

## **Frequently Asked Questions (FAQ)**

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

#### **TCS FAQs – 1<sup>st</sup> October, 2020**

##### **1. What is LRS?**

The Liberalised Remittance Scheme (LRS) of the Reserve Bank of India (RBI) allows resident Indian individuals to remit a certain amount of money during a Financial Year to another country for investment, expenditure and other permissible reasons. According to the prevailing regulations, resident Indian individuals may remit up to an amount equal to \$250,000 per Financial Year.

##### **2. What is Tax Collection at Source (TCS)?**

The Finance Act, 2020 amended Section 206C of the Income Tax Act, 1961 and introduced tax collection at source (TCS) on foreign remittance under LRS subject to the applicable threshold limit. TCS at the rate of 5% shall be collected on foreign remittance under LRS exceeding INR 7 Lakh during the Financial Year. TCS at the rate of 0.50% shall be collected on foreign remittance under LRS if the amount being remitted is towards education abroad and is out of a loan obtained from any financial institution in India as defined under Section 80E of the Income Tax Act. The said amended Income Tax provisions shall be applicable from 1<sup>st</sup> October 2020.

##### **3. How is TCS collected?**

An authorised foreign exchange dealer (for example, DCB Bank Ltd.) who receives INR 7 Lakh or more either for a single transaction or an aggregate amount in a Financial Year for remittance out of India under the LRS of RBI shall be liable to collect TCS, if the Bank receives a sum in excess of said amount from a customer being a person remitting such amount out of India.

##### **4. What are the different purposes on which TCS is applicable?**

TCS is applicable on all foreign remittance transactions that fall under LRS.

##### **5. Are there any exemptions on TCS?**

Remittances under LRS below INR 7 Lakh during a Financial Year are not subject to TCS. Similarly, foreign remittance under LRS, if the amount is being remitted out of a loan obtained from any financial institution as defined under Section 80E of the Income Tax Act, TCS will be collected at 0.5% instead of 5% where the purpose of remittance is 'Education Abroad'. Ver 1.1/Swarnima Raghuvanshi/Foreign Transactions/JUNE 2021 Page 2 of 6  
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TCS shall not apply, if the remitter is,

- (i) liable to tax deducted at source under IT Act and has deducted such amount;
- (ii) the Central Government, a State Government, an embassy, a High commission, a legation, a commission, a consulate, the trade representation of a foreign state, a local authority or any other person as notified by the Central Government.

## 6. How is TCS computed for foreign remittance transactions?

This example demonstrates how TCS is applicable for foreign remittances. *Example 1.*

Sr. No.	Customer	Foreign Remittance under LRS till 30 Sept 2020 (INR)	Foreign Remittance on 1 Oct 2020 (INR)	TCS Applicable Yes/ No	TCS Applicable Amount (INR)	TCS Rate %	TCS Amount (INR)
1	A	5,00,000	2,00,000	N	-	-	-
2	B	6,00,000	2,00,000	Y	1,00,000	5%	5,000
3	C	8,00,000	2,00,000	Y	3,00,000	5%	15,000
4	D	8,00,000	2,00,000*	Y	3,00,000	0.5%	1500

\* Fund for remittance utilised from a loan obtained from a financial institution as defined under Section 80E of the Income Tax Act for the purpose of pursuing education abroad.

## 7. Can I avail tax credit on TCS?

Yes, the remitter may claim credit for TCS amount by filing the Income Tax Return subject to applicable Income Tax provisions.

## 8. Will GST be applicable on TCS?

No GST will be applicable on the TCS. However, GST will be applicable on the currency conversion, remittances charges or any other charges as applicable.

## TCS FAQs for CARDS

### 9. Is TCS applicable on DCB Debit Card?

Yes, TCS at the rate of 5% will be applicable on all overseas transaction done through DCB Debit Card, including transactions done on Foreign Merchants or sites which offer Dynamic Currency Conversion (DCC) transactions.

