

TCS on Liberalised Remittance Scheme(LRS) and Overseas Tour Package

Liberalised Remittance Scheme(LRS)

Particulars	Guidelines/Regulations
LRS Limit	USD 2,50,000 per financial year
Applicability	<ul style="list-style-type: none">• Resident Individuals including minors (form A2 signed by natural guardian)• Permitted current or capital account transaction or a combination of both.• Scheme is not available to corporates, partnership firms, HUF, Trusts, etc.• PAN of remitter is Mandatory

Overseas Tour Package

'Overseas tour programme package' means any tour package which offers visit to a country or countries or territory or territories outside India and includes expenses for travel or hotel stay or boarding or lodging or any other expenditure of similar nature or in relation thereto.

To qualify as 'overseas tour program package', the package should include at least two of the followings:-

- (i) International travel ticket,
- (ii) Hotel accommodation (with or without food)/boarding/lodging,
- (iii) Any other expenditure of similar nature or in relation thereto.

Particulars	TCS rate till 30.09.2023	TCS rate with effect from 01.10.2023
LRS – Remittance for education abroad If the amount being remitted out is a loan obtained from any approved financial institution.	Exemption Limit -7 Lakhs Rate -0.5%	Exemption Limit -7 Lakhs Rate -0.5%
LRS - Remittance for Education abroad if the remittance is out of own funds and not out of loans as mentioned above	Exemption Limit -7 Lakhs Rate -5%	Exemption Limit -7 Lakhs Rate -5%
LRS - Remittance for medical treatment	Exemption Limit -7 Lakhs Rate -5%	Exemption Limit -7 Lakhs Rate -5%
LRS - Any other remittance such as gift, emigration, family maintenance, investments etc	Exemption Limit -7 Lakhs Rate -5%	Exemption Limit -7 Lakhs Rate -20%
Purchase of overseas tour program package	Exemption Limit -Nil Rate -5%	Rate- 5% till Rs. 7 lakhs. 20% Above Rs. 7 lakhs.

FAQ

1. Whether payment through overseas credit card would be counted in LRS?

As announced in the press release dated 28th June, 2023, the classification of use of international credit card while being overseas, as LRS is postponed.

Therefore, no TCS shall be applicable on expenditure through international credit card while being overseas till further order

2.What are the requirements to be complied with by the remitter?

- Should have maintained the bank A/c with the bank for a minimum period of one year prior to the remittance for Capital A/c transactions
- Furnish Form A-2

3.Can remittances be made only in US Dollars?

The remittances can be made in any freely convertible foreign currency.

4. Whether the threshold of Rs 7 lakh, for TCS to become applicable on LRS, applies separately for various purposes like education, health treatment and others? For example, if remittance of Rs 7 lakh under LRS is made in a financial year for education purpose and other remittances in the same financial year of Rs 7 lakh is made for medical treatment and Rs 7 lakh for other purposes, whether the exemption limit of Rs 7 lakh shall be given to each of the three separately?

It is clarified that the threshold of Rs 7 lakh for LRS is combined threshold for applicability of the TCS on LRS irrespective of the purpose of the remittance.

In the given example, upto Rs 7 lakh remittance under LRS during a financial year shall not be liable for TCS. However, subsequent Rs 14 lakh remittance under LRS shall be liable for TCS in accordance with the TCS rates applicable for such remittance.

5. Since there are different TCS rates on LRS for the first six months and next six months of the financial year 2023-24, whether the threshold of Rs 7 lakh, for the TCS to become applicable on LRS, applies separately for each six months?

No. The threshold of Rs 7 lakh, for the TCS to become applicable on LRS, applies for the full financial year. If this threshold has already been exhausted; all subsequent remittances under LRS, whether in the first half or in the second half, would be liable for TCS at applicable rate.

6.A resident individual spends Rs 3 lakh for purchase of overseas tour program package from a foreign tour operator and remits money which is classified under LRS. There is no other remittance under LRS or purchase of overseas tour program during the financial year. Whether TCS is applicable?

In case of purchase of overseas tour program package which is classified under LRS, TCS provision for purchase of overseas tour program package shall apply and not TCS provisions for remittance under LRS.

