

**BUDGET HIGHLIGHTS FOR NON RESIDENT INDIANS**  
**(The Finance Bill, 2010 as introduced by the Finance Minister of**  
**India on 26<sup>th</sup> Feb, 2010.)**

**I. Tax Rates**

**1. Income Tax Rates for Individuals \*\*:**

<b>Proposed Rates for financial year April 2010 to March 2011</b>	
<b>Individual Income</b>	<b>Rate</b>
Upto Rs.1, 60,000/-	Nil*
Rs. 1,60,000/- to Rs.5,00,000/-	10% of the amount by which the income exceeds Rs. 1,60,000/-
Rs. 5,00,000/- to Rs. 8,00,000/-	34, 000/- plus 20% of the amount by which the income exceeds Rs.5,00,000/-
Above Rs.8, 00,000/-	94,000/- plus 30 % of the amount by which income exceeds Rs.8,00,000/-
*If NRI is having only Short Term Capital Gain in Equity shares (on which STT is paid), there is no benefit of basic exemption available. In such case flat rate of Tax @ 15.45% is applicable.	

**\*\* Other than Resident Senior Citizen and Resident Women.**

## **2. Tax Deducted At Source:**

There is no change in the basic TDS Rates which are as follows:-

<b>Rates For TDS</b>	<b>Rate of Income Tax (IT)</b>	<b>CESS &amp; SHEC on IT</b>	<b>Effective Tax Rate</b>
<i>1) Capital Gains on Equity oriented Mutual fund Units and Equity Shares sold on Recognized Stock Exchange:</i>			
i)Short Term	15%	3%	15.45%
ii)Long Term	NIL	NIL	NIL
<i>2) Capital Gain on Mutual Fund and listed securities other than (1) above</i>			
i)Short Term	30%	3%	30.90%
ii)Long Term	10%	3%	10.30%
<i>3. Capital gain on Other Assets</i>			
i)Short Term	30%	3%	30.90%
ii)Long Term	20%	3%	20.60%
4. Interest on Bank Deposits(NRO A/c)	30%	3%	30.90%
5) Income From Rent	30%	3%	30.90%

## **II. Deductions :-**

1. Deduction u/s 80CCF of Rs 20, 000 will be allowed from income of individuals and HUF for investment in Long term infrastructure bonds notified by Central Government.

**III. Due to the downward revision of tax rates, the tax liability of Individuals is reduced, which shall result in increase in refund of TDS.**

<b>*Taxable income (Rs)</b>	<b>TDS @ 30.90% (Rs)</b>	<b>Tax - before budget (Rs)</b>	<b>Refunds before budget (Rs)</b>	<b>Tax after budget (Rs)</b>	<b>Refunds after budget (Rs)</b>	<b>Increase in Refunds (Rs)</b>
200000	61800	4120	57680	4120	57680	0
500000	154500	55620	98880	35020	119480	20600
1000000	390000	210120	98880	158620	150380	51500
1200000	370800	271920	98880	220420	150380	51500
1500000	463500	364620	98880	313120	150380	51500
2000000	618000	519120	98880	467620	141280	42400
2500000	772500	673620	98880	622120	150380	51500

\* The provision is not applicable for short term capital gains which shall be charged at flat rate of 15.45%.

**IV. SPECIFIC PROVISIONS:**

**1. Higher TDS for not quoting PAN**

Quoting of Permanent Account Number is now made mandatory from 1<sup>st</sup> April 2010.

Any Non Resident if he does not submit his PAN to the deductor of TDS, the deductor shall deduct tax at the higher of the following rates, namely:-

- (i) at the rate specified in the relevant provision of this Act; or
- (ii) at the rate or rates in force; or
- (iii) at the rate of twenty per cent.

**Example:**

<b>Nature of Income</b>	<b>TDS Rate if PAN is available</b>	<b>TDS Rate if PAN is not available</b>
Long Term Capital Gains on sale of securities	NIL	20%
Short Term Capital Gains	15.45%	20%
Any other income where TDS Rate is Lower than 20%	Rate lower than 20%	20%

In the above case, the non resident may avail the refund of the excess tax deducted at source by Filing Return of Income in India. However for filing Return of Income in India, PAN is **MANDATORY**.

**2. GIFT –EXISTING AND REVISED PROVISION**

The NRI's should know that if he/she receives any sum of money or any kind of assets, (immovable property, jewellery, shares, etc.) from anyone (other than the specified relatives or under WILL) as gift, Such receipts of sum of money or assets shall be treated as income chargeable to tax.

This provision shall also apply to a Partnership Firm or a company in respect of receipt of shares of a company (not a company in which the public are substantially interested).

**NOTE:**

Technically, the above proposals are effective only after The Finance Bill, 2010 is passed by the Indian Parliament and assented by the President of India.

Once this procedure is completed, the proposals shall be effective w.e.f.1st April 2010 (except otherwise stated) i.e. for Financial Year: 2010-2011 and Assessment Year: 2011-2012).

**DISCLAIMER:**

This document should not be considered as substitute for specialized professional advice and expert guidance may be sought before acting upon.