**10. Is TCS applicable on DCB Niyo Global Card?**

Yes, TCS at the rate of 5% will be applicable on all overseas transaction done through DCB Niyo Global Card, including transactions done on Foreign Merchants or sites which offer Dynamic Currency Conversion (DCC) transactions.

**11. TCS will be applicable for ATM or POS or e-commerce transactions?**

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.

**12. I have initiated a card transaction amounting to INR 100 equivalent. What will be the TCS impact on my Card transactions?**

TCS will be collected on each and every foreign transaction using your DCB Debit Card and DCB Niyo Global Card.

At the time of processing the transaction, the availability of fund to the extent of the transaction amount of INR 100 and TCS at the rate of 5% which is INR 5.

- If, INR 105 is available, then the transaction will be processed.
- If the fund available is lesser than INR 105, the transaction will be declined.

**13. How can I claim refund for the TCS levied on DCB Debit Card transactions, if I have not exceeded the threshold limit of INR 7 Lakh?**

If the transaction is within the regulatory limit of INR 7 Lakh during the Financial Year, the TCS amount will be reversed within 5 working days from the date of transaction.

**14. What will happen if the foreign transaction done using my card is using a loan obtained from any financial institution, for the purpose of pursuing education**

TCS @ 5% will be levied at the time of the transaction. Refund will be effected in 5 days from the date of transaction, if the below mentioned documents are emailed to [customercare@dcbbank.com](mailto:customercare@dcbbank.com)

- Approved loan sanction letter for educational purpose
- Statement for fund transfer to DCB Bank Card/ Loan account to ascertain the source of funds

If the transaction has exceeded the regulatory limit of INR 7 Lakh from all sources, refund of TCS will be effected only at the rate of 4.5%, after appropriating 0.5% towards TCS on Overseas Education, provided above documents are emailed to the given address.

**15. In the event of a refund of TCS, in which account the credit will be effected?**

TCS amount will be refunded in the account from which TCS has been debited.

**16. Foreign transaction using my DCB Debit Card/ DCB Niyo Global Card has been cancelled or reversed. What will happen to the TCS levied for those transactions?**

TCS once collected cannot be refunded by the Bank, if the reversal or the cancellation of the transaction has not happened on the same date of the transaction. However, TCS credit can be claimed by filing the Income Tax Return, subject to applicable Income Tax provisions.

**17. How can I get the TCS certificate?**

Please register your email ID with DCB Bank Ltd., the certificate will be emailed to you every Quarter subject to applicable Income Tax provisions.

If you need the certificate on adhoc basis, please write in to [customercare@dcbbank.com](mailto:customercare@dcbbank.com) from your registered email ID.

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

Once a transaction is done using DCB Debit Card or DCB Niyo Global Card and 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 can be claimed by the card holder when filing the Income Tax Return, subject to applicable Income Tax provisions.

**Additional TCS FAQs From 1<sup>st</sup> July, 2021****19. What is section 206CCA?**

Section 206CCA of the Income Tax Act, 1961 (the "Act") provides Collection of Tax at Source (TCS) from the customer/buyer /remitter at higher rates in the event of specific transactions (including outward remittance under LRS), if the customer/ buyer/ remitter is a specified person (i.e. non-filer of Income Tax Returns) as defined u/s 206CCA of the Act.

**20. From what date is the section 206CCA applicable?**

Section 206CCA is applicable from 1<sup>st</sup> July 2021.

**21. Applicable on which type of transactions?**

The higher rate of TCS shall be also collected for transactions under LRS that exceed the threshold of INR 7 Lakh in a Financial Year and the customer/ remitter/ buyer is a non-filer of Income Tax Returns as defined u/s 206CCA of the Act. Higher TCS rates are also applicable for some other transactions as prescribed under the Income Tax provisions.

