

# FEMA Ke Fundae

#FamiliarwithFEMA

**Basic Concepts of the  
Liberalized Remittance  
Scheme(LRS)  
(Part 2 of 3)**

Issue No : 73

Date : 01-11-2023

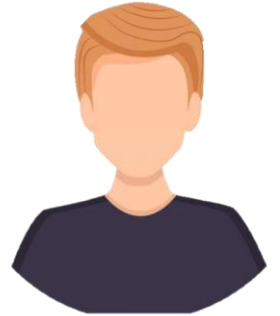




**Ronak**  
Indian resident

Hello! Mr. FEMA Gyani, I got that I can remit funds under LRS for my daughter's education, Besides this, what other transactions can I undertake under the LRS?

Yes, Ronak There are two main types of transactions under FEMA i.e, Capital account transactions and Current account transactions. LRS can be used for permissible capital and current account transactions.



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What's the difference between capital and current account transactions?

Capital Account transaction means a transaction which alters the assets or liabilities, including contingent liabilities, outside India of persons resident in India or alters the assets or liabilities in India of persons resident outside India.

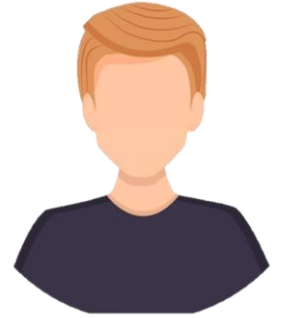


**Ronak**  
Indian resident



**The FEMA Gyani**

Here are some examples of “Capital Account Transactions” covered under the Liberalized Remittance Scheme (LRS)



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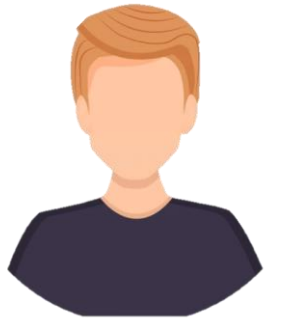
## Permissible Capital Account Transactions under LRS

Extending loans in Indian rupees to NRIs who are relatives as defined in the Companies Act, 2013

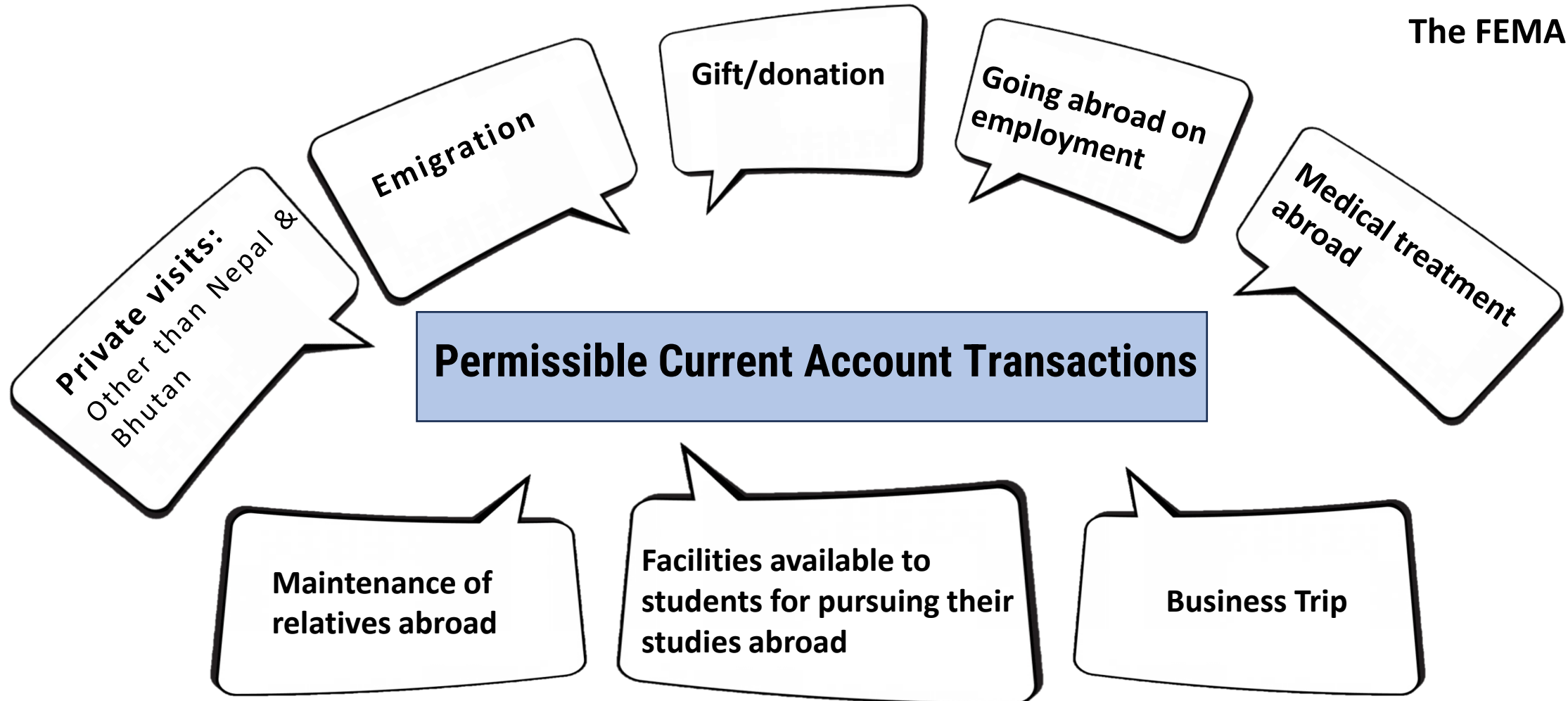
Opening a foreign currency account abroad

Purchasing property abroad

“Current Account Transaction” means a transaction other than a Capital Account Transaction and without prejudice to the generality of the foregoing such transaction includes,-



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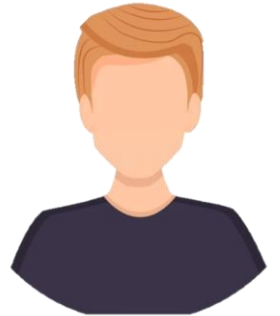




**Ronak**  
Indian resident

Got it. That means I can use LRS for all the transaction which you have mentioned without any restrictions.

Yes Ronak! However, there are a few restriction on remittance made under LRS. Such as.



**The FEMA Gyani**

The Scheme is not available for remittances for any purpose specifically prohibited under Schedule I or any item restricted under Schedule II of Foreign Exchange Management (Current Account Transaction) Rules, 2000.

The scheme is not available for Direct or indirect capital account remittances to countries identified by the Financial Action Task Force (FATF) as "non-cooperative countries and territories.



In the next part, we will cover **Documentation Required for Remittance Made under LRS.**

**To be continued  
next WEDNESDAY...**



# Thank You



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Comments

Feedbacks

Suggestions



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