

# TAX ON FOREIGN FUND TRANSFERS



## WHAT IS TAX COLLECTED AT SOURCE (TCS) ?

- TCS is a concept where a person selling specific items is liable to collect tax from a buyer at a prescribed rate and deposit the same with the Government.
- Tax credit in Form 26AS would be available to the buyer. The buyer can claim this TCS at the time of filing ITR.
- The tax credit is only available once the seller deposits the tax to the IT Department and files the TCS Return.

## PROVISION

- TCS will be imposed on the money remitted outside India
- The remittances on which TCS will apply are those where money is sent outside under the Liberalised Remittance Scheme (LRS) of the RBI or buying tour packages.  
Under the LRS, individuals can remit a maximum of \$250,000 abroad every year.
- The provision will take effect from **1 October 2020**.

## RATES

REMITTANCES	TAX RATE	TAXABLE AMOUNT
Foreign Tour Packages	5.0%	Total Amount
Education related foreign remittances funded by loans	0.5%	Amount above Rs 7 Lakhs
Others	5.0%	Amount above Rs 7 Lakhs

## EXAMPLE

- If the total foreign exchange facility availed under LRS in a financial year is Rs 10 lakh, and the amount is to be remitted abroad, a TCS at 5% will be applicable on Rs 3 lakh (Rs 10 lakh minus Rs 7 lakh) and tax collected will be Rs 15,000.
- So the person has to make a payment of Rs 10,15,000 (RS 10 lakh plus 5% of Rs 3 lakh).