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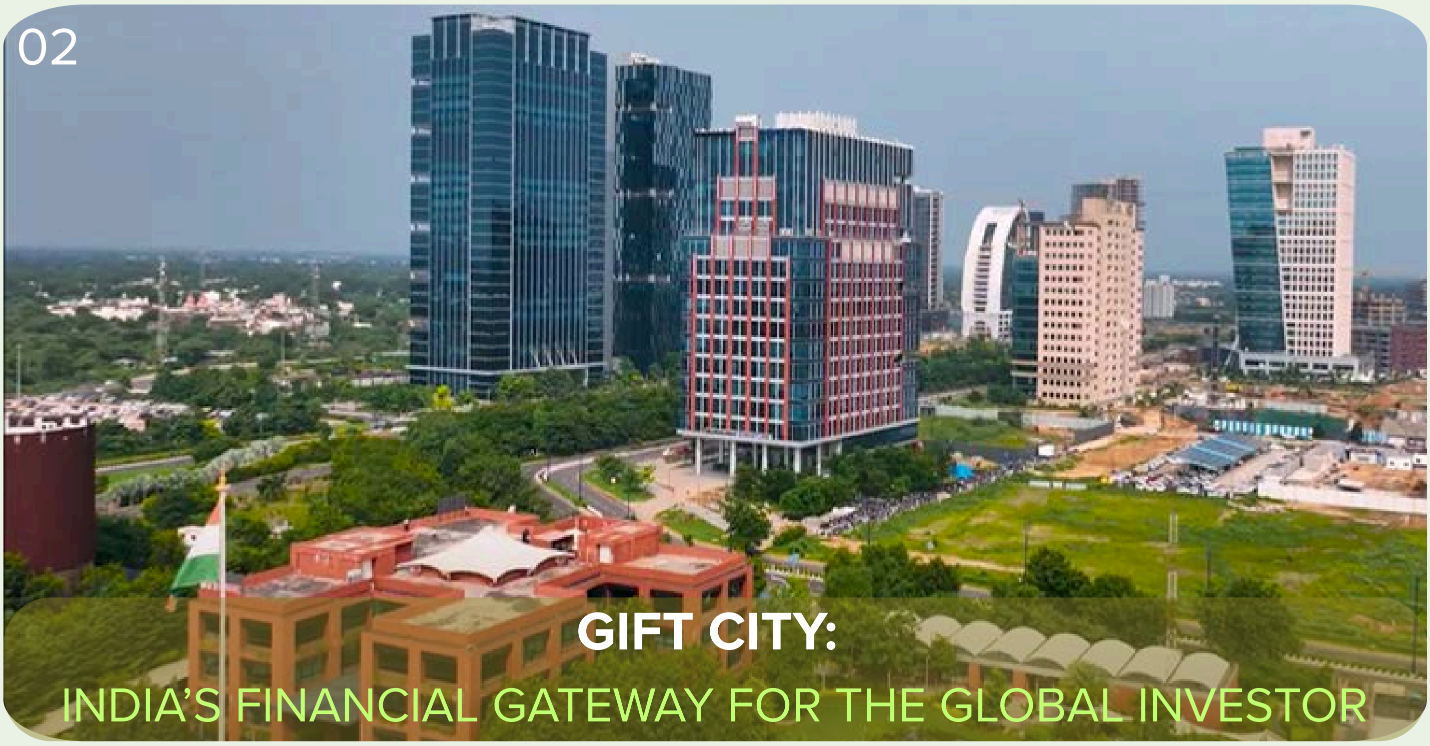
Simplifying Financial Life

NEURON WEALTH CONNECT

JULY 2025



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FOUNDER CONNECT

Jigar Patel, CA, CFA, CPA, MBA
Founder and Principal Officer

Introducing Neuron Wealth Connect!

Neuron Wealth Advisors LLP is proud to present **Neuron Wealth Connect,** an exclusive newsletter designed specifically for HNIs and NRIs who are serious about optimizing their financial strategies. This comprehensive publication brings a wealth of expert insights to navigate the complexities of wealth management, investment opportunities, tax planning strategies, compliance and more.

