

**Ministry of External Affairs
Diaspora Engagement Division**

Union Budget 2026-27: Key Benefits for the Indian Diaspora

Hon'ble Finance Minister of India, Smt. Nirmala Sitharaman, presented the Union Budget 2026-27 before the Parliament of India on 1 February 2026. The Budget essentially placed emphasis on simplifying tax and regulatory processes, improving tax certainty, and advancing a trust-based tax administration. While presenting the Budget, Hon'ble Finance Minister laid emphasis on the Government's approach inspired by 3 Kartavya - Accelerate and sustain economic growth by enhancing productivity and competitiveness and building resilience to global dynamics, fulfil aspirations of the people and build capacity and to ensure that every family, community and region has access to resources, amenities and opportunities for meaningful participation.

Aligned with this vision, the Union Budget 2026-27 has emphasised on the realities of global mobility and cross-border engagement and thus introduced several reform measures that are of direct relevance to the Indian diaspora living abroad which are as detailed below:

(i) Greater Investment Opportunities for NRIs and Overseas Indians

While outlining measures to strengthen capital markets, Hon'ble Finance Minister had emphasised on Ease of Doing Business to attract long-term investment. In this regard, a major reform for the Indian diaspora was introduced in the Budget wherein Persons Resident Outside India (PROIs) are now permitted to invest directly in listed Indian companies through the Portfolio Investment Scheme (PIS) route, with the individual investment cap doubled from 5% to 10% per company. At the same time, the aggregate cap for all PROIs in a single company has been raised from 10% to 24%. Such reforms are aimed towards simplifying cross-border investments in equity, easing business prospects of domestic companies, and allowing overseas Indians to occupy more meaningful and conviction-led stakes in Indian companies.

Complementing this reform, the Government has also announced a review of the Foreign Exchange Management (Non-Debt Instruments) Rules to create a more user-friendly framework for foreign investments and setting up of a High-Level Committee on Banking for *Viksit Bharat*, for a comprehensive review of the sector to align it with India's growth story.

(ii) Direct and Simpler Access to Indian Capital Markets

The Union Budget 2026-27 has attempted to further simplify the way NRIs and overseas Indians invest in India by reducing dependence on complex and indirect routes such as foreign portfolio investors (FPIs). Overseas residents, including NRIs and eligible foreign citizens of Indian origin, are now permitted to invest directly in listed Indian companies

through a regulated portfolio investment framework, supported by higher investment caps that reduce the need for fragmented holdings and elaborate structuring. This shift allows diaspora investors to take clearer ownership positions and align their investment strategies with long-term purpose and conviction rather than regulatory limitations.

Together, these reforms are expected to deepen market participation, enhance liquidity, and create smoother channels for diaspora capital to contribute to India's long-term growth.

(iii) Easing Property Transaction and Compliance for Non-residents (NR)

Addressing the erstwhile procedural complexities in direct tax compliance, the Union Budget has provided for simplification of TDS compliance in property transactions involving non-residents. The Government recognises that simplification of procedures and reduction of compliance burden are central to improving ease of doing business and ease of living. TDS on the sale of immovable property by a non-resident is proposed to be deducted and deposited through the resident buyer's PAN-based challan instead of requiring TAN.

This change removes a major procedural bottleneck that often delayed or complicated property sales involving NRIs. While the applicable TDS rate on NRI property sales remains unchanged at 20 per cent plus surcharges, the streamlined process enables faster transaction closures.

(iv) Extended Tax Compliance Timelines

Recognising the complexity of overseas tax compliance, Government has extended the deadline for revising Income Tax Returns from 31 December to 31 March, subject to payment of a nominal fee.

For NRIs, whose filings often involve foreign income, tax credits, currency conversions, treaty benefits, and detailed foreign asset reporting, the earlier deadline often proved to be extremely restrictive. The additional three months to file revised ITR thus provide time to align overseas tax returns, obtain foreign bank statements and tax residency certificates, and coordinate with advisors across several global jurisdictions. For the diaspora, these measures are expected to reduce compliance anxiety, provide realistic timelines, and support accurate tax filings from abroad. By easing time pressure, this reform allows NRIs to revise returns more accurately and confidently, reducing the risk of errors and compliance gaps, otherwise caused by rushed filings.

(v) One-Time Foreign Asset Disclosure Scheme (2026)

Hon'ble Finance Minister has announced a six-month, time-bound window to help small taxpayers disclose foreign assets or income below a certain size. This primarily benefits students, young professionals, tech employees and returning NRIs.

The scheme offers two routes: those who did not disclose foreign income or assets up to ₹1 crore can regularise by paying 30% of fair market value of the asset or 30% of undisclosed income as tax and 30% as additional income tax in lieu of penalty and protection from prosecution while those who paid tax on income but failed to report the foreign asset itself (up to a value of ₹5 crore) can settle the lapse by paying a flat ₹1 lakh fee with immunity from penalty and prosecution.

