NEURON WEALTH ADVISORS LLP
Simplifying Financial Life

NEURON WEALTH CONNECT

AUGUST 2025

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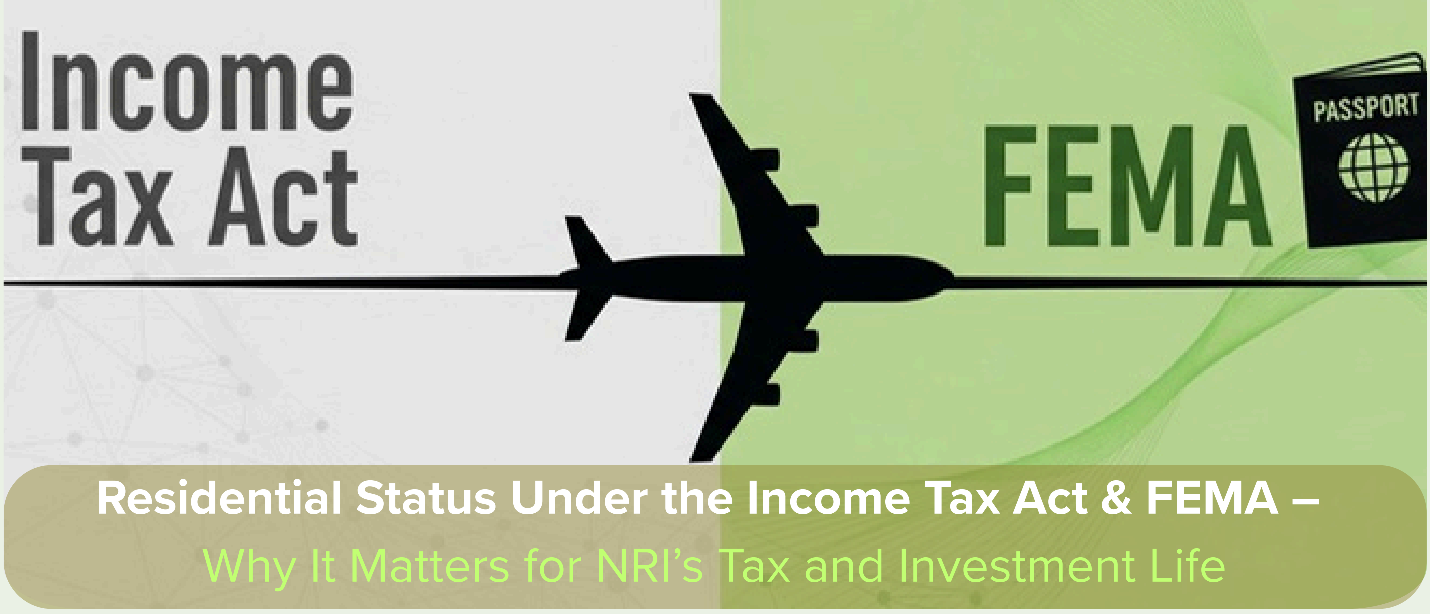
RESIDENTIAL STATUS



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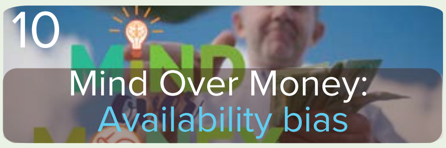

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FOUNDER CONNECT

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

Neuron Wealth Connect!

Neuron Wealth Advisors LLP is proud to present another edition of **Neuron Wealth Connect,** an exclusive newsletter designed specifically for HNIs and NRIs who are serious about optimizing their financial strategies.

The August 2025 issue explains a critically important issue of "**Residential Status**" under FEMA and ITA in **NRI Connect,** introduces new **Specialized Investment Fund (SIF)** and FIRE reimagined in **Investment Connect**. It also answers "**When to Move**" as first important financial decisions for returnees in **"Return to India"** connect, explains wisdom of **Charlie Munger** in **"Voices of the Masters"** and addresses **Availability Bias** in **"Mind Over Money"**. The newsletter also has 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.