The newsletter includes **"Return to India"** connect explaining important financial decisions for returnees, explains timeless wisdom from financial legends in **"Voices of the Masters"** and addresses one behaviour bias in **"Mind Over Money"** every month. It will also include monthly updates on indices, currency, commodities, with annualized returns in **"Numbers That Matter"**.

Stay informed, make smarter financial decisions, and gain exclusive insights that will help you grow and protect your wealth. **Neuron Wealth Connect** is your trusted resource for navigating the financial journey with confidence. Do share your ideas, comments and suggestions. Thank you for your trust and support.

INVESTMENT CONNECT

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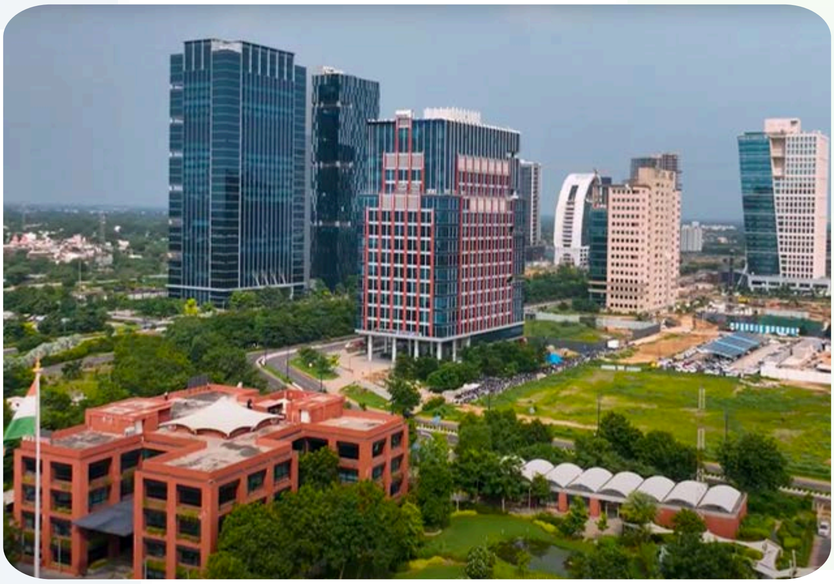

In 2007, then Chief Minister of Gujarat, Narendra Modi ji, announced the establishment of an International Financial Services Centre in Gujarat (IFSC) with an aim to create a world-class financial hub that could compete with other centers like London, New York, Hong Kong, Dubai, Singapore, Mauritius, etc. and the Gujarat International Finance Tec-City (GIFT City) was born.

GIFT City includes both Domestic Tarriff Area (DTA) and SEZ (Special Economic Zone). The SEZ area is known as GIFT International Financial Services Centre (GIFT IFSC). The GIFT IFSC is regulated by an independent regulator International Financial Services Centre Authority (IFSCA) to develop and regulate the financial services market in the IFSC.

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GIFT CITY: INDIA'S FINANCIAL GATEWAY FOR THE GLOBAL INVESTOR

While GIFT IFSC is located within India, it is considered as out of India jurisdiction for regulatory purposes. A lot of benefits and concessions in income tax, GST, Stamp Duty, FEMA, SEBI, etc. are available for entities established in GIFT IFSC and to investors using GIFT IFSC to invest in various financial securities.

GIFT IFSC has quietly evolved into a thriving global investment gateway and the numbers speaks for the same. As of March 31, 2025, 865 institutions are registered in GIFT IFSC:

- 29 banks, 83 brokers/dealers, and 5 payment service providers
- 161 fund management firms and 229 AIFs/schemes,
- 33 aircraft leasing, 24 ship leasing, 45 insurance intermediaries
- 91 ancillary services

and over 25% of registrations were done in just the past one year.

This surge reflects growing interest from NRIs, OCIs, and foreign institutions in a regulated, tax-optimized, and globally connected Indian ecosystem.

In GIFT IFSC, the transactions take place in any currency except INR in various investment options.

