

FEMA Ke Fundae

#FamiliarwithFEMA

**Tax Collected at Source
(TCS) on Liberalized
Remittance Scheme (LRS)**

Issue No : 80

Date : 20-12-2023





Mr. Lalit
Indian resident

Hello Mr. FEMA Gyani, I'm planning to send some money abroad for my studies. Banker told me that TCS will be applicable on this transaction, Can you tell me about the TCS on LRS?

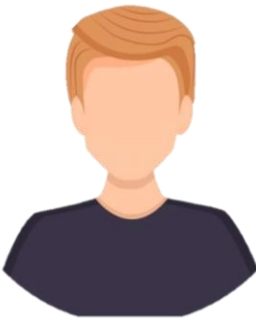
Sure, Mr. Lalit TCS stands for Tax Collected at Source. It's a type of advance tax payment collected directly by authorized dealers on specific transactions, including those under the Liberalized Remittance Scheme (LRS).

So when does this TCS apply on LRS?

TCS applies to LRS transactions exceeding Rs 7 lakh (each FY) for remittances made on or after 1st October 2023. TCS applies to all LRS transactions, irrespective of the amount, except for a few exceptions, which we can discuss going forward.



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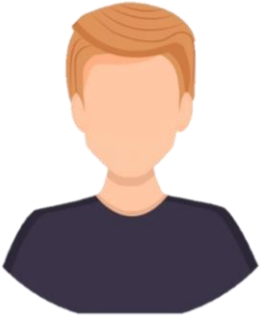
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So, if I'm sending money abroad for educational purpose, will TCS be applicable?

Yes, you will be charged TCS on any amount exceeding Rs. 7 lakh (each FY). However, There are different rates for different purposes Such as:



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0.5%: Applicable for education purposes financed by a loan from a financial institution.

5%: Applicable for education and medical treatment purposes exceeding Rs 7 lakh.

20%: Applicable for all other purposes.



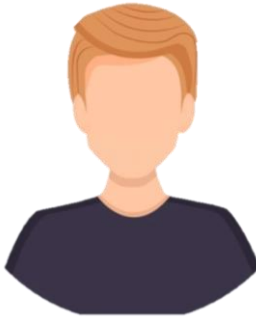
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So, basically, if I'm sending money for education and I borrowed the money from a bank I only have to pay 0.5% TCS on the amount exceeding Rs. 7 lakh?

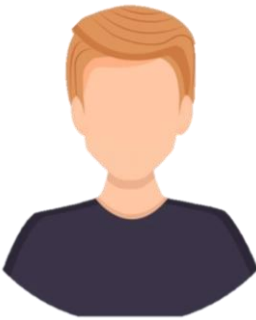
Exactly, Mr. Lalit, but the TCS rate of 0.5% applies only to educational loans, which are covered under **section 80E**. If you use your own funds, then the applicable TCS rate will be 5%.

What happens to the TCS amount collected? Can I claim it as a credit later?

Yes, you can claim the TCS amount as a credit against your income tax liability when filing your return. It is reflected in your Form 26AS.



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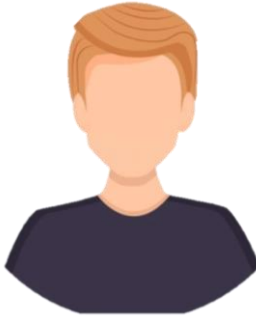
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Does TCS apply to payments made using international credit cards for foreign transactions?

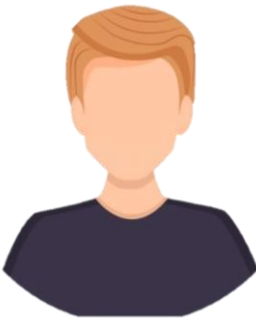
That's an interesting question. Previously, there was a proposal to include international credit card payments under LRS and apply TCS. However, the government has recently decided to defer this decision and continue exempting international credit card payments from TCS for now.



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That's great news! So, I can use my international credit card for overseas expenses without worrying about TCS?

Yes, that's correct. As of now, international credit card payments for foreign transactions don't attract TCS. However, It is crucial to acknowledge that this represents a recent development, and the situation may undergo changes in the future.



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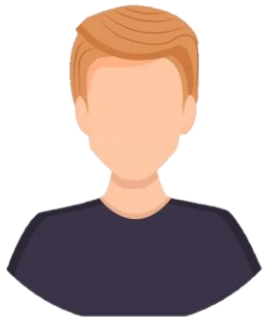
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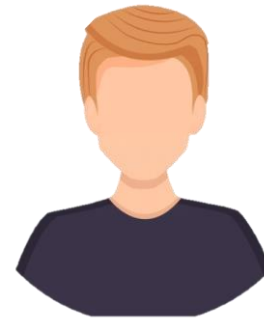
Great! Thanks for clarifying everything, Mr. FEMA Gyani. This information is very helpful.

You're welcome, Lalit. I'm glad I could help.



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Thank You



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Comments

Feedbacks

Suggestions



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