



# **Remittances By Residents Including Liberalised Remittance Scheme (LRS)**

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# Overview of LRS provisions

1

FEM (Capital Account Transaction) Regulation, 2000  
(FEMA Notification No.1)

2

FEM (Current Account Transaction) Rules, 2000

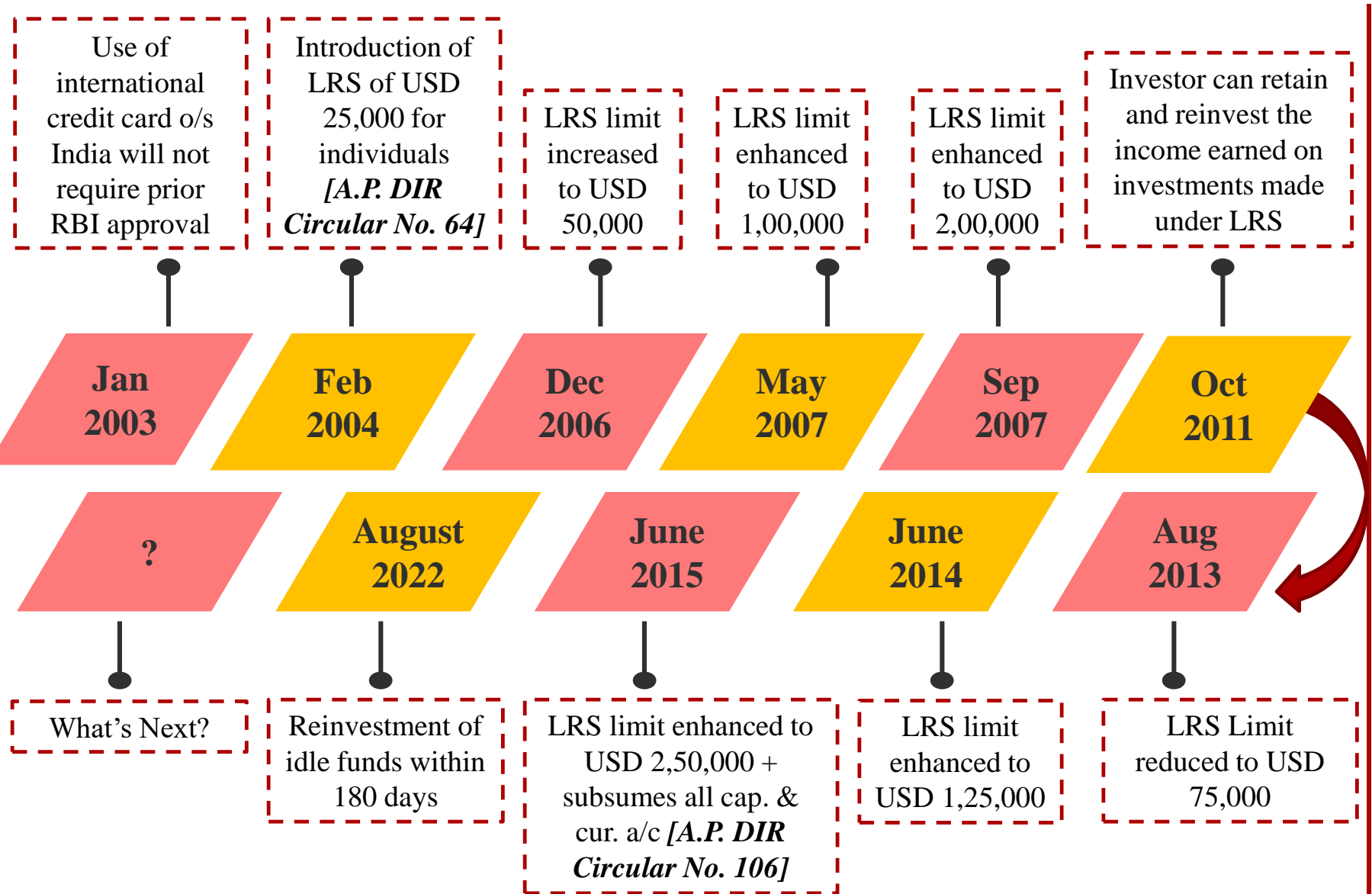
3

Master Direction No. 7 on LRS  
(updated as on 06-09-2024)

