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Ultimate NRI Guide for India Tax Filing

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Synopsis

Tax filing is a critical aspect for Non-Resident Indians (NRIs) in maintaining their financial and legal standing in India. However, many NRIs tend to overlook the importance of filing Income Tax Returns (ITR), often due to misconceptions or lack of awareness. Filing ITR is not just about paying taxes; it serves multiple purposes essential for NRIs:

- **Legal Proof of NRI Status:** The ITR is the primary document that substantiates an individual's NRI status. This is crucial for various legal and financial matters.
- **Financial Transactions:** When engaging in significant financial transactions in India, such as investments or property dealings, the ITR helps in demonstrating gains or losses, ensuring compliance with local tax laws.
- **Loss Carry Forward:** Filing ITR even in years when there are losses is beneficial, as these losses can be carried forward and set off against future gains, optimizing tax liability.
- **Loan Applications:** Financial institutions in India require ITR documents for processing loan applications. A consistent tax filing history aids in establishing creditworthiness and facilitates smoother loan approvals.
- **Tax Refunds:** Get refund on excess tax deducted. Excess TDS deducted can be claimed for refunds, through ITR filing.

Thus, the act of filing ITR extends beyond mere compliance, providing numerous benefits that aid in the financial planning and legal standing of NRIs in India.

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1 Defining NRI Status

An individual is considered as an NRI for tax purposes if they meet specific conditions regarding their stay in India.



The primary criteria are:

If you have stayed in India for

<182 days

days during the financial year

OR

If you have stayed in India for

≥60* days

in the previous year but,

<365 days

in the past 4 years combined.

** For persons visiting India and persons leaving for employment outside India, it is 182 days instead of 60 days. For those who have income in India more than INR 15 lakhs, it is 120 days.*

Understanding your residency status is crucial as it affects the taxability of your income.

Who are the Resident but Not Ordinary Resident (RNOR) ?



NRI visiting India and spending more than **120 days (but <182 days)** is treated as 'Resident but Not Ordinary Resident', only if your income from India is above Rs. 15 lakh.

Resident but Not Ordinary Resident status is given to those who haven't fulfilled the above condition and become a resident. In such cases, you will have to check for the following conditions -

- Been a Non-Resident in India during **9 out of 10 financial years preceding that year** or
- Been in India during **7 previous years preceding that year for a period of total 729 days or less.**

Suggested Read(s) *Understanding Residential Status & Its Tax Implications For NRIs & RNORs*

2 Defining Income



Indian Income

Income **earned or accrued in India**, such as salary, rental income, business profits, and capital gains from assets located in India, is considered Indian income and is taxable in India.
Indian income is taxable in India for all NRIs, RNORs, and Residents.



Foreign Income

Income earned outside India, such as salary or business income from foreign sources, is generally not **taxable in India** for NRIs and RNOR.
Foreign income is not taxed in India when transferred.

Taxability	Resident	Resident but not ordinary	Non-Resident
Income received or deemed to be received in India	Taxable	Taxable	Taxable
Income accrue/arise or deemed to accrue/arise in India	Taxable	Taxable	Taxable
Income (other than above) earned outside India from Business controlled from India or profession set up in India	Taxable	Taxable	Non-Taxable
Income accrue or arise outside India	Taxable	Non-Taxable	Non-Taxable

3 Types of Income in India

1. Capital Gains



1.1 Shares and Mutual Funds: Gains from the sale of shares and mutual funds are subject to short-term or long-term capital gains tax.

Asset	Equity Exposure	Short Term	Tax Rate	Long Term	Tax Rate
Shares, Equity Mutual Fund, Aggressive Hybrid, Balance Advantage, Arbitrage Fund	> 65%	< 12 Months	20% (STT Paid)	> 12 Months	12.5% (INR 1.25 Lakh Exempt)
Balanced Hybrid Fund	35% - 65%	< 24 Months	Slab Rates	> 24 Months	12.5% (With Indexation)
Debt Funds, Gold ETF, International Funds, Fund of Funds, Conservative Hybrid	0% - 35%	Income Tax Slab Rates		Income Tax Slab Rates (Investment made before 31/03/23 will continue LTCG & Indexation Benefit)	
Private equity/ Unlisted equity shares	100%	< 24 Months	Slab Rates	> 24 Months	12.5% (Without Indexation)

1.2 Immovable Property: Profits from the sale of property are subject to capital gains tax, with exemptions available under certain conditions.

Short Term	Tax Rate	Long Term	Tax Rate
<24 Months	Slab Rates	>24 Months	12.5% (Without Indexation)*

* For properties acquired before 23/07/2024, option to choose between 20% with indexation or 12.5% without indexation

Suggested Read(s)

How Are Mutual Funds Taxed for NRIs?

