KPMG

Taxation of international executives: India

August 2026

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01

Overview and Introduction

1 Overview and Introduction

Taxation varies based on the residential status of the individual in a Tax Year (TY). Individuals can be classified as Resident and Ordinarily Resident (ROR), Not Ordinarily Resident (NOR), or Non-Resident (NR) in a particular Tax Year.

RORs are taxed on worldwide income and are required to report their global assets in the India tax returns. NRs and NORs are taxed only on income received, accrued, or deemed to accrue or be received in India. NORs are also taxed on income derived from a business controlled or a profession set up in India. Consequently, their income accruing outside India or received outside India is not taxable in India, unless the same is received directly in India.

Salary for services rendered in India is deemed to accrue in India and hence, taxable in India for all individuals, irrespective of the place of payment, subject to benefits available under the Indian domestic tax law or the double taxation avoidance agreement India has entered with respective countries/jurisdictions. The leave period before or after services rendered in India and which forms part of the employment contract is deemed to have been earned for services rendered in India.

The official Indian currency is the Indian Rupee (INR).

Herein, the host country / jurisdiction refers to the country / jurisdiction to which the employee is assigned. The home country/jurisdiction refers to the country / jurisdiction where the assignee lives when they are not on assignment.

02

Income tax

2 Income Tax

2.1 Tax returns and compliance

When are tax returns due? That is, what is the tax return due date?

An individual's tax return must be filed by 31 July immediately following the end of the Tax Year. An individual, whose total income includes business income and where the accounts are required to be audited, has to file the return by 31 October following the Tax Year.

There is no concept of extended return in India. However, belated return (i.e., after due date) can be filed. Belated tax return can be filed at any time within nine months from the end of the relevant tax year, or before the completion of the assessment, whichever is earlier**..**Where a taxpayer files a return after the due date, interest is levied at 1 percent per month (or part thereof) for each month of delay on the balance tax payable. Further, where a person fails to file India Tax Return within the time prescribed, late filing fees of INR 5,000 will be charged if the return is furnished on or before 31 December*

*Further, if the total income of the person does not exceed INR 500,000, the fee payable for late filing of India Tax Return shall not exceed INR 1,000

What is a TaxYear?

The TY means the twelve months period of the financial year commencing on the 1st April. The Income Tax Act, 2025 replaces the earlier dual system of Financial Year and Assessment Year simplifying the tax compliance.

What are the compliance requirements for tax returns in India?

An individual is required to obtain a registration with the tax authorities [i.e., a Permanent Account Number (PAN)]. PAN is a unique ten-digit identification number given by the Indian tax authorities. PAN is required to be quoted on all the correspondence with the tax authorities.

As per the domestic tax law in India, every individual is required to file India tax return for the respective financial year with the Indian-tax authorities by 31 July following the Tax year end if:

- His/her income chargeable to tax in India, without giving effect to exemption claimed upon sale of a Capital Asset, exceeds basic exemption limit (i.e., INR 250,000 under the old Regime and INR 4,00,000 under the new Regime); or
- The individual has deposited an amount or aggregate of the amounts exceeding INR 10 million in one or more current accounts maintained with a banking company or a co-operative bank; or
- Expenditure has been incurred by the taxpayer of an amount or aggregate of the amounts exceeding INR 200,000 for self or any other person for travel to a foreign country/jurisdiction; or
- Expenditure has been incurred by the taxpayer of an amount or aggregate of the amounts exceeding INR 100,000 towards consumption of electricity; or
- The total sales, turnover or gross receipts, in the business exceeds INR 6 Million during the relevant TY; or
- The total gross receipts in profession exceeds INR 1 Million during the relevant TY; or
- The aggregate of tax deducted at source and tax collected during the TY is:
  - INR 50,000 or more in the case of an individual resident in India who is of the age of sixty years or more;
  - INR 25,000 or more in other cases; or

- deposit in one or more savings bank account of the person, in aggregate, is INR 5 Million or more during the Tax year
- He/she qualifies as Ordinary Resident of India and
  - Holds, as a beneficial owner or otherwise, any asset (including any financial interest in any entity) located outside India; or
  - Has signing authority in any account located outside India; or
  - Is a beneficiary of any asset (including any financial interest in any entity) located outside India.

In order to provide relief to senior citizens who are of the age of 75 years or above and to reduce compliance burden for them, relaxation has been provided from filing the return of income, if the following conditions are satisfied:

- The senior citizen is resident in India and of the age of 75 or more during the previous year;
- The senior citizen has pension income and no other income. However, in addition to such pension income, the individual may also have interest income from the same bank in which he is receiving his pension income;
- This bank is a specified bank as notified by the Government; and
- The senior citizen shall be required to furnish a declaration to the specified bank.
- The declaration shall be containing such particulars, in such form and verified in such manner, as prescribed.

Once the declaration is furnished, the specified bank would be required to compute the income of such senior citizen after giving effect to the deduction allowable under Chapter VIII and rebate allowable under section 156 of the Income-tax Act, 2025 ("the Act"), for the relevant tax year and deduct income tax on the basis of rates in force. Once this is done, there will not be any requirement of furnishing return of income by such senior citizen for this tax year.

Further, for an individual of age 80 years or older at any time during the tax year, and who furnishes the India tax return in ITR 1 or ITR 4, it is not mandatory for the individual to e-file the return of income i.e., a paper return can be filed. For all other cases, e-filing of India tax return is mandatory.

To promote voluntary tax compliance and reduce litigation, a taxpayer will have an option to file an updated return disclosing additional income within 36 months from the end of the relevant TY (subject to certain conditions viz., such return cannot result in a loss/ reduction of income/ increase in refund, such return cannot be filed if assessment/ audit is initiated or completed, etc.).The taxpayer will be required to pay additional tax of 25 percent (on aggregate of incremental tax and incremental interest) to be paid if such return filed within two years from end of TY. Additional tax is 50 percent in other cases.

As per the Finance Act, 2025, time limit to file an updated tax return has been extended to 48 months from erstwhile 24 months. In such cases, taxpayer is required to pay additional tax of 60 percent and 70 percent respectively (on aggregate of incremental tax and interest) if such return is filed after expiry of 24 months and 36 months from end of Tax Year (TY) respectively. It may further be noted that obtaining and quoting Aadhaar is mandatory for an individual. However, the said requirement shall not apply to an individual who does not possess the Aadhaar or the Enrolment ID and is:

- Residing in the States of Assam, Jammu and Kashmir and Meghalaya.
- A non-resident as per the Act.
- Of the age of 80 years or older at any time during the previous year.
- Not a citizen of India.

Tax is required to be withheld at source on salaries, professional fees, rent, interest, dividends, etc. at the time such income is credited to the account of the payee or at the time of payment, whichever is earlier. In

case the amount of tax withheld at source is short of the actual tax liability, an individual is liable to pay advance/self - assessment tax.

Advance tax is payable by the taxpayer during the TY if the estimated taxes (net of taxes withheld at source) exceed INR 10,000. Advance tax payable is the tax on estimated income of the TY, reduced by tax withheld at source. Advance tax is payable in four instalments by individuals as follows:

- 15 percent is payable by 15 June of the TY
- 45 percent is payable by 15 September of the TY
- 75 percent is payable by 15 December of the TY
- 100 percent by 15 March of the TY.

It may be noted that advance tax on Capital Gains and Dividend income are required to be deposited once the same is earned in accordance with the above referred timelines.

In case of default in payment of advance tax, interest is levied on the shortfall of advance tax and the deferment of advance tax at the rate of 1 percent for every month or part thereof, during which the default occurs. Such interest is payable before filing of the tax return.

In case of default in filing of a tax return, interest is levied on the amount of unpaid tax at the rate of 1 percent for every month or part thereof for the period during which the default continues and is payable along with the self-assessment tax before filing of the tax return, if any.

Further, a resident senior citizen (i.e., 60 years and older), not having any income from a business or profession, shall not be liable to pay advance tax.

2.2 Tax rates

What are the current income tax rates for residents and non-residents in India?

Tax rates for individuals are common for all, irrespective of their residential status. The income tax rates for Tax year 2026-27 are as follows:

Income tax rates for the TY 2026-27

Old Tax Regime (Optional):

From (INR)	To (INR)	Basic Tax (INR)	% on Excess
0	250,000*	0	0%
250,001**	500,000	0	5%
500,001	10,00,000	12,500	20%
Above 10,00,000	-	112,500	30%

*300,000 in case of a resident individual of the age of 60 years or older but under 80 years.
** 300,001 in case of a resident individual of the age of 60 years or older but under 80 years.
*500,000 in case of a resident individual of the age of 80 years or older.
**500,001 in case of a resident individual of the age of 80 years or older.

- For resident individuals with taxable income of INR 500,000 or below, a rebate of 100 per cent of such income tax or INR 12,500, whichever is less shall be allowed.

- Surcharge for individuals at 10 percent on total income tax, if total taxable income is between INR 5,000,001 to INR 10,000,000. Marginal Relief is available.
- Surcharge for individuals is applicable at 15 percent on total income tax, if total taxable income is between INR 10,000,001 to INR 20,000,000. Marginal Relief is available.
- Surcharge for individuals is applicable at 25 percent on total income tax, if total taxable income is between INR 20,000,001 to INR 50,000,000. Marginal Relief is available.
- Surcharge for individuals is applicable at 37 percent on total income tax, if total taxable income exceeds INR 50,000,000. Marginal Relief is available.
- Health and Education cess is applicable at 4 percent on total income tax (inclusive of surcharge, if any).

Note: There are certain prescribed incomes (i.e., Capital Gains taxable under section 196, 198 and Dividend income from shares of a Company) which are taxable at special rate of taxes. Also, for certain incomes, surcharge is capped at 15 percent, even in case where the income exceeds INR 20,000,000.

New Tax Regime:**

The Finance Act 2025 has amended the provisions of Section 202 w.e.f TY 2023-24 to make new tax regime (subject to the prescribed conditions**) as the default tax regime for the Individual assessee. However, the eligible taxpayers have the option to opt out of new tax regime and choose to be taxed under old tax regime.

From (INR)	To (INR)	Basic Tax (INR)	% on Excess
0	400,000	0	0%
400,001	800,000	20,000	5%
800,001	12,00,000	40,000	10%
12,00,001	16,00,000	60,000	15%
16,00,001	20,00,000	80,000	20%
20,00,001	24,00,000	1,00,000	25%
Above 24,00,000			30%

- For resident individuals with taxable income of INR 12,00,000 or below, a rebate of 100 per cent of such income tax or INR 60,000, whichever is less shall be allowed. Marginal Relief is available.
- The standard deduction for salaried employee is INR 75,000 under new tax regime.
- Surcharge for individuals at 10 percent on total income tax, if total taxable income is between INR 5,000,001 to INR 10,000,000. Marginal Relief is available.
- Surcharge for individuals is applicable at 15 percent on total income tax, if total taxable income is between INR 10,000,001 to INR 20,000,000. Marginal Relief is available.
- Surcharge for individuals is applicable at 25 percent on total income tax, if total taxable income exceeds INR 20,000,000. Marginal Relief is available.
- Health and Education cess is applicable at 4 percent on total income tax (inclusive of surcharge, if any).

Note: There are certain prescribed incomes (i.e., Capital Gains taxable under section 196, 198 and Dividend income from shares of a Company) which are taxable at special rate of taxes. Also, for certain incomes, surcharge is capped at 15 percent, even in case where the income exceeds INR 20,000,000.