7. Whether the threshold of Rs 7 lakh, for TCS to become applicable on LRS, applies separately for each remittance through different authorised dealers?

The exemption threshold limit of Rs. 7 lakhs in respect of LRS remittances towards medical treatment and/or education abroad, is to be considered qua the resident individual (remitter) and not qua the Authorised Dealer

8. Whether one may deposit money into NRO account and the non-resident transfer money to NRE account and in this way can TCS provisions be avoided?

It may be noted that this may not be possible because there are restrictions as to credits to NRO account.

9.Under LRS are resident individuals required to repatriate the income earned on investments abroad, over and above the principal amount?

The investor who has remitted funds under LRS can retain and reinvest the income earned from his investments made under the Scheme. However, the received/realised/unspent/unused foreign exchange, unless reinvested, shall be repatriated and surrendered to an authorised person within a period of 180 days from the date of such receipt/realisation/purchase/acquisition or date of return to India, as the case may be.

Particulars	Amount (\$)	Date of Receipt	Date of Repatriation if Unspent
Dividend From Apple Shares	150	13-01-2022	12-07-2022
Sale of Tesla Shares	20000	31-12-2022	29-06-2023
Interest income From Securities	3000	13-04-2023	10-10-2023

Question:

Ramesh remits money under LRS as under :

- (a) On 1-11-2023 Rs. 5,00,000 for Medical Treatment
- (b) On 15-12-2023 Rs. 5,00,000 for education of son out of own Funds
- (c) On 28-12-2023 Rs. 6,00,000 out of loan obtained from a financial institution referred to in Section 80E
- (d) On 20-1-2024 Rs. 20,00,000 for other purposes

Calculate TCS amount

Question:

Tour Package Ltd. sells a tour package to an individual. The amount collected is

(a) On 5-1-2024 Rs. 2,00,000

(b) On 18-1-2024 Rs. 8,50,000

Calculate TCS amount

LRS Limit for Remittances

Remittances up to USD 2,50,000 per FY for any permitted Current or Capital account transaction or both.

Definition under FEMA:

a) Capital Account transactions

- Transactions which alter the assets or liabilities, including contingent liabilities outside India, of persons resident in India or
- Alter the assets or liabilities in India, of persons resident outside India.

b) Current Account Transaction

A transaction other than a capital account transaction.

Applicability of LRS

- Applicable to all Resident Individuals including Minors.
- In case of Minor, Form A2 must be signed by their guardian as well.
- Not available to corporates, partnership firms, HUF, Trusts, etc.



Question 1:

Identify whether the following is a Capital /Current A/c Transaction as per FEMA.

- Import of Machinery for Business purpose in India by a Resident Individual
 - Current A/c Transaction
- Investment in the Shares of a Foreign Entity by a Resident Individual
 - Capital A/c Transaction

Clubbing of Remittances

- Family members can club and remit under LRS.
- Clubbing allowed for Family members for Capital A/c transactions such as Opening a Bank A/c / Investment. (only if co- Owners/ Co-Partners)
- Remittances for purchase of property (Overseas Investment Rules, 2022-Rule 21)
- - Co Ownership not mandatorily required for Remittance under LRS.

- A Resident cannot gift to another Resident, in foreign currency, for the credit of the latter's foreign currency account held abroad under LRS.

Note:

All other transactions which are otherwise not permissible under Foreign Exchange Management (Current Account Transactions) Rules, 2000 are

NOT allowed under LRS such as:

- Purchase of Lottery Tickets
- Football Pools
- Horse Races

Permissible Capital A/c Transactions

Opening of foreign currency account abroad.

Acquisition of immovable property abroad- Rule 21 of Overseas Investment Rules, 2022.

ODI and OPI abroad (In accordance with Rule 13- Schedule –III of Overseas Investment Rules, 2022.

Extending loans including loans in Indian Rupees to NRIs who are relatives as defined in Companies Act, 2013.

Permissible Current A/c Transactions

1) Private visits to any other country (except Nepal and Bhutan)

- Any resident individual can obtain foreign exchange up to an aggregate amount of USD 2,50,000 from an AD or FFMC.

