Non-Resident External (NRE) Account

- An NRE account is a Rupee denominated account. That is, funds in an NRE account are maintained in Indian Rupees. It can be a savings, current or a fixed / term deposit account.
- NRE accounts can be opened by NRIs.
- Funds can be repatriated from an NRE account. This means that the funds can be freely sent to any other country.
- An NRE account can contain funds remitted from abroad, or obtained from another NRE / FCNR account maintained in India.
- Funds can be transferred from an NRE account to an NRO account without any restriction.
- An NRE account can be held jointly provided the other person is also an NRI.
- The interest earned on deposits in an NRE account is exempt from tax in the hands of the NRI.
- A resident power of attorney holder cannot open an NRE account on behalf of an NRI. But the resident power of attorney holder can make local, rupee payments on behalf of the NRI.
- Nomination is allowed for NRE accounts.
- If the NRI holding the NRE account returns to India and becomes a resident of India, the NRE account is converted into a regular resident account.

Non-Resident Ordinary (NRO) Account

- An NRO account is a Rupees denominated account. That is, funds in an NRO account are maintained in Indian Rupees. It can be a savings, current or a fixed / term deposit account.
- NRO accounts can be opened by NRIs. Regular bank accounts of a person, who becomes an NRI, also get converted into NRO accounts.
- Funds cannot be repatriated from an NRO account. These funds have to be used only for local (within India) payments in Indian Rupees.
- An NRO account can only contain funds received from within India.
- Funds cannot be transferred from an NRO account to an NRE account.
- An NRO account can be held jointly with another NRI or with a resident Indian.
- The interest earned on deposits in an NRO account is taxable in the hands of the NRI as per the applicable income tax slab rates.
- A resident power of attorney holder cannot open an NRO account on behalf of an NRI. But the resident power of attorney holder can make local, rupee payments on behalf of the NRI.
- Nomination is allowed for NRO accounts.
- If the NRI holding the NRO account returns to India and becomes a resident of India, the NRO account is converted into a regular resident account.

A quick comparison between NRE and NRO accounts

Points of Difference	Non-Resident External (NRE) Account	Non-Resident Ordinary (NRO) Account
Currency	Rupee denominated	Rupee denominated
Type	Savings, Current or a Fixed / Term Deposit	Savings, Current or a Fixed / Term Deposit
Who can open?	NRI	NRI, Resident before becoming an NRI
Is repatriation allowed?	Yes	Usually no
What can be the source of funds?	Funds remitted from abroad, Funds from another NRE / FCNR account	Funds received from within India
Can funds be transferred to another account?	Funds can be transferred from an NRE account to an NRO / NRE / Resident account	Funds can be transferred from an NRO account to an NRO / Resident account
Can it be opened jointly with an NRI?	Yes	Yes
Can it be opened jointly with a resident?	No	Yes
What is the income tax treatment of the interest earned?	Tax free	Taxed as per applicable slab rate
Can power of attorney holder open the account?	No	No
Can power of attorney holder operate the account?	Yes, can make local rupee payments	Yes, can make local rupee payments
Is nomination allowed?	Yes	Yes
What is the status of the account when NRI returns to India for good?	Converted to resident account	Converted to resident account