

# PIOs can't buy agricultural land in India but can inherit it

**I am a Singaporean national of Indian origin. I hold a person of Indian origin (PIO) card. My father, who passed away three years ago, had some agricultural land in India. Can I sell these and repatriate the amount? What will be the tax liability?**

—J. Srinivasan

As a PIO, you cannot acquire an agricultural property by purchasing it, but you can inherit it. If you are your father's only legal heir, you would inherit all his properties. In order to be able to sell the properties, you would first need to get all the properties transferred in your name. Note that agricultural land can be sold only to an Indian resident. Profits on sale of agricultural land would be exempt from tax if it is a land situated beyond certain specified municipal limits, irrespective of the holding period.

Since you are a non-resident, generally the applicable taxes would be withheld at source. The sales proceeds will first be credited to your non-resident ordinary or NRO account in India; you can repatriate it after paying tax. You can repatriate up to \$1 million per

## NRI Taxation

financial year. You would need to furnish to the bank a chartered accountant's certificate in Form 15CB certifying that there are no pending tax dues on the amount proposed to be remitted.

**I am a non-resident Indian (NRI) and plan to buy a residential property in India for self use with a loan of ₹25 lakh. I plan to pay the instalments with the rent I get from a commercial property I own in India. What will be the tax implication?**

—Amita

The rent you get from your commercial property is taxable as "income from house property". You will get a standard deduction of 30% from the rent received after deducting taxes levied by the local authority (municipal taxes) paid during the year.

Income from a self-occupied property is considered nil but the interest paid on the loan will be deductible up to ₹1.5 lakh. Since the deduction (₹1.5 lakh) is higher than the income (nil),

it amounts to a loss of ₹1.5 lakh under the head "income from house property". This loss can be offset against income from your commercial property.

For the current financial year, you would be entitled to an additional deduction up to ₹1 lakh under section 80EE of the Income-tax Act if your loan does not exceed ₹25 lakh, the value of the property does not exceed ₹40 lakh and the loan is sanctioned by a bank or a housing finance company between 1 April 2013 and 31 March 2014. Thus, the aggregate deduction in respect of the interest paid will be restricted to the amount of interest paid or ₹2.5 lakh, whichever is less. You can also avail deduction of up to ₹1 lakh under section 80C for the principal loan amount repaid.

If the residential property is under construction, the interest paid up to the year prior to the year in which construction is completed is deductible in five equal instalments commencing from the year in which the construction is completed.

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