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India–UK cross-border tax: the FIG regime, DTAA and returning NRIs.

The UK changed its tax rules in April 2025 — the non-dom regime is gone, a four-year exemption window for new arrivals replaced it, and inheritance tax now follows residence. For the 1.8-million-strong Indian diaspora and every business on the corridor, the planning answers changed. Here is the current map, both directions.

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The UK side changed more in 2025 than in decades

Three reforms, all effective from April 2025, reset the corridor. The **remittance basis was abolished**: "non-dom" status no longer shelters foreign income kept offshore. In its place, the **FIG regime** gives new arrivals (non-UK-resident for the prior ten years) four years of UK residence with foreign income and gains untaxed — usable even if you bring the money in. And **inheritance tax moved from domicile to residence**: stay long enough (broadly ten of twenty years) and UK IHT at 40% reaches your worldwide estate, Indian assets included, with a tail that follows you after departure. Indians moving to the UK now plan around a four-year clock and a ten-year clock from day one.

UK-resident NRIs: the double-reporting reality

India taxes your Indian-source income; the UK taxes your worldwide income once you're resident (outside the FIG window). That means Indian rent, NRO interest, dividends and capital gains belong on **both returns**, with the treaty deciding who credits whom. The chronic miss: **NRE interest — exempt in India, fully taxable in the UK** for residents past their FIG years. On the India side, the usual NRI machinery applies: treaty ceilings on NRO interest and dividends (claimed with an HMRC-side TRC and Form 10F — rates on the checker), Indian capital-gains rates on shares and property (calculator), and a filed Indian return to recover over-withholding. Selling Indian property from the UK adds the Form 13 sequence — the property guide walks it.

Returning to India from the UK

Returning to India runs on two clocks. India's **RNOR window** keeps foreign income out of Indian tax for typically two to three landing years (check your dates) — the time to deal with UK positions: **ISAs** (tax-free to HMRC, ordinary taxable investments to India once you're ordinarily resident), **UK pensions** (private pensions generally shift to residence-country taxation under the treaty; sequence withdrawals deliberately), UK property

(UK keeps taxing the rent and gains; India credits once you're ROR). The UK's clock runs the other way: departure doesn't immediately end UK exposure — the split-year rules on exit and the IHT tail for long-term residents both linger.

Business on the corridor

UK into India follows the standard playbook — a WOS with FC-GPR, GST and transfer pricing from day one (the India-entry guide), with the corridor-specific watch-item being **secondment PE**: UK staff embedded in the Indian operation under UK control can create a taxable presence for the UK company. **India into the UK** is FEMA ODI plus a UK limited company at 25% corporation tax; the UK has no dividend withholding, which keeps repatriation simple, while India taxes the dividend in the shareholder's hands. In both directions the treaty's service and royalty articles decide the withholding on intercompany charges — worth fixing in the intercompany agreement, not at audit.

Common questions

Is my NRE account interest taxable in the UK?

Very often yes — and it is the most-missed item in the corridor. India exempts NRE and FCNR interest for non-residents, but the UK taxes its residents on worldwide income. Outside the four-year FIG window (or the old remittance basis for earlier years), a UK-resident NRI must report Indian interest, rent and gains on the UK return, with treaty credit for any Indian tax.

What replaced the UK's non-dom regime?

From 6 April 2025 the remittance basis was abolished and replaced by the Foreign Income and Gains (FIG) regime: broadly, new UK arrivals who were non-UK-resident for the previous ten years pay no UK tax on foreign income and gains for their first four years of residence, even if remitted. After year four, worldwide taxation applies. The rules are new and detailed — confirm current-year conditions before relying on them.

How is my UK pension taxed if I retire in India?

Under the treaty, private UK pensions are generally taxable in the country of residence — India, once you are resident here (with the RNOR years in between). Government-service pensions follow a different article. Timing withdrawals against the RNOR window, and checking the lump-sum rules on both sides, is where the planning value sits.

Does UK inheritance tax reach my Indian assets?

Under the residence-based IHT rules effective from April 2025, a long-term UK resident (broadly ten of the last twenty years) is within UK IHT on worldwide assets — Indian property and investments included — with a multi-year tail after leaving. India currently has no inheritance tax. Cross-border estates in this corridor now need UK-side planning first.

What happens to my ISA if I move back to India?

The UK tax-free wrapper means nothing to India. Once you are ordinarily resident, ISA interest, dividends and gains are taxable in India like any foreign investment income — and the account is reportable in Schedule FA. The RNOR years are the window to restructure.

This guide is general information as of FY 2025-26 — the FIG and residence-based IHT rules are new and detailed, and treaty positions turn on facts. Speak with the Cross-Border Tax practice before acting on either side.

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