**Conditions under the New Tax Regime

The choice of the New Tax Regime, albeit, comes with a few pre-requisite conditions such as:

Foregoing prescribed exemptions:

- Leave travel concession [Schedule III of the Act]
- House rent allowance [Schedule III) of the Act]
- Allowances prescribed under Schedule III of the Act, which illustratively includes Children Education Allowance, Children hostel Allowance, etc. However, the following list of allowances (being indicative) continue to be exempted, subject to conditions and notification in Rules:
  - Transport Allowance granted to specified employee to meet expenditure for the purpose of commuting between place of residence and place of duty
  - Conveyance Allowance granted to meet the expenditure on conveyance in performance of duties of an office
  - Any Allowance granted to meet the cost of travel on tour or on transfer
  - Daily Allowance to meet the ordinary daily charges incurred by an employee on account of absence from their normal place of duty
- Allowance for income of minor [Schedule III of the Act];
- Exemption such as towards free food and beverage through vouchers provided to the employee.

Foregoing prescribed deductions:

- Deduction for entertainment allowance and employment/professional tax [section 19 of the Act]
- Interest under section 22 of the Act in respect of self-occupied or vacant property referred to in section 21(6) of the Act
- Loss under the head income from house property for rented house shall not be allowed to be set off under any other head and would be allowed to be carried forward as per extant law
- Deduction from family pension [section 93(d) of the Act]
- Specified deductions under chapter VIII of the Act (such as section 123, section 126, Section 133, 153 etc.) except deduction on account of employer's contribution toward new pension scheme [section 124 (1) of the Act]

Apart from the above-mentioned employee specific exemptions / deductions which are not available under the new Tax regime, following are other prescribed exemptions / deductions which are not available under the new Tax regime:

- Exemptions under Schedule III [i.e., exemption for specified members of government authorities], Section 144 [i.e., exemption available to newly established Units in Special Economic Zones] are not available.
- Few prescribed deductions from the income under the head business and profession shall not be available.
- Any Deductions under chapter VIII of the Act except for deduction under section 124 (1) and 145 shall not be available.
- Certain prescribed set off of loss are not permissible.

The option to choose the regime can be exercised every year, if the individual does not have business income and the return of income is filed within the due date. In case of individual having business income, option once exercised would be applicable for all subsequent years (with a one- time option to change), except where such person ceases to have any business income.

Subsection (6) of Section 202 of the Act read along with Rule 21AG requires filing of Form 10-IEA while exercising/ opting for section 202 tax rate. As per the specified Form 10-IEA, the same is required to be filed for taxpayer who choose to file their tax return under old tax regime and falling u/s 202(6)(i) i.e., the same is applicable only where individual has income under the head business and profession.

An employee may, for the purpose of tax withholding on salary income, intimate the employer to withhold tax as per the Old Tax Regime. Once opted, the employee will not be permitted to change the option during that particular financial year. The employee may, subsequently, select either of the two regimes, while preparing and filing their personal tax return, notwithstanding the choice intimated to the employer.

Changes for Tax Year 2026-27

The Union Budget was announced on 1 February 2026. Amendments for TY 2026-27 are as below:

- The following key changes have been brought under the new tax regime:
  - Tax slabs have been revised as under:

Taxable income (INR)	Proposed new regime (per cent)
Up to 400,000	Nil
400,001 to 800,000	5
800,001 to 1,200,000	10
1,200,001 to 1,600,000	15
1,600,001 to 2,000,000	20
2,000,001 to 2,400,000	25
Above 2,400,000	30

  - Income threshold for eligibility of rebate has been enhanced from INR 7,00,000 to INR 12,00,000 (excluding income taxable at special rates e.g. capital gains, etc.); and
- Income slabs and tax rates remain unchanged under the optional old tax regime.
- Time limit to file an updated tax return has been extended to 48 months from erstwhile 24 months. In such cases, taxpayer is required to pay additional tax of 60 percent and 70 percent respectively (on aggregate of incremental tax and interest) if such return is filed after expiry of 24 months and 36 months from end of Tax Year (TY) respectively. The proposed amendment is applicable from TY 2026-27, hence relevant for tax returns for TY 2021-22 onwards.

These changes would apply from 1 April 2026 (unless specified otherwise).

2.3 Residence rules

For the purposes of taxation, how is an individual defined as a resident of India?

Tax Residential status for aTax Year shall be determined as follows:

An individual is taxed in India, based on their residential status under the Act. Residential status as per the Act is determined, inter alia, based on the number of days of physical presence of the individual in India during the TY. Please note that part of a day, date of arrival/ departure from India are considered as full day of presence in India. The principles governing the determination of residential status are laid down in Section 6 of the Act.

As per the Act, an individual is said to be 'Resident' in India in anyTY if they satisfy either of the following conditions:

- He is present in India in that fiscal year for a period of 182 days or more; or
- He is present in India for a period of 60 days* or more during the TY and a total of 365 days or more during the four TYs immediately preceding the relevant TY.
- *The period of 60 days stands gets extended to 182 days / 120 days in the following cases:
- For a citizen of India who leaves India for the purposes of employment outside India or as a member of the crew of a prescribed Indian ship, in the year of departure, the 60 days condition is replaced with 182 days;
- For a citizen of India or a person of Indian origin who being outside India, comes on a visit to India in any Tax Year and their income, other than income from foreign sources, does not exceed INR1.5 million the 60 days condition is replaced with 182 days;
- For a citizen of India or a person of Indian origin who being outside India, comes on a visit to India in any Tax Year and their income, other than income from foreign sources, exceeds INR1.5 million the 60 days condition is replaced with 120 days.

If none of the above conditions are satisfied, the individual will qualify as a NR of India for that TY, unless they qualify as a Resident based on the deemed residency clause as mentioned below.

Deemed Resident

An individual, being a citizen of India, shall be deemed to be resident in India in any Tax Year, if they are not liable to tax in any other country/jurisdiction by reason of their domicile or residence or any other criteria of similar nature and their income, other than income from foreign sources, exceeds INR1.5 million.

A Resident individual could be ROR in India or NOR in India as per the Act as explained below:

If the individual qualifies as a resident only based on the deemed residency clause or based on the reduced stay of 120 days or more as explained in the above paragraphs, and does not satisfy any other basic condition, they will qualify as a NOR.

In other cases, the individual will qualify as a ROR, if both the following additional conditions are satisfied:

- They have been "resident" in India in at least two out of the ten Tax Years immediately preceding the relevant Tax Year; and
- Their stay in India during the seven preceding Tax Years immediately preceding the relevant Tax Year is more than 729 days.

If they do not satisfy either one or both the above-mentioned additional conditions, they would qualify as a NOR.

Is there, a de minimis number of days rule when it comes to residency start and end date? For example, a taxpayer can't come back to the host country / jurisdiction for more than 10 days after their assignment is over and they repatriate.

There is no de minimis number of days rule in respect of residency start/end date. The expatriate can freely move in and outside India provided they hold a valid visa.

What if the assignee enters the country/jurisdiction before their assignment begins?

In India, the residential status is determined based on the individual's total physical stay in India during the relevant Tax Year. Accordingly, the days spent in India prior to start of the assignment (irrespective of purpose of stay) are considered for determining the residential status of the individual in India.

2.4 Termination of residence

Are there any tax compliance requirements when leaving India?

Subject to notified exceptions, every person who is not domiciled in India; who visits India in connection with business, profession, or employment and who derives income from any source in India, is required to, prior to their departure, obtain a no objection certificate from the tax authorities about their departure in Form 154 along with other relevant documents.

Further, every person who is domiciled in India, at the time of their departure from India, shall furnish Form 156 to the income tax authorities, which shall inter-alia, include the following:

- Their PAN
- Purpose of their visit outside India
- The estimated period of their stay outside India.

What if the assignee comes back for a trip after residency has terminated?

In India, there is no concept of termination of residency.

The residential status is determined each year based on the total physical stay of the individual in the concerned Tax Year. This is irrespective of the purpose of stay of the individual in India. Also, there is no concept of part/split residency in India under the domestic tax law of India.

Communication between immigration and taxation authorities

Do the immigration authorities in India provide information to the local taxation authorities regarding when a person enters or leaves India?

There is no formal system under which immigration authorities in India provide information to local taxation authorities. However, recently tax authorities have started requesting such details from the immigration authorities on a regular basis.

Further, since local taxation authorities and immigration authorities are moving towards online process, same may be integrated in due course of time

Filing requirements

Will an assignee have a filing requirement in the host country/jurisdiction after they leave the country/jurisdiction and repatriate?

As per the domestic tax law in India, every individual is required to file India tax return for the respective tax year with the Indian-tax authorities by 31 July following the tax year end if:

- His/her income chargeable to tax in India, without giving effect to exemption claimed upon sale of a Capital Asset, exceeds basic exemption limit (i.e., INR 250,000 under old regime and INR 4,00,000 in new regime); or
- He/She has deposited an amount or aggregate of the amounts exceeding one crore rupees in one or more current accounts maintained with a banking company or a co-operative bank; or
- Expenditure has been incurred by the taxpayer of an amount or aggregate of the amounts exceeding INR200,000 for self or any other person for travel to a foreign country/jurisdiction; or
- Expenditure has been incurred by the taxpayer of an amount or aggregate of the amounts exceeding INR100,000 towards consumption of electricity; or
- He/she qualifies as Ordinary Resident of India and
  - holds, as a beneficial owner or otherwise, any asset (including any financial interest in any entity) located outside India; or
  - has signing authority in any account located outside India; or
  - is a beneficiary of any asset (including any financial interest in any entity) located outside India except where any income arising from such asset is includible in the income of person in the above given condition.

2.5 Economic employer approach

Do the taxation authorities in India adopt the economic employer approach to interpreting Article 15 of the Organisation for Economic Co-operation and Development (OECD) treaty? If no, are the taxation authorities in India considering the adoption of this interpretation of economic employer in the future?

There are no defined rules in this respect. However, OECD commentary is commonly referred by tax authorities while interpreting the treaty provisions.

De minimus number of days

Are there a de minimus number of days before the local taxation authorities will apply the economic employer approach? If yes, what is the de minimus number of days?

There are no de minimus number of days for applying the economic employer approach.

2.6 Types of taxable compensation

What categories are subject to income tax in general situations?

In general, income from employment includes all compensation, in-cash or in-kind, which is due to or received by an employee in a Tax Year. Taxable compensation includes the following:

- Salary, wages, bonuses, allowances, and other cash compensation income tax paid by the employer on behalf of the employee;
- Specified perquisites (such as Rent-Free Accommodation, club membership, reimbursement of utilities, etc.).

Intra-group statutory directors

Will a non-resident of India who, as part of their employment within a group company, is also appointed as a statutory director (i.e., member of the Board of Directors in a group company situated in India) trigger a personal tax liability in India, even though no separate director's fee/remuneration is paid for their duties as a board member?

The portion of the compensation which relates to services rendered in India will be taxable in India. Services rendered in India, is generally equated with physical presence in India.

Hence, compensation commensurate with the days that they actually spend in India should be taxable in India under the head "salary" subject to availability of short stay exemption under the Act / under the relevant Treaty.

a) Will the taxation be triggered irrespective of whether or not the board member is physically present at the board meetings in India?

If the individual does not come to India at all for any for the board meetings, a position can be taken that the same is not subject to tax in India, unless they qualify as an 'Ordinarily' resident of India.

b) Will the answer be different if the cost directly or indirectly is charged to/allocated to the company situated in India (i.e., as a general management fee where the duties rendered as a board member is included)?

As discussed above, salary commensurate with the days that they actually spend in India would be taxable in India subject to availability of short stay exemption under the Act / under the relevant Treaty. In the instant case, we understand that cross charge / recovery would be in the nature of general management fee, accordingly, the possibility of claiming the short stay exemption under the Act / under the relevant Treaty may need to be analyzed on case-to-case basis.

c) In the case that a tax liability is triggered, how will the taxable income be determined?

As mentioned above, compensation commensurate with the days that they actually spend in India should be taxable in India under the head "salary". This is subject to availability of short stay exemption under the Act / under the relevant Treaty.

2.7 Tax-exempt income

Are there any areas of income that are exempt from taxation in India? If so, please provide a general definition of these areas.

