

Tax Collection at Source (TCS) for Foreign Remittance under Liberalised Remittance Scheme

Key Points:

- TCS is in effect on International Transactions under LRS from October 2020.
- TCS is applicable on foreign remittance amount in excess of INR 7 Lacs in a Financial Year (FY) as per the Liberalized Remittances Scheme (LRS)
- Going ahead from 1st October 2023, all transactions falling under LRS, will now attract updated TCS rates as below

Sr No.	Nature of outward remittance	Earlier Rates	New rate w.e.f. 1 st Oct 2023
(i)	LRS for Education , financed by loan from financial institution	Nil upto Rs 7 lakh 0.5% above Rs 7 lakh	Nil upto Rs 7 lakh 0.5% above Rs 7 lakh
(ii)	LRS for Medical Treatment/ education (other than financed by loan)	Nil upto Rs 7 lakh 5% above Rs 7 lakh	Nil upto Rs 7 lakh 5% above Rs 7 lakh
(iii)	LRS for other purposes	Nil upto Rs 7 lakh 5% above Rs 7 lakh	Nil upto Rs 7 lakh 20% above Rs 7 lakh
(iv)	Purchase of Overseas tour program package	5% (without threshold)	5% till Rs 7 lakh 20% thereafter

* Resident Individuals falling under **Specified Person** category case will be levied double the normal TCS rate as applicable or 5% whichever is higher. However, the TCS rate will not exceed 20%. (refer FAQ 5. for more info)

This communication does not constitute as a Tax advice. Customers are requested to reach out professional expert for any advice or assistance in this regard.

Frequently Asked Questions

1. What is TCS? How does it work for Liberalised Remittance Scheme?

A. Tax Collected at Source (TCS) on LRS transactions is a regulatory requirement amended under the section 206C of Finance Act 2020.

2. Will TCS be applicable for ATM or POS or e-commerce transactions?

- A. TCS will be applicable for all foreign cash withdrawals through ATM, POS or e-commerce, including transactions done on Foreign Merchants or sites which offer Dynamic Currency Conversion (DCC) transactions.

3. From when are these new rates applicable?

- A. Revised TCS rates would be applicable from 1st October 2023 as per the changes in the Income tax Act, 1961. Until 30th September 2023, old rates will continue to apply.

4. For what period is the aggregate calculated for TCS charges?

- A. The TCS charges are applicable on Debit Card remittance transaction beyond aggregate remittance spends of INR 7 Lakh in an annual year. For the purpose of computing the limit of INR 7 lakhs, the aggregate of all Forex withdrawals availed by the customer under LRS across all the products (e.g. Outward Remittances, Forex Cards, Debit Card, etc.) is taken into consideration.

5. Who will come under the “Specified Person” Category?

- A. “Specified Person” would be one who satisfies both the following conditions:
- i. Person who has not furnished the return of income for the assessment year, relevant to the previous year immediately preceding the financial year in which Tax is required to be deducted/collected for which the time limit for furnishing the return of income under sub-section (1) of section 139 has expired.
 - ii. Aggregate of Tax Deducted at Source and Tax Collected at Source is Rs 50,000 or more in the said previous year.

6. Can Tax credit be claimed for TCS collected?

- A. Customers may claim credit for Tax collected by the Bank while filing their income tax returns. Customers to consult their tax advisors/consultant for further information.

7. In the event of any transaction reversal, will the TCS amount be refunded?

- A. In the case of any reversal leading to refund of transaction amount, the originally collected TCS will not be refunded; except, on the transaction where reversal is done on the date of original transaction itself. However, TCS credit for any tax collected by the Bank (if not refunded) can be claimed by the card holder while filing the Income Tax Return, subject to applicable income tax provisions.