Investment Options

Bank FD

A nonresident can invest in any deposit accounts with any banks set up in GIFT IFSC. The interest rates are not regulated and the banks are allowed to keep interest rate as per their requirement. The deposits can be created for 7 days to even 10 years. The RBI cap limit for interest and tenure related to FCNR deposit account does not apply to the banks in IFSC.

Securities Listed on IFSC Exchange

There are mainly 3 exchanges in GIFT IFSC:

- IndiaINX (of BSE)
- NSE IX (of NSE) and
- IIBX (Bullion Exchange).

A non-resident or resident under LRS can invest in securities listed on the exchanges in IFSC. However, Indian residents are not allowed to invest in Indian securities.

India bound Investment

For inbound investing, various funds have been set up are in the process of being set up. They can mainly be categorized as

- master fund,
- feeder fund or
- retail fund.

The first retail fund has just been launched. The feeder fund is used by existing MF, PMS or AIF players to feed the funds raised through GIFT IFSC fund into their existing funds. Master funds are the funds that directly invest or trade in securities listed in India.

Any non-resident (NRI, PIO, OCI, Foreigner) is allowed to invest in any India bound fund. However, an Indian resident is not allowed to invest in such funds. He can only invest in global funds.

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Global Investment

An NRI or PIO or OCI can invest in funds that invest globally and are registered in GIFT IFSC. Indian residents are also allowed to invest through a global access platform available in GIFT IFSC under LRS.

Real Estate

All immovable properties in GIFT City are available on lease hold basis for 99 year. Many Investors are also looking for investments in residential or commercial properties on the long term lease basis.

Income:

Income from investments in GIFT IFSC could be rent interest, dividend, profit (or loss) on trading of securities or capital gain.

Taxation:

There is no Income Tax, Capital Gains Tax for non-resident investors or funds on the interest, dividend or gain or loss on trading of securities listed on exchanges in GIFT IFSC.

Currently, only derivatives are listed. Any fund that invests or trades in derivative instruments listed on exchanges in GIFT IFSC won't be paying any tax on the business income. Such funds will be able to pass on the income tax saving to the investors. Income tax exemption is available for 10 years in a block of 15 years.

As company shares are not yet listed, investors investing in funds that invest in direct shares of Indian companies are subject to long term and short term capital gains. However, the investors may not have to pay any tax as the tax will be paid at the fund level.

Non resident investors investing in mutual funds set up as a feeder fund in GIFT IFSC are currently enjoying true tax free income as there is no capital gain in GIFT IFSC and the mutual funds in India are exempt from tax for buying and selling of securities in India.

Taxation of Indian Resident:

As global income is taxable for ordinary residents, income from GIFT IFSC would be subject to income tax in India. Rent, interest, dividend will be taxed as per tax slab. The long term capital gain will be taxed @ 12.5%. If STT is paid, the short term capital gain will be taxed at 20%. If not paid, short term capital gain will be taxed at the slab rates.

Conclusion:

GIFT City is no longer just a policy experiment. It's a globally connected financial jurisdiction with structure, intent, and momentum. For NRIs and HNIs, it offers access to India's growth story, but through a window that is modern, tax-optimized, and globally aligned. With GIFT IFSC India now has a financial zone that connects better with the global investors and it is not a destination to miss.

WHY TAX DRAG QUIETLY ERODES WEALTH — AND HOW SMART PLANNING AVOIDS IT

When it comes to investing, most people focus on what they earn. The wiser ones focus on what they keep.

For smart investors, the real objective is not just high returns - it's high, risk-adjusted, after-tax returns. And the keyword here is **after-tax.**

Taxes are often treated as a necessary evil — accepted, even ignored - but rarely strategically planned for. Taxes are not just a cost. They are a permanent reduction in the wealth. Once paid, they don't compound. They don't return. They drag. The invisible erosion is known as the "Tax Drag."

Understanding Tax Drag

Tax drag is the compounding effect of taxes over time. It represents how much potential wealth is lost — not just to taxation once, but to taxation over time.

Even if your nominal return is strong, if your investments are exposed to taxation every year, the compounding power could significantly erode your wealth quietly.

