SATTREX CAPITAL

NRI WEALTH ADVISORY & CROSS-BORDER TAX PRACTICE

NRI Taxation & Investment Master Guide

Complete Advisory Handbook on Residential Status, Tax Obligations, Exemptions, DTAA, and Permitted Investment Portfolios

Navigating Indian Income Tax rules under the **Income Tax Act, 1961** and foreign exchange regulations under **FEMA** is vital for Non-Resident Indians (NRIs), Persons of Indian Origin (PIOs), and Overseas Citizens of India (OCIs). This comprehensive master guide outlines your tax liabilities, exemptions, deduction limits, and allowed investment vehicles in India.

MODULE 1: DETERMINATION OF RESIDENTIAL STATUS (SECTION 6)

Under Indian Income Tax law, your global income taxability depends strictly on your residential status for the specific financial year (April 1 to March 31):

RESIDENTIAL STATUS DECISION MATRIX

RESIDENT INDIAN	NON-RESIDENT INDIAN (NRI)	RETURNING NRI (RNOR)
Present in India ≥ 182 days OR ≥ 60 days in FY + 365 days in past 4 years.	Indian citizen/PIO staying overseas, present in India < 182 days in the FY.	NRI for 9 out of 10 prior FYs OR stayed ≤ 729 days in past 7 years.

COVID-19 Relief Provision (FY 2019-20 & Beyond): For individuals visiting India prior to March 22, 2020, who were unable to leave due to lockdowns, quarantine, or evacuation flights, forced stay days between March 22, 2020, and March 31, 2020, are excluded when calculating the 182-day residential threshold.

MODULE 2: INDIAN INCOME TAXABILITY & BANK ACCOUNT RULES

Income Category	Taxability Status in India	Tax Treatment & Exemption Rules
Foreign Income Earned Abroad	NOT TAXABLE	Salary and business profits earned outside India are 100% tax-free in India.
Interest on NRE Account	100% TAX-FREE	Interest earned on Non-Resident External (NRE) savings & FDs is fully exempt.
Interest on FCNR Account	100% TAX-FREE	Foreign Currency Non-Resident (FCNR) deposit interest is exempt from tax.
Interest on NRO Account	FULLY TAXABLE	Non-Resident Ordinary (NRO) interest is taxable at slab rates (Subject to 30% TDS).
Salary for Services in India	FULLY TAXABLE	Salary received or services rendered in India are taxed regardless of receipt location.
House Property Rent in India	TAXABLE IN INDIA	Taxable at slab rates after 30% standard deduction + municipal tax + home loan interest.

Case Study: Srishti (US Employment & NRO TDS Refund Claim)

Srishti lives and works in the USA. She left India on July 3, 2017, and returned on March 15, 2018 (stayed < 182 days in India). Her USA salary is non-taxable in India. Her only Indian income was ₹70,000 interest on her NRO account. The bank deducted 30% TDS (₹20,000). Since her total Indian income is below the basic exemption limit (₹2,50,000), her tax liability is ZERO. **Srishti must file an Indian Income Tax Return (ITR) to claim a full ₹20,000 refund of the deducted TDS.**

MODULE 3: RENTAL PAYMENTS, FORM 15CA/15CB & ADVANCE TAX

Mandatory Tenant TDS Compliance (Section 195): Any tenant renting a property from an NRI landlord MUST deduct 30% TDS (plus surcharge/cess) before remitting rent. **Example:** On a ₹30,000 monthly rent, the tenant must deduct ₹9,000 TDS and remit ₹21,000 to the NRI. The tenant must also issue Form 16A to the landlord.

Form 15CA and Form 15CB Protocol for Foreign Remittances

- **Remittance ≤ ₹5,00,000 in a Financial Year:** Only Form 15CA (Part A) needs to be submitted online. No CA certificate required.
- **Remittance > ₹5,00,000 in a Financial Year:** Requires Form 15CB (a certificate signed by a Chartered Accountant) AND Form 15CA (Part C).
- **Lower TDS Certificate (Section 197):** If an NRI's net Indian income is low, they can apply to the Assessing Officer (AO) under Section 197 for a Lower or NIL TDS Certificate.

Advance Tax Requirement: If an NRI's tax liability in India exceeds ₹10,000 in a financial year (after adjusting TDS), they must pay advance tax in 4 quarterly installments. Failure to do so attracts interest under Sections 234B and 234C.