Capital Gains Tax On Property For NRIs

3.1 Types of Income in India



2. House Property – Rental Income

Rental income from property located in India is taxable for NRIs in India, with **standard deductions of 30%** from rental income available under the Income Tax Act.



3. Other Sources – Interest Income

Interest earned from NRI bank accounts, including Non-Resident External (NRE) and Non-Resident Ordinary (NRO) accounts, is taxable at specific rates:
NRE Account: Interest is **tax-free.**
NRO Account: Interest is **taxable at 30%.**



4. Salary

Income earned from employment in India is taxable at the applicable slab rates for NRIs. Special provisions apply if you receive salary in a foreign country for services rendered in India.



5. Business/Profession

Profits from a business or profession carried out in India are taxable. NRIs engaged in business activities in India must comply with local tax regulations.
Note: NRI are not eligible for 44AD or 44ADA benefits of presumptive taxation.

4 Double Taxation Avoidance Agreement (DTAA)



The DTAA is a treaty between **India and 100+ countries** to ensure NRIs avoid paying double taxes on the same income - in India & Country of Residence. Claiming DTAA benefits can greatly reduce tax burden and prevent double taxation.

Some major countries with which India has signed DTAA include USA, Canada, UK, Singapore, Germany, Australia, UAE, Italy, France, etc.

How to Claim DTAA Benefits in India?

- Obtain a Tax Residency Certificate (TRC)
- Ensure you file Form 10F Electronically

Suggested Read(s) *How To Claim DTAA Benefits While Filing ITR For NRIs?*

5 Old Tax Regime vs. New Tax Regime

The Indian tax system offers two regimes:



Old Tax Regime

The Old Tax Regime follows India's conventional income tax calculation method. It **offers various deductions and exemptions** under different sections of the Income Tax Act, such as ***HRA (House Rent Allowance), Section 80C (Investments), Section 24 (Home Loan Interest), and many more.***



New Tax Regime

Introduced in the 2020 Budget and updated thereafter, the New Tax Regime offers a **simplified tax structure with lower tax rates**. However, it comes at the cost of **foregoing most deductions and exemptions available under the Old Regime.**

Old Tax Slabs	Old Income Tax Rates	New Tax Slabs	New Income Tax Rates (Applicable from FY 2024-25)
Up to Rs 2.5 lakh	NIL	Up to Rs 3 lakh	NIL
Rs 2.5 – Rs 5 lakh	5%	Rs 3 lakh – Rs 7 lakh	5%
Rs 5 – Rs 10 lakh	20%	Rs 7 lakh – Rs 10 lakh	10%
Above Rs 10 lakh	30%	Rs 10 lakh – Rs 12 lakh	15%
		Rs 12 lakh – Rs 15 lakh	20%
		Above Rs 15 lakh	30%

Suggested Read(s) *Old Tax Regime Vs New Tax Regime - What Should NRIs Choose?*

6 Tax Deducted At Source (TDS)



Under Section 195 of the Income Tax Act, **TDS must be deducted on certain payments to non-residents**, such as salary, interest, rental income, capital gains and dividend income.

It ensures tax is collected before making payments to non-residents.
TDS ranges between 10% to 30%.

- Claim refunds if excess tax is deducted, by filing Income Tax return.
- Reduce TDS amount in India by applying for Lower TDS Certificate.

Suggested Read(s)

Tax Deducted At Source (TDS) For NRIs

7 Tax Exemptions and Tax Deductions Available for NRIs



NRIs can claim tax deductions, if filing taxes under the **Old Regime** under sections like:



Section 80C

Investments in specific instruments. **Get deductions up to ₹1.5 lakhs.**



Section 80D

Health insurance premiums for self, spouse, and dependent parents.



Section 54EC

Exemption from LTCG tax **up to ₹50 lakhs.**



Section 24

Interest on home loan, up to ₹2 lakhs.

And more... get the full list here

Tax Saving Investments for NRIs with Income in India

8 Is It Mandatory To File ITR?



Who Should File?

NRIs must **file ITR if their total income (before claiming deductions) exceeds the basic exemption limit**, currently ₹2.5 lakh (old regime) or ₹ 3 lakhs (new regime).
Irrespective of taxable income if you have special income like capital gains or if you have entered into certain specified financial transactions, then you will have to mandatorily file ITR.

Should NRIs File if Income is Below Taxable Limit?

It's advisable to **file ITR even if the income is below the taxable limit to claim refunds or carry forward losses.**

9 How To File ITR?

Which Form to Choose?