The longer the investment horizon and the worse the tax drag and the higher the return, the more severe the tax drag becomes.

Let's understand the effect of tax drag with a practical example.

Example:

If an investor in a 30% tax bracket (31.2% including surcharge) invests ₹1,00,000 in a deposit earning 10% per annum, his gross income, tax and net income would be Rs. 10,000, Rs. 3,120 and Rs. 6,767 respectively.

If he continues this investment for 1 more year, over 2 years, he would have earned total of Rs. 14,233 (Year 1 income of Rs. 6,880 + Year 2 income of Rs. 7,353.

Had there been no tax, he would have earned ₹21,000 (Rs. 10,000 + Rs. 11,000). His loss due to taxes in 2 years would be Rs. 6,767 (Rs. 21,000 - Rs. 14,233), increasing his tax to 32.22% (Rs. 6,767/ Rs.21,000), even if his marginal tax rate is only 31.2%.

The Compounding Cost of Taxes 📉

The compounding cost of taxes is summarized in the following table:

Year	Tax-Free Value	After-Tax Value	Loss to Tax Drag	Tax Drag %
1	110,000	106,880	3,120	31.20%
2	121,000	114,233	6,767	32.22%
5	161,051	139,470	21,581	35.40%
10	259,374	194,520	64,854	40.70%
20	672,750	378,381	294,369	**51.40%**

Why Tax Drag Quietly Erodes Wealth — and How Smart Planning Avoids It

Had the investment generated 15% return for 10 years or 20 years, the tax drag would be

Year	Tax-Free	After-Tax	Loss to Tax	Tax Drag %
10	404,556	267,019	137,537	45.20%
20	1,636,654	712,993	923,661	**60.10%**

The Big Picture: You're Paying More to the Government than to Yourself

After 20 years, the tax drag would be 51.40% at a 10% return and 60% at 15% return — meaning you are paying more to the Government than to yourself.

"Don't Let the Government Compound — Let Your Wealth Compound."

What Smart Investors Do

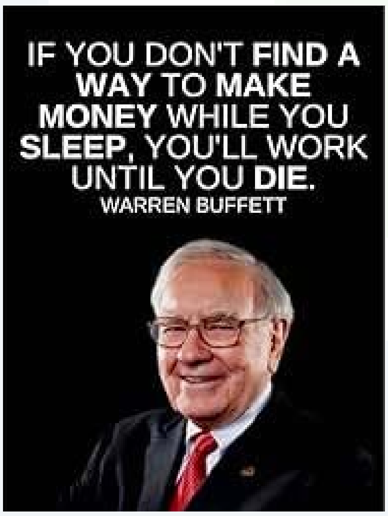
- Understand tax drag as a long-term cost, not just a short-term expense.
- Plan the taxes strategically and optimize income and assets at a family level.
- Don't avoid taxes. With global reporting - CRS/ FATCA, non-disclosure is riskier than ever.
- Think horizon and return. The longer you invest and the higher your return, the more critical tax planning becomes.

Final Thought

Tax is not just a cost - it's a drag. One that steals silently from your future wealth. With smart planning, you can legally reduce this erosion, boost your after-tax compounding, and retain more of what you earn, for you and your family.

🟩 Plan wisely. Compound fully.

VOICES OF THE MASTERS



Wisdom from the Voice:

The quote highlights the importance of passive income in achieving long-term financial freedom.

- Invest early and consistently in stocks, mutual funds, or ETFs
- Buy assets, not liabilities
- Focus on income generating assets or investments
- Reinvest interest, dividends or gains to maximize compounding
- Consider rental property or income generating assets
- Focus on building financial systems that work for you even when you're not working

WHICH IS BETTER FOR NRIS: NRE BANK FD OR DEBT MUTUAL FUND?”

NRE Bank FDs have always been considered the best investment product for NRIs to earn TAX-FREE return in India. However, with change in global compliance and reporting requirements and with risk of rupee depreciation, it may not be that clear any more.

A lot of NRIs and advisors do not recommend mutual funds over NRE FD to NRIs, especially for US residents, due to complicated PFIC reporting and payment of tax on notional income. However, for NRIs from developed countries that taxes foreign income, liquid or debt mutual funds may turn out to be a better investment on after-tax basis. Let’s understand with an example.

