



Your Indian Bank Is Already Talking to the IRS. Are You?

By **Amish Kapadia**, Founder — NRI Money Matters | April 2026 | 12 min read

WHO THIS GUIDE IS FOR

US citizens, green card holders, or those who meet the US substantial presence test — including NRIs and OCIs living anywhere in the world.

No US passport, no green card, and no US tax residency? FATCA rules generally do not apply to you.

FATCA (Foreign Account Tax Compliance Act) is a US law applicable if you are a US person. It has two separate obligations:

- Foreign banks and financial institutions (including Indian ones) must automatically report accounts held by US persons to the IRS.
- US persons must separately report their own foreign financial assets every year.

For informational purposes only. Not tax or legal advice. Consult a qualified CPA or tax attorney for your specific situation.

[30-Second Summary: Read This Before Anything Else](#)

If you declared yourself a US person at your Indian bank, mutual fund, or insurer, they are already automatically reporting your accounts to the IRS every year via CDBT. That does not satisfy your own obligations. You must file separately with the IRS.

Key Forms You Likely Need:

- **Form 8938 (FATCA):** File with your US tax return (Form 1040) if your total Indian assets exceed ~\$200,000 while living outside the US or ~\$50,000 while living in the US. This covers bank accounts, mutual funds, FDs, shares (demat or undematerialized), startup equity, and most other financial assets. Real estate and physical gold are generally not included.
- **Form 8621 (PFIC):** File one per Indian mutual fund with your tax return. Most CPAs miss this.
- **FBAR (FinCEN Form 114):** This is an additional form filed separately at [fincen.gov](https://www.fincen.gov) by April 15 (auto-extended to October 15) if any foreign financial account crossed \$10,000 at any point in the year.
- **Schedule B:** Report Indian interest and dividends with your tax return.

Penalties are steep: Missing Form 8938 starts at \$10,000. Willful FBAR violations can reach 50% of the account balance per year.

QUICK ANSWERS

What does FATCA stand for?

Foreign Account Tax Compliance Act — a 2010 US law requiring foreign banks (including every Indian bank, mutual fund, and brokerage) to report accounts held by US persons directly to the IRS.

Is FATCA only for US citizens?

No. It applies to **any US person** — US citizens, green card holders, OCI cardholders who also hold a US passport/green card, and anyone meeting the IRS substantial presence test (~183 days in the US in a year). Country of birth doesn't matter; tax status does.

What is a FATCA filing requirement?

If your foreign financial assets exceed **\$200,000** at year-end (or \$300,000 at any point) while living outside the US, you file Form 8938 with your tax return. Thresholds drop to \$50,000 / \$75,000 if you live in the US. FBAR threshold is much lower — \$10,000 across all foreign accounts combined.

FATCA vs FBAR — what's the difference?

FATCA Form 8938 is filed *with* your IRS tax return; FBAR (FinCEN 114) is filed *separately* at [fincen.gov](https://www.fincen.gov). Most US-person NRIs need to file both.

BEFORE YOU SEND MONEY TO INDIA

FATCA is one risk. Hidden FX markup is another. [Compare live FX rates before your next transfer](#) →

FREE CHECKLIST

NRI FATCA Compliance Checklist

18 items to tick off before you file — print or save as PDF



My Story: About a year after I moved back to Mumbai, I woke up to two emails from CAMS, the registrar that manages most Indian mutual funds. Both had the same subject line: “FATCA Declaration: Confirmation as Reportable Accounts.”

My first thought: what exactly is being reported? To whom? And what does this mean I need to do?

I am a US citizen and OCI holder with an HDFC NRE account, an NRO account, mutual fund folios, local bank accounts with ICICI and Union Bank, and an angel investment in an Indian startup. A fairly typical picture for any Indian who spent serious time in the US. If you are also regularly [sending money to India](#), FATCA is only one part of the picture.

