

Tax Provisions under Liberalised Remittance Scheme (LRS)

FREQUENTLY ASKED QUESTIONS

1. What is Liberalised Remittance Scheme (LRS)?

Under this Scheme, all resident individuals, including minors, are allowed to freely remit / avail foreign exchange facility up to USD 2,50,000 per financial year (April – March) for any permissible current or capital account transaction or a combination of both.

2. What is the new tax implication on all forex transactions under LRS?

TCS at 5% shall be applicable on all forex transactions under LRS, exceeding INR 7 lakhs in a financial year (except for remittances towards overseas education made out of loan obtained from a financial institution, for which TCS at 0.5% will be applicable).

For instance, if the total foreign exchange facility availed under LRS in a financial year is INR 10,00,000, TCS at 5% will be applicable on INR 3,00,000 (INR 10,00,000 - INR 7,00,000) and tax collected will be INR 15,000.

3. What is the new tax implication on remittances for pursuing overseas education?

TCS at 0.5% shall be applicable on the amount exceeding INR 7,00,000 in a financial year under LRS, if the amount remitted is obtained out of a loan from a Financial Institution for pursuing education. Customer will need to provide the necessary documentation as proof to confirm that the amount remitted is obtained out of a loan from a financial institution.

For instance, if the total amount remitted under LRS in a financial year is INR 10,00,000 for pursuing overseas education, TCS at 0.5% will be applicable on INR 3,00,000 (INR 10,00,000 - INR 7,00,000) & tax collected will be INR 1,500.

(Note: The threshold limit of INR 7 lakhs mentioned in FAQs 2 & 3 is a consolidated threshold limit).

4. What is the tax implication if the amount remitted for pursuing overseas education is Owned Funds (not a loan availed)?

TCS at 5% shall be applicable on remittances exceeding INR 7 lakhs in a financial year.

5. What is the tax implication for remittances to Foreign Tour Operator under LRS?

TCS applicable will be at 5% of the total amount remitted and the amount remitted will not be subsumed while considering INR 7 lakhs limit.

For instance, if the amount remitted is INR 5,00,000, TCS at 5% will be applicable and tax collected will be INR 25,000.

6. What is the effective date of the new income tax provision?

The new TCS provision will be effective from October 1, 2020. Transactions made prior to this date shall not be eligible for any tax deductions.

7. Which transactions are included in threshold limit of INR 7 lakhs, above which TCS shall be applicable?

All forex transactions under LRS, except remittances to Foreign Tour Operators, will be included in threshold limit of INR 7 lakhs.

8. How TCS will be calculated?

Below illustration explains how TCS will be calculated for different purposes under LRS as listed below.

A – Remittances for pursuing overseas education (as per FAQ 3)

B – Other LRS Remittances

Remittance Date	Remittance Purpose		TCS Applicable	
	A (INR)	B (INR)	A (@0.5%)	B (@5%)
01-Jul-20	4,00,000	1,00,000	TCS Not Applicable for Remittances prior to 1-Oct-2020	
01-Oct-20		1,00,000		NA
30-Oct-20	5,00,000		2000 (0.5% on 4,00,000)	
01-Feb-21		5,00,000		25,000 (5% on 5,00,000)
31-Mar-21		1,00,000		5,000 (5% on 1,00,000)

(Note: The above illustration applies for financial year 2020-21. For financial year 2021-22, TCS will be applicable effective April 1, 2021 subject to any further changes in the provisions.)

9. How TCS on LRS transactions would be computed for FY 2020-21 with reference to threshold limit of INR 7 lakhs, as the said TCS is applicable from 1-Oct-2020.

TCS on all forex transactions under LRS shall be applicable from October 1, 2020. However, for tracking the threshold limit of INR 7 lakhs, all forex transactions under

LRS (except remittances to Foreign tour operators & AD II settlements done through the Bank) made from April 1, 2020 would be considered.

10. Will TCS be applicable if foreign exchange facility is availed in Cash / Forex cards?

Yes, TCS at 5% will be applied on LRS transactions exceeding INR 7 lakhs if foreign exchange facility is availed through FCY Cash withdrawal at Branches / loading Forex cards.

11. What is the applicable TCS if PAN card is not updated on Bank's records?

Foreign Exchange facility under LRS can be availed only if your PAN is updated on Bank's record.

12. Will GST be applied on the TCS amount?

GST will not be applicable on the TCS amount.

13. Remitter/ Customer can avail tax credit of the TCS?

Yes, remitter / customer can claim credit for the tax collected by the Bank while filing for their tax returns.

For any further assistance, please contact your Relationship Manager or your nearest YES BANK Branch.