Filing tax on US investments from India

Good news! You can invest directly in the US Stock market under the RBI's Liberalized Remittance Scheme

All Indian resident individuals, including minors, are allowed to freely remit up to USD 250,000 per financial year (April – March).

How are overseas capital gains taxed?

All capital gains on your overseas investments are **taxable only in India.** There is no capital gains tax levied by the US government on Indian investors when they sell US stocks.

You can also carry forward losses and offset gains across domestic and Indian markets when investing from India.

Long term gains tax Holding time more than 2 years	12.5%
Short term gains tax Holding time less than 2 years	At income slab

Tax Collected at Source on remittance

A 20% Tax Collected at Source (TCS) is applicable on remittances exceeding INR 7 lakhs in a financial year if the purpose of the remittance is investment-related.

You can claim the TCS back

Its possible to claim back this TCS on your income tax refund. Refunds are given when excess Advance Tax/TCS is paid. **The government pays interest at 0.5% per month (6% per annum) on income tax refunds.**

NOTE: If the refund amount is less than 10% of your total tax payable for the year, you will not receive any interest on that refund.

Adjust TCS on remittance, against Advance Tax

If you're an individual with income sources beyond regular salary (including earnings from rent, capital gains, fixed deposits etc.) you probably pay advance tax.

Advance tax is mandatory for individuals and businesses whose estimated tax liability exceeds Rs.10,000 in a financial year.

Individuals who defer their advance tax are charged 1% per month on the unpaid amount. Installment amounts need to be paid by the following due dates (table below).

The TCS paid on foreign remittances can be credited against your Advance Tax liabilities for each quarter.

Due date	Expected Advance Tax to be paid
Before 15th June	15% of total tax liability
Before 15th September	45% of total tax liability
Before 15th December	75% of total tax liability
Before 15th March	100% of total tax liability

How do I file taxes on US investments?

Paasa will provide the appropriate documentation and P&L report, so you can easily file your taxes. Here are the specific forms you'll need to file taxes on US investments:

ITR 2 (if salaried)
This form is used by those receiving income from sources like salary, pension, capital gains, fixed deposits etc.

ITR 3 (if you receive business income)
This form is used by those receiving income from a proprietary business, profession (e.g. doctors, lawyers, chartered accountants), or interest, salary, bonus, commission or remuneration received from a partnership firm.

FORM 67
The U.S. government taxes dividends at 25%, which is collected at the source. The Indian government also taxes foreign dividends according to your income tax slab. Fill out Form 67 when filing your return, to claim a credit for the dividend tax paid in the U.S.

SCHEDULE FA
This form is used to report details of any foreign assets you hold during the calendar year, even if you haven't sold them.

SCHEDULE AL
If your income exceeds INR 50 lakhs, you need to provide details of all your assets and liabilities on this form.

SCHEDULE FSI
This form requires you to report income from foreign sources.

SCHEDULE TR
Summarizes the tax relief claimed in India for taxes paid outside the country. You'll use it to report the tax credit for foreign dividends you've already paid.