What I found when I dug in surprised me. If you are a US person living abroad with money back home, this guide is for you.

There are two completely separate things happening under FATCA. Your Indian bank is reporting your accounts to the IRS automatically. And you, independently, still have to file your own disclosures. Most people know about one. Almost nobody fully understands both.

What Is FATCA and Does It Apply to You?

FATCA (Foreign Account Tax Compliance Act) is a US law that requires foreign financial institutions, including Indian banks, to report accounts held by US persons. India signed an agreement with the US in 2015 requiring every Indian bank, mutual fund house, insurer, and brokerage to identify US persons and report those accounts to the IRS via CDBT.

You are a US person if you are:

- A US citizen, including dual citizens holding both Indian and US passports
- A US green card holder, even if you now live permanently outside the US
- An OCI (Overseas Citizen of India) cardholder who is also a US citizen or green card holder
- Someone who meets the IRS substantial presence test (roughly 183 or more days in the US in a given year)

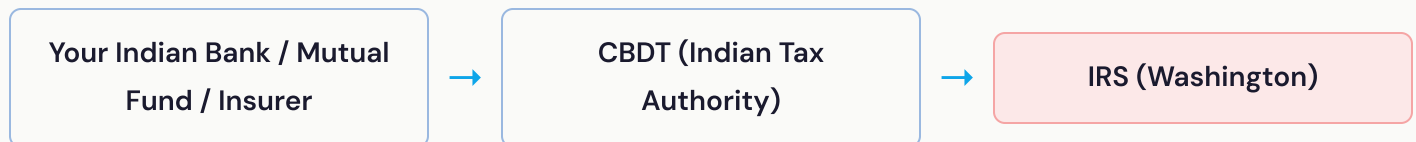
Where you are born doesn't matter. What matters is your status today. If you hold a US passport or green card, FATCA applies — regardless of where you were born or where you live now.

Moving back to India, carrying an Aadhaar card, or holding an OCI card changes nothing. Only formally renouncing US citizenship ends this obligation.

The Two Tracks: What Your Bank Does vs. What You Must Do

Two separate reporting systems are running in parallel. Most NRIs only know about one of them.

Track 1 — Your institution reports automatically:



Track 2 — You file independently, every year:



△ Both tracks are independent. Track 1 does NOT satisfy Track 2. The IRS cross-references both — a mismatch flags your return.

How Does Your Bank Know You Are a US Person?

Indian banks and financial institutions identify US persons through several signals:

- Your FATCA self-declaration at account opening (mandatory for NRE, NRO, and FCNR accounts)

- A US passport presented as identity proof
- Place of birth listed as USA in your KYC documents
- A US address or US phone number on file

For NRE, NRO, and FCNR accounts, the declaration is usually required at opening, so these accounts are almost always flagged if you are a US person. For old local resident accounts (opened with an Indian address and Aadhaar card), the bank may have no idea you are a US person unless you have updated your KYC. Aadhaar does not flag US citizenship.

Track 1: What Your Indian Institution Does Automatically

Once the bank or mutual fund identifies you as a US person, it is legally required to report those specific accounts (account number, balance, gross income, etc.) to CDBT every year. CDBT then forwards the data to the IRS.

This reporting happens automatically. You do not sign or approve it. The institution usually notifies you by email (for example, from CAMS for mutual funds).

HDFC Bank, where I declared my US citizenship when opening my NRE and NRO accounts, is reporting those accounts to the IRS every year. CAMS is doing the same for my mutual funds.

For NRE and NRO accounts, the declaration is mandatory — you cannot open one without completing it. If you are not even sure whether your money should be landing in an NRE or NRO account, read the [banking section here](#) before your next transfer.

For old local resident accounts opened with an Indian address and Aadhaar card, the bank may have no idea you are a US person.

My ICICI and Union Bank accounts, opened as a local resident, may not be flagged at all.

Each institution reports only what it knows. There is no automatic consolidation across banks.