NRI CONNECT

RESIDENTIAL STATUS UNDER THE INCOME TAX ACT & FEMA – WHY IT MATTERS FOR NRI'S TAX AND INVESTMENT LIFE

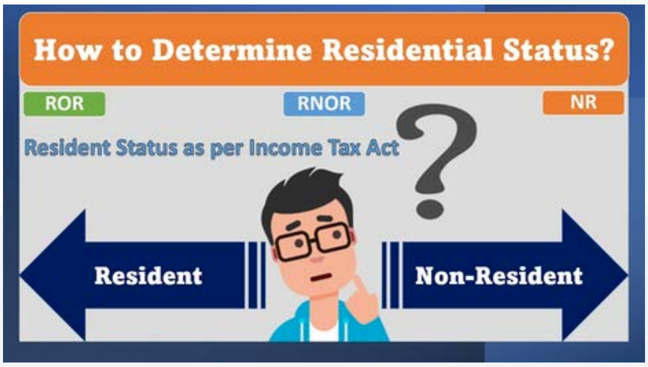
When it comes to taxation and financial regulations, your residential status in India is one of the most critical factors determining:

- What investments you can make in India and out of India
- How your income will be taxed (India and globally)
- What rules apply to your financial transactions in India and abroad

The complexity arises because India has two separate legal definitions - one under the Income Tax Act, 1961 and another under the Foreign Exchange Management Act (FEMA), 1999.

For NRIs, Returnees, globally mobile professionals and HNIs looking for international diversification, understanding both definitions is critical to avoid costly mistakes.

RESIDENTIAL STATUS UNDER INCOME TAX



1. Residential Status Under the Income Tax Act

The Income Tax Act classifies individuals and Hindu Undivided Families (HUFs) into three categories:

- Ordinary Resident (OR)
- Not Ordinarily Resident (NOR / RBNOR)
- Non-Resident (NR)

For other entities like companies, firms, or trusts, there are only two statuses — Resident or Non-Resident.

Step 1: Are You a Resident or Non-Resident?

Determining an individual's residential status is the first and most important step in assessing income tax liability in India.

Basic Rule

As per the Income Tax Act, an individual is considered a Resident if he/she is present in India

- for 182 days or more during the financial year, OR
- for 60 days or more in the year and 365 days or more in the 4 preceding years.

Special Rule

- For Indian citizens leaving for employment abroad or as crew on an Indian ship, 60-days is replaced by 182 days.
- For Indian citizens/PIOs visiting India:
    - If Indian income ≤ ₹15 lakh, 60 days is replaced by 182 days.
    - If Indian income > ₹15 lakh, 60 days is replaced by 120 days.

Deemed Resident rule:

If you are an Indian citizen with Indian income above ₹15 lakh and not liable to tax in any other country, you are deemed a resident even if you never step into India that year.

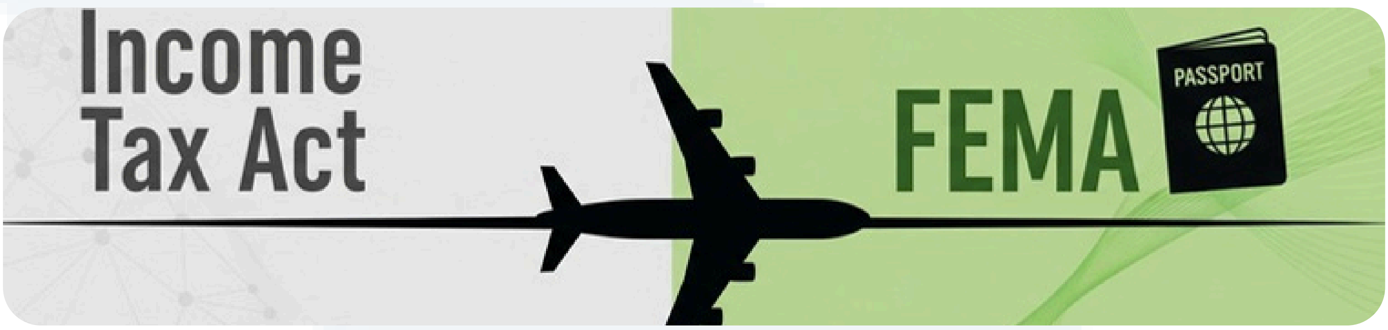
Step 2: If Resident, Are You Ordinary Resident (OR) or Not Ordinary Resident (NOR)?