Generally, subject to certain conditions and limits, the following items of compensation are not taxable:

- House Rent Allowance
- Certain travel/tour allowances
- Reimbursement of medical expenses up to specified limits
- Medical expenses of an employee or any member of their family incurred outside India leave travel concession
- Allowance granted to meet payment of rent towards accommodation
- Tax borne by the employer on non-monetary perquisites reimbursement of telephone expenses including cost of the telephone.
- Gratuity
- Leave encashment
- Gift from employer up to specified limit Superannuation Employer contribution.

Meal vouchers/coupons provided by the employer would be eligible for tax exemption to the extent prescribed under the applicable tax rules and subject to other conditions.It may be noted that, in case where the individual opts for New Tax Regime, the said individual is not eligible to avail certain prescribed exemption and deductions.

House Rent Allowance (HRA):

HRA is an allowance granted to meet the housing costs of the employee. Direct tax implications

- A tax exemption is available to employee towards HRA, limited to
  - Least of the following
    - 1: 40 per cent of salary
    - 2: (50 per cent in case the house is situated in Mumbai, Delhi, Kolkata, Chennai, Hyderabad, Pune, Ahmedabad or Bengaluru);
  - HRA actually received by employee; and
  - Excess of actual rent paid over 10 per cent of salary.
- HRA exemption is not available if the
  - Employee resides in their own house; or
  - In a house for which they do not incur any rent (this could cover instances where the house is available to an individual even without payment of rent).

HRA exemption may be availed only for the period during which the employee occupies the house during the relevant Tax Year.

If the taxpayer (other than those covered under audit of books of account) paying rent exceeding INR50,000 per month or part of the month to a resident, the taxpayer is required to deduct Tax Deducted at Source (TDS) at 2 percent.

It may be noted that, in case where the individual opts for New Tax Regime, the said individual is not eligible to avail HRA exemption.

Certain travel/tour allowances

Allowances granted to meet the cost of travel on tour or on transfer, including sums paid in connection with the transfer, packing, and transportation of personal effects on such transfer, are exempt to the extent to which such expenses are actually incurred.

Reimbursement of medical expenses

Reimbursement of medical expenses is generally taxable in the hands of the employee. However, in following case the reimbursement of medical expenses is not taxable, subject to prescribed condition:

- Any expenditure actually incurred by the employee on their medical treatment or treatment of any member of their family
  - In any hospital maintained by the Government or any local authority or any other hospital approved by the Government for the purposes of medical treatment of its employees; or
  - In respect of the prescribed diseases or ailments, in any hospital approved by the Principal Chief Commissioner or Chief Commissioner having regard to the prescribed guidelines.

Medical expenses of an employee or any member of their family incurred outside India

Medical expenses of an employee or any member of their family incurred outside India is exempt to the extent permitted by Reserve Bank of India. The cost of travel and stay abroad of the employee or a family member and one attendant is also exempt to the extent permitted by the Reserve Bank of India.

Expenditure on Covid treatment and ex-gratia

Any sum received for treatment of any COVID-19 related illness from employer / any other person(s) shall not be considered as income in hands of the recipient. Ex-gratia received by family members of the deceased person from employer (without any monetary limit) / any other person(s) (up to INR 1 Million) within twelve months of death caused by COVID-19 related illness shall not be considered as income in the hands of the recipient.

Leave travel concession

Leave travel concession granted to the employee for themselves and their family for proceeding on leave to any place in India is exempt with respect to two journeys performed in a block of 4 calendar years, subject to fulfilment of certain conditions. The current block is calendar years 2026 to 2029.

Subject to specific conditions, one unutilized eligibility of Leave Travel concession of current block can be carried forward to first year of subsequent block.

It may be noted that, in case where the individual opts for New Tax Regime, the said individual is not eligible to avail this exemption.

Tax borne by the employer on non-monetary perquisites

Tax borne by the employer on non-monetary perquisites provided to the employee is exempt from tax provided the employer does not claim it as a deduction against its taxable income.

Telephone expenses

Telephone (including the mobile phone) expenses, paid by the employer on behalf of the employee or reimbursed by the employer based on actual expenses of the employees, is exempt from taxation.

Gratuity

Gratuity received (in accordance with Payment of Gratuity Act, 1972) by employee on retirement/termination of employment or by family on death of employee taxpayer from employer is exempted from tax subject to specified limit (presently INR 2,000,000) w.e.f. 29 March 2018.

Leave encashment

Leave encashment received by employee on retirement from employer is exempted from tax subject to specified limit (presently INR 25,00,000).

Gift from employer

Any gift received by employee from employer in kind is taxable in the hands of employee only in case where the aggregate value of gift(s) is INR5,000 or above. Gifts made in cash or convertible into money (like gift cheques) will be entirely taxable in the hands of the employees.

Superannuation Employer contribution

Employer's contribution towards specified approved Superannuation is taxable, subject to amount of aggregate contribution exceeds INR 750,000*

*Under the erstwhile provisions, the employer contribution to Provident Fund in excess of 12 percent of specified salary, employer contribution to Superannuation Fund in excess of INR150,000 and employer contribution to National Pension Scheme in excess of 10 percent of specified salary is taxable as salary. As per the amended law, from TY 2020-21 onwards, aggregate of such employer contributions exceeding INR750,000 to all these 3 funds, is taxable as perquisite. Further, annual accretion (interest, dividend or other income) to the extent it relates to the taxable employer's contribution as above, is treated as a taxable perquisite.

Employer Provident Fund contribution

Employer's contribution towards Provident Fund is exempt from tax subject to fulfilment of certain conditions*.

*Under the erstwhile provisions, the employer contribution to Provident Fund in excess of 12 percent of specified salary, employer contribution to Superannuation Fund in excess of INR 150,000 and employer contribution to National Pension Scheme in excess of 10 percent of specified salary is taxable as salary. As per the amended law, from TY 2020-21 onwards, aggregate of such employer contributions exceeding INR 750,000 to all these 3 funds, is taxable as perquisite. Further, annual accretion (interest, dividend or other income) to the extent it relates to the taxable employer's contribution as above, is treated as a taxable perquisite.

Effective TY 2021-22, Interest accrued on contribution in excess of INR 250,000 by employee to Employees Provident Fund account is also taxable.

The amount received upon withdrawal of Provident Fund would be taxable in the Tax Year of withdrawal at specified tax rates, However, in case prescribed conditions are met, the amount received upon withdrawal of Provident Fund would be exempt from income tax in India.

2.8 Expatriate concessions

Are there any concessions made for expatriates in India?

Certain exemptions are available to foreign nationals and/or non-residents, subject to fulfilment of prescribed conditions. The exemptions available include the following:

- Remuneration for services rendered by a foreign national, employed by a foreign enterprise during their stay in India, is exempt if:
  - The total period of the stay in India does not exceed 90 days in a Tax Year the foreign enterprise is not engaged in any trade or business in India; and
  - The remuneration is not cross charged to an entity subject to Indian income tax.
- Remuneration received by or due to a non-resident foreign national for services rendered in connection with employment on a foreign ship, where the total period of the stay in India does not exceed an aggregate period of 90 days in a Tax Year, is exempt from tax.
- Remuneration received by a foreign national working as an employee of a foreign government is exempt from tax, if the remuneration is received in connection with training activity in an undertaking, office, or company owned by the government.
- Remuneration from any cooperative technical assistance program in accordance with an agreement entered into by the central government with a foreign government is exempt from tax, provided:
  - the remuneration is received from the foreign government
  - the employee is required to pay income tax to another foreign government on income arising outside India.

In addition, concessions/benefits such as short-stay or exclusions are also available under the Double Tax Avoidance Agreement between India and host country/jurisdiction.

2.9 Salary earned from working abroad

Is salary earned from working abroad taxed in India? If so, how?

Compensation for work performed by an employee abroad, which is not in connection with the services being rendered in India, is not taxable in India, unless the same is received in India, where the employee qualifies as NR or NOR in India.

If the expatriate qualifies as a resident and ordinarily resident of India, the salary earned for working abroad may be taxable in India even if the same is received outside India, and subject to Treaty benefits or benefits under the domestic tax laws of India.

2.10 Taxation of investment income and capital gains

Are investment income and capital gains taxed in India? If so, how?

Income from the transfer of a capital asset situated in India is deemed to accrue in India. Hence, all individuals are liable for tax on capital gains arising from the transfer of capital assets in India.

Securities Transaction Tax (STT) is leviable on transactions of equity shares in a company, units of an equity oriented Mutual Fund and derivatives which are routed through any recognized stock exchange in India.

Long Term Capital Gains

Specified Securities:

It may be noted that if a security (other than a unit) listed on recognized stock exchange in India or a unit of equity-oriented fund or UTI unit or zero-coupon bond is held for a period of more than 12 months, it becomes a long-term capital asset and any gain arising on sale of such long-term capital asset will be long term capital gain. Long Term Capital Gain from sale of such securities exceeding INR125,000, shall be taxed at 12.5 percent (plus applicable surcharge and cess) without indexation benefit. The tax calculation needs to be done in the specified manner.

Other Capital Assets:

If a capital asset (other than mentioned in above para) is held for a period of more than 24 months, then it would be a long-term capital asset and any gain arising on sale of such capital asset will be considered as long-term capital gain. These long-term capital gains are taxable at a special rate of tax at 20 percent for transfers made before 23 July 2024 and at 12.5 percent for transfers made on or after 23 July 2024. However, the indexation benefit has been withdrawn w.e.f 23 July 2024. This is law in general and is subject to few exceptions. If there is a long-term capital loss, then it can be carried forward to 8 subsequent assessment years for set-off against taxable long-term capital gains.

Short Term Capital Gains

Specified Assets:

If a security (other than a unit) listed on recognized stock exchange in India or a unit of equity-oriented fund or UTI unit or zero-coupon bond is held up to 12 months, it becomes a short-term capital asset and any gain arising on account of such sale will be considered as short-term capital gain*. These short-term capital gains are taxable at a special rate of tax at 20 percent for transfers made on or after 23 July 2024. Further, if there is any loss incurred on such transaction, then it can be carried forward to 8 subsequent assessment years for set-off against taxable capital gains.

Other Capital Assets:

If a capital asset (other than mentioned in above para) is held for less than 24 months, then it would be a short-term capital asset and any gains arising on account of sale of such capital asset will be considered as short-term capital gains. These short-term capital gains are taxable at normal slab rate of tax of the assessed. Further, if there is any loss incurred on such transaction, then it can be carried forward to 8 subsequent assessment years for set-off against taxable capital gains.

Dividends, interest, and rental income

Dividend income from shares of companies in India and income from equity oriented mutual fund units (fully exempt), which were earlier subject to a dividend distribution tax in the hands of company / mutual fund now fully taxable in the hands of individual receiving the same. Dividend Distribution Tax has been abolished effective 1 April 2020 and consequently the dividend income is now taxable in the hands of the recipient. Further, interest expenses incurred specifically for earning such dividend income is deductible up to 20 per cent of such dividend income.

Interest income earned in respect of the investments made in India is subject to tax in India. Also, in case of Resident and Ordinarily residents, interest income from foreign investment is taxable, subject to treaty benefits.

Rental income from a house property is taxable in the hands of its legal owner. The net rental income (i.e., gross rent less municipal taxes) is chargeable to tax after making the following deductions:

- Standard deduction – 30 per cent of the net rental income;
- Interest on loan taken for purchase of House property. – INR200,000 / INR30,000 / Amount of interest paid or payable during the Financial Year, depending on the facts and circumstances of each case.

No other deductions are permissible from the said rental income.

The maximum amount of house property loss which can be set off against other income is capped at INR200,000. The unadjusted loss during the Tax Year can be carried forward for set-off against house property income up to 8 subsequent years.

A taxpayer can treat two house properties owned by the taxpayer as self-occupied property. Accordingly, notional rent from such second self- occupied/vacant property is not required to be offered to tax. Further, the aggregate tax deduction in respect of the interest paid on housing loans with respect to both the aforesaid self-occupied/vacant properties would be capped to INR200,000 per TY.