Track 2: What you must file yourself

The fact that your Indian bank is reporting your accounts to the IRS does not satisfy your own legal obligation. The IRS cross-references both. If your bank reports an NRE account but your tax return shows nothing, that mismatch triggers scrutiny.

Complete picture: who does what

- Report your accounts to the IRS: Your bank, mutual fund, or insurer does this automatically every year.
- File Form 8938 (FATCA): You file this annually with your US tax return (Form 1040).
- File FBAR (FinCEN Form 114): You file this annually, separately at fincen.gov.
- File Form 8621 (one per mutual fund): You file this annually with your US tax return.
- Claim foreign tax credit (Form 1116): You file this annually if TDS was paid in India.
- Report interest and dividends (Schedule B): You file this annually with your US tax return.
- FATCA self-declaration: You provide this to each institution once at opening, and update it if your status changes.

Which Indian Assets Need Reporting

Account/Asset	Form(s) Required
NRE / NRO / FCNR accounts	Yes, on Form 8938 and FBAR (if over \$10K). Also on Schedule B.
Fixed deposits (FDs)	Yes, on Form 8938 and FBAR (if over \$10K). Also on Schedule B.
Indian mutual funds	Yes, on Form 8938 and Form 8621 per fund.
Demat / Indian stocks	Yes, on Form 8938 and FBAR. Also on Schedule B.
Interest and Dividends	Schedule B.
Private startup equity	Yes, on Form 8938 only.
Undematerialized shares	Yes, on Form 8938 only.
PPF / NPS / life insurance	Likely on Form 8938 — ask your CPA.
Direct property (personal)	No on Form 8938 or FBAR. Report rental income on Schedule E if any.
Gold/jewellery/art (physical)	No reporting required.

Account/Asset	Form(s) Required
Cash outside a bank	No reporting required.

Sending money to India soon? The biggest hidden cost is usually not tax — it is the FX rate and spread.

[Compare Wise, Remitly, XE and banks before you send →](#)

The startup investment: a gap almost nobody talks about

I have roughly ₹50 lakhs in an Indian startup — equity in a private unlisted company. This must be reported on Form 8938 as a specified foreign financial asset. But it is not a bank account, so it does not go on the FBAR.

No Indian institution is reporting this to the IRS. The startup is not a bank, and CAMS does not know about it. This is entirely my obligation to disclose. If your shares are undematerialized, they exist only as physical certificates or a cap table entry — the IRS has no idea they exist unless you tell them.

The Reporting Thresholds

Form 8938 (FATCA) Thresholds: Add up all your Indian financial assets (bank accounts, mutual funds, FDs, shares, startup equity, etc.) using the official IRS annual average exchange rates.

Living outside the United States:

- Single: ~\$200,000 on the last day of the year or ~\$300,000 at any point during the year
- Married filing jointly: ~\$400,000 on the last day or ~\$600,000 at any point

Living in the United States:

- Single: ~\$50,000 on the last day or ~\$75,000 at any point
- Married filing jointly: ~\$100,000 on the last day or ~\$150,000 at any point

Form 114 (FBAR) Threshold: File FBAR if any single foreign financial account (bank account, FD, etc.) crossed \$10,000 at any point during the year — even for one day. This threshold is much

lower and catches many more people than Form 8938.

FATCA vs FBAR: Not the Same Thing

FATCA and FBAR are different forms going to different agencies, with different thresholds and different penalties. Filing one does not satisfy the other.

- **Form 8938 (FATCA):** Filed with your tax return (Form 1040) to the IRS. Covers a broad range of assets including mutual funds and startup equity. Higher threshold when living outside the US.
- **FBAR (FinCEN Form 114):** Filed separately at [fincen.gov](https://www.fincen.gov). Covers only bank and financial accounts. Much lower threshold (\$10,000 at any point).