2) Gift/Donation

- RI can remit USD 2,50,000 in a FY as gift to a person residing outside India or as donation to an organization outside India.
- Gift in rupee shall be by way of crossed cheque /Electronic transfer and should be credited to the NRO A/c of the NRI/PIO relative.

3) Going abroad on employment

- A person going abroad for employment can draw foreign exchange up to USD 2,50,000 per FY from any AD in India.

4) Maintenance of close relatives abroad

- A resident individual can remit up-to USD 2,50,000 per FY towards maintenance of close relatives.
[‘Relative’ as defined in Section 2(77) of the Companies Act, 2013]

5) *Emigration*

- A person wanting to emigrate can draw foreign exchange from AD Bank up to the amount prescribed by the country of emigration or USD 250,000.
- Remittance in excess of this limit can be allowed only towards meeting incidental expenses in the country of immigration and **NOT** for earning points or credits to become eligible for immigration by way of overseas investments in government bonds; land; commercial enterprise, etc.

6) *Business Trip*

- Attending International conference, seminar, Specialised Training, Apprentice training.
- The overall limit of USD 2,50,000.
- In case of an employee is deputed by an entity and the expenses are borne by the entity:
 - Treated as residual current A/c transaction outside LRS.
 - Hence permitted by AD without limit.

7) *Medical treatment abroad*

- Foreign exchange up to an amount of USD 2,50,000 per FY.
- In addition to the above, USD 2,50,000 per FY is allowed to a person accompanying the patient abroad as attendant.

8) *Students studying abroad*

- AD may release foreign exchange to resident individuals for studies abroad up to USD 2,50,000.
- Remittance exceeding USD 2,50,000 allowed - based on the estimate received from the education institution abroad.

9) Extending Loan to relatives abroad

Resident Individual can lend to relative subject to the following conditions:

- The loan is Interest free
- Minimum maturity of the loan is 1 year.
- the loan amount shall be within the overall limit of USD 2,50,000 per FY
- the loan shall be utilized for meeting the borrower's personal requirements/ own business purposes in India.
- The loan amount should be credited to the NRO account of the NRI/PIO.
- The loan amount shall not be remitted outside India.

- The loan shall not be utilized for investment in any of the prohibited activities by persons resident outside India such as:
 - a) Chit Fund Business
 - b) Nidhi Company
 - c) Agricultural/ Plantation activities.
 - d) Real Estate business/Construction of Farmhouses,
 - e) Trading in Transferable Development Rights(TDRs)
- Loan Repayment shall be made through normal banking channels/debit to the NRO/NRE/FCNR A/c of the borrower or out of the sale proceeds of the shares/securities/Immovable property against which the loan was granted.

Case Study

Mr Mota is an Affluent Businessman residing in Mumbai. He wants to make the following remittances outside India during the FY 23-24. He seeks your professional guidance in this regard:

- **Daughter's college Fees for 2nd Year course Studies- \$ 50,000**
- **Gift to Cousin Sister with whom daughter is living abroad(NRE A/c)- \$ 10,000**
- **Gift to Cousin sister in NRO A/c- \$ 20,000**
- **Payment to Indian Travel Agent for foreign tour booking of family- Rs. 2,00,000**
- **Purchase of Foreign Lottery Ticket by Credit Card- \$150**
- **Purchase of Annual Subscription of Foreign Magazine by Credit card- \$ 10,000**
- **Purchase of Bitcoin by Credit Card- \$ 5,000**

Case Study Solution

1)	Daughter's college Fees for 2 nd Year course Studies- \$ 50,000	\$ 50,000
2)	Gift to Cousin Sister with whom daughter is living abroad (NRE A/c)- \$ 10,000	\$ 10,000
3)	Gift to Cousin sister in NRO A/c- \$ 20,000	-
4)	Payment to Indian Travel Agent for foreign tour booking of family- (Rs. 2,00,000*Rs 80)	\$ 2,500
5)	Purchase of Foreign Lottery Ticket by Credit Card- \$150	-
6)	Purchase of Annual Subscription of Foreign Magazine by Credit card- \$ 10,000	\$ 10,000
7)	Purchase of Bitcoin by Credit Card- \$ 5,000	-
Total Remittance permitted under LRS		\$ 72,500