4

FAQs on LRS issued by RBI  
(updated as on 06-04-2023)

# Overview of Liberalised Remittance Scheme (LRS)



# Overview of Liberalised Remittance Scheme (LRS)

## ❖ Liberalised Remittance Scheme:

- AD may freely allow remittances by **resident individuals up to USD 2,50,000 per Financial Year** (April-March) for any permitted current or capital account transaction or a combination of both.
- The Scheme is available to all resident individuals including minors.
- The Scheme is **not available to corporates, partnership firms, HUF, Trusts, etc.**
- The LRS limit has been revised in stages consistent with prevailing macro and micro economic conditions. During the period from February 4, 2004 till date, the LRS limit has been revised as under:

Date	Feb 4, 2004	Dec 20, 2006	May 8, 2007	Sep 26, 2007	Aug 14, 2013	Jun 3, 2014	May 26, 2015
LRS limit (USD)	25,000	50,000	1,00,000	2,00,000	75,000	1,25,000	2,50,000

- Remittances under the Scheme can **be consolidated in respect of family members** subject to individual family members complying with its terms and conditions.
- However, **clubbing is not permitted by other family members for capital account transactions such as opening a bank account/investment/~~purchase of property~~, if they are not the co-owners/co-partners** of the overseas bank account/ investment/~~property~~.
- LRS may exceed the limit of USD 2,50,000/- per FY for **emigration (country requirement)/ medical treatment abroad/ studies abroad depending upon circumstances.**

# List of current account transactions under LRS

## ❖ Schedule III of FEM (Current Account Transactions) Rules, 2000

- Private visit to any country (except Nepal & Bhutan);
- Gift or donation;
- Going abroad for employment;
- Emigration;
- Maintenance of close relatives abroad;
- Travel for business, or attending a global conferences and specialized training or for meeting expenses for medical expenses, or check-up abroad, or for accompanying as attendant to a patient going abroad for medical treatment/ check-up;
- Expenses in connection with medical treatment abroad;
- Studies abroad;
- Any other current account transactions.

## ❖ Example for coverage under the certain heads

- Education: Remittance towards fees for examinations held in India and abroad and additional score sheets for GRE, TOEFL, etc., Emigration & Emigration consultancy fees; Employment and processing, assessment fees for overseas job applications, Visa fees.
- Emigration: Skills/ credential assessment fees for intending migrants;

# List of capital account transactions under LRS

- ❖ Opening of foreign currency account abroad with a bank;
- ❖ Acquisition of immovable property abroad;
- ❖ Overseas Direct Investment (ODI);
- ❖ Overseas Portfolio Investment (OPI);
- ❖ Extending loans viz. loans in Indian Rupees to Non-resident Indians (NRIs) who are relatives [\*Interest free; Tenure > 1 yr; Loan only in NRO with no o/s India remittance possibility; Loan for personal/business purpose with negative list].

## Immovable Property Outside India

- ❖ Acquisition of Immovable Property

Mode	Transferor	Transferee
Inheritance	PRI	PRI
Gift	PRI	PRI
Purchase	PRI	PRI
Inheritance	PROI	PRI
Purchase	PROI	PRI

# Opening and Maintenance of Overseas Bank Account

- ❖ The individuals can also open, **maintain and hold foreign currency accounts with a bank outside India** for making remittances under the Scheme without prior approval of the Reserve Bank.
- ❖ The foreign currency accounts may be used for putting through **all transactions connected with or arising from remittances eligible under this scheme.**
- ❖ Authorised Persons may facilitate **remittances to IFSCs** in India for all permissible purposes under LRS for
  - **Availing financial services or financial products** as per the International Financial Services Centres Authority Act, 2019 within IFSCs; and
  - **All current or capital account transactions**, in any other foreign jurisdiction (other than IFSCs) through a foreign currency account held in IFSCs.
- ❖ Resident individuals may open a Foreign Currency Account (FCA) in IFSCs for these permissible purposes.
- ❖ Resident individuals shall **not settle any domestic transactions with other residents through these FCAs held in IFSC.**