Penalties and What to Do If You Are Behind

- Failure to file Form 8938: \$10,000 penalty.
- Continued non-filing after IRS notice: up to \$50,000.
- Underpayment on undisclosed assets: 40% penalty on the understated amount.
- FBAR non-filing (non-willful): up to \$10,000 per account per year.
- FBAR non-filing (willful): up to 50% of the account balance per year.

The IRS has a 6-year statute of limitations for FATCA violations.

If you are behind, consider the IRS Streamlined Procedures:

- **Streamlined Foreign Offshore Procedures (SFOP) (for those living outside the US):** Zero penalty for non-willful violations. File 3 years of amended returns and 6 years of FBARs.
- **Streamlined Domestic Offshore Procedures (SDOP) (for those living in the US):** A 5% offshore penalty applies, far less than standard penalties.

Do not quietly start filing correctly this year while ignoring prior years. Get professional advice first.

Your Action List

- **List every Indian financial asset you hold.** Bank accounts, FDs, mutual funds, demat holdings, life insurance with cash value, NPS, startup equity, undematerialized shares.
- **Convert all values to USD.** Use the official IRS annual average exchange rates at IRS.gov under Treasury Reporting Rates. Not your bank's rate and not the December 31 rate.
- **Check your thresholds.** Above \$200K (outside the US) or \$50K (in the US)? File Form 8938. Any account above \$10,000? File FBAR. Both can apply at the same time.
- **Update your FATCA self-declaration at every institution,** especially local resident accounts where you never declared your US status. The bank only reports what it knows.
- **Find a CPA who is a specialist in US expat and NRI taxation,** someone experienced with Form 8938, FBAR, Form 8621, and the India-US DTAA. Not a generalist.
- **If you are behind, use the Streamlined Procedures.** Get professional advice before filing anything. Do not file forward quietly without addressing prior years.

Need a CPA who actually understands NRIs, FBAR, and PFICs?

Most generalist tax preparers miss Form 8621, PFIC treatment, or India-US coordination issues. This is one area where a specialist matters.

Need help choosing the right specialist? Start here →

What About India's New Income Tax Law?

India's new Income-tax Act, 2025 (effective April 1, 2026) simplifies domestic taxation. For NRIs the headline news is largely positive: residency rules are unchanged, NRE interest remains tax-free, and two self-occupied properties are now exempt from notional rent tax.

However, FATCA and FBAR are US laws. They do not change based on what India does with its tax code. Your obligation to report Indian accounts to the IRS remains exactly the same.

I will be covering what India's new Income Tax Act 2025 means specifically for NRIs abroad in a dedicated article coming soon.

The IRS already has data on your Indian accounts.

From your bank, your mutual funds, and registrars like CAMS.

The only question is: does your tax return tell the same story?

If not, fix it now, before it becomes a problem.

Because for most NRIs, the issue is not intent.

It's simply not knowing.

Now you do.

Frequently Asked Questions

Does FATCA apply to NRIs who have moved back to India?



I received a CAMS FATCA email saying my accounts are reportable. What does that mean?



Is NRE account interest taxable in the US?



What is the difference between FATCA and FBAR?



What happens if I missed FBAR or Form 8938 in previous years?



Do Indian mutual funds really require a separate Form 8621 for each fund?



Found this useful? Here is what to do next.

[Download the free NRI FATCA Checklist](https://nrimoneymatters.com/fatca-checklist) nrimoneymatters.com/fatca-checklist

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Questions? I read every reply – amish@nrimoneymatters.com

Disclaimer: For informational purposes only. Not tax or legal advice. Consult a qualified CPA or tax attorney for your specific situation.

About the author: Amish Kapadia is the founder of NRI Money Matters, an independent resource for the Indian diaspora on cross-border money, banking, and financial compliance. A former finance professional and US citizen/OCI holder now settled in Mumbai after 28 years in the US, he writes from direct personal experience, including receiving the CAMS FATCA email that prompted this article.

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