You are Not Ordinarily Resident if:

- You were non-resident in 9 out of 10 preceding years, OR Stayed in India ≤ 729 days in the last 7 years
- Indian citizen or a PIO who has spent 120-181 days in India and having income from Indian sources of more than 15L
- Indian citizen who is not liable to tax in any country having more than 15L income from Indian sources

2. Residential Status Under FEMA

FEMA governs how a person can acquire, hold, transfer accounts, money, assets, investments or carry out transactions related to foreign exchange.



RESIDENTIAL STATUS UNDER FEMA

FEMA has only two residential status:

- Person Resident in India (PRII) - (Resident)
- Person Resident Outside India (PROI) - (Non Resident/ NRI)

An person is a Resident under FEMA if:

- he/she has resided in India for more than 182 days in the preceding financial year, AND
- he/she did not leave India for employment, business, or an uncertain stay abroad.

FEMA focuses on the purpose and intention of stay as even a single day can change your status from resident to non-resident if you leave/return for job / business or permanently settle abroad / in India.

For example, if someone stays in India for 200 days but is only visiting, they are still a non-resident under FEMA. On the other hand, if a person leaves India for a job, he becomes a non-resident from the day of departure.

Residential Status of a Student under FEMA

A student going abroad for education generally goes for a certain period to complete a course/degree/diploma and is a resident in India under FEMA in the year of departure. However, his stay may extend for reasons like advanced courses, training, or employment. Therefore, RBI has issued a circular that a student going abroad for studies will be treated as going for an uncertain period adn to be considered a person resident outside India from the day of departure

3. Key Differences – Income Tax vs. FEMA

Particular	Income Tax	FEMA
Days	182 days or more	More than 182 days
Year	Financial Year Tax year	Preceding Financial Year
Determining Factor	Physical presence	Intention
Change During Year	One status in one year	Can change during the year

4. Why Residential Status Matters?

The residential status impacts:

A. Tax Implications of Income Tax Status

- Non Resident – Only Indian income is taxable
- Not Ordinary Resident – Indian income and foreign business income controlled from India
- Ordinary Resident – Global income taxed in India; relief via DTAA possible.

B. Bank Accounts, Investment & Remittances:

FEMA restrictions vary for residents and non-residents and rules differ for NRE/NRO accounts, property transactions, and overseas investments based on residential status.

Conclusion:

Determining the residential status is not a mere compliance formality — it is the cornerstone of your financial, tax, and investment planning as an NRI or HNI. It defines:

- What income is taxable in India and abroad
- Which investments and bank accounts you can acquire or hold
- How funds can be remitted or repatriated
- And, other financial, investment & tax matters

Residential status is the first question any wealth, tax, or legal strategy must answer. Get it wrong, and even the best-planned investments or tax structures can collapse. Get it right, and you unlock the full benefits and protections available to you as a global Indian or a global Investor.

FIRE REIMAGINED: FORCED INTO RETIREMENT EARLY

What TCS Layoffs and Ajit Menon's Exit Reveal About the Urgency of Investment Planning

Interview

"Financial planning helped me retire early at 55"

und managers live and breathe markets, yet Ajit Menon, CEO of India's 25th largest mutual fund house PGIM, swears by his financial adviser. At 55, Menon is walking away from a successful career managing ₹26,693 crore in assets–not because he has to, but because he planned to. His secret weapon? A 12-year partnership with a financial adviser helped map his path to early retirement. Here's why even seasoned market veterans need someone to dispassionately do their wealth planning. By Kayezad E. Adajania.