## Prohibited items under the LRS

- ❖ Remittance for any **purpose specifically prohibited under Schedule-I** (like purchase of lottery tickets/sweep stakes, proscribed magazines, etc.) or any item restricted under Schedule II of Foreign Exchange Management (Current Account Transactions) Rules, 2000.
- ❖ Remittance from India for **margins or margin calls** to overseas exchanges / overseas counterparty.
- ❖ Remittances for **purchase of FCCBs** issued by Indian companies in the overseas secondary market.
- ❖ Remittance for **trading in foreign exchange abroad**.
- ❖ Capital account **remittances**, directly or indirectly, **to** countries identified by the Financial Action Task Force (FATF) as “**non- cooperative countries** and territories”, from time to time.
- ❖ Remittances directly or indirectly to **those individuals** and entities identified as posing significant risk of **committing acts of terrorism** as advised separately by the Reserve Bank to the banks
- ❖ Remittances for **capital account transactions out of borrowed funds** [not applicable for current account transactions]

# AD Due Diligence

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**WRONG CODES, MULTIPLE PANs USED TO DODGE RULE**

## As Rupee Dips, I-T Steps Up Vigil on Shady Outflows

Rashmi Rajput & Sugata Ghosh

**Mumbai:** Amid the state's moral suasion to discourage gold purchase and destination wedding, India's tax authorities are dealing with a slew of shady overseas outflows through banks and cryptocurrency wallets.

In several cases funds were sent to individuals in Thailand, which has become a money-laundering hub.

According to information received by the Income tax (I-T) department under the agreement with Thailand, the purpose code (S0305) meant for 'overseas education' was used to mislead banks and money transfer operators to move funds to Thailand.

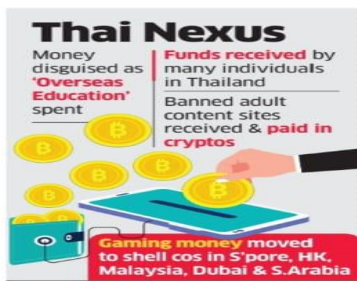
In multiple cases, individuals have used dozens of fake permanent account numbers (PANs) with the same name but different addresses and dates of birth to transfer money under the RBI's remittance limit scheme (LRS) which bars a resident from spending and investing more than \$250,000 a year abroad.

Wrong code and incorrect PANs helped to bypass the LRS limit and obfuscate money trail.

"We have stepped up vigilance to stop such irregular outflows—all the more in the current situation with the rupee under pressure," a senior tax official told ET. "One person used 47 PANs, another had 27. There are several such cases," he said.

Certain transactions were traced to many UPI IDs which in turn were linked to gaming websites in Curacao, Malta and Cyprus.

"These are clear red flags. Form A2 is mandatory for all LRS remittances, whether routed through online banking or branches. For the education purpose code, banks typically require documents like the admission letter and college invoice. Thailand is not a conventional destination for Indian students," said Harshal Bhuta, partner at the CA firm P. R. Bhuta & Co, specialising in



international tax and FEMA.

Since the Covid outbreak and China's crackdown on cryptos, many Chinese crypto traders have migrated to Thailand. There have been arrest warrants issued to persons involved in crypto scam and networks along the Thai-Cambodia border.

Emanating from cities in Rajasthan, there were transactions of routing of proceeds from cyber-crime and sale of cryptos of unknown origin to Thailand.

The department also stumbled upon a banned online adult content platform, operating through various URLs, paying content creators in India in cryptos. Indian retail subscribers to these sites paid to mule accounts to purchase tokens for accessing content. Offshore gambling platforms, the department found, were collecting payments by players in local shell entities before remitting to outfits in Singapore, Hong Kong, Malaysia, Dubai and Saudi Arabia.

According to technology and gaming Lawyer Jay Sayta, "Illegal offshore betting websites are