



# Acquisition/transfer of immovable property – Prohibition on citizens of certain countries

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## Background & Objective

As per regulation 7 of Foreign Exchange Management (Acquisition and Transfer of immovable property in India) a person who is a citizen of Pakistan, Bangladesh, Sri Lanka, Afghanistan, China, Iran, Nepal or Bhutan is prohibited from acquiring or transferring immovable property in India, other than lease of property upto a period of five years, without taking prior permission from Reserve Bank of India. The said regulation was issued on May 17, 2000.

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Since these regions are special administrative zones covered under the control of Peoples Republic of China, many Chinese corporates as well as individuals have shifted their base to these regions over the past decade.

However the said regulation did not cover citizens staying in Macau and Hong Kong. Since these regions are special administrative zones covered under the control of Peoples Republic of China, many Chinese corporates as well as individuals have shifted their base to these regions over the past decade. This may have resulted in citizens of these regions freely investing in the property situated in India, without taking approval from RBI. This was perceived as a security threat to the sovereignty of the Indian Republic by the Government and securities agencies. Hence Reserve Bank of India after consultation with the Government has issued this notification banning the investment by the citizens of Macau and Hong Kong in the immovable

property situated in India.

## Extract of the regulation

It has been observed that Macau and Hong Kong are the two Special Administrative Regions of China. As they are notified separately, it has been decided, in consultation with the Government of India, that citizens of Macau and Hong Kong will also be included in the list of countries which are prohibited to acquire/transfer immovable property in India in terms of Regulation 7 of FEMA *ibid*.

## Impact Assessment

The release of the guideline has the following impact:-

- The citizens of Hong Kong and Macau will not be able to buy/sell property in India without prior approval of the Reserve bank of India. Hence any citizen who already held any property before the issuance of this notification, will have to apply to the Central bank through his authorized dealer bank for entering into sale or purchase transactions. The citizens are allowed to lease property upto a period of 5 years without taking prior approval from the RBI subject to other applicable laws and regulations applicable to them.
- The Authorized dealer bank will have to monitor the flows from these regions and ensure that no sale/purchase of immovable property is taking place without prior approval of the Reserve bank of India. They may obtain a certification from the agent/authorized personnel of such citizens having accounts with them as a record of any immovable asset held by them.

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