AJIT MENON
CEO, PGIM India Mutual Fund

2% PINK SLIPS
100% SHOCK

TCS' strategy to be future-ready entails mass-firing 12k senior & mid-level staffers — a first in India

Our Bureau

Bengaluru | Mumbai: Tata Consultancy Services (TCS) plans to fire 2% of its workforce this year, in what will be the first mass layoff in India's $280-billion IT industry, sending shockwaves rippling out across social media.

The $30-billion company, which has over 600,000 employees, will see the departure of about 12,000 at mostly "senior and mid management level," it said in a statement. This is part of a realignment as it "readies itself for the future," it said. TCS is the fourth-most valuable Indian company and the country's biggest software exporter.

The Indian IT industry is about to see mass sackings more typical of US companies, triggering a wave of anxiety across the sector. Macro uncertainties and AI-led technology disrup-

Techtonic Shift
AI disruption, low demand drive TCS restructuring mov
Staff allowed only 35 days on bench
First time 225 billable days stipulated per yr
Delayed onboardin has trigge complaint to ministr
Fired staffers to be offered severance, insurance and outplacement help
Experts predict other IT firms may follow
Software services business model weakening
Upskilling programmes failing to meet client need

In July, two professional exits made headlines — one voluntary, the other involuntary. Both hold powerful lessons.

Ajit Menon, CEO of PGIM India Mutual Fund, announced his retirement at age 55. In a reflective interview with Kayezad Adajania (ET Wealth), he explained that stepping away was a choice — the result of a 12-year partnership with a financial adviser helped map his path to early retirement.

Around the same time, Tata Consultancy Services (TCS) initiated layoffs affecting about 12,000 mid- and senior-level professionals. Many, likely in their 40s and 50s, found themselves facing forced exits without warning.

One retirement was graceful, strategic, and clearly a decision on his own terms. The other retirement was by circumstance, sudden, and was not optional.

Together, these two headlines tell a powerful story: retirement is no longer just about choice; sometimes, it's about survival. And, they raise an important question: "Are you prepared to retire, even if the timing isn't your decision?"

The Evolution of FIRE: From Aspiration to Alarm

Traditionally, FIRE meant **Financial Independence Retire Early** — a lifestyle aspiration for those who aggressively saved and chose to leave the workforce. But for today's professionals, a more pressing version is emerging: **FIRE – Forced Into Retirement Early**.

What was once a lifestyle choice is now becoming an employment risk. As automation, global delivery shifts, cost-cutting, and strategic restructuring gather pace, many mid-career professionals are facing role stagnation, redundancy, or early separation.

For NRIs and globally mobile professionals, the risk matrix expands further. Changes in visa regulations and shifting residency norms can accelerate transitions back to India - often before financial structures are in place.

Investment Planning as Career Insurance

Ajit Menon's story illustrates that retirement success depends not on age or title, but on financial preparedness and intentional planning.

For years, investment planning was considered a wealth-building tool. In today's context, it has become career insurance.

Modern investment planning must do more than grow wealth. It must now serve a broader purpose to:

- Sustain income without salary
- Provide liquidity across borders
- Optimize Taxes for the entire family across geographies
- Withstand volatility and prevent distress selling
- Enable global asset integration and smooth asset transitions for NRIs
- Cover healthcare, relocation, or second innings goals

FIRE Reimagined - Forced Into Retirement Early

Lessons from the Two Exits:

The combination of Ajit Menon's early retirement (*interview by Kayezad Adajania in ET Wealth*) and TCS's unexpected layoffs are not coincidental — it's a snapshot of the new reality that:

- Senior professionals may choose to retire early on their own terms
- Others may be forced to exit mid-career
- In both cases, only those with a plan will thrive

Investment strategies must also evolve from reactive to strategic, from chasing returns to focusing on outcomes, and from isolated choices to integrated planning.

This is where the importance of an investment advisor and financial planning becomes critical. They help to define retirement needs, assess risks, align investments, and build a strategy that prepares you for voluntary — and involuntary — retirement scenarios. The question is no longer when will you retire — it's how prepared will you be when you retire?

