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RNOR status although FCNR FD interest income is tax free when one is RNOR.

In case of countries with which India has double taxation avoidance agreement (DTAA), tax credit can be claimed in India for taxes paid on income abroad. It may also be prudent to use the services of a tax advisor qualified to understand DTAA be-

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tween the geographies concerned.

■ **Buffer corpus planning for the interim period:** As returning Indians may have spent limited time in India, there would be a need to estimate the correct cost of living in India now. As many returning Indians may remember India of a few years earlier, the cost estimates may be off. Planning a buffer corpus for three to six months of living expenses, would smoothen the shifting and settling down process and may help tide over some extra expenses that may come up during relocation.

■ **Relocation means reworking your financial plan:** As relocation involves many changes to existing finances including income, expenses, assets and liabilities, goal costs etc. naturally therefore a relook at the overall financial plan is essential. Use the services of a financial planner who understands your goals and can guide you in the new geography.

Overall the returning Indian has a lot to look forward to once in India and the process of relocation can be made smoother by better planning and thinking ahead.

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resident in India for nine out of the 10 previous tax years, or he has lived in India for less than or equal to 729 days in the previous 7 tax years. Accordingly he will be considered RNOR and his income in India will be taxed but not his global income.

Only after he has completed two years on his return his status will change to resident and ordinarily resident (ROR). Once the status becomes ROR, his global income will also be taxable in India.

■ **Bank Accounts and what to do with them:** Secondly, returning Indians need to make a laundry list of all accounts they may own overseas as well as in India. The Reserve Bank of India allows NRIs to hold four types of accounts: foreign currency non-resident (FCNR) account, non-resident external (NRE) account and non-resident ordinary (NRO) account and Resident Foreign Currency (RFC) ac-

Returning Indians – THINGS TO DO TO SIMPLIFY FINANCES

SHALINI DHAWAN gives some personal finance planning tips.

count.

■ **What happens to the existing bank accounts?**

NRE and NRO savings accounts: These need to be re-designated as resident accounts on return to India. Funds held in NRE accounts may be transferred to the RFC account (depending on whether the NRI is eligible for maintaining RFC account).

■ **NRE and FCNR FDs:** These can be changed to RFC (resident foreign currency) account on maturity.

■ **Overseas accounts:** These may need to be closed, which means that some pre planning is required as the closing of accounts may require your physical presence in that geography. Overseas accounts need to be reported in tax filings once you are a ROR, so consolidation of accounts may be a

simpler solution.

■ **Assets and next steps:** Listing all assets owned by all family member allows the returning Indian family to plan ahead about the next action on these assets, especially the ones held overseas. Real estate assets held overseas in particular may need some planning as managing them from India may require time and efforts beyond the return potential they have.

There would therefore be need of a decision about whether the assets held overseas will be held as is or not, accordingly action may be needed to maintain or exit overseas assets. While deciding about assets, taxation and reporting of assets in your tax filing each year would also be important items to consider.

■ **Income and associated tax:** As mentioned earlier, depending on the tax status, income both local and global, could be subject to tax in India. On returning to India, the NRE/FCNR FD interest rate continues to be the same till maturity, it is best to double check the same with the bank. The interest income becomes taxable when a NRI becomes a resident. NRE FD interest income is taxable even when one is



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