

# US move raises discrimination concerns for overseas Indians

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A proposed 5 per cent “excise tax” on remittance transfers by non-citizens in the United States (US) has caused concern about discrimination in the Indian diaspora, and among policy-makers and tax experts.

Part of US President Donald Trump’s “The One, Big, Beautiful Bill,” the measure, if passed, could significantly affect Indian professionals who send money from the US to support families in India or invest in the country.

The Bill proposes the levy on all cross-border remittances made by non-citizens, including H-1B, L-1, and F-1 visa holders, as well as green card holders. US citizens and nationals are exempt from this.

The provision requires that the tax be collected by remittance-transfer providers, who are responsible for depositing it every quarter with the treasury secretary.

India, the largest recipient of remittances from the US, received \$32.9 billion in 2023-24 with a 27.7 per cent share in the country’s inward remittances, according to the Reserve Bank of India (RBI) data.



## Share in India’s inward remittances (in %)

Country	2016-17	2020-21	2023-24
US	22.9	23.4	27.7
UAE	26.9	18	19.2
UK	3	6.8	10.8
Saudi Arabia	11.6	5.1	6.7
Singapore	5.5	2.4	6.6

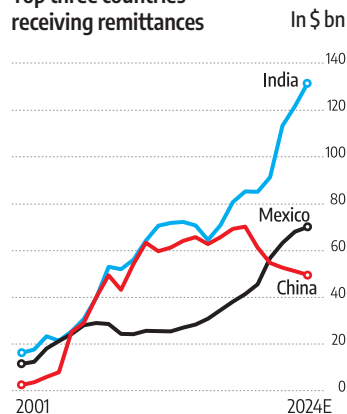
Source: Data for 2016-17 and 2020-21 are sourced from the RBI’s remittance surveys — RBI (2018) and RBI (2022a), respectively

Overall, such remittances have more than doubled from \$55.6 billion in 2010-11 to \$118.7 billion in 2023-24.

Akhilesh Ranjan, former member of the Central Board of Direct Taxes (CBDT), said since it was not a tax on income and might not fall within the scope of the Double Taxation Avoidance Agreement signed between the two countries, thereby denying

## Changing dynamics

### Top three countries receiving remittances



E: Estimate

Source: RBI, World Bank

Government officials are cautious. “It’s a proposal. We don’t react so quickly to things. Let us see what happens,” an official said.

Sandeep Jhunjunwala, partner at angia Andersen LLP, said the proposal disproportionately affected millions of lawful immigrants, including holders of the green card and work visa, and non-resident aliens. “Clarity is missing on whether exemption is there for those who have a social-security number or exemption is only for US citizens,” he added. “If enacted, this provision risks diminishing the US’ attractiveness as a destination for international talent and investment, while also raising diplomatic sensitivities and increasing compliance challenges for both individuals and employer enterprises.”

Experts say this could encourage informal remittances, increase the compliance burden on financial institutions, and strain bilateral ties.

For many Indians working in the information technology (IT) services industry in the US, this is a concern. “Since we already pay tax here, it’s unfair that we have to pay more for using our money the way we want,” said an Indian working at an Indian IT services company in New Jersey.

tax credit to non-US citizens.

“This is a discriminatory levy targeting non-US citizens, and I hope India takes up this issue appropriately with the US. The US had asked India to withdraw the equalisation levy on similar grounds of discrimination. This 5 per cent remittance tax could also lead to a reduction in foreign-exchange reserves,” he added.