

TCS on Outward Remittances under LRS

The new provision of Finance Act 2020 is to be implemented from the 1st Day of October 2020 in which section 206C of Income Tax Act shall be applied on foreign remittances under Liberalised Remittance Scheme (LRS).

Under the section 206C (1G) of Income Tax act, the AD Bank who receives an amount, for remittances out of India from a buyer, being a person remitting such amount out of India under the LRS, shall be liable to collect TCS on such transactions.

The salient features of the TCS applicability and TCS charging grid on Outward Remittances under LRS are given hereunder:

S. No.	Type of Transactions	Applicable TCS
1.	*Overseas Tour Programme (payment for purchasing ticket, booking Hotel, etc.)	5% of the remittance amount
2.	LRS other than Overseas Tour Programme	5% of the remittance amount in excess of 7.00 lakh during financial Year
3.	Remittances for travel and expenditure related for studies abroad, where the source of fund is Education Loan	0.5% of the remittance amount in excess of 7.00 lakh during financial Year

*Overseas tour program package means any tour package which offers visit to a country or countries or territory or territories outside India and includes expenses for travel or hotel stay or boarding or lodging or any other expenditure of similar nature or in relation thereto.

Important Note: Please ensure the account (to be debited) is sufficiently funded to cover the remittance amount, GST, TCS, service charge in lieu of remittance, swift charges and corresponding Bank Charge. Transaction shall not be processed in the event of insufficient balances in account.

Illustrations:

Customer: Ram

Ram has already remitted ₹ 800000 between 1st April 2020 and 30th September 2020

Transaction Date	Amount to be Remitted	Cumulative Remitted amount in the current Financial Year	Purpose of Remittance	Applicable TCS
3 rd July 2020	₹ 800000	₹ 800000	Medical	Nil
5 th Oct 2020	₹ 650000	₹ 1450000	Gift	₹ 32500 (5% of remitted amount)

Transaction Date	Amount to be Remitted	Cumulative Remitted amount in the current Financial Year	Purpose of Remittance	Applicable TCS
22 nd Oct 2020	₹ 120000	₹ 1570000	Travel	₹ 6000 (5% of remitted amount)
10 th Nov 2020	₹ 525000	₹ 2095000	Education (Source: Education loan)	₹ 2625(0.5% of remitted amount)
12 th Jan 2021	₹ 400000	₹ 2495000	Family maintenance	₹ 20000 (5% of remitted amount)
3 rd Feb 2021	₹ 700000	₹ 3195000	Education (Source: Other than Education Loan)	₹ 35000 (5% of remitted amount)

Customer: Mohan

Transaction Date	Amount to be Remitted	Cumulative Remitted amount in the current Financial Year	Purpose of Remittance	Applicable TCS
5 th Oct 2020	₹ 650000	₹ 650000	Gift	Nil
22 nd Oct 2020	₹ 120000	₹ 770000	Travel	₹ 6000 (5% of remitted amount)
10 th Nov 2020	₹ 525000	₹ 1295000	Education (Source: Education loan)	₹ 2975(0.5% of amount exceeding 7.0 lakh)
12 th Jan 2021	₹ 400000	₹ 1695000	Family maintenance	₹ 20000 (5% of remitted amount)
3 rd Feb 2021	₹ 700000	₹ 3195000	Education (Source: Other than Education loan)	₹ 35000 (5% of remitted amount)