

NRI's liable to file tax returns too in India

From the perspective of tax liability, under the Income Tax Act, an individual is considered to be a resident of India if he meets either of these conditions - he should be present in India physically for 182 days or more in a tax year (April 1 to March 31), or for 60 days in a tax year and 365 days or more in the preceding four tax years.

The period of 60 days will be extended to 182 days if the individual is an Indian citizen who left India during a tax year for employment abroad or as a member of the crew of an Indian ship, or is a person of Indian origin and comes to India on a visit. A person is deemed to be of Indian origin if he or either of his parents or any of his grandparents were born in India.

If neither of these conditions are met, the individual is classified as a non-resident. A NRI may be required to file income tax returns in India under certain situations. It depends on whether the income earned by the individual is taxable in India. In case of a NRI, income received in India and income that accrues in India are taxable here.

Just like residents, NRIs are also required to file income tax returns in India, in case the local income exceeds the basic exemption limits. In case the income consists only of returns from investments or longterm capital gains and the applicable tax has been withheld on the income, the NRI is not required to file income tax returns.

To file the returns, a NRI will need a PAN. The PAN needs to be quoted in all correspondences with the tax authorities, including income tax returns. Based on the nature of income, the appropriate income tax returns form needs to be filled. The income tax returns can be filed either in physical form or electronically through the website of the Income Tax Department.

In case a NRI chooses to file the returns physically, he must fill the relevant ITR form and submit it along with the acknowledgment (ITR V) to the income tax office concerned, signed and verified. If the individual is not present in India, the income tax returns and acknowledgement should be signed by a person authorised by him and holding a valid power of attorney.

In case of electronic filing, the NRI is required to fill in the necessary details and validate the ITR form. Upon validation, a XML file is generated, which is uploaded on the website with a digital signature. The digital signature is required to be obtained separately from the specified authorities. However, if the XML file is uploaded without a digital signature, the individual is required to print the acknowledgement and submit it through ordinary post to the Centralised Processing Centre (CPC).

Not filing income tax returns will result in interest and penalty. In case there are any losses to be carried forward, the returns need to be filed. Without filing the returns, the losses cannot be carried forward for set-off against subsequent years' incomes.

India has signed double taxation avoidance agreements with most countries which can be referred to in order to avoid double taxation of income in both countries.

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