



वित्त मंत्रालय
MINISTRY OF
FINANCE



सत्यमेव जयते

Liberalised Remittance Scheme (LRS) FAQs

Part A: Some clarifications on Tax
Collection at Source



Some clarifications on Tax Collection at Source

WHY IS TCS REQUIRED TO BE COLLECTED?



Section 206C of the Income-Tax Act 1961 provides for TCS in the business of trading in alcohol, liquor, forest produce, scrap etc. Sub-section (1G) of the aforesaid section provides for TCS on foreign remittance through the Liberalised Remittance Scheme and on the sale of overseas tour packages.

Some clarifications on Tax Collection at Source



IS TCS APPLICABLE TO ALL REMITTANCES MADE ABROAD?

No. Only such **remittances which are covered under LRS are liable to TCS**. These have been detailed in the answer to Q (5) in Part B of the clarifications.



Some clarifications on Tax Collection at Source

WHAT IS THE REASON BEHIND THE INCREASE IN RATES OF TCS?



The reasons for the amendment are:

- The payment of TCS is not a final tax
- If the TCS payee is a taxpayer, he can claim credit for the TCS as his tax payment against regular income and adjust it against the advance tax etc., payments accordingly.
- If the TCS is of a person not being a taxpayer, then the 20% rate on such presumed income is not high. The tax rate slab of 20% starts in the new regime for incomes over Rs 12 lacs and is 30% for incomes over Rs 15 lacs.



Some clarifications on Tax Collection at Source

WHAT IS THE REASON BEHIND THE INCREASE IN RATES OF TCS?



- Instances have come to notice where the LRS payments are disproportionately high when compared to the disclosed incomes
- No changes in medical or Education expenses- Position stays as it was before the Finance Act 2023.
- Primary Impact only on investment in assets such as real estate, bonds, stocks outside India by HNI and tour travel packages or gifts to non-residents.
- Those individuals remitting from their own funds are normally expected to be higher-income taxpayers, and for those remitting through institutional loans for education, a concessional rate of 0.5 % is provided.

Some clarifications on Tax Collection at Source

WHAT ARE THE CHANGES OR INCREASES IN RATES OF TCS?

The TCS rates with the changes brought about in Finance Act 2023 are tabulated as under,

(i) Remittance for the purpose of any education [NO CHANGE]

Nature	Old Position (up to 30.6.23)		After Finance Act 2023 (from 1.7.2023)	
	Threshold	Rate	Threshold	Rate
If the amount being remitted out is a loan obtained from any financial institution as defined in section 80E	7 lacs	0.5%	7 lacs	0.5%
Remittance is not out of loan from a financial institution	7 lacs	5%	7 lacs	5%



Some clarifications on Tax Collection at Source

WHAT ARE THE CHANGES OR INCREASES IN RATES OF TCS?

(ii) Remittance for the purpose of any medical Treatment [NO CHANGE]

Nature	Old Position (up to 30.6.23)		After Finance Act 2023 (from 1.7.2023)	
	Threshold	Rate	Threshold	Rate
Remittance is for Medical Treatment	7 lacs	5%	7 lacs	5%





Some clarifications on Tax Collection at Source

WHAT ARE THE CHANGES OR INCREASES IN RATES OF TCS?

(iii) Sale of Overseas tour package

	Old Position (up to 30.6.23)		After Finance Act 2023 (from 1.7.2023)	
	Threshold	Rate	Threshold	Rate
Remittance is for the purchase of a tour package	Nil	5%	Nil	20%





Some clarifications on Tax Collection at Source

WHAT ARE THE CHANGES OR INCREASES IN RATES OF TCS?

(iv) Any other Remittance (for Bonds, shares, real estate gifts etc.)

	Old Position (up to 30.6.23)		After Finance Act 2023 (from 1.7.2023)	
Nature	Threshold	Rate	Threshold	Rate
Remittance is for any other purpose	7 lacs	5%	Nil	20%





Some clarifications on Tax Collection at Source



WHAT IS THE IMPACT ON TRAVEL AND INCIDENTAL EXPENSES RELATED TO EDUCATION AND MEDICAL TREATMENT



For TCS on remittance for travel and incidental expenses related to education and medical treatment, the rates of TCS as applicable to remittances for education and medical treatment, respectively, shall apply. A detailed clarification will be issued separately.



Some clarifications on Tax Collection at Source



ANY OTHER RELEVANT ISSUE?

For TCS on remittance for travel and incidental expenses related to education and medical treatment, the rates of TCS as applicable to remittances for education and medical treatment, respectively, shall apply. A detailed clarification will be issued separately.