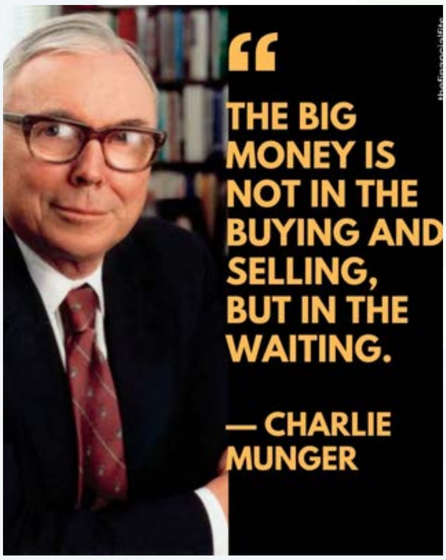
Final Thought

The traditional idea of retirement at 60 is becoming less relevant with each passing year and retirement at 55, 50, or even 45 is the new reality.

In this new reality, FIRE has evolved. It is no longer just about financial freedom. It is about foresight.

Because in today's world where **FIRE is Forced Into Retirement Early**, the real risk is not about retiring early. It's retiring early without a plan or enough assets or wealth.

VOICES OF THE MASTERS



Wisdom from the Voice:

Investors make more money than Traders. This quote means be patient with investing and waiting in the market grows money faster than trading. So,

- Choose good companies or assets that can grow steadily over the years.
- Staying invested helps money earn more through compounding.
- Market ups and downs are normal, and reacting emotionally can harm returns.
- Staying focused on long-term goals usually leads to better outcomes.
- Excessive trading does more harm than good
- Patience and discipline are essential to staying invested over time.

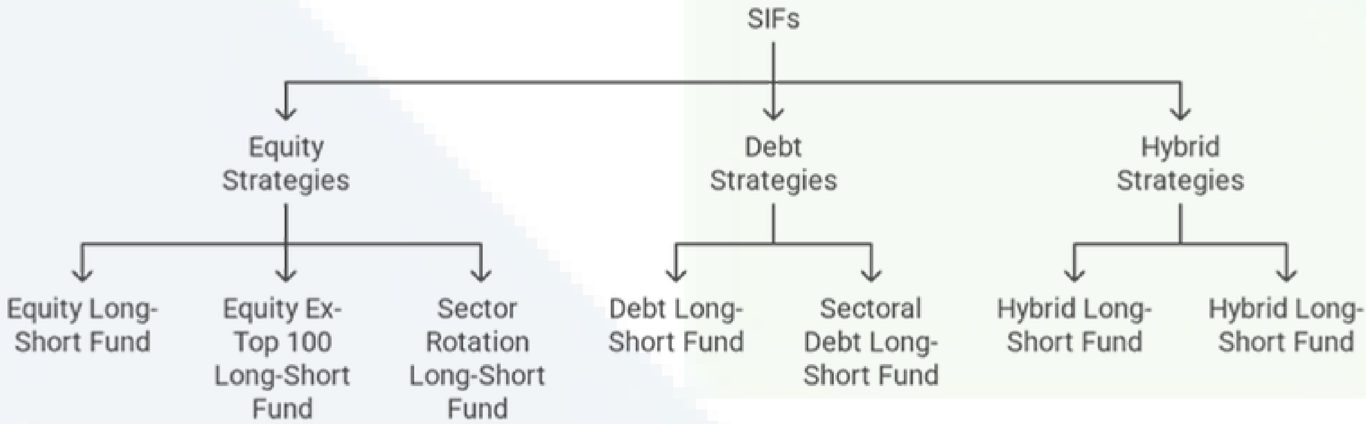
SIF: NEW BRIDGE BETWEEN MUTUAL FUNDS & PMS

A Specialized Investment Fund (SIF) is an investment vehicle regulated by SEBI. It is designed to bridge the gap between Mutual Funds and Portfolio Management Services (PMS), offering investors more advanced investment strategies than mutual funds.

