

Implications on Capital Gains due to US proposed Tariff

Tariff do not directly affect capital gains taxation, but they can have a significant indirect impact through currency exchange rate fluctuations. For Non-Resident Indians (NRIs), who often deal with cross-border transactions, such volatility can affect the final proceeds in foreign currency terms—ultimately influencing their effective capital gains and potential tax liabilities in both India and their country of residence.

Example: Sale of Property in India by an NRI (No Indexation, Cost in USD)

❖ **Purchase Details (2020)**

- **Property Cost (2020): ₹60,00,000**
- **Exchange Rate (2020): ₹75/USD**
- **USD Investment in 2020: ₹60,00,000 / 75 = \$80,000**

❖ **Sale Details (2025)**

- **Sale Price: ₹1,00,00,000**
- **Actual Cost: ₹60,00,000**
- **Long-Term Capital Gain (LTCG): ₹40,00,000**

❖ **Capital Gains Tax in India**

- **Tax Rate: 12.5% (no surcharge) + 4% cess**
- **Tax Calculation:**
 - **Basic Tax = ₹40,00,000 × 12.5% = ₹5,00,000**
 - **Cess = ₹5,00,000 × 4% = ₹20,000**
 - **Total Tax Payable: ₹5,20,000**
- **Net Proceeds After Tax: ₹1,00,00,000 – ₹5,20,000 = ₹94,80,000**

Exchange Rate Scenarios — proposed Tariff Impact

❖ **Scenario A: Favorable Exchange Rate (₹85/USD)**

(Stronger rupee or stable market)

- **Net USD Proceeds: ₹94,80,000 / 85 = \$1,11,529**

- USD Gain: $\$1,11,529 - \$80,000 = \$31,529$
- Return in USD: $\sim 39.4\%$

❖ **Scenario B: Adverse Exchange Rate (₹90/USD)**

(Weaker rupee due to tariff or other macro pressures)

- Net USD Proceeds: $\text{₹}94,80,000 / 90 = \$1,05,333$
- USD Gain: $\$1,05,333 - \$80,000 = \$25,333$
- Return in USD: $\sim 31.7\%$

Summary Table

Component	Scenario A (₹85/USD)	Scenario B (₹90/USD)
Net INR Proceeds	₹94,80,000	₹94,80,000
USD Equivalent	\$1,11,529	\$1,05,333
Initial USD Investment	\$80,000	\$80,000
USD Gain	\$31,529	\$25,333
Return (%)	39.4%	31.7%

Conclusion:

Although US proposed tariff do not alter the Indian tax liability directly, their impact on foreign exchange rates can significantly influence the **realized value of capital gains** in foreign currency. NRIs must consider currency risk and optimal timing of repatriation when planning asset sales and tax strategies.

We Support:

- ✓ NRIs & Corporates in navigating property sales, capital gains tax, and fund remittance
- ✓ Corporates in aligning **intercompany pricing**, ensuring **arm's length compliance**, and managing **TP documentation & audits**

From property transactions to complex global supply chains — Transfer Pricing can apply in more places than you think.

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