(vi) Relief for Indian Students and NRI Families: Lower TCS Rates

Tax Collected at Source (TCS) has been reduced under the Liberalised Remittance Scheme, easing the cost of sending money abroad. The TCS rate on remittances for education and medical purposes has been lowered from 5% to 2%, and the TCS on overseas tour programme packages has been reduced from the earlier 5% and 20% rates to a uniform 2%, without any threshold amount.

These amendments are expected to significantly reduce upfront cash outflow for families supporting education, medical treatment, travel, or to finance their dependants overseas. While TCS is adjustable against final tax liability, the lower rates ease immediate financial pressure on families in India and make overseas education and travel financing smoother.

(vii) Reduced Penal Consequences for Tax Defaults

Hon'ble Finance Minister conveyed that "Penalties for certain technical defaults such as failure to get accounts audited, non-furnishing of transfer pricing audit report and default in furnishing statement for financial transactions, are proposed to be converted into a fee."

For NRIs, who often manage Indian tax obligations from overseas and face genuine compliance challenges, this reform is particularly meaningful. It reduces the pre-deposit required for filing tax appeals from 20 per cent to 10 per cent, integrates assessment and penalty proceedings to avoid parallel processes, extends immunity provisions to cases of misreporting (not just underreporting), subject to payment of 100% of the tax amount as an additional income tax over and above the tax and interest due. It also suspends interest on penalties during the first appeal. In case of misreporting in respect of unexplained cash credit, there is a provision of this being settled on payment of 120% of tax. In addition, there is scope for taxpayers to update their returns even after reassessment proceedings have been initiated at an additional 10% tax rate over and above the rate for that year.

Together, these measures significantly reduce the fear of criminal prosecution for inadvertent or technical errors and refocus the system on voluntary and accurate compliance.

(viii) Protection for Small Foreign Asset Holdings

Relief has been extended to taxpayers with small overseas holdings, acknowledging that minor foreign assets often go undisclosed due to complexity rather than intent to evade tax. The Government has clarified that there is no penalty for non-disclosure of non-immovable foreign assets where the aggregate value is below ₹20 lakh and has now extended immunity from prosecution for such cases with retrospective effect from 1 October 2024.

This provision thus extends reassurance to NRIs and overseas Indians with modest foreign assets, drawing a clear distinction between deliberate tax evasion and genuine administrative oversights. By offering protection and certainty in low-value tax infraction cases, the reforms further reinforce a more proportionate and trust-based approach to international tax compliance.

(ix) Incentives for Returning Professionals and Experts

The Government recognises the importance of attracting global expertise to support India's development priorities

The Union Budget 2026-27 has thus introduced targeted tax incentives to attract global talent and encourage the return of diaspora professionals, researchers, and sectoral experts to India. Expert non-residents working in India under notified schemes will receive an exemption on their global income for up to five years, easing the tax transition for highly skilled professionals relocating to India.

(x) Customs, Travel and Mobility-Related Facilitation

Hon'ble Finance Minister underscored the Government's focus on "ease of living" and in this direction announced revision of the provisions governing baggage clearance to enhance duty-free allowances in line with the present-day travel realities and provide clarity in temporary carriage of goods brought in or taken out. To rationalize the customs duty structure for imported goods for personal use, it was proposed to reduce the tariff on all such dutiable goods from 20% to 10%."

On the healthcare front particularly for cancer patients, basic customs duty has been exempted on 17 drugs or medicines. In addition, 7 more rare diseases for the purpose of exempting import duties on personal import of drugs, medicines and Food for Special Medical Purposes (FSMP) used in their treatment. " The customs duty exemptions as specified will further support diaspora families managing healthcare needs in India and also provide a boost to medical tourism in the country.

Conclusion

The Union Budget 2026-27 facilitates proactive engagement of India with its large and diverse global community. The Budget seeks to unlock

trusted, long-term diaspora capital while integrating overseas Indians more strongly and deeply into India's financial and economic ecosystem. More importantly, it reinforces the confidence that the Government has successfully ingrained in its diaspora that India views its diaspora not merely as remitters, but as stakeholders and partners in national growth.

The Union Budget 2026-27, in sum, reflects a broader shift in India's engagement with its diaspora—recognising overseas Indians as long-term partners in development. As India marches forward on the path to realise its vision of *Viksit Bharat* by 2047, the diaspora is positioned as a vital source of capital, expertise, and global connectivity. For NRIs and overseas Indians, this Budget is not just about incentives; it is a renewed invitation to participate, invest, belong and contribute to India's growth story.