MODULE 4: CAPITAL GAINS & SECTION 115F REINVESTMENT EXEMPTIONS

Asset Category	Holding Period (STCG vs. LTCG)	Long-Term Capital Gain Tax Rate	Special Reinvestment Exemption
Immovable Property (Real Estate)	> 24 Months = LTCG	20% (with TDS @ 20% + Cess)	**Section 54 / 54EC / 54F**
Listed Equity Shares / Mutual Funds	> 12 Months = LTCG	10% (Exceeding ₹1 Lakh)	Section 115F Reinvestment
Specified Foreign Currency Assets	Long-Term Transfer	20% (No Indexation/Sec 80)	**Section 115F Reinvestment**

Section 54EC Capital Gain Bond Rules: Capital gains from selling real estate can be exempt if reinvested in bonds issued by NHAI or REC within 6 months of sale. Maximum investment limit = **₹50 Lakhs**. Lock-in period = **5 years** (extended from 3 years effective FY 2018-19).

MODULE 5: SECTION 80 DEDUCTIONS — ALLOWED VS. PROHIBITED FOR NRIS

ALLOWED Deductions for NRIs	PROHIBITED Deductions for NRIs
Section 80C (Limit up to ₹1,50,000): • Life Insurance Premium (Self, Spouse, Children) • Children's Tuition Fees in Indian Institutions • Principal Repayment on Home Loan	**Strictly Disallowed under Section 80C:** • Opening NEW Public Provident Fund (PPF) Accounts • National Savings Certificates (NSC) • Post Office 5-Year Time Deposit Schemes • Senior Citizens Savings Scheme (SCSS)

ALLOWED Deductions for NRIs	PROHIBITED Deductions for NRIs
• Investments in ELSS Tax-Saver Mutual Funds • Unit-Linked Insurance Plans (ULIPs)	
Section 80D (Health Insurance Premium): • Up to ₹25,000 for Self/Family (₹50,000 if Senior Citizen) • Up to ₹50,000 for Senior Citizen Parents • Up to ₹5,000 for Preventive Health Checkups	**Disallowed Other Sections:** • Section 80DD (Maintenance of Disabled Dependent) • Section 80DDB (Medical Treatment of Dependent) • Section 80U (Taxpayer Self-Disability Deduction) • Section 80CCG (RGESS Equity Scheme)
Section 80E / 80G / 80TTA: • Sec 80E: Interest on Higher Education Loan (No cap) • Sec 80G: Donations to Charitable Trusts • Sec 80TTA: Savings Interest up to ₹10,000	--

MODULE 6: PERMITTED INVESTMENT PORTFOLIOS & PROHIBITED SECTORS

1. Permitted Investments for NRIs in India

- **Equity Shares & IPOs:** Primary market (IPOs) and secondary market stock trading on SEBI-registered exchanges.
- **Mutual Funds & PMS:** Equity, Debt, Hybrid MFs, and Portfolio Management Services.
- **Bonds & Government Securities:** Corporate bonds, Treasury bills, Sovereign Gold Bonds, and Capital Gain Bonds.
- **Alternative Investment Funds (AIFs):** Category I, II, and III AIFs.
- **Real Estate:** Residential and commercial properties (excluding agricultural land/farmhouses).

PIS Bank Account Rule: NRIs trading in secondary equity markets must open a **Portfolio Investment Scheme (PIS) Bank Account** with a designated bank. PIS is NOT required for Mutual Funds or IPO investments.

2. Strictly PROHIBITED Investment Sectors for NRIs

1. Lottery Business (including government/private lottery and online lotteries).
2. Gambling and betting, including casinos.
3. Chit Funds (except investments made on non-repatriation basis).
4. Nidhi Companies.
5. Trading in Transferable Development Rights (TDRs).
6. Real Estate Business or construction of farmhouses *(Development of townships and commercial premises is permitted)*.
7. Manufacturing of cigars, cheroots, cigarillos, and cigarettes/tobacco substitutes.
8. Sectors not open to private sector investment (e.g., Atomic Energy and Railway Operations).

MODULE 7: DOUBLE TAXATION AVOIDANCE AGREEMENTS (DTAA)

NRIs earning income in India often face taxation in both India (source state) and their country of residence. Under **DTAA treaties signed by India with over 85 countries**, double taxation is eliminated using two methods:

- **Tax Exemption Method:** Income is taxed in only one country and fully exempt in the other.
- **Tax Credit Method:** Income is taxed in both countries, but the resident country allows a tax credit for taxes paid in India.

EXECUTIVE SUMMARY FOR NRI CLIENTS:

Optimize Your Indian Wealth & Tax Returns with Sattrex Capital

Proper structuring of NRE/NRO accounts, utilization of Section 80C/80D deductions, DTAA tax credits, and PIS equity routing ensures maximum after-tax wealth accumulation while staying 100% compliant with Indian Income Tax and FEMA regulations.

Schedule a Cross-Border NRI Wealth & Tax Consultation

Let Sattrex Capital manage your Indian portfolio, property taxation, and ITR filings seamlessly.

Visit us online: **www.sattrexcapital.com**