Where the taxpayer opts for new tax regime, no deduction towards interest payment for self-occupied property and principal repayment towards any property shall be available. Further, such loss shall not be allowed to be carried forward

Gains from stock option exercises.

Benefits from Employees Stock Option Plan (ESOP) are taxed as perquisite in the hands of employees. The taxability of a benefit arising out of ESOPs is triggered at the time of allotment of the specified securities. The perquisite value is determined as the Fair Market Value (FMV) on the date on which the “option” is exercised by the employee as reduced by the amount actually paid by or recovered from the employee in respect of such ESOPs. FMV means the value determined in accordance with the method prescribed by the Central Board of Direct Taxes.

Further, if after exercising the options, the employee holds the shares for some time and sells the same subsequently, the difference between the sale consideration and the FMV considered for calculating the perquisite value would be subject to capital gains tax.

Depending on the period of holding of the shares, capital gains would be considered either as short- term or long-term.

In case of eligible start-up employers issuing specified securities (e.g. ESOP etc.), from TY 2020-21 onwards, tax on perquisite on exercise of ESOP shall be payable within 14 days of the earliest of the following:

- Expiry of 60 months from the end of the relevant Tax Year in which the options are exercised; or
- The date of sale of such shares by the individual; or
- The date the individual ceases to be an employee of such start-up.

The rate for such tax shall be the rate applicable in the Tax Year in which the specified security is allotted to the employees.

Principal residence gains and losses

There is no specific provision governing the taxability of gains and losses of principal residence.

Capital losses

Subject to certain conditions, the capital losses incurred by the assignee can be set-off only against the capital gains during the Tax Year. If the loss cannot be set-off, the amount can be carried forward to 8 subsequent Tax Years to be set-off against specified capital gains.

Gifts

Any sum(s) received (except for sums received from specified relatives and in certain other specified situations) by an individual from any person in cash/cheques/draft/any other mode or by way of credit or otherwise than as adequate consideration for goods and services, aggregate of inadequate value of such sums received during the Tax Year is taxable in the hands of the recipient as "income from other sources." However, where the total of such receipts does not exceed INR50,000 in the aggregate during the Tax Year, the said sums are not taxable.

2.11 Additional capital gains tax (CGT) issues and exceptions

Are there additional capital gains tax (CGT) issues in India? If so, please discuss?

For non-residents, capital gains arising from transfer of shares or debentures of an Indian company are calculated in the same foreign currency which was initially used to purchase such shares or debentures and the cost inflation index is not applied to such gains. Long-term capital gains arising from the transfer of specified bonds or Global Depository Receipts issued in foreign currency are taxable. For any sale on or after 23 July 2024 such gain shall be taxed at 12.5 percent.

Are there capital gains tax exceptions in India? If so, please discuss?

Exemption from long-term capital gains may be claimed by making investment in a residential house property in India and/or certain bonds, and/or equity of an Eligible Business subject to specified conditions.

Pre-CGT assets

Not applicable.

Deemed disposal and acquisition

Not applicable.

Virtual Digital Asset (VDA)

Income from transfer of VDA e.g. Crypto assets, Non-Fungible Tokens, etc. will be subject to tax at 30 percent (plus applicable surcharge and cess) with deduction of only cost of acquisition. Loss, if any, on transfer of VDA cannot be set-off against any other income / carried forward to succeeding FY. Transferee will be liable to withhold tax at source at one percent on the amount paid to the transferor (subject to conditions) with effect from 1 July 2022. Further, gift of VDA from non-specified relatives is also taxable in the hands of recipient in specific circumstances.

2.12 General deductions from income

What are the general deductions from income allowed in India?

Deductions are allowed in India against the taxable income (restricted to taxable income) based on nature of investments, expenses incurred, income earned, etc.

Particulars	Limitation for Financial Year 2025 / 2026	Limitation for Financial Year 2026 / 2027
Life insurance premiums**	INR150,000	INR150,000
Subscriptions and accrued interest to National Savings Certificates	INR150,000	INR150,000

Particulars	Limitation for Financial Year 2025 / 2026	Limitation for Financial Year 2026 / 2027
Contribution to recognized Provident Funds / approved superannuation fund by employees / Public Provident Fund in India	INR150,000	INR150,000
Contribution to National Pension System (NPS)	INR150,000***	INR150,000***
Repayment of a loan towards cost of purchase/construction of new residential house	INR150,000	INR150,000
Amount paid as Stamp Duty and Registration charges at the time of purchase of a house.	INR150,000	INR150,000
Term Deposit for a fixed period of not less than 5 years with a scheduled bank as per the scheme framed and notified by Central Government	INR150,000	INR150,000
Subscription to Units of specified Mutual Fund or United Linked Insurance Plan 1971 (ULIP) of Unit Trust of India	INR150,000	INR150,000
Subscription to equity shares or debentures of public company/public financial institution, proceeds of which will be utilized for any business related to infrastructure / power / industrial park / telecommunications / reconstruction of power generating plant / laying and operating natural gas distribution network subject to certain conditions	INR150,000	INR150,000
Tuition fees (excluding any development fee or donation or payment of similar nature) to any university/school/educational institute within India for each child subject to maximum of two children)	INR150,000	INR150,000
Payment for non- commutable deferred annuity, or notified annuity plan of LIC or other prescribed insurer(s)	INR150,000	INR150,000
Contribution to Unit Linked Insurance Plan of LIC Mutual Fund	INR150,000	INR150,000
Contribution to Pension Fund of notified Mutual Fund or of the Unit Trust of India	INR150,000	INR150,000
Subscription to notified Deposit Scheme / Contribution to any notified deposit scheme Pension Fund of National Housing Bank	INR150,000	INR150,000

Particulars	Limitation for Financial Year 2025 / 2026	Limitation for Financial Year 2026 / 2027
Subscription to deposit schemes of Public Sector Undertakings providing long term finance for housing or any authority constituted in India for purpose of dealing with or satisfying the need for housing accommodation (any such scheme must be notified by Central Government by notification in the official gazette)	INR150,000	INR150,000
Investment in Senior Citizen Savings Scheme Rules	INR150,000	INR150,000
Subscription of any bonds issued by National Bank for Agriculture and Rural Development (NABARD) as notified by Central Government	INR150,000	INR150,000
5-year time deposit in an account under the Post Office Time Deposit Rules, 1981	INR150,000	INR150,000
Any sum deducted from salary payable to a Government employee for the purpose of securing them a deferred annuity for the benefit of the individual, their spouse or children (subject to a maximum of 20 per cent of salary)	INR150,000	INR150,000
Contribution to Sukanya Samriddhi Account	INR150,000	INR150,000

*All the above payments have been clubbed together without any sub limit and may be subject to further conditions. The maximum deduction allowed for all of the above payments cumulatively is INR150,000. (Section 123 of the Act)

** Deduction towards premium paid for life insurance policies shall apply only to so much of premium paid as is not in excess of ten per cent of the actual capital sum assured (issued on or after 1 April 2012) and twenty per cent of the actual capital sum assured (before 1 April 2012).

***The aggregate deduction in respect of contribution to NPS is INR200,000 and the same is available in two parts as follows:

- Within the overall limit of INR 150,000 per annum for all the above listed deductions;
- Additional deduction of up to INR 50,000 per annum is available in respect of the individual's contribution to NPS for the Tax Year 2014-15 onwards. The Union Budget 2025 proposes to include contributions made by parents / guardians to NPS Vatsalya account under such existing deduction limit. This proposal is applicable from TY 2025-26 onwards.

In respect of certain investments/deposits/contributions as given above, which are eligible for deduction, a minimum period of holding has been prescribed. The same should be adhered to. Such cases are given below:

Name of investments / deposits	Minimum period of holding
Unit-linked insurance plan (ULIP)	5 years
Life Insurance premium	2 years

Contribution to Public Provident Fund	15 years (premature withdrawals up to specified amounts are permitted subject to certain conditions)
Repayment of a loan towards cost of purchase/construction of new residential house	5 years
Deposits under Senior Citizen Saving Scheme	5 years
Term deposit	5 years
Time deposit in Post Office	5 years
Equity Linked Saving Scheme (ELSS)	3 years
Contribution to Sukanya Samriddhi Account	Minimum tenure of contribution is 14 years from the date of opening of account

* When an individual opts for new tax regime taxation, specified deductions under chapter VIII of the Act (such as section 123, section 126, Section 133, etc.) cannot be claimed. The only deductions that can be claimed are deduction under sub-section (1) of the section 124 (employer contribution on account of employee in notified pension scheme) and section 146 (for new employment)

Deduction in respect of maintenance including medical treatment of a dependent who is a person with disability (Section 127 of the Act)

Deduction of INR75,000 available to resident person for expenditure incurred towards medical treatment and maintenance of a dependent who is a person with disability and INR125,000 in case the said dependent is a person with severe disability

Section 127 of the Act provides deduction in respect of premium paid for a policy for the benefit of a disabled dependent now available to the policy holder (being individual or member of HUF) even if annuity / lump sum to be received by the disabled dependent on attainment of 60 years of age by policy holder. Further, such annuity or lump sum amount received by a disabled dependent on the above referred policy is not taxable.

Deduction in respect of expenses incurred for medical treatment of person with specified disease (Section 128 of the Act)

Deduction up to INR40,000 available to resident person for expenditure incurred towards medical treatment of specified disease or ailment. Further, in respect of expenditure incurred for senior citizen (i.e., age of 60 or above) deduction of INR0.1 million is available. In case, any amount is recovered from insurance for such medical expenses, deduction needs to be reduced for such insurance amount.

Deduction in respect of interest on loan taken for higher education (Section 129 of the Act)

In accordance with the domestic tax law in India, in computing the total income of an individual, the amount paid by the individual (out of their income chargeable to tax) by way of interest on loan taken by them from specified financial institutions (including banks)/charitable institutions for the purpose of higher education of themselves/their relatives is an eligible deduction.

Deduction for interest paid on loan shall be available for earlier of the following period:

- For the period of 8 years starting from the Tax Year in which taxpayer start paying interest; or until the interest on such loan is paid in full, whichever is earlier.

Deduction in respect of interest payable on loan taken for the purpose of purchase of electric vehicle (Section 132 of the Act)

Deduction up to INR150,000 is available to any individual taxpayer towards interest payable on loan taken for the purpose of purchase of electric vehicle. This deduction is applicable only in cases where the loan is sanctioned by prescribed financial institution during the period beginning on 1 April 2019 and ending on 31 March 2023.

Deduction for rent paid (Section 134 of the Act)

Individuals paying rent in excess of 10 percent of taxable income for an accommodation (furnished/unfurnished) but not receiving a house rent allowance from employer, can claim a deduction of lower of following:

Rent Paid – 10 percent of taxable income; or INR5,000 per month (or INR60,000 per annum); or 25 percent of taxable income

Deduction in respect of interest on deposits in savings account (Section 153 of the Act)

Additional deduction up to INR10,000 per annum towards interest on deposits (excluding time deposits) in a savings account with specified banks, co-operative societies and post offices, for individuals/HUFs from Tax Year 2012/13 onwards.

Deduction in respect of interest on deposits in case of senior citizens (Section 153 of the Act)

Deduction up to INR 50,000 per annum towards interest on deposits (including time deposits) with specified banks, co-operative societies and post offices, for senior citizen individuals from Tax Year 2018/19 onwards. However, no deduction under section 153 shall be allowed in these cases

Deduction in case of person with disability (Section 154 of the Act)

Deduction of INR 75,000 available to resident person with disability and INR 125,000 to a resident person with severe disability certified with medical authority.