Mutual Funds have minimum investment of ₹100 and PMS has minimum investment of ₹50 lakhs. SEBI introduced SIFs with a minimum investment of ₹10 lakhs. This makes SIFs suitable for investors seeking more flexible and tailored investment options, who are also comfortable taking on more risk than typical mutual fund investors. SIFs allow investors to access strategies while keeping the minimum investment lower than PMS.

Categories / Strategies of SIFs

SEBI has prescribed seven SIF strategies across Equity, Hybrid, and Debt. The flowchart below summarizes the categories of investment strategies.



Minimum Investment:

- SIF require minimum investment of Rs. 10 lakhs.
- While an investor can invest in multiple investment strategies, minimum investment of Rs 10 lakh per investor must be maintained at the PAN level across all investment strategies.
- SIFs can offer systematic options like SIP, SWP, and STP, provided the ₹10 lakh minimum is maintained. They can also be structured as open-ended, close-ended, or interval-based strategies, offering flexibility for sophisticated investors.

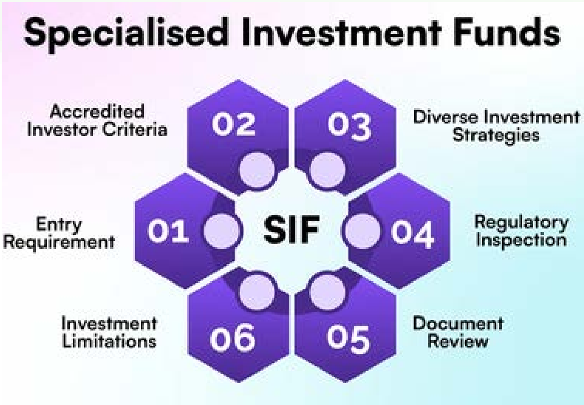
SIF : The New Bridge Between Mutual Funds & PMS

Who Can Issue SIFs?

- Asset Management Companies (AMC) must create a separate brand identity for SIFs, including distinct names, logos, and websites.
- Portfolio Management Service (PMS) providers registered with SEBI can launch SIFs as an additional product offering.
- Any new company that meets SEBI's eligibility criteria (net worth, infrastructure, governance) can apply for SIF registration.

Current Status:

- SIFs became effective from 01-Apr-25, but as of July 31, 2025, no SIF has been launched yet.
- Few AMCs have launched their brands and several other AMCs, PMSs are preparing to launch SIFs soon.
- SEBI requires a special certification - NISM XIII to ensure necessary knowledge to understand and distribute these specialized investment products.



Fees & Expenses:

As no SIF scheme has been launched, the charges for SIFs are not yet published. However, SIFs would typically charge higher fees than mutual funds, probably with a more complex fee structure due to increased complexity in managing investments and low base. SIFs may also have a dual fee structure consisting of management and performance based fees.

Taxability:

The dividend form SIF would be taxable as income from other sources and taxed as per slab rates and capital gain would be taxed as per short term or long term capital gain and taxed as per respective capital gain tax rates, just like mutual funds.

Who Can Invest in SIFs?

SIFs are aimed at high net-worth individuals (HNIs), institutional investors, and sophisticated investors who satisfy certain eligibility criteria. Investors who are comfortable with higher risk, less liquidity, and advanced investment concepts are the ideal investors of SIFs.

Recommendations:

SIFs are a newly introduced category with no historical performance data, making their risk-return profile highly unpredictable. They may have lock-in, restricted redemption window and higher Total Expense Ratio (TER) compared to Mutual Funds or PMS.

It is very important for investors to understand SIFs and risks and invest only if they believe adding SIFs would help them achieve their goals after considering its effect on their overall investments.

WHEN TO MOVE: TIMING YOUR RETURN TO INDIA MATTERS

An individual returning to India may not have the luxury to choose when to move back to India. The move could be dictated by external circumstances such as visa restrictions, family commitments, or job obligations.

However, there are instances when a person has the flexibility of a few weeks or even a few months to decide the timing of their relocation.

