

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

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

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

#### **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 US \$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 outward foreign remittances under LRS subject to the applicable threshold limit.

The Finance Act, 2023 increased the Tax Collection at Source (TCS) rates for outward foreign remittance under LRS from 5% to 20% for remittance amounts exceeding INR 7 lakh. This will apply to foreign trips, sending money abroad, and other remittances except for education and medical purposes.

TCS at the rate of 5% shall be collected on outward foreign remittance under LRS exceeding INR 7 Lakhs during the financial year for the purposes of education / medical treatment. TCS at the rate of 0.50% shall be collected on foreign remittances 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, 1961. TCS at the rate of 20% shall be collected on all other outward foreign remittances under LRS exceeding INR 7 Lakhs during the financial year.

TCS at the rate 20% shall be applicable to debit card if the amount of foreign remittance exceeds the threshold limit of INR 7 Lakhs during the financial year.

The said amended Income Tax provisions shall be applicable from 1<sup>st</sup> October 2023.

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

An authorised foreign exchange dealer (for example, DCB Bank Ltd.) who receives INR funds (INR 7 Lakhs or more for any purposes under LRS, either for a single transaction or an aggregate amount in a financial year, for remittance out of India, shall be liable to collect TCS.

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

TCS is applicable on all outward foreign remittance transactions within the ambit of LRS.

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

Remittances made under LRS for the purpose of education or medical expenses abroad for an amount below INR 7 Lakhs during a financial year are not subject to TCS. Moreover, for the purpose of education abroad, if the amount being remitted under LRS is from 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%.

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. What is the rate of TCS for the foreign remittance under LRS for the purpose of other than medical and education abroad?**

The rate of TCS for all the foreign remittances under LRS (other purposes than for medical and education abroad) shall be deducted at the rate of 20% without any threshold.

The below table shows the proposed rate of TCS with effect from 1<sup>st</sup> October 2023, on the amounts or the aggregate of the amounts being remitted by the buyer in a financial year.

Sr. No.	Type of Remittance	Rate of TCS
1.	For the purpose of education overseas, if the amount for foreign remittance is from a loan obtained from any financial institution as defined in Section 80E	0.50% of the amount of the aggregate of the amounts in excess of INR 7 Lakhs
2.	For the purpose of education other than (1) or for the purpose of medical treatment.	5% of the amount or the aggregate of the amounts in excess of INR 7 Lakhs
3.	Foreign remittance through Debit Card	20% of the amount or the aggregate of the amounts in excess of INR 7 Lakhs
4.	Overseas tour package	5% of the amount upto INR 7 lakhs and 20% of the amount or the aggregate of the amounts in excess of INR 7 Lakhs
5.	Any other case	20% of the amount or the aggregate of the amounts in excess of INR 7 Lakhs

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

This example demonstrates how TCS is applicable for foreign remittances under LRS for the purpose of medical and education abroad.

### Example 1.

Sr. No.	Customer	Foreign Remittance under LRS till 30 <sup>th</sup> Sept 2023 for the purpose of Education and Medical (INR)	Foreign Remittance on 1 <sup>st</sup> October 2023 (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	2,00,000	5%	10,000
4	D *	8,00,000	2,00,000*	Y	2,00,000	0.5%	1000

\* Fund for remittance utilised from a loan obtained from a financial institution as defined under Section 80E of the Income Tax Act, 1961 for the purpose of pursuing education abroad.

### Example 2.

This example demonstrates how TCS is applicable for foreign remittances under LRS for the purposes other than for medical and education abroad.

Sr. No.	Customer	Foreign Remittance under LRS till 30 <sup>th</sup> Sept 2023 (INR)	Foreign Remittance on 1 <sup>st</sup> October 2023 (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	20%	20,000
3	C	8,00,000	2,00,000	Y	2,00,000	20%	40,000

### Example 3.

If an individual has made the following remittances during FY 23-24 (Upto 30<sup>th</sup> Sept 2023). On 1<sup>st</sup> October 2023, he/ she has now approached the Bank for a remittance of INR 2,00,000 for the purpose of education, what will be TCS on the said remittance and how the threshold will be calculated?

Sr. No.	Date of Remittance (DD.MM.YYYY)	Purpose of Remittance	Remittance Amount (INR)	TCS upto 30 <sup>th</sup> Sept 2023
1	05.04.2023	Holiday Trip	2,00,000	NIL
2	15.07.2023	Education	1,00,000	NIL
3	10.09.2023	Medical	3,00,000	NIL

On a remittance of Rs. 2,00,000 effected on 1<sup>st</sup> October 2023 for the purpose of education, threshold will be calculated as under:

INR 2,00,000 (HolidayTrip) + INR 1,00,000 (Education) + INR 3,00,000 (Medical) = INR 6,00,000

Available threshold = INR 7,00,000 - INR 6,00,000 = INR 1,00,000

Present remittance is INR 2,00,000, hence TCS to be recovered on INR 1,00,000 at the rate of 5% for the said remittance, as available threshold is INR 1,00,000.

### 8. 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.

**9. 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.

**10. Is TCS applicable on DCB Debit Card & Co-branded Card (DCB Niyo Global Debit Card)?**

Yes, TCS at the rate of 20% will be applicable beyond the threshold of INR 7,00,000 on all overseas transaction done through DCB Debit Card & Co-branded Debit cards, including transactions done on Foreign Merchants or sites which offer Dynamic Currency Conversion (DCC) transactions. Please note, threshold will be calculated on all foreign remittance transactions under LRS effected by same PAN Card holder during the same financial year.

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

Beyond threshold of INR 7 lakh in current financial year, 20% TCS will be applicable for all foreign transactions i.e. ATM cash withdrawal, POS and/ or e-commerce, including Dynamic Currency Conversion (DCC) transactions irrespective of filer/ Non-filer, inoperative or operative PAN.

**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 20% which is INR 20.

- If, INR 120 is available, then the transaction will be processed.
- If the fund available is lesser than INR 120, the transaction will be declined.

**13. What is the time period to reimburse TCS amount, 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 @ 20% will be levied at the time of the transaction. Refund will be effected in 5 working days from the date of transaction, if the below mentioned documents are emailed to [customercare@dcbbank.com](mailto:customercare@dcbbank.com)

- i. Approved loan sanction letter for educational purpose
- ii. 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.

**19. What is section 206CCA?**

Section 206CCA of the Income Tax Act, 1961 (the "Act") stipulates 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. What will be applicable rate of TCS for the persons who are non-filers of income tax returns as per section 206CCA?**

The rate of TCS for the non-filers on income tax returns could be up to 20%.

If the buyer/remitter/customer fulfills the conditions in point 22 below, 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%

Provided that the rate of tax collection at source under this section shall not exceed 20%.

Higher rates of TCS 20% will be applicable in the case of any LRS transactions other than medical and education.

**21. Who are the persons treated as non-filers as per section 206CCA of the Income tax, 1961.**

A person will become a non-filer who satisfies both the following conditions: -

- i. He has not filed the returns of income for the assessment year relevant to the previous year immediately preceding the financial year in which tax is required to be collected, for which the time limit for furnishing the return of income u/s 139(1) of the Income Tax Act, 1961 has expired and
- ii. the aggregate of tax deducted at source and tax collected at source in his/ her case INR. 50,000 or more in the said previous year.

**22. 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.

**23. 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 Debit Card/Niyo Global Card will be subject to higher rate of TCS.