Deduction for interest in relation to house property:

Particulars	Limitation for TY 2025 / 2026	Limitation for TY 2026 / 2027
Deduction of interest payable on capital borrowed for acquisition, construction, etc. of		
Self-Occupied house property	INR 200,000	INR 200,000
Let-out house property	Actual interest payable	Actual interest payable
Loans should be taken on or after and Acquisition or construction of house is completed	Within 5 years from end of tax year in which loan was taken.	Within 5 years from end of tax year in which loan was taken.
In any other case (including repairs)	INR 30,000	INR 30,000

*Where the property has been acquired or constructed with borrowed capital, the interest, if any, payable on such capital borrowed for the period prior to the tax year in which the property has been acquired or constructed, as reduced by any part thereof allowed as deduction under any other provision of this Act, shall be deducted under this clause in equal instalments for the said tax year and for each of the 4 immediately succeeding tax years.

*If an individual is holding more than one house property during the TY, the maximum House property loss that can be set off against other specified income is INR 200,000 only in the same TY. Balance House property Loss can be carried forward for maximum 8 TYs to adjust with House Property income if any.

*A taxpayer can treat two house properties owned by them as self-occupied property. Accordingly, notional rent from such second self- occupied/vacant property is not required to be offered to tax. Further, the overall tax deduction in respect of the interest paid on housing loans with respect to both the aforesaid self-occupied/vacant properties would be capped to INR200,000/- per Tax Year.

* Where the taxpayer opts for new tax regime, no deduction towards interest payment and principal repayment shall be available. Further, such loss will not be allowed to be carried forward.*As per the Finance Act, 2021, deduction of INR 150,000 with respect to interest paid on affordable housing i.e., housing loan below INR 4.5 million (for loan approved during 1 April 2019 to 31 March 2020) has now been extended for loans approved up to 31 March 2022. However, where the taxpayer opts for new tax regime, no deduction is available under this section.

Taxability of an employer provided car:

Nature of benefit provided by the employer	Perquisite Value for TY 2025-2026	Perquisite Value for TY 2026-2027
Motor car is owned/hired by employer		
a) Car used exclusively in performance of official duties	No value, provided specified documents are maintained by employer	No value, provided specified documents are maintained by employer
b) Car used exclusively for personal purpose by the employee or any member of their household and expenses on maintenance and running are met / reimbursed by employer	Actual amount of expenditure incurred including the remuneration paid to the chauffeur by the employer plus, amount representing normal wear and tear of the car as reduced by any amount charged from the employee	Actual amount of expenditure incurred including the remuneration paid to the chauffeur by the employer plus, amount representing normal wear and tear of the car as reduced by any amount charged from the employee

Nature of benefit provided by the employer	Perquisite Value for TY 2025-2026	Perquisite Value for TY 2026-2027
c) Car used partly for official duties and partly for personal purpose by employee or any member of their household	INR 1,800*/INR 2,400** per month (plus INR900 if chauffeur is provided)	INR 5,000*/INR 7,000** per month (plus INR3,000 if chauffeur is provided)
- Expenses on maintenance and running are met/ reimbursed by employer	INR 600*/INR 900** per month (plus INR 900 if chauffeur is provided)	INR 2,000*/INR 3,000** per month (plus INR 3,000 if chauffeur is provided)
- Expenses on maintenance and running for personal use are fully met by employee		
Motor car is owned by employee and running expenses met or reimbursed by employer		
a) Car used exclusively in performance of official duties	No value provided the specified documents are maintained by employer	No value provided the specified documents are maintained by employer
b) Car used partly for official duties and partly for personal purpose by them or any member of their household	Actual amount incurred by employer as reduced by INR1,800*/Rs 2,400** per month (plus INR 900 if chauffeur is provided) (Refer Note 3[6])	Actual amount incurred by employer as reduced by INR5,000*/INR7,000** per month (plus INR 3,000 if chauffeur is provided) (Refer Note 3[6])
Any other automotive conveyance is owned by employee, and running and maintenance expenses are met/reimbursed by employer		
a) Used exclusively in performance of official duties	No value provided the specified documents are maintained by employer	No value provided the specified documents are maintained by employer. Not applicable **
b) Used partly for official duties and partly for personal purpose by them	Actual amount of expenditure incurred by employer as reduced by INR 900 per month * Refer Note 1	Actual amount of expenditure incurred by employer as reduced by INR 3,000 * Refer Note 1

*Where cubic capacity of engine does not exceed 1.6 liters

**Where cubic capacity of engine exceeds 1.6 liters

The value of unfurnished rent-free accommodations:

Nature of benefit provided by the employer	Perquisite Value for TY 2025-2026	Perquisite Value for TY 2026-2027
Where unfurnished accommodation is provided by employer other than Central/State Government		

Nature of benefit provided by the employer	Perquisite Value for TY 2025-2026	Perquisite Value for TY 2026-2027
a) Accommodation is owned by the employer	• 10% of salary in cities where population is more than INR 4 million as per 2011 census. • 7.5% of salary in cities where population is more than INR1.5 million but does not exceed INR 4 million as per 2011 census. • 5% of salary in other areas as reduced by the rent, if any, paid by the employee. * Refer Note 2[7] and Note 3	• 10% of salary in cities where population is more than 4 million as per 2011 census. • 7.5% of salary in cities where population is more than 1.5 million but does not exceed 4 million as per 2011 census • 5% of salary in other areas as reduced by the rent, if any, paid by the employee. * Refer Note 2[7] and Note 3
b) Accommodation is leased or rented by the employer	Actual amount of lease rental paid or payable by the employer or 10% of salary, whichever is lower, as reduced by the rent, if any, actually paid by the employee.	Actual amount of lease rental paid or payable by the employer or 10% of salary, whichever is lower, as reduced by the rent, if any, actually paid by the employee.
Accommodation is provided by the employer in a hotel[8]		
a) Accommodation is provided for a period of up to 15 days in the aggregate on account of transfer of employee from one place to another	Not taxable	Not taxable
b) Accommodation is provided for a period of more than 15 days in the aggregate on account of transfer of employee from one place to another	Lower of: • Actual charges paid by the employer; Or • 24% of salary; as reduced by the rent, if any, paid by the employee.	Lower of: • Actual charges paid by the employer; Or • 24% of salary; as reduced by the rent, if any, paid by the employee.
Employee Receives Cash Allowance (self-procured housing) (refer Note 4)	The least of the following is tax-exempt: Allowance actually received Actual rent paid by employee in excess of 10 percent of salary (Refer Note 3) 50 percent of salary (Refer Note 3) if residing in Mumbai, Kolkata, Delhi, Chennai or 40 percent of salary (Refer Note 3) in other places.	The least of the following is tax-exempt: Allowance actually received Actual rent paid by employee in excess of 10 percent of salary (Refer Note 3) 50 percent of salary (Refer Note 3) if residing in Mumbai, Kolkata, Delhi, Chennai, Hyderabad, Pune, Ahmedabad, Bengaluru or 40 percent of salary (Refer Note 3) in other places.

Note 3: "Salary" includes basic salary and dearness allowance, if the terms of employment so provide, but excludes all other allowances and perquisites.

Note 4: No exemption shall be allowed for HRA in case:

- Residential accommodation occupied by the assessee is owned by them; or
- The assessee has not actually incurred expenditure on payment of rent (by whatever name called) in respect of the residential accommodation occupied by them.

Charitable contribution deduction:

The contribution (i.e., donation) to specified institutions/funds is eligible for deduction at specified percentages (i.e., 50 percent or 100 percent) from the gross total income. The qualifying amounts of certain contributions are restricted to 10 percent of the gross total income. Cash donation exceeding INR 2,000 is not eligible for deduction.

Deduction in respect of Health Insurance Premia (Section 126 of the Act):

The medical insurance premium paid in respect of approved insurance scheme and specified medical expenditure is eligible for deduction from the gross total income.

Particulars	For Tax Year 2025-2026 (refer to Notes A & B below)	For Tax Year 2026-2027 (refer to Notes A & B below)
Senior Citizen (resident individual 60 years or older)	• If medical insurance exists The deduction is the lower of 100% premium or INR 50,000. An additional deduction of the lower of 100% premium or INR 50,000 for premium paid for senior citizen parent/parents. • If no medical insurance exists The deduction is the lower of actual expense incurred or INR 50,000	• If medical insurance exists The deduction is the lower of 100% premium or INR 50,000. An additional deduction of the lower of 100% premium or INR 50,000 for premium paid for senior citizen parent/parents. • If no medical insurance exists The deduction is the lower of actual expense incurred or INR 50,000
Other than Senior Citizen	The deduction is the lower of 100% premium or INR 25,000. An additional deduction of the lower of 100% premium or INR 25,000 for premium paid for non-senior citizen parent/parents. In case the parent/parents are senior citizen, the limit is INR 50,000 for the same.	The deduction is the lower of 100% premium or INR 25,000. An additional deduction of the lower of 100% premium or INR 25,000 for premium paid for non-senior citizen parent/parents. In case the parent/parents are senior citizen, the limit is INR 50,000 for the same.

Payment made up to INR 5,000 per annum (including cash payment) towards preventive health check-ups for self, spouse, dependent children, parent(s) included within the current overall deduction limits for health insurance premium/contribution payments.

Note A: In case of an individual who is below the age of 60 years and parent(s)'s age is 60 or older, the aggregate deduction in respect of health insurance premium and medical expenditure cannot exceed INR 75,000.

Note B: In case of an individual who is above the age of 60 years, the aggregate deduction in respect of health insurance premium, and medical expenditure cannot exceed INR 100,000.

Provident Fund ("PF"), Gratuity, and Superannuation Fund:

Particulars	Maximum Tax Benefits/ Deduction / Limits available for Tax Year 2025-2026	Maximum Tax Benefits/ Deduction / Limits available forTax Year 2026-2027
Employee's contribution to PF	INR150,000*	INR150,000*
Employer's contribution to PF	12% of salary **#	12% of salary **#
Gratuity maximum limit	INR 2,000,000	INR 2,000,000
Employer's contribution Superannuation Fund	Up to INR 750,000#	Up to INR 750,000#
Employee's contribution to National Pension Fund	1. INR150,000*	1. INR150,000*
	2. Additional deduction of INR50,000	2. Additional deduction of INR50,000
Employer's contribution to National Pension Fund	10% of salary (Basic + Dearness Allowance)	10% of salary (Basic + Dearness Allowance) #

*Part of overall limit of INR 150,000 per annum for all investments including those listed above i.e., section 123 of the Act.

**"Salary" includes basic salary, dearness allowance and cash value of any food concession if the terms of employment so provide but excludes all other allowances and perquisites.

As per the changes made by the Finance Act, 2020, the aggregate of employer contributions towards Provident Fund, Superannuation fund, National Pension System exceeding INR750,000 will be taxable as a perquisite in the hands of the employee. Further, annual accretion (interest, dividend or other income) to the extent it relates to the taxable employer's contribution as above, will also be treated as a taxable perquisite in their hands.

Tax reimbursement methods

What are the tax reimbursement methods generally used by employers in India?

In case where the company bears the tax liability for the employees / expatriates, the company normally deposits the tax directly with the tax authorities by way of withholding taxes.

2.13 Calculation of estimates/prepayments/withholding

How are estimates/prepayments/withholding of tax handled in India? For example, pay-as-you- earn (PAYE), pay-as-you-go (PAYG), and so on.

The India tax system runs on pay-as-you-earn basis in respect of salary payments. Accordingly, tax needs to be withheld and deposited with the tax authorities on a monthly basis. If the taxes are not deducted, interest is levied at the rate of 1 per cent per month or part of the month for the months for which tax has not been deducted. If the taxes deducted are not deposited into the Government treasury, there would be an interest charged at the rate of 1.5 percent per month or part of the month leviable for all the months for which taxes have not been paid till date of the payment of tax. The tax withheld needs to be deposited within

7 days from the end of the month (for the month of March tax may be deposited on or before 30 April and 7 April where tax on non-monetary perquisites is borne by employer).

