

India Budget 2019 Proposals – Impact on NRIs, OCIs, PIOs, Non-Residents

The Finance Minister of Govt of India, Smt Nirmala Sitharaman, presented her first budget on July 5, 2019. There are various proposals in this budget, which are going to put an impact on Indian Citizen living/working abroad ie Non-Resident Indians (NRIs) and Foreign Citizen of Indian Origin ie Person of Indian Origin (PIOs or also called as OCIs).

Hereunder, is a brief analysis prepared by CA S Lohia & Associates team in relation to India Budget 2019 impact on NRIs and PIOs:

Income Tax Surcharge Increased from 15% to 25% & 37% - Budget 2019 For NRIs:

Presently, there is a surcharge @10% on Total Taxable Income of more than Rs 50 Lakh and @15% on Total Taxable Income of more than Rs 1 Crore. Now, surcharge rate is increased by the FM as under:

- Total Taxable Income Exceeding Rs 2 Crores - Surcharge @25%
- Total Taxable Income Exceeding Rs 5 Crores – Surcharge @37%

The net tax impact of above proposals would be @3% and 7% respectively on >2 Crore Rs and >5Crore Rs cases.

Though, above may not be putting any impact on majority of NRIs as they may not be having much taxable income in India during an year. However, in many cases when the NRI is earning a major amount of income in India under any source of head then this surcharge will be levied on them.

One major impact of this surcharge would be on immovable property transactions made by NRIs. In case of NRIs selling an immovable property in India then the buyer is liable to deduct TDS @ maximum rate (plus surcharge and cess). In that case, though the TDS can be claimed back by the NRIs, PIOs, however, funds get blocked in the form of TDS. A way out to overcome those situation is to apply for TDS Exemption Certificate.

Gifts To NRIs, PIOs – Deemed Accrual In India – Taxability in India - Budget 2019 For NRIs

The FM proposed taxation of Gifts made by Indian Residents to Non-Residents (including NRIs, PIOs). Earlier, the understanding was that the accrual and receipt of gift income outside India, however, now it is provided in the law that accrual shall be in India and the burden shall be on NRI to pay tax on same in India.

Following are the relevant points with regard to this NRI Gift Taxation proposed in the budget 2019:

- All gifts which are originating from India (ie by Indian Residents etc), in whatever form ie shares, money, property, bonds etc) shall be deemed to accrue in India and taxability shall lie in India.
- Exemption from this NRI Gift Taxation shall be provided as per the provisions of section 56 of the Income Tax Act. Hence, Gifts received by NRIs, PIOs from their family (ie parents, children, brother, sister etc) will not be taxable and shall be exempt from any kind of taxation.
- Upto 50,000 Rs there will be a blanket exemption. Thus, gifts received upto Rs 50,000 in a year shall be exempt irrespective of the Gift received by the NRI/PIO from any person.

- There is no special rate of taxation on these Gifts. Hence, Gift income shall be considered as a normal income for the NRIs, PIOs, and according to the slab rates the tax shall be calculated and paid by NRIs.
- NRIs/PIOs are allowed to claim advantage of Double Tax Avoidance Agreement (DTAA) if there is any such benefit available in the DTAA of their tax residence country and India.

Here, important point to be noted is that generally Gifts happen between family only. Hence, if an NRI has received some money or property from his parents so the same is not falling under tax ambit of above proposal. Above proposal will be targeting to curve round tripping and Gifts between non-related person where a general purpose of transaction is to avoid tax.

Ease of Aadhar to NRIs - Budget 2019 For NRIs

The FM has proposed a welcome proposal for NRIs ie Indian Passport holders living/working abroad. As per the Indian Budget 2019 proposal, now NRIs can apply for Aadhar Card immediately on arriving on India. NRIs need not to wait for 180 day to apply for Aadhar. Earlier, 180 days stay in India was a mandatory condition to apply for Aadhar. Hence, with the amendment, NRIs would be able to apply Aadhar and seek its benefits.

NRI Portfolio Route to be Merged With Foreign Portfolio Investment Route - Budget 2019 For NRIs

The FM proposed alternate route for NRI investment in India ie Merging of NRI Portfolio Route with Foreign Portfolio Route. This route is available for both NRIs as well PIOs. With this proposed change now all the foreign investments will be under single umbrella.

Presently, the Portfolio Investment Route of NRIs (PIO Route), which is governed by RBI, contains various restrictions. There is not much investment coming to India via this route. Under the new route ie FPI route, which is governed by RBI as well SEBI, provides much smoother process for investment in India. Hence, NRIs PIOs will be find convenience in investment in India under new FPI route. Under FPI route, the FM has raised the limit of investment in listed companies, hence, there will be scope of more investment under FPI route. Also, in FPI route, NRIs PIOs will be eligible for tax benefits as well eg TDS.

proposed in this budget for higher regulation. to

Generally, NRIs/OCIs are liable for following kind of Income In India:

- Income from House Property (Wrt Immovable Property In India)
- Interest Income From NRO Bank Accounts In India
- Gains From Mutual Fund or Shares Traded In Indian Share Market
- Gains on Sale of Immovable Property In India (Inherited Property/Other Property in India)
- Salary/Business Income in the year of Migration From/To India

Budget 2019 To Impose Tax on NRIs – NRIs Settled Abroad With Black Money Abroad During Their Status As Indian Resident - Budget 2019 For NRIs

The FM proposed amendment in Black Money Act by including non-resident in its tax levy definition. The amendment is retrospective. The proposal is to levy the provisions of Black Money Act on those NRIs who have settled abroad, however, they were having assets and bank balance abroad during their status as Resident in India. Eg if a person is settled in UK now, and Indian Tax Authorities finds out that he was maintaining undeclared assets or bank accounts abroad (eg in Swiss Banks) during the period when he was an Indian Resident (ie before his settling abroad). Hence, the provisions of law are being amended to include those persons in the Black Money Act, which provides for harsh provisions of taxation and penalty.

Usefulness Of Above Information - Budget 2019 For NRIs

Above information can be helpful to NRIs, PIOs, OCIs Expatriates and Other Non-Residents in relation to their various doubts about Indian Budget 2019 Impact on NRIs PIOs such as:

- What are the provisions of Budget 2019 in relation to NRIs, PIOs?
- What is there in Budget 2019 for NRIs, PIOs?
- I am an NRI, what do I need to know about Budget 2019?
- Chartered Accountant (CA) Services for NRI Taxation in connection with the provisions of India Budget 2019?
- Budget 2019 for NRIs PIOs. Is it good for NRIs PIOs or bad?