Example:

A US Resident has Rs. 10,000,000 as on December 31, 2019 that he wants to invest for 5 years to generate higher after-tax return in India with low risk. He is exploring whether to invest in NRE FD or debt mutual fund. Both are assumed to generate same return of 7% p.a. and the marginal tax rate in USA is assumed to be 35%.

Option A: Investing in NRE FD

As the investor is a US resident, the interest on NRE deposit would be taxable for him in USA and he would need to pay tax on the interest income as shown in the table below:

Year	Bank FD Balance	Interest @ 7%	Year	USD/INR	Interest ($)
31-12-2019	10,000,000	0	2019	71	$0
31-12-2020	10,700,000	700,000	2020	73.034	$9,585
31-12-2021	11,449,000	749,000	2021	74.343	$10,075
31-12-2022	12,250,430	801,430	2022	82.599	$9,703
31-12-2023	13,107,960	857,530	2023	83.162	$10,312
31-12-2024	14,025,517	917,557	2024	85.577	$10,722
	Total Interest	**4,025,517**	**Total Interest ($)**		**$50,396**
				Total Tax @ 35%	**$17,639**

Which is Better for NRIs: NRE Bank FD or Debt Mutual Fund?

Option B: Investing in Debt Mutual Fund

If Rs. 1 cr. was invested in a debt mutual fund (liquid/money market / other debt fund) generating 7% return, the income and tax for US based on MTM gain/loss would be as follows:

Value	USD/INR	Year	Value ($)	Gain (MTM)	Tax (USD)
10,000,000	71	2019	$140,845	$0	$0
10,700,000	73.034	2020	$146,507	$5,662	$1,982
11,449,000	74.343	2021	$154,002	$7,495	$2,623
12,250,430	82.599	2022	$148,312	$ -5,690	$ -1,992
13,107,960	83.162	2023	$157,620	$9,308	$3,258
14,025,517	85.577	2024	$163,894	$6,274	$2,196
			Total	**$23,049**	**$8,067**

So, by investing in debt mutual fund, the tax can be significantly reduced from $17,639 to $8,067 in the USA. Yes, investor would have to pay tax in India, but the effective tax rate may not be 35% and tax paid in India can be claimed as foreign tax credit in USA.

Reporting of unrealized gain on mutual fund is unique only for USA. NRIs from other country would pay tax only on redemption i.e. in 2024.

The tax saving is because of the benefit of INR Depreciation. For NRE FD, only interest income in INR is converted into foreign currency, whereas for mutual fund, capital gain is calculated in foreign currency i.e. getting benefit of INR depreciation both on interest and principal amount.

Recommendations:

- If you are an NRI from tax-heaven countries where you do not have to pay tax on your foreign interest income, e.g. UAE, Kuwait, Qatar, Singapore, etc., NRE FD is THE best investment option to generate secured tax free return in India.
- However, if you are an NRI from a country that taxes foreign income (e.g. USA, UK, Australia, etc.) and if you believe that the liquid/debt MF return would be similar to NRE FD and that INR will depreciate against your local currency in future, you would be better off investing in debt mutual funds in India.

IMPORTANT FINANCIAL DECISIONS FOR RETURNEES

A lot of NRIs are returning to India because of

- Family
- Career – Business or Job
- Retirement
- Spiritual
- Visa or Immigration

And, they are confused about one of the most important transitions in their life. Looking at the importance of decisions and lack of guidance, we decided to start a Return to India series in our newsletter.

Decisions to Move:

"Why move" is THE most important decision and is very personal to every family and depends on many factors.

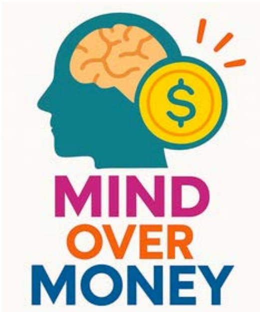
Once you have found your why - reasons, logic and determination to move, you also need to make certain financial decisions like when to move, how to move, what to do with investments and assets in home country, how to structure income and assets in India and in home country, how to minimize taxes, how much money to move in whose name and how, what to report where, when and how, etc.

