

Information on NRI Tax laws

Government Issues Clarification On DTC (Direct Tax Code) Clause For NRIs (Non Resident Indians)

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If you are an NRI (Non Resident Indian) fretting over the New Taxation Clauses, due to be introduced as part of DTC (Direct Tax Code), adversely affecting your tax-liabilities, we have some good news in store for you. In one of our earlier blog-posts, we had mentioned a New Clause in DTC (Direct Tax Code), which when implemented will ensure NRIs (Non Resident Indians) who frequent their native country i.e, India, will have to pay More Taxes on their Global Income.

As per the existing laws, an NRI(Non Resident Indians) is liable to pay taxes on his or her global income, if he or she stays in India for a period of more than 182 days in a financial year. But DTC (Direct Tax Code) proposes to shorten this duration to just 60 days.

Indian Government has just issued a clarification on DTC (Direct Tax Code) clauses specific to NRIs. On Saturday, Finance Minister Pranab Mukherjee allayed apprehensions among Non Resident Indians (NRIs) that the proposed Direct Taxes Code (DTC), when implemented, would badly affect them in terms of their tax liability owing to a clause in the Bill defining their residential status. Moreover, no final decision has been taken as yet on the clauses incorporated in the DTC (Direct Tax Code), as the Bill is still under scrutiny by a Standing Committee Of Parliament.

He clarified that it was a “misconception” that if an NRI stays in India for 60 days in a financial year, his status turns into Indian residents for taxation purposes. As per the DTC proposal, an NRI will be deemed as resident only if he has also resided in India for 365 days or more in the preceding four financial years, together with 60 days in any of these fiscal years. “Only when the two criteria are met, an individual will be considered resident for taxation purposes,” he said.

In a further clarification, Mr. Mukherjee pointed out that even if an NRI becomes a resident in any financial year, his global income does not immediately become liable to tax in India. Global income would become taxable only if the person also stayed in India for nine out of 10 precedent years, or 730 days in the preceding seven years.

Hope this convinces the NRIs (Non Resident Indians) Brigade not to abandon their plans to frequent their Home Country i.e, Hamara Bharat Mahan

Who is a person of Indian Origin? :-

A foreign citizen (other than a citizen of Pakistan or Bangladesh) is deemed to be of Indian Origin, if,

he, at any time, held an Indian passport,

(ii) he or either of his parents or any of his grandparents was a citizen of India by virtue of the Constitution of India or Citizenship Act, 1956(57 of 1955)

A spouse(not being a citizen of Pakistan or Bangladesh) of an Indian citizen /Indian origin is also treated as a person of Indian origin provided the Bank accounts are opened or investments in shares/securities in India are made by such persons jointly with their NRI spouses.

The rule does apply to all of us and to our children and grand Children.

For any feedback / questions on this information please contact Club 55 at
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