

Finance Act 2020 has inserted a new sub-section (1G) in TCS (Tax Collected at Source) under Section 206C of the Income Tax Act, 1961 to collect tax out of foreign remittance transactions under Liberalized Remittance Scheme (LRS) as well as amount received from buyer by a seller of an overseas tour program package. The section will be effective from October 1, 2020.

TCS on Liberalized Remittance Scheme:

LRS is governed by RBI Regulations. Under the RBI Regulations, Indian Residents can remit 250,000 USD per financial year outside India. These remittances can be towards following specified purposes:

- As an expense outgo: Travel Expenses, Donations, Study Expenses, Medical Expenses, Gift to Non-Resident Relatives etc
- As an investment: Bank Account, Shares, Debt Instrument, Immovable Property etc.

Below are the specific details of the same:

Nature of Transaction	:	Remittance under Liberalized Remittance Scheme
Person Responsible for collection	:	An Authorized Dealer
From whom to collect	:	From buyer of Foreign Currency remitting outside India under LRS
Time of Collection	:	At the time of debiting the buyer or receipt from buyer, whichever is earlier
Rate of TCS	:	<ul style="list-style-type: none"> • 5% of the amount received from buyer • 0.50% if the amount being remitted out is a loan obtained from any financial institution as defined in section 80E, for the purpose of pursuing any education • 10%, in case no PAN of such person is available
Threshold Limit	:	No TCS shall be collected, if the amount being remitted by buyer is less than ₹ 7 Lakh in a financial year.
Exceptions	:	<p>No TCS shall be collected if the buyer is</p> <ul style="list-style-type: none"> • If the buyer is liable to deduct tax TDS under any other provision of this Act and has deducted such amount; • 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 etc.
Other Points	:	<ul style="list-style-type: none"> • The Authorized Dealer shall collect TCS at the respective rates calculated on the amount of ₹ 7 lakh or more in a financial year. • The prescribed rate shall be reduced by 25% in line with the relief measures announced by the government on 12-05-2020. The reduced rates shall be effective up to 31-03-2021.

TCS on Overseas Tour Package:

Nature of Transaction	:	Remittance for buying an Overseas Tour Package
Person Responsible for collection	:	Seller of Overseas Tour Package
From whom to collect	:	From buyer of Overseas Tour Package
Time of Collection	:	At the time of debiting the buyer or receipt from buyer, whichever is earlier
Rate of TCS	:	<ul style="list-style-type: none">• 5% of the amount received from buyer• 10%, in case no PAN of such person is available
Threshold Limit	:	No threshold limit has been prescribed for collection of tax under this section.
Exceptions	:	No TCS shall be collected if the buyer is <ul style="list-style-type: none">• liable to deduct tax TDS under any other provision of this Act and has deducted such amount;• 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 etc.
Other Points	:	<ul style="list-style-type: none">• 'Overseas Tour Package' shall mean tour package which offers visit to a country 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.• The Authorized Dealer shall not collect the sum on an amount in respect of which the sum has been collected by the seller.• The prescribed rate shall be reduced by 25% in line with the relief measures announced by the government on 12-05-2020. The reduced rates shall be effective up to 31-03-2021.

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