It is important to understand that moving back to India triggers a change in your residential status, not just for India but also for the home country. In India, it has significant implications under both Foreign Exchange Management Act (FEMA) and The Income Tax Act (ITA).

Each law has its own set of rules for determining residential status, and the timing of your move can significantly affect compliance requirements, tax liabilities, and permissible financial transactions.

Effect of Returning to India

Under FEMA, the residential status changes the moment a person move to India with the intention to stay indefinitely. Once a person become a Resident under FEMA, he/she would have to:

- Convert the Non Resident Ordinary (NRO) account to Resident Savings Account
- Transfer funds in Non Resident External (NRE) and Foreign Currency Non Resident (FCNR) to Resident Foreign Currency (RFC) or Resident Savings account
- Invest only in securities, products or schemes that are available to resident only i.e. FCNR FD is not available but PPF/ NSC etc. would become available
- Remit outward India under Liberalised Remittance Scheme (LRS) i.e. $250,000 per year and $1 million per year limit will not apply.

Under the Income Tax Act, residential status is classified as Non-Resident (NR), Resident but Not Ordinarily Resident (RNOR), and Ordinary Resident (OR). NR is taxed only on Indian income, RNOR on Indian income and global business income controlled from India, while OR is taxed on global income and must report foreign assets.

Benefits of NOR status under IT act

- Exemption from tax on FCNR FD interest
- Exemption on foreign passive income like dividends, interest, or rent,
- Deferment of global asset reporting in income tax return.

What if you could plan your return:

If the return to India can be postponed from July 2025 to Sep 2025 extending the RNOR status by one more year, it means one more year of no tax on global income, no reporting of foreign assets and one additional year for tax planning.

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

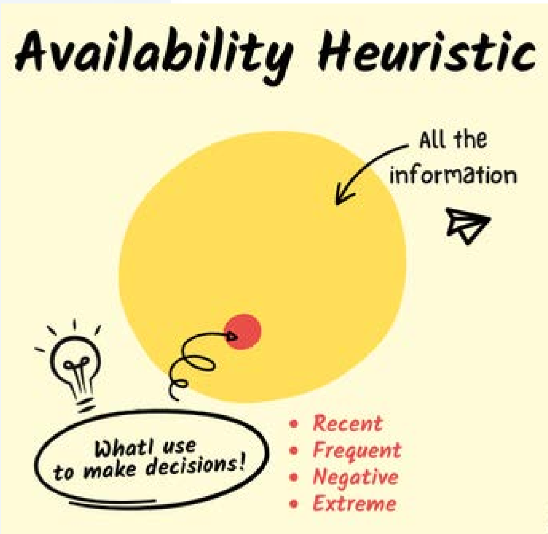
AVAILABILITY BIAS

Availability bias

How do you make a financial decision? Based on readily available information or after researching and considering various aspects of information?

If a decision is made based on any information that is readily available, frequently provided or partial without inquiring and understanding all the facts, it is called Availability Bias.

Just because something looks good and is readily available, does not mean it actually is what you are looking for. Availability bias is best explained in an old saying “All that glitters is not gold”.



Examples:

You asked ChatGPT or Perplexity or any other AI a question and you went with its response without verifying the facts or without any own homework. Because it was easy and familiar - it felt safe and you went the response based on how easily you recalled it, this is an availability bias.

How Availablity Bias Affects Investor behaviour:

- Investors rely on easily available information—like ads or suggestions—without checking if it truly fits their needs.
- They stick to familiar markets, often ignoring better global opportunities that don't come to mind as easily.
- They prefer investments products, schemes, or options that match their comfort or habits, and are easily available
- If a stock is frequently mentioned in the media or on social platforms, investors may believe it's a good investment - regardless of its fundamentals.

Remedies for Availability Bias

- Be aware of availability bias by actively learning, staying curious, and making decisions based on proper research - not just what’s easily available or easy to recall.
- Avoid blindly trusting popular ads or advice from friends and family.
- Focus on long-term goals instead of chasing recent trends or short-term hype,
- Expand your investment mindset by learning about diverse assets, investment options and markets - even those beyond your usual circle of awareness.
- Be aware that social media can create a false sense of popularity.
- Read unbiased research reports—not just online opinions.
- Use fact-based apps or platforms for research, rather than trending topics, reels and influencers.