Pay-as-you-earn (PAYE) withholding

Every person responsible for making payment of employees' remuneration has an obligation to deduct tax on a monthly basis from the employees' remuneration at the time of payment thereof. Tax is to be deducted on the estimated income of the employee after allowing certain permissible deductions.

Even foreign employers are not exempt from such withholding tax obligations.

Advance tax installments

In case the amount of tax being withheld at source is short of the actual tax liability, an individual is liable to pay advance tax. Advance tax provisions have been discussed earlier above under “Tax Returns and Compliance”.

When are estimates/prepayments/withholding of tax due in India? For example: monthly, annually, both, and so on.

Any person making the payment of salary to an employee is liable to deduct tax at the time of payment of salary to its employees. The tax deducted is to be deposited with the central Government within 7 days from the end of the month in which tax is deducted (except the tax deducted in the month of March may be deposited on or before 30 April, and 7 April where tax on non-monetary perquisites are borne by employer). The employer is also required to file quarterly withholding tax statements with Indian Revenue Authorities in respect of the tax deducted at source during the year as below.

Quarter	Due Date
1 – April to June	31 July
2 – July to September	31 October
3 – October to December	31 January
4 – January to March	31 May

Furthermore, an annual salary certificate (namely Form 130) is required to be issued to the employee in respect of tax deducted at source by employer by 15 June of the end of the Financial Year.

2.14 Relief for foreign taxes

Is there any Relief for Foreign Taxes in India? For example, a foreign tax credit (FTC) system, double taxation treaties, and so on?

A resident in India is entitled to claim credit for foreign taxes paid on foreign- sourced income against the Indian tax payable on such income:

- Where agreement for avoidance of double taxation exists between the two countries/jurisdictions, in accordance with the terms of that agreement.
- In other cases, at the lower of the foreign or Indian rates of tax, or at the Indian rate of tax, if both the rates are equal.

Rules have been notified in India for availing FTC in India and the same are applicable from TY 2016-17. Accordingly, taxpayer availing FTC needs to provide declaration in Form44 along with specified documents justifying taxes paid/deducted at source in foreign country/jurisdiction.

India has Double Taxation Avoidance Agreement (DTAA) with more than 100 countries/jurisdictions (Comprehensive and limited).

There is no specific provision for the employee to consider FTC benefit at the time of withholding taxes from salary income.

In the absence of aforesaid specific provision, the employee may consider claiming the said treaty benefit at the time of filing their personal tax return.

Further, FTC rules are applicable from TY 2016-17. FTC rules provide for following set of documents are required to be filed for claiming FTC in the India Tax Return:

1 Statement of income from the country/jurisdiction or specified territory outside India offered for tax for the previous year and of foreign tax deducted or paid on such income in a prescribed Form No. 44 and verified in the manner specified therein. This Form is required to be submitted to the India tax authorities before filing of the India tax return for the particular TY.

2 Certificate or statement specifying the nature of income and the amount of tax deducted therefrom or paid by the assessee.

3 From the tax authority of the country/jurisdiction or specified territory outside India; or from the person responsible for deduction of such tax; or Signed by the assessee.

Provided that the statement furnished by the assessee in 3 above shall be valid if it is accompanied by:

- An acknowledgement of online payment or bank counterfoil or challan for payment of tax where the payment has been made by the assessee
- Proof of deduction where the tax has been deducted at source.

Relief under the DTAA (i.e., exclusion of income, lower tax rate, etc.) will be available only if a Tax Residency Certificate ('TRC') is obtained by a Resident taxpayer (under the tax treaty) from the Government of other country/jurisdiction or specified territory of which they are a resident.

Additionally, the taxpayer is required to provide such other documents and information as may be prescribed in Form 41.

Further, TRC would be regarded as a necessary but not sufficient condition to avail the benefits under the DTAA.

2.15 General tax credits

What are the general tax credits that may be claimed in your country/jurisdiction? Please list below.

The Indian tax law does not have any specific provisions for tax credit. Deductions from the taxable income, subject to certain limits are available (as discussed in the earlier sections) under Old Tax Regime.

Sample tax calculation

What are the general tax credits that may be claimed in your country/jurisdiction? Please list below.

The Indian tax law does not have any specific provisions for tax credit. Deductions from the taxable income, subject to certain limits are available (as discussed in the earlier sections).

Sample tax calculation

This calculation assumes a taxpayer non-resident in India with two children, whose 2-year assignment begins 1 January 2025 and ends 31 December 2026. The taxpayer's base salary is 100,000 US dollars (USD) and the calculation covers 2 years.

	2025 USD	2026 USD
Salary	100,000	100,000
Bonus	20,000	20,000
Cost-of-living allowance	10,000	10,000
Housing allowance	12,000	12,000
Company car	6,000	6,000
Moving expense reimbursement	0	20,000
Home leave	0	5,000
Education allowance	3,000	3,000
Interest income from non-local sources	6,000	6,000

Exchange rate used for calculation: USD1.00 = INR85.00. Indian Tax Year runs from 1 April to 31 March

Other assumptions

- All salary income is attributable to services rendered in India.
- Bonuses are paid at the end of each tax year and accrue evenly throughout the year. Interest income is not remitted to India.
- The company car is used for business and private purposes and originally cost USD50,000. The cubic capacity of the car exceeds 1.6 liters and chauffeur is also provided by the employer.
- Moving expense reimbursement are paid at the time of relocation. The employee is deemed resident throughout the assignment.
- Tax treaties and totalization agreements are ignored for the purpose of this calculation.

Year-ended	2024-2025 INR	2025-2026 INR	2026-2027 INR
Days in India during year	91	365	275
Earned income subject to income tax			
Salary	21,13,388	85,00,000	64,04,110
Bonus	4,22,678	17,00,000	12,80,822
Cost-of-living allowance	2,11,339	8,50,000	6,40,411
Taxable housing allowance	2,41,339	9,70,000	7,30,411
Moving expense reimbursement*	0	0	0
Home leave	0	4,25,000	0
Education allowance	63,402	2,55,000	1,92,124
Motor car	9,900	39,600	29,700
Total earned income	30,62,046	1,27,39,600	92,77,578
Other income (Income earned outside of India is not taxable in India in case of non-resident/Resident but Not Ordinarily Resident)	0	0	0
Total income	30,62,046	1,27,39,600	92,77,578
Standard Deduction:	50,000	50,000	50,000
Total taxable income	30,12,046	1,26,89,600	92,27,578

* Moving expenses reimbursement - Relocation related expenses are not taxable as perSchedule III of the Act read with Rule 280 of the Rules.

Calculation of tax liability

	2024-2025 INR	2025-2026 INR	2026-2027 INR
Taxable income as above	30,12,046	1,26,89,600	92,27,578
Taxes	728613.8	3631880	2593273
Surcharge	NIL	544782	259327
Health and Education Cess	29144	167066	114104
Indian tax thereon	757,758	4,343,728	2,966,705
Less:			
Domestic Tax rebates (dependent spouse rebate)	0	0	0
Foreign tax credits	0	0	0
Total Indian tax (rounded off)	757,758	4,343,728	2,966,705

Taxable housing allowance

	2024-2025 INR	2025-2026 INR	2026-2027 INR
Actual rent (assumed INR 900,000 per year)	2,25,000	9,00,000	6,75,000
Actual housing allowance	2,55,000	10,20,000	7,65,000
Least of the following is exempt:			
Excess of rent paid over 10% of salary	13,661	50,000	34,589
50% of basic salary*	10,56,694	42,50,000	32,02,055

Actual housing allowance	2,55,000	10,20,000	7,65,000
Housing allowance exempt	13,661	50,000	34,589
Taxable Housing Allowance	2,41,339	9,70,000	7,30,411

*Assuming that the expatriate is residing in a Metro city. In case of a non-metro city, the percentage is 40 percent.

Calculation of perquisite value in hands of employee

	2024-2025 INR	2025-2026 INR	2026-2027 INR
Company car	1,27,500	5,10,000	3,82,500
Perquisite value	9,900	39,600	29,700

Total tax burden

	2024-2025 INR	2025-2026 INR	2026-2027 INR
Total Indian tax*	757,758	4,343,728	2,966,705

*Tax computed under old tax regime

Footnotes:

[1] Rule 279 of the Income-tax Rules, 2026

[2] "salary" includes dearness allowance, if the terms of employment so provide, but excludes all other allowances and perquisites.

[3] Specified Documents:

- Employer has maintained complete details of journey undertaken for official purpose which may include date of journey, destination, mileage, and the amount of expenditure incurred thereon
- The employer gives a certificate to the effect that the expenditure was incurred wholly and exclusively for performance of official duties

[1] Member of household includes spouse(s), children and their spouses, parents and servants and dependents

[2] The normal wear and tear of a motor car shall be taken at 10 percent per annum of the actual cost of the motor car(s)

[3] Note 1: Wherein the employer or employee claims:

- That motor car has been used exclusively in performance of office duties, or
- Actual expenses on running and maintenance of the car owned by employee is more than the amounts deductible as specified, then they may claim a higher amount attributable to such use and the value of the perquisite shall be actual amount attributable to official use of the vehicle, provided the specified documents are maintained by employer

[1] Note 2: In case of furnished accommodation, the perquisite value will be increased by 10 percent of the cost of furniture/actual hire charges, as reduced by the amount actually paid by the employee.

[2] 'Hotel' includes licensed accommodation such as motel, service apartment or guest house

03

Special considerations for short term assignments

3 Special considerations for short-term assignments

For the purposes of this publication, a short-term assignment is defined as an assignment that lasts for less than 1 year.

3.1 Residency Rules

Are there special residency considerations for short-term assignments?

There are no special residency rules prescribed for short-term assignments. The residency rules discussed in the above sections, hold valid even for an individual on a short-term assignment.

Payroll considerations

Are there special payroll considerations for short-term assignments?

There are no special payroll considerations for short term assignments.

Taxable income

What income will be taxed during short-term assignments?

An individual is taxed in respect of income earned for services rendered in India irrespective of their residential status. However, in case of an individual on a short-term assignment in India, short stay exemption may be claimed in respect of India taxes subject to the fulfillment of the prescribed conditions in the relevant treaty / Domestic tax law.

3.2 Additional considerations

Are there any additional considerations that should be considered before initiating a short- term assignment in India?

Depending upon the treaty provisions, short-term assignments can be planned in a manner so as to avail the short stay exemption. However, if presence of an individual in India creates a Permanent Establishment (PE) for the foreign company then the individual may not be entitled to claim short stay exemption in India.

Per Diem allowance granted on tour, to meet ordinary daily living charges may be claimed as exempt to the extent the amount is actually incurred for the said purpose.

04

Other taxes and levies

4 Other taxes and levies

Are there social security/social insurance taxes in India? If so, what are the rates for employers and employees?

The Ministry of Labour and Employment, in a notification dated 1 October 2008, amended the “Employees’ Provident Funds Scheme, 1952,” and the “Employees’ Pension Scheme, 1995,” collectively referred to as the Indian Social Security Scheme. Accordingly, the scope of the Indian Social Security Scheme was extended to specifically include a new concept of “International Workers” (IWs).

IWs include expatriates working for an employer in India to which the Provident Fund Act applies and Indian employees who have contributed to the Social Security program of a country/jurisdiction that has a Social Security Agreement (SSA) with India and are eligible for benefits under these SSAs.

Accordingly, all the expatriates holding foreign passports will qualify as IWs in India.

Consequently, all employees who fall within the definition of IWs are required to become members of the Schemes under the Provident Fund Act unless they qualify as ‘excluded employees’

Pursuant to the notifications issued by the Central Government on 29 June 2026 under Section 15 of the Code on Social Security, 2020, the Employees' Provident Funds Scheme, 2026, the Employees' Pension Scheme, 2026, and the Employees' Deposit-Linked Insurance Scheme, 2026 have come into force and have superseded the corresponding schemes framed under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952. Accordingly, provident fund, pension, and deposit-linked insurance benefits are now governed by the provisions of the Code on Social Security, 2020 and the schemes framed thereunder, while rights, obligations, benefits, and liabilities accrued under the earlier schemes continue to be protected in accordance with the transition provisions.