Why Financial Decisions are Important:

These financial decisions help to identify, address and minimize the opportunity costs related to returning to India because…

- What if you could plan your move in such a way that you can maintain Not-Ordinary Resident status for one more year
- What if you could structure your income in India considering both Indian and foreign tax laws only once that saves taxes every year
- What if you could plan your India NRE FD in such a way that after moving, your income tax is reduced from 30% to even 0% for few years.
- What if you could manage your funds out of India so your taxable income out of India is not taxed or minimized.
- What if you could transfer funds that gives you better exchange rate of Rs. 0.50/$.
- What if you could transfer funds in the name or give gift in a way the overall tax liability as a family is minimized.
- What if you could manage India and out of India investments in compliance with applicable laws so there is no notices or scrutiny of investments or income in any country.
- What if ....(many more)

There are 10 extremely important financial decisions that saves both time and money and help returnees be on the right side of law. We will address each of these 10 financial decisions in details and real life examples of how returnees manage investments, taxation, reporting and compliance.



Every month, we will address one behavior bias in Mind Over Money Series.

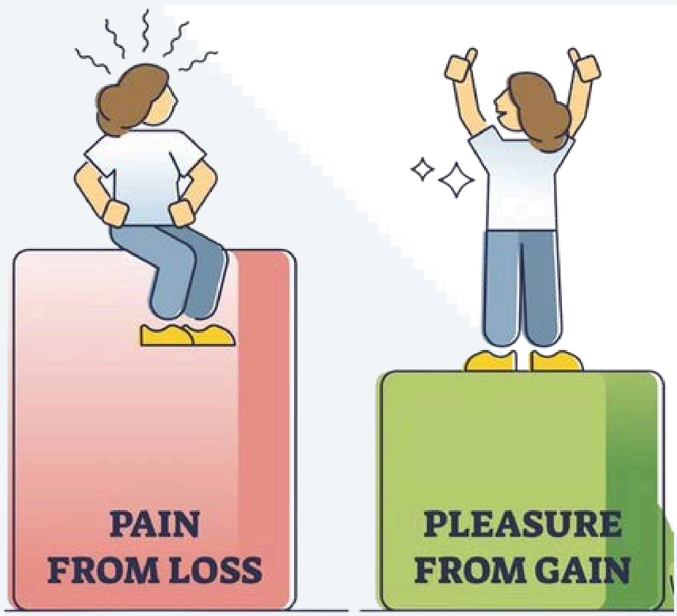
LOSS AVERSION

Loss Aversion

How do you feel when you receive Rs. 10,000?
How do you feel when you lose Rs. 10,000?
Which emotion affects you the most?

If losing money feels worse than receiving the same amount feels good, it is called loss aversion.

In reality, people works twice as hard to avoid loss than they will to earn gains as losing money not only impact the finances, but also makes investors feel horrible on the inside.



Examples:

Due to loss aversion, people invests in fixed deposits or investments that give stable low nominal return instead of fluctuating investments that give higher return over long term. They also try to catch falling knives i.e. buy stocks that are falling instead of realizing selling and getting out.

How Loss Aversion Affects Investor behaviour:

- Hold investments hoping it will recover in future to get even (Get Evenitis)
- Do not realize small loss and ends up losing more when investment goes down further
- Continue buying losers to average and bring down cost instead of realizing some loss and selling
- Sell profitable asset or investment at smallest of gain instead of holding for long term
- Avoid investing in products that may fluctuates in short term but could grow wealth in long term
- Ends up with poor, unbalanced and concentrated portfolio as winners are sold and losers are held

Remedies for Loss Aversion

As a human being, it is not easy to completely ignore aversion to loss. However, it can be minimized by following simple steps below:

