

Frequently Asked Questions

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

What is LRS?

The Liberalised Remittance Scheme (LRS) of the Reserve Bank of India (RBI) allows resident 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.

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 1st October 2020.

How TCS will be collected?

An authorised dealer (DCB Bank Ltd.) receiving an amount or an aggregate of amount of INR 7 Lakh or more 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.

What are the different purposes on which TCS is applicable?

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

Are there any exemptions on TCS?

Remittances under LRS below ₹7 Lakh during the 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'.

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.

How TCS will be computed on foreign remittance transactions?

This example demonstrates how TCS is applicable for foreign remittances.

Sr. No.	Customer	Foreign Remittance under LRS till 30 Sept 2020 (INR)	Foreign Remittance on 1 Oct 2020 (INR)	TCS Applicable Y/N	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 for the purpose of pursuing education abroad.

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.

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.

CARDS

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.

Is TCS applicable on DCB Niyo Global Card?

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

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.

I have an 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.

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 12 days from the date of transaction.

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 12 days from the date of transaction, if the below mentioned documents are emailed to customercare@dcbbank.com

- a. Approved loan sanction letter for educational purpose
- b. 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.

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.

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.

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 from your registered email ID.

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.