The EPF Scheme, 2026 retains the concept of mandatory coverage for International Workers employed in covered establishments. It also clarifies that existing International Workers who were members under the EPF Scheme, 1952 will continue as members under the EPF Scheme, 2026

Recent amendment in PF and Pension Scheme

The Ministry of Labour and Employment, Government of India issued a notification providing that a Nepalese national and a Bhutanese national shall be deemed to be an Indian worker. The EPF Scheme, 2026 requires provident fund contributions at 12% of wages from both the employer and employee and specifically provides that where wages exceed the statutory wage ceiling, mandatory contributions will be restricted on the wage ceiling amount.

Employees may, however, opt to make voluntary contributions either on wages exceeding the statutory wage ceiling or at a rate higher than the prescribed 12%. Employers also have the option to make matching contributions against such voluntary contributions. A significant feature of the new Scheme is the express provision allowing employees or employers to reduce or discontinue such additional voluntary contributions at any time, thereby providing greater flexibility in structuring retirement savings.

The employer is liable to pay additional administrative charges on such wages, on which voluntary contributions are paid.

IWs (other than excluded employees) are required contribute 12 percent of the wages (under the Code on Wages, 2019)) to the Indian social security scheme. Employers are also required to contribute 12 percent of their employee’s wages (under the Code on Wages, 2019) to the scheme. A portion of employer’s contribution i.e., 8.33 percent of wages is mandatorily contributed into the pension schemesubject to the statutory wage ceiling, and the balance is credited to the Provident Fund. The contribution must be

deposited on a monthly basis by the 15th of the subsequent month. Necessary forms and returns must be filed with the authorities within the prescribed timelines.

Amendments in the Employees' Pension Scheme, 2026

As per notification issued by Government of India, Ministry of Labour & Employment dated 22 August 2014, the employee who is joining and becoming the member of the fund for the first time on or after 1 September 2014 and has a salary exceeding INR15,000 at the time of joining the fund is not eligible to become member of Employees' Pension Scheme.

Therefore, the employer's entire PF contribution of 12 percent will be contributed towards Provident Fund account and there will be no diversion of employer's share to the Pension Fund.

Thus, all International Workers who would be becoming the members of the Provident Fund for the first time on or after on or after 1 September 2014 and have salary exceeding INR15,000 at the time of joining the fund would not be eligible to become member of Employees' Pension Scheme.

Higher pension provisions have been formally incorporated into the new scheme. For eligible members who opted for higher pension, the employer contribution is **9.49%** of wages.

Amendments in the Employees' Deposit Linked Insurance Scheme, 2026 (EDLI)

As per notification issued by Government of India, Ministry of Labour & Employment dated 22 August 2014; the wage ceiling has been enhanced from INR6,500 to INR15,000 and it continues unchanged under the Social Security Code

The contribution must be deposited on a monthly basis by 15th of the following month for which contributions are payable. Necessary forms and returns must be filed with the authorities by the prescribed deadlines.

As on 1 January 2019, India has signed Social Security Agreement ('SSA') with 20 countries/jurisdictions viz., Belgium, Germany, Switzerland, Denmark, Luxembourg, France, Republic of Korea, Netherlands, Hungary, Norway, Czech Republic, Sweden, Quebec, Canada, Japan, Portugal, Finland, Austria, Australia and Brazil. Out of the 20 countries/jurisdictions, the countries/jurisdictions with which India has SSAs which are currently effective are as follows:

Sr. No	Name of the country / jurisdiction	Effective Date
1	Belgium	1 September 2009
2	Germany	1 October 2009
3	Switzerland	29 January 2011
4	Denmark	1 May 2011
5	Luxembourg	1 June 2011
6	France	1 July 2011

7	Republic of Korea	1 November 2011
8	Netherlands	1 December 2011
9	Hungary	1 April 2013
10	Sweden	1 August 2014
11	Finland	1 August 2014
12	Czech Republic	1 September 2014
13	Norway	1 January 2015
14	Austria	1 July 2015
15	Canada	1 August 2015
16	Australia	1 January 2016
17	Japan	1 October 2016
18	Portugal	8 May 2017
19	Quebec	1 April 2017
20	Brazil	1 January 2024
21	United Kingdom	15th July 2026

Source: https://www.epfindia.gov.in/site_en/FAQ.php

Withdrawal of social security contribution Provident Fund (PF) accumulations

The IWs who are covered under an operational SSA between India and any other country/jurisdiction can withdraw their accumulated PF balances on ceasing to be an employee in an establishment covered under the PF Act.

However, in case a person is not covered under SSA, they may withdraw the PF balance on retirement from service in the company at any time after 58 years of age or is faced with certain contingencies (death/specified illnesses/incapacitation).

Pension accumulations (Payable only if the employee is not eligible for Monthly Pension)

In relation to pension withdrawal, the lump sum refund will be available only to those employees who are covered under an SSA in force and who have not completed the eligible service of 10 years even after including the totalization of service under the respective SSAs. Employees not covered under an SSA will not get the lump sum refund.

NOTE: Employee who have joined or become members of EPFS on or after 1 September 2014 and have monthly salary (as defined in the EPF Act) in excess of INR15,000 would not be required to contribute towards pension scheme (EPS), therefore there would be no pension accumulation for those employees.

Monthly Pension

In case of employees (both from SSA as well as Non-SSA countries/jurisdictions) having 10 years or older contributory service, they would be qualified to receive a monthly pension.

The employees would also be entitled to receive monthly pension in cases where:

If they have rendered eligible service of 10 years or older and retires on attaining the age of 58 years; or

Early pension, if they have rendered eligible service of 10 years or older and retires or otherwise ceases to be in the employment before attaining the age of 58 years of age.

NOTE: Employee who have joined or become members of EPFS on or after 1 September 2014 and have monthly salary (as defined in the EPF Act) in excess of INR15,000 would not be required to contribute towards pension scheme (EPS), therefore there would be no pension accumulation for those employees.

Gift, wealth, estate, and/or inheritance tax

Are there any gift, wealth, estate, and/or inheritance taxes1 in India?

There is no estate tax levied in India.

Further, Wealth tax was applicable up to the Tax Year 2014-15 as the same has been abolished from Tax Year 2015-16 onwards.

Real estate tax

Are there real estate taxes in India?

Property tax/real estate tax is payable as per local municipal laws on commercial and residential property owned in the respective States.

Are there Sales/VAT tax

sales and/or value-added taxes in India?

India has introduced Goods and Services Tax (GST) with effect from 1 July 2017. GST applies on all supplies of goods and/or services unless otherwise exempted/excluded. GST has subsumed various indirect tax laws including VAT, Central Excise, Service tax, Central sales tax, entry tax etc.

There is a dual-GST model for levy of GST i.e., Central GST (CGST) and State GST (SGST) is levied on intra- state supply of goods and / or services and Integrated GST (IGST) is levied on inter-state supplies (including imports of goods and import of services).

4.1 Other taxes

Are there additional taxes in India that may be relevant to the general assignee? For example, customs tax, excise tax, stamp tax, and so on.

The following goods are outside the purview of GST but presently other indirect tax levy like VAT and Excise duty is applicable on the same:

- Alcoholic Liquor for human consumption
- Petroleum Crude, High Speed Diesel, Motor spirit, Aviation Turbine fuel and Natural Gas.

In addition to the above, the Federal Government levies Customs Duty and Additional duties of Customs on import into/export out of India for goods. Apart for the above on few items viz. Motor vehicles, tobacco products etc., a GST compensation cess is also applicable.

Profession tax

Certain states in India levy a profession tax on employees. This tax is to be withheld from salary by the employer and is also deductible in computing the taxable income of the employee. It may be noted that in case where the employee opts for New tax regime, the deduction for Profession tax is not available.

Foreign Financial Assets

Is there a requirement to declare/report offshore assets (e.g. foreign financial accounts, securities) to the country/jurisdiction's fiscal or banking authorities?

Yes, every individual qualifying as a Resident and Ordinarily Resident of India is required to disclose all their foreign assets and incomes earned therefrom while filing the India tax return.

05
Immigration

5 Immigration

Following is an overview of the concept of India's immigration system for skilled labor.

(E.g. which steps are required, authorities involved, in-country/jurisdiction and foreign consular processes, review/draft flow chart illustrating the process)

An Employment visa is granted to a foreigner who is a highly skilled and/or qualified professional. Employment Visa shall not be granted – (i) for jobs for which qualified Indians are available and (ii) for routine, ordinary or secretarial/clerical jobs. Employment visa is not granted to a citizen of Pakistan.

The foreign national being sponsored for an employment visa in any sector should draw a gross salary in excess of INR1.625 million per annum. However, this condition of annual floor limit on income will not apply to: (a) Ethnic cooks employed by foreign Missions in India (this will not apply to ethnic cooks employed in commercial venture), (b) Language teachers (other than English language teachers)/translators (this will not include teachers employed to teach particular subjects in foreign language), (c) staff working for the concerned Embassy/High Commission in India, (d) foreigners, eligible for 'E' visa for honorary work with the NGOs registered in the country/jurisdiction without salary, (e) foreign teaching faculty employed in the South Asian University and the Nalanda University, and (f) Circus artists.

The salary threshold limit of INR1.625 million per annum will be worked out taking into account the salary and all other allowances paid to the foreign national in cash and also perquisites like rent free accommodation etc. which are included in the salary for the purpose of calculating income tax. Such perquisites should be quantified and indicated in the Employment Contract.

In respect of foreign nationals engaged as teaching faculty at the level of Assistant Professors and above by the Central Higher Educational Institutions viz. Indian Institutes of Technology (IITs), Central Universities (CUs), National Institutes of Technology (NITs), Indian Institutes of Management (IIMs) and Indian Institutes of Science Education and Research (IISERs), the minimum salary limit for grant of Employment visa will be INR 910 thousand per annum.

Nationals of Bangladesh, who are married to Indian nationals and who are not eligible for registration as OCI cardholder must draw a minimum salary of INR910,000 per annum for being eligible for grant of Employment Visa.

Generally, a foreign national can apply for an Indian visa from the country/jurisdiction of origin/domicile. However, it may be applied from the other country/jurisdiction and the visa may be granted after consulting the Indian Mission concerned in the country/jurisdiction of origin/domicile of the foreigner.

Employment visa with multiple entry facility may be granted for a maximum period of 5 years.

Employment visa can be extended in India up to a total period of 5 years from the date of issue of the initial employment visa.

With the approval of immigration authorities, foreign nationals can change employment in India if it is between holding company, joint ventures and consortiums and its subsidiaries or between subsidiaries of holding company, joint ventures and consortiums.

5.1 International Business Travel/Short-Term Assignments

Describe (a) which nationalities may enter India as non-visa national, (b) which activities they may perform and (c) the maximum length of stay.

- **Citizen of Nepal or Bhutan**
  - A citizen of Nepal or Bhutan entering India by land or air over Nepal, or the Bhutan border does not require a passport or visa for entry into India. However, they should be in possession of any of the following identity documents –
    - Nepalese/Bhutanese Passport; or
    - Nepalese/Bhutanese Citizenship Certificate; or
    - Voter Identification Card issued by the Election Commission of Nepal/Bhutan; or
    - Limited validity photo-identity certificate issued by Nepalese Mission/Royal Bhutanese Mission in India when deemed necessary.
  - For children between age group of 10-18 years, photo ID issued by the Principal of the School, if accompanied by parents having valid travel documents. No such document is required for children below the age group of 10 years.
  - A citizen of Nepal or Bhutan must be in possession of a Passport when entering India from a place other than Nepal/Bhutan.
  - A citizen of Nepal or Bhutan must have a visa for India if they are entering India from China, Macau (SAR), Hong Kong (SAR), Pakistan and Maldives.
  - If a citizen of Nepal or Bhutan visits India on valid Nepalese/Bhutanese passport, they may not be allowed to proceed to any third country/jurisdiction from India, unless they obtain a 'No objection Certificate' from the Embassy of Nepal/Royal Bhutanese Mission in India.
- **Citizen of Maldives**
  - A citizen of Maldives visiting India for a short period, up to 90 days, is exempt from the requirement of visa, provided they hold a valid passport.
  - The period of 90 days shall include any prior period of stay of such foreigner in India during a period of 6 months immediately preceding the date of their entry into India.
  - The visa free entry will be available only for Tourism and Medical purposes

Describe (a) the regulatory framework for business traveler being visa nationals (especially the applicable visa type), (b) which activities they may perform under this visa type and the (c) maximum length of stay.

