

# Returning Indians should plan finances meticulously

## PERSONAL FINANCES

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Over the past few years, the number of Indians returning from other countries has gone up. A portion of the Indian diaspora, which left the country for better opportunities across the world, seems to be coming back to rebuild its future in India. They are coming back from all over the globe, from families that wanted to live the American dream or skilled professionals who spent a few years in West Asia or southeast Asia.

However, in terms of financial planning, there are a number of things that they need to keep in mind.

**Plan finances in advance:** While most of them give considerable thought to their children's schooling, which part of the city they will stay in or their own and their spouse's careers, often finances do not get due consideration.

For example, a large number of returning Indians continue to maintain multiple bank and securities accounts overseas. This can be a big challenge after coming back to India, especially if they are coming back from countries where it is difficult to close accounts unless you visit in person. While one is allowed to hold foreign bank and securities accounts even after becoming a resident Indian, reporting of these accounts can be challenging, especially as Indian tax authorities have now become very strict about reporting of foreign assets for Indian residents.

**Understand correct tax status:** On returning to India, a person from being a non-resident becomes either a resident or gets a special status, i.e., resident but not ordinarily resident (RNOR) for a short period of time. To be a person who is an RNOR, one of the two conditions must be met: the person should have been a non-resident in nine out of previous 10 years preceding the year of return, or should have been in India for a period of 729 days or less during the seven previous years preceding that year. The rationale

to have a correct understanding of the tax status is that the RNOR status provides a period for which a returning Indian would be treated on par with non-resident Indians, as a result of which global income will not be taxed in India. This can be very useful for assets that could be held overseas such as interest earned on foreign securities, or withdrawals from retirement accounts such as 401Ks for people coming back from the US.

**Seek help of a tax adviser:** A person who moved back to India a few years ago continued to hold a piece of real estate in Dubai which was rented out. Dubai does not have any tax on rental

income and he was unaware about declaring this rental income in India. Since India taxes global income for its residents, he needed to pay taxes on the rental income in India. In the case of certain countries, there are double tax avoidance agreements (DTAA), which allow a person to take credit for taxes paid in one geography against taxes due in another. Seek the services of a tax specialist who understands the DTAA between two countries, so that taxes are correctly paid in both jurisdictions.

**Buy medical insurance in India:** Health insurance covers globally can be fairly expensive, and a number of people have health covers provided by their employers when they were overseas. When they move back to India, they could be without an independent health cover for their families. In addition, even if they choose to buy a health cover as soon as they come to India, there could be certain pre-existing illnesses that remain uncovered for a certain waiting period. Thus, people planning to come back to India should try to buy a health cover well in advance.

**Evaluate the benefits of holding a permanent resident equivalent status:** It is quite common for returning Indians to hold on to their permanent resident status even after coming back to India as it gives them certain benefits. For US green card holders, for example, there is an advantage of state tuition fees if their children choose to go back to study in the US. However, as a green card holder, there are taxation and reporting implications for all foreign assets, which could outweigh the benefits of holding the green card for a set of people. So, it is indeed critical to evaluate the pros and cons of holding on to a permanent resident status.

**Estimate the cost of living:** For people who moved overseas a few years ago, when costs in India were significantly lower, there is a tendency to underestimate the cost of living when they move back. Seek the help of a financial planner who can guide for a better estimation of the costs of living today, as well as those expected in the future.

I'm sure returning back to India will be an emotional journey, and the adjustment process can be a roller coaster ride. But in the process, don't forget personal finances.

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