distinguish between acceler ating a well-planned investment alloca tion and rushing to remit money purely out of fear. The former is sensible port folio management; the latter can lead to suboptimal investment decisions."

For investors with a genuine case for overseas exposure, three things mat ter: remit as part of a defined allocation rather than in reaction to regulatory uncertainty; choose the parking in strument, Treasury bills or money market funds for near-term deploy ment, short-duration bond funds for a longer wait, based on liquidity needs and investment timeline; and check FEMA, tax and repatriation require ments before transferring, keeping the authorised dealer bank informed of any change in use.

The objective should not be to move the maximum amount of money over seas, but to ensure that money already moved remains productive, accessible and aligned with long-term financial goals.

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