NUMBERS THAT MATTER

India Market Numbers

Index	31-07-25	1 Month	1 Year	3 Years	5 Years	10 Years
BSE Sensex	81,186	- 2.90% ↓	- 0.68% ↓	12.14% ↑	16.64% ↑	11.19% ↑
Nifty 50	24,768	- 2.93% ↓	- 0.73% ↓	13.02% ↑	17.47% ↑	11.24% ↑
Nifty Midcap 100	57,400	- 3.92% ↓	- 2.09% ↓	24.65% ↑	29.98% ↑	15.38% ↑
Nifty Smallcap 50	8,671	- 5.62% ↓	1.11% ↑	27.28% ↑	29.09% ↑	10.35% ↑

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

Global Market Numbers

Index (Country)	31-07-25	1 Month	1 Year	3 Years	5 Years	10 Years
DJIA	44,131	0.08% ↑	8.05% ↑	10.35% ↑	10.80% ↑	9.57% ↑
Nasdaq 100	23,218	2.38% ↑	19.91% ↑	21.49% ↑	16.31% ↑	17.60% ↑
FTSE	9,133	4.24% ↑	9.14% ↑	7.15% ↑	9.14% ↑	3.15% ↑
CAC 40	7,772	1.38% ↑	3.19% ↑	6.42% ↑	10.19% ↑	4.34% ↑
DAX	24,065	0.65% ↑	30.02% ↑	21.30% ↑	14.34% ↑	7.84% ↑
Nikkei	41,070	1.44% ↑	5.03% ↑	13.89% ↑	13.60% ↑	7.15% ↑
S&P ASX 200	8,743	2.35% ↑	8.04% ↑	7.97% ↑	8.08% ↑	4.37% ↑
Bovespa	133,071	- 4.17% ↓	4.25% ↑	8.86% ↑	5.27% ↑	10.09% ↑
MOEX	2,732	- 4.05% ↓	- 7.24% ↓	7.26% ↑	- 1.26% ↓	5.05% ↑
SSE Comp	3,573	3.74% ↑	21.59% ↑	3.18% ↑	1.54% ↑	- 0.25% ↓
Hangseng	24,773	2.91% ↑	42.83% ↑	7.12% ↑	0.14% ↑	0.06% ↑
FTSE/JSE 40	90,781	4.88% ↑	24.39% ↑	14.73% ↑	12.59% ↑	7.00% ↑

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

NEURON WEALTH ADVISORS LLP
Simplifying Financial Life

NUMBERS THAT MATTER

Forex vs. INR Numbers

Currency	31-07-25	1 Month	1 Year	3 Years	5 Years	10 Years
USD $	87.52	- 2.13% ↓	- 4.57% ↓	- 3.33% ↓	- 3.16% ↓	- 3.18% ↓
GBP £	115.59	1.80% ↑	- 7.41% ↓	- 6.18% ↓	- 3.35% ↓	- 1.46% ↓
EUR €	99.91	1.10% ↑	- 10.27% ↓	- 7.22% ↓	- 2.52% ↓	- 3.58% ↓
100 JPY ¥	58.06	2.42% ↑	- 4.04% ↓	0.84% ↑	3.88% ↑	- 1.18% ↓

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

Commodity Numbers

Commodity	31-07-25	1 Month	1 Year	3 Years	5 Years	10 Years
Gold - 24 ct (10 g)	101,260	2.55% ↑	40.54% ↑	22.90% ↑	12.13% ↑	14.13% ↑
Silver (1kg)	115,000	6.78% ↑	32.95% ↑	25.34% ↑	12.09% ↑	11.76% ↑
Oil (Brent)	$72.53	7.28% ↑	- 10.28% ↓	- 11.31% ↓	10.76% ↑	3.22% ↑

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

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