ITR-2 ➡️ Applicable for all types of income except business income.
ITR-3 ➡️ For business income

Documents Required for ITR Filing

1. **PAN Card:** Essential for tax filing.
2. **Passport** Number
3. Residence Country and **Tax Identification Number**
4. **Bank Account Details:** Tax refunds are credited to the Indian bank account.
5. **Bank Statements:** Track interest income for the financial year.
6. **Real Estate Transactions:** Sale or purchase deeds
7. **Rent Receipts:** Required for rented Indian properties.
8. **Capital Gain Statements:** Records of Indian investments like mutual funds or stocks.
9. **Insurance Policy Details:** Proof of any health or life insurance policy documents
10. **Form 16A:** For TDS on other income.
11. **Loan Statement**
12. **Foreign Income Details:** Documentation for income earned outside India - depending on your residential status in India.
13. Other Details: Unique requirements like **tax saving investments and no. of days stayed in India.**

10

Repatriation



What is Repatriation?

Repatriation is the process of transferring funds from your NRO account to your NRE account or to an account in your country of residence.

Repatriation Limits for NRIs

Non-Resident External (NRE) Account

- **No Limit:** Current income, salary investments, interest, profits from any business or proprietorship.
- **$1 Million per FY:** Balance in NRO account, sale revenues from inherited assets, sale proceeds from residential property bought in India (as per FEMA).

Non-Resident Ordinary (NRO) Account

- Limit up to **$1 million** per financial year

Foreign Currency Non-Resident (FCNR) Account

- **No repatriation limits**

Form 15 CA

Form 15CA is a declaration Form NRIs must file through the Income Tax of India e-portal stating that the **taxes have been duly paid**, ensuring a smooth and legal transfer of funds.

Form 15 CB

Form 15 CB is a declaration signed by a Chartered Accountant when the **remittance amount exceeds INR 5 Lakhs per financial year** certifying that you have complied with the provisions of the Income Tax Act for the said transaction.

Suggested Read(s)

NRI Repatriation 101,

How To File Form 15 CA and Form 15 CB Online?

Applicability of Form 15CA/15CB depends upon the purpose of remittance as detailed below:

Purpose	Form 15CA/ CB
Purpose Form 15CA/ CB Remittance for family maintenance and savings (for funds transferred to own or close relative's account)	✗ Not Required
Indian portfolio investment overseas in Equity Shares/Debt instruments	✗ Not Required
Travel for education (including fees, hostel expenses etc.)/ Medical treatment/Pilgrimage/Business travel	✗ Not Required
Remittance towards personal gifts and donations to religious and charitable institutions overseas	✗ Not Required
Indian investment overseas in real estate (for purchase of immovable property overseas)	✗ Not Required
Remittance towards payment / refund of taxes	✗ Not Required
Education (university fee payment)/Medical treatment/ Overseas employment	✓ Required
Life insurance premium except term insurance	✓ Required

Suggested Read(s)

How does repatriation work?

11 Important Tips

- Double-**check your residency status**
- Ensure **all income sources** are declared
- Choose the **right ITR Form**
- File income tax return even if you have **no taxable income or if the total income is below the taxable threshold** set by the Government in India
- Don't forget to **file a return to claim refund**
- Download **capital gains statements** from brokers or AMC at the end of the financial year
- Adhere to **deadlines to avoid penalties**
- Every year **check your Annual Information Statement (AIS)**, issued from the Income Tax department. (Access the report by logging into the **IT Portal**)
- Seek **help of Tax experts** to file returns without any discrepancies

Suggested Read(s)

Common Mistakes NRIs Make While Filing India Taxes

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iNRI Tax Services

iNRI provides a comprehensive suite of services to help you navigate the complexities of managing your finances in India.



Tax Consultancy

Get expert advice to stay on top of NRI tax regulations.



Income Tax Return Filing

In India and your residence country.



Repatriation Assistance

Navigate tax implications when moving funds to/from India.



Real Estate Transactions

Help with buying, selling, or inheriting Indian property.



Inheritance Assistance

Expert help with managing taxes on inherited assets.

Limited Time Offer

India ITR Filing at just $1*



*Exclusively for iNRI gold members, offer valid till 31st July, 2025

- **File Income Tax Return in India** — Expert guidance and free consultation.
- **Claim TDS refund** — Claim refunds on excess TDS paid.
- **e-Filing** — File digitally without physical paperwork.

Click here to Hire iNRI Tax Expert

Credits

This guide has been a collaborative effort of our dedicated team who made it possible. Their expertise and hard work have been instrumental in bringing this project to life.

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Thank you for your unwavering commitment and exceptional contributions.

Our mission

Our mission is to empower the NRI community to invest in India with confidence, making it accessible, effortless and seamless.

Founder's message

"Navigating taxes in India, especially for NRIs, can be a complex and often daunting task. The ever-changing regulations and intricacies of tax laws can lead to confusion and even penalties. Having been an NRI myself, I've experienced this firsthand. This guide simplifies complex concepts and acts as a simplified source to navigate the taxes."



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