- Keep learning about the securities, product or market so you understand the investment, its risk, return, and other characteristics
- Set Stop Loss rule to sell an investment if it incurs certain loss
- Set book profit limit and not to sell unless meaningful gain is received
- Get information from reliable sources for making any financial or investment decisions
- Do not check prices of investments frequently
- Do goal based planning, understand asset allocation and diversify the investments
- Think and act long-term and ignore short term fluctuations

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NUMBERS THAT MATTER

India Market Numbers

Index	30-06-25	1 Month	1 Year	3 Years	5 Years	10 Years
BSE Sensex	83,606	2.65% ↑	5.79% ↑	16.40% ↑	19.08% ↑	11.65% ↑
Nifty 50	25,517	3.10% ↑	6.27% ↑	17.37% ↑	19.89% ↑	11.79% ↑
Nifty Midcap 100	59,741	4.37% ↑	7.19% ↑	31.20% ↑	32.36% ↑	16.47% ↑
Nifty Smallcap 50	9,187	7.31% ↑	7.13% ↑	33.65% ↑	33.36% ↑	11.97% ↑

Source: nseindiia.com, bseindia.com Numbers over 1 year are annualized.

Global Market Numbers

Index (Country)	30-06-25	1 Month	1 Year	3 Years	5 Years	10 Years
DJIA	44,095	4.32% ↑	12.72% ↑	12.74% ↑	11.30% ↑	9.61% ↑
Nasdaq 100	22,679	6.27% ↑	15.22% ↑	25.39% ↑	17.43% ↑	17.83% ↑
FTSE	8,761	- 0.13% ↓	7.31% ↑	6.91% ↑	7.26% ↑	3.00% ↑
CAC 40	7,666	- 1.11% ↓	2.49% ↑	8.98% ↑	9.20% ↑	4.81% ↑
DAX	23,910	- 0.37% ↓	31.12% ↑	23.21% ↑	14.20% ↑	8.13% ↑
Nikkei	40,487	6.64% ↑	2.28% ↑	15.33% ↑	12.68% ↑	7.18% ↑
S&P ASX 200	8,542	1.28% ↑	9.97% ↑	9.16% ↑	7.69% ↑	4.58% ↑
Bovespa	138,855	1.33% ↑	12.06% ↑	12.11% ↑	7.87% ↑	10.09% ↑
MOEX	2,847	0.66% ↑	- 9.63% ↓	8.90% ↑	0.75% ↑	5.58% ↑
SSE Comp	3,458	3.29% ↑	16.52% ↑	0.58% ↑	2.99% ↑	- 2.10% ↓
Hangseng	24,072	3.36% ↑	35.86% ↑	3.27% ↑	- 0.29% ↓	- 0.86% ↓
FTSE/JSE 40	88,758	2.55% ↑	21.62% ↑	13.87% ↑	12.08% ↑	6.76% ↑

Source: investing.com, google.com. Numbers over 1 year are annualized.

Forex vs. INR Numbers

Currency	30-06-25	1 Month	1 Year	3 Years	5 Years	10 Years
USD $	85.70	- 0.20% ↓	- 2.81% ↓	- 2.77% ↓	- 2.55% ↓	- 3.03% ↓
GBP £	117.71	- 2.25% ↓	- 11.68% ↓	- 6.97% ↓	- 4.67% ↓	- 1.65% ↓
EUR €	101.02	- 4.09% ↓	- 13.13% ↓	- 6.87% ↓	- 3.55% ↓	- 3.61% ↓
100 JPY ¥	59.50	- 0.22% ↓	- 14.84% ↓	- 0.77% ↓	3.19% ↑	- 1.37% ↓

Gain or loss is of INR against foreign currency i.e. if negative, INR has depreciated

Commodity Numbers

Commodity	30-06-25	1 Month	1 Year	3 Years	5 Years	10 Years
Gold	98,960	3.69% ↑	32.26% ↑	23.46% ↑	14.48% ↑	13.74% ↑
Silver	107,700	7.81% ↑	19.67% ↑	21.87% ↑	16.99% ↑	11.53% ↑
Oil	$67.61	5.81% ↑	- 21.76% ↓	- 16.18% ↓	10.44% ↑	0.61% ↑

Source: investing.com, google.com. Numbers over 1 year are annualized.

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