

**Tax Alert No. 5**  
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## **U.S. Remittance Tax Proposal - Impact on NRIs**

The U.S. House of Representatives introduced the Remittance Tax Provision on May 20, 2025, as part of the "One Big Beautiful Bill Act (H.R. 1)." Initially proposed as a 5% tax on outbound money transfers, later Senate Approved Bill (Jul 01, 2025) has reduced it to 1% with significant exemptions. This presentation examines the key changes, impact on Non-Resident Indians (NRIs), and strategic guidance for navigating this new tax landscape.



## Legislative Journey: From 5% to 1%

1

**May 20, 2025**

Initial Proposal: A 5% federal excise tax on all outbound remittances.

2

**May 22, 2025**

House Approval: Revised to 3.5% and passed by a narrow margin.

3

**Jul 01, 2025**

Senate Approval: Further reduced to 1%, with major exemptions.

4

**July 4, 2025**

Signed into law.

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# Exemptions and Scope

## Taxable Transfers (1% Tax)

- Cash transactions
- Money orders
- Cashier's checks

## Exempted Channels

- U.S. - based bank transfers
- U.S. - issued debit or credit cards
- Digital platforms (Wise, Remitly, ICICI Money2India) using U.S. financial sources

# Significance for India

**\$32B**

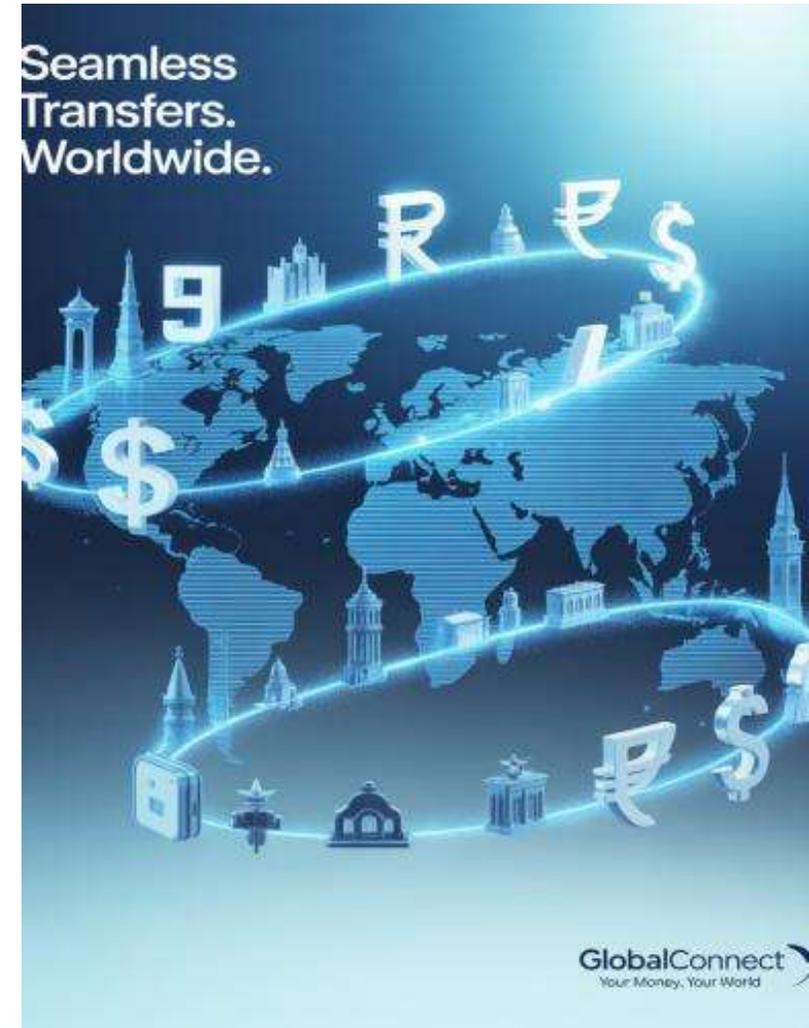
**U.S. Remittances to India  
(FY24)**

**2.9M**

**Indian Diaspora in U.S.**

27.7% of India's total remittance inflows      Critical demographic for inward flows

Potentially taxable remittances include personal transfers to family, NRE/NRO account deposits, investments in Indian real estate and financial markets, income transfers, and student stipends.



# Impact on NRI Financial Planning

## 1 Timing Considerations

Strategic planning for large-value transactions before the tax becomes Effective.

## 2 Channel Selection

Ensuring the use of exempted routes for all transfers

## 3 Documentation Requirements

Maintaining records to establish exemption eligibility, especially when routing funds through intermediary platforms





# Effective Date and Planning Window

## January 1, 2026

The revised remittance tax is to be effective from January 1, 2026, offering a clear six-month planning window for NRIs and foreign investors to reassess their cross-border financial movements.

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# Strategic Advisory for NRIs



## Use Formal Banking

Ensure remittances originate from U.S. bank accounts or U.S.-issued credit/debit cards to qualify for exemption



## Advance Transfers

Complete larger remittances before December 31, 2025, especially for property purchases or investments



## Maintain Documentation

Retain clear records of fund source and remittance channel for potential audit purposes





## Conclusion and Next Steps

The revised U.S. Remittances Tax provision represents a significant policy shift with moderated implications. While its impact has been considerably reduced from 5% to 1%, it remains a critical consideration for the Indian diaspora.

Since the Senate has now approved the bill and then **signed into law on July 4, 2025**, stakeholders should proactively assess its implications and make use of the remaining planning window to adopt compliant transfer mechanisms and ensure continued adherence to the updated regulatory framework.

For optimal results, consult with experienced cross-border tax professionals to optimize your remittance strategy and avoid unintended liabilities.



# Strategic Support for Global Success



## **NRI Support**

We support NRIs in navigating property sales, managing capital gains tax, and ensuring smooth fund remittance.



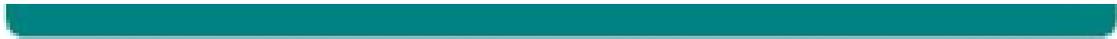
## **Corporate Assistance**

We assist Corporates in aligning intercompany pricing, maintaining arm's length compliance, and managing transfer pricing documentation and audits.

From real estate transactions to intricate global supply chains — Transfer Pricing applies in more places than you might think.

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