**22. When is the increase rate on TCS applied?**

The TCS is required to be collected at higher rates than prescribed in the Act, if the person has not filed Income Tax returns for two Assessment Years relevant to the two previous years immediately

prior to the previous year in which tax is required to be collected, for which the time limit of filing of Income Tax Return under section 139(1) has expired: and  
Going back to Point 6 'Example 1' in this FAQ document, the aggregate of TDS and TCS in this case is INR 50,000 or more in each of the two previous years.

### 23. What is the TCS applicable rate?

If the buyer/ remitter/ customer fulfils the conditions in Point 22, then TCS shall be collected at higher of the following two rates:

- i) at twice the rate specified in the relevant provision of the Act or
- ii) at the rate of 5%

Higher rates of TCS 10% instead of 5% will be applicable in the case of any LRS transactions (Foreign Remittance, International Debit Card, and International Pre-Paid Cards).

*Example 2:* A person has done LRS remittance in FY 2021-22 amounting to INR 4 Lakh. Additionally, he used a Debit Card abroad for an international transaction of INR 5 Lakh on 5<sup>th</sup> July, 2021 and the same day he also used his Pre-Paid Card for another international transaction of INR 2 Lakh. The customer is a non-filer of IT returns as specified u/s 206CCA of the Act.

- Calculation of TCS:

Remittance Transaction: INR 4 Lakh

Debit Card and Pre-Paid Card transaction: INR 7 Lakh (INR 5 Lakh + INR 2 Lakh)

Total Amount: INR 11 Lakh

TCS will be applied on INR 11 Lakh minus INR 7 Lakh (Threshold, no TCS will be deducted for international LRS transactions up to INR 7 Lakh in a Financial Year).

TCS = INR 4 Lakh @ 10% (twice the existing rate) INR 40,000.00

### 24. What is applicable TCS rate if the customer is a student, housewife or retired personnel and not filed ITR for the last two Financial Years?

Permanent Account Number (PAN) of the customer will be checked/ verified from the official India Income Tax website for the applicability of TCS rates. If the customer is a non-filer of Income Tax Return as per the Income Tax website, then a higher rate of TCS shall apply as per section 206CCA of the Act.

### Addendum in TCS FAQs From 1<sup>st</sup> July, 2023

Applicable from : 1<sup>st</sup> July 2023 and subject to change as per Government of India rules.

### 25. What is the meaning of inoperative PAN?

As per rule 114AAA of the Income Tax Rules, 1962, where a person, who has been allotted the Permanent Account Number as on the 1st day of July, 2017 and is required to intimate his Aadhaar number under sub-section (2) of section 139AA, has failed to intimate the same on or before the 30<sup>th</sup> day of June 2023, the permanent account number of such person shall become inoperative.

## 26. What will be the consequence, if the PAN becomes inoperative?

If the PAN becomes inoperative, w.e.f. 1<sup>st</sup> July 2023, the foreign transactions effected by such person under LRS including usage of DCB Debit Card/ DCB Niyo Global Card will be subject to higher rate of TCS.

TCS rate would be as under w.e.f. 01 July 2023 till 30 Sept 2023. In the case of inoperative PAN / Non-filer, TCS rate would be 5% for remittance under LRS financed by education loan.

Sl. No.	Particulars	TDS rate from 01 July 2023 to 30 Sept 2023	TCS rate if non-filer	TCS rate if inoperative PAN
1	LRS for education financed by loan	NIL upto Rs. 7 lakh 0.5% above Rs. 7 lakh	NIL upto Rs. 7 lakh 5% above Rs. 7 lakh	NIL upto Rs. 7 lakh 5% above Rs. 7 lakh
2	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 10% above Rs. 7 lakh	NIL upto Rs. 7 lakh 10% above Rs. 7 lakh
3	LRS for other purposes	NIL upto Rs. 7 lakh 5% above Rs. 7 lakh	NIL upto Rs. 7 lakh 10% above Rs. 7 lakh	NIL upto Rs. 7 lakh 10% above Rs. 7 lakh
4	Purchase of overseas tour program purpose	5% (without threshold limit)	10% (without threshold limit)	10% (without threshold limit)