FIRSTPOST.

Buying that exotic home overseas just got easier thanks to Raghuram Rajan

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#Liberalised Remittance Scheme #LRs #Raghuram Rajan #RBI #Real estate

Buying that dream home in an exotic location abroad just got easier as the Reserve Bank of India (RBI) on Tuesday doubled the annual overseas investment ceiling for individuals to $2,50,000 from $1,25,000 as India's foreign exchange reserves have scaled an all-time high.

"On a review of the external sector outlook and as a further exercise in macro-prudential management, it has been decided to enhance the limit under the Liberalised Remittance Scheme (LRS) to $2,50,000 per person per year," the RBI said in its Bi-Monthly Monetary Policy Statement. However, RBI clarified that all current account transactions like medical treatment, purchase of journals, and repayment of student loans and credit card dues would be included under the $250,000 cap.

LRS allows Indian citizens to acquire and hold shares, debt instruments or other assets such as real estate overseas without the RBI's approval. So what this essentially means is that a family of four can now remit as much as $1 million every year to purchase assets overseas.


Reuters

Indians are increasingly acquiring properties across the globe but the leading destinations for offshore properties remain London, New York, Singapore and Dubai. Exotic holiday destinations such as Thailand, Malaysia, Southern France, Florida and Mauritius are also gaining rapid popularity among those looking to invest abroad in real estate.

In fact, according to a Dubai Land Department(DLD) report in January 2015, investments in Dubai's realty market by Indians have surpassed those from other countries to AED 18.12 billion (Rs 3,035 crore) in the year gone by. Data from National Association of Realtors showed that Indians represented 6 percent of US home buyers in 2014, spending $5.8 billion, on par with buyers from Britain. Buyers from five countries account for over half of international home sales in the US, with Indian buyers ranked third. C

For affluent Indians, American real estate is a security blanket in the face of a bubble in real estate prices in major Indian cities. According to Anuj Puri of Jones Lang Lassalle an Indian wishing to buy a property in New York, London or Singapore can avail considerably lower interest rates of local banks in those countries. Also, many foreign property markets are more transparent than ours; so investors can get 'clean' deals much faster and easier.

Investment in property abroad makes sense for those who are employed or have business interests in the country of choice. Indians who have settled or are planning to settle abroad permanently, are of course, prime candidates.

"An allocation by Indian investors to global developed markets, such as, US, UK, Europe and Japan is very critical since a balanced investment portfolio should have exposure to developed economies and capital markets, hard currencies, such as, Dollar, Pound, Euro and Yen," said Dr Vikas Gupta, EVP, Arthveda Fund Management.

In view of the worsening current account deficit and a volatile rupee, the RBI had in August 2013 reduced the ceiling from $200,000 to $75,000 per person in a year under the LRS. What's worse is at the time it had even banned the purchase of property abroad. The press release at the time said: "While current restrictions on the use of LRS for prohibited transactions, such as margin trading and lottery would continue, use of LRS for acquisition of immovable property outside India directly or indirectly will, henceforth, not be allowed."

Consequently, with improvement in forex situation, it was raised to $125,000 in June 2014. In mid-January, the foreign exchange reserves touched a new life-time high at $322.135 billion driven by higher foreign fund inflow and lower forex outgo as global crude oil prices came down sharply.