- Foreign nationals are required to obtain an India Business visa (BV) to be able to enter into India for business visitor activities.
- In India, business visitors must generally limit their activities to the following:
- Foreign nationals who wish to visit India to establish an industrial/business venture or to explore possibilities to set up an industrial/business venture, other than Proprietorship Firms and Partnership Firms, in India.
- Foreign nationals coming to India to purchase/sell industrial products or commercial products or consumer durables.
- Foreign nationals coming to India for technical meetings/discussions, attending Board meetings or general meetings for providing business services support.
- Foreign nationals coming to India for recruitment of manpower.
- Foreign nationals who are partners in the business and/or functioning as Directors of the company.
- Foreign nationals coming to India for consultations regarding exhibitions or for participation in exhibitions, trade fairs, business fairs etc.
- Foreign buyers who come to transact business with suppliers/potential suppliers at locations in India, to evaluate or monitor quality, give specifications, place orders, negotiate further supplies etc. relating to goods or services procured from India.

- Foreign experts/specialists on a visit of short duration in connection with an ongoing project with the objective of monitoring the progress of the work, conducting meetings with Indian customers and/or to provide technical guidance.
- Foreign nationals coming to India for pre-sales or post-sales activity not amounting to actual execution of any contract or project.
- Foreign trainees of multinational companies/corporate houses coming for in-house training in the regional hubs of the concerned company located in India.
- Foreign nationals coming as tour conductors and travel agents and/or conducting business tours of foreigners or business relating to it, etc.
- Foreign academicians/experts coming under GIAN (Global Initiative for Academic Networks).
- Crew members of scheduled/non-scheduled flights operated by scheduled airlines, non- scheduled and chartered flights operated by non-scheduled airlines and special flights.
- Foreign nationals intending to visit India to participate in cultural events/activities with remuneration. [Such foreign nationals intending to visit India to participate in cultural events/activities for short duration without remuneration may be granted Entry (X-Misc.) Visa.]
- Foreign nationals who are engaged in commercial sports events in India on contract (including coaches) like Indian Premier League, Indian Soccer League, etc. with remuneration. They may be granted 'B-Sports' Visa with multiple entry facility for appropriate period. Such a foreign national shall comply with all the statutory obligations like payment of taxes, etc.

The India BV is typically issued for multiple entries. Extension of Business Visa may be granted by the FRRO/FRO concerned on a year-to-year basis. The period of extension shall not be beyond 10 years from the date of issue of the Business visa, subject to submission of documents of proof of doing business/consultancy.

The application for the India business visa must be filed at the Indian embassy/consulate in the respective country/jurisdiction of residence in order to be allowed to enter India.

Outline the process for obtaining the visa type(s) named above and describe (a) the required documents (including any legalization or translation requirements), (b) process steps, (c) processing time and (d) location of application.

1 Document gathering (8-10 days)

2 Book visa appointment at the Indian embassy/consulate at the place of residence (1 day)

3 Prepare Visa application (1 days)

4 File Visa application with the Indian embassy/consulate at the place of residence (5-10 business days after submission of the application)

5 Obtain Visa and travel to India (1-2 days) General requirement for Business Visitors

Standard Documents needed to be provided in English:

- Valid passport or travel document; Online application form;
- 2 photographs white background 35x45 size white background;
- Established purpose for the visit (i.e., Letter of Invitation (LOI) from the Indian company including a guarantee to cover certain expenses);
- Covering letter from the delegate employer; Proof of return or onward travel;
- Proof of financial and expertise in the field of intended business; and Incorporation of Certificate of Indian company.

Are there any visa waiver programs or specific visa categories for technical support staff on short-term assignments?

NA.

Long-Term Assignments

What are the main work permit categories for long-term assignments to India? In this context outline whether a local employment contract is required for the specific permit type.

Employment visa -

The immigration guidelines are silent on this point and therefore, the Indian embassies/consulates in different countries/jurisdictions (while issuing visa) and the Indian immigration authorities in India (at the time of the registration of foreigner, visa extension, etc.) insist on some sort of a document that establishes the connection between the Indian entity/office and the foreign national.

Therefore, depending on the Indian embassies/consulates in different countries/jurisdictions and jurisdictional/regional Indian immigration authorities, one may have to submit an employment contract or some other document like appointment letter, assignment letter, etc. which particularly has clauses on the below points:

- Duration of assignment
- Annual salary break-up
- Declaration regarding payment of taxes in India Location of applicant and company in India, etc.

Further, with respect to activities for which employment VISA is granted, kindly refer "Overview of the concept of India's immigration system for skilled labor" section above.

Project Visa - Project visa is granted to foreign nationals coming to India for execution of projects in the power and steel sectors, subject to the following conditions:

- The Visa would be project specific. In no circumstances would the person be allowed to be engaged in another project either of the same company or of a different company.
- The period of visa would be initially for a period of 1 year or for the actual duration of the project/contract, whichever is less, with multiple-entry facility. The visa can be extended for another 1 year by the State Government/UT Administration concerned. Any further extension of visa can be granted only by the Ministry of Home Affairs.
- The Project Visa would be issued only for skilled/highly skilled persons. However, the Missions/Posts may grant visa for not more than two chefs and two interpreters
- A person coming on Project Visa will not be allowed to take up employment in the same Indian company for a period of 2 years from the date of commissioning of the project.
- The Indian Company engaging the foreign national for executing the project/contract would be responsible for the conduct of the foreign national during their stay in India and also for the departure of such foreign national upon expiry of visa.
- In case the project/contract site falls in the Protected/Restricted Area, the grant of PAP/RAP should be integrated with the grant of Project Visa. In all such cases, prior clearance of the Ministry of Home Affairs shall be obtained.
- The foreigner coming on Project Visa will have to register themselves with the FRRO/FRO concerned within 14 days of arrival if the validity of visa is for more than 180 days. If the validity of visa is for a period of 180 days or less, registration would not be required.
- A foreign national may now work at a place other than the location of the project.

Intern Visa

- Intern visa is granted to a foreigner who intends to pursue internship in Indian companies, educational institutions and NGO's.
- Only graduates/postgraduates may be granted the said visa and that too only if the gap between completion of graduation/post-graduation and commencement of internship is 2 year or less.
- Intern Visa is now available at any time during the course of study. The intern should draw a minimum remuneration of INR 7.80 lakhs per annum. This condition shall not be applicable in case of internship with an educational institution and NGOs.
- Intern visa may be granted for a maximum period of 1 year and is not extendable.
- No intern visa to Pakistan nationals

Provide a general process overview to obtain a work and residence permit for long- term assignments (including processing times and maximum validation of the permit).

- Document gathering (8-10 days)
- Book visa appointment at the Indian embassy/consulate at the place of residence (1 day) Prepare Visa application (1 days)
- File Visa application with the Indian embassy/consulate at the place of residence (10-12 business days) in some circumstances the processing times at the embassy/consulate can take several weeks
- Obtain Visa and travel to India (1 day)
- Register with the Foreigner Regional Registration office (FRRO) within 14 days of their arrival in India
- Once all the documents are ready, we need to file the online FRRO registration and need to upload all the documents related to FRRO registration in the E-FRRO portal.
- Once the application is approved by the FRRO office then the delegate will receive the Residential Permit on is register email.

The Employment visa may be extended by the State Governments / UTs / FRROs / FROs beyond the initial visa validity period, up to a total period of 5 years from the date of issue of the initial Employment Visa, on a year to year basis, subject to good conduct, production of necessary documents in support of continued employment, **Is there a minimum salary requirement to obtain a long-term work and residence permit for assignments? Can allowances be taken into account for the salary?**

The salary threshold limit of INR1.625 million per annum will be worked out by taking into account the salary and all other allowances paid to the foreign national in cash and also perquisites like rent free accommodation etc. which are included in the salary for the purpose of calculating income tax. Such perquisites should be quantified and indicated in the Employment Contract.

Is there a fast-track process which could expedite the visa/work permit?

No currently there is no fast-track option for India. In the case of urgent request, the Indian Missions/Posts may provide visa for business travel within 48 hours of application.

At what stage is the employee permitted to start working when applying for a long-term work and residence permit (assignees/local hire)?

The employee is permitted to start working, once they obtained a valid Employment Visa after arriving in India.

Can a short-term permit/business visa be transferred to a long-term permit in India?

Technically it would be possible to extend the short-term permit (employment visa)/up to 5 years in India subject to fulfilment of certain conditions. It may be noted that Business Visa cannot be converted into Employment Visa.

Is it possible to renew work and residence permits?

Yes, it is possible to renew the India work visa and Residential Permit in India subject to fulfilment of certain conditions

Is there a quota or system or a labor market test in place?

India does not have a quota system.

5.2 General Immigration Related Questions

Would it be possible to bring family members to India?

Dependents are allowed to join the main applicant, According to Indian immigration law, spouses (marriage certificate required) and/or children under 18 years (birth certificates required) are considered as dependents. Any dependent staying for above 14 days other than a child below the age of 12 years needs to get themselves registered with the FRRO.

Is it possible to obtain a permanent residence permit?

No.

What if circumstances change after the Work and Residence application process (e.g. change of employment or personal situation, including job title, job role or salary)?

Change in job title, job role or salary is allowed, and no intimation is required to be made to any authority.

For personal situation, we will have to review case by case basis.

No change of employer shall be permitted during the currency of the Employment Visa, except in cases of change of employment between a registered holding company, Joint Ventures & Consortiums and its subsidiaries and vice-versa or between subsidiaries of a registered holding company, Joint Ventures & Consortiums. Change of employment would be permitted at a senior level e.g. managerial or a senior executive position and/or at a skilled position e.g. a technical expert. Prior permission of the Ministry of Home Affairs is required for change of employment.

How long can a permit holder leave India without their permit becoming invalid?

If at any time a foreigner who is required to register proposes to be absent from their registered address for a continuous period of 8 weeks or more; or is changing the registered address; or is finally departing from India, they shall, before leaving, inform in person, or through an authorized representative, or by registered post to the jurisdictional Registration Officer of their intention to leave, either temporarily or permanently.

Must immigration permissions be cancelled by the end of the assignment/employment?

Delegate needs to surrender their Residential Permit at FRRO or the same can also be done at the Airport immigration checkpoint at the time of their final departure from India.

Are there any penalties for individuals and/or companies in place for non-compliance with immigration law?

Yes, there is penalty but that depends on case to case.

Other Important Items

List any other important items to note, or common obstacles faced, in India when it comes to the immigration processes.

- Prior reference category countries/jurisdictions may need more time in processing visa application
- An individual need to carry travel documents such as passport, visa, etc.at the time of travelling abroad

- Timely compliances are required.
- Unmarried partner can only come on Tourist visa.

Do the immigration authorities in India provide information to the local taxation authorities regarding when a person enters or leaves India?

There is no formal system under which immigration authorities in India provide information to local taxation authorities. However, recently tax authorities have started requesting such details from the immigration authorities on a regular basis.

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- Goods and Services Tax Act, 2017;
- Foreign Exchange Management Act, 1999;
- The Code on Social Security, 2020; the Employees' Provident Funds Scheme, 2026 ("the PF Scheme") as amended;
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