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THE TIMES OF INDIA
Sun, Jan 08, 2012 | Updated 04:02PM IST

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TAX ON FOREIGN INCOME FOR NRI STARTING FY 2012 -13

Government of India today announced imposition of a flat 30% tax on all NRIs over their world-wide income. Additionally 10 % surcharge has been included to take care of the Pension & Life Insurance has announced by overseas Indian affairs minister Vayalar Ravi in Jaipur yesterday on the occasion of 10th annual diaspora meet, the Pravasi Bhartiya Divas.. No double taxation benefits would be available for this tax, meaning even if you are paying tax on your income in a country with which India has double taxation agreement, the benefit would not be allowed against this tax. All those Indians who are holding Indian Passports and have been out of the country for more than 180 days during the year are under this requirement. Income proof shall be ascertained on the basis of employer certificates (which have to be submitted while opening the bank account in India), monthly salary slips from the employer and the money receipts from the receiving banks in India on money transfers through exchanges. Indian government is also coordinating with Australia, Europe, America, UAE, other GCC countries and other countries on collecting income data for its citizens as part of data sharing initiative on terror prevention measures.

This has been hailed as bringing in compulsory participation in development of India from Non-resident Indians. This means NRIs can no more just continue to retain their Indian citizenship without paying taxes in India. Though it may not be favorable in view of the NRIs who already bring substantial forex in form of remittances and investments. This is bound to cause a lot of heart burn for the Indian community residing outside.

This is expected to generate ~70 Billion INR tax collection for the government in the year 2012-13. For more information on this rule, tax filings and forms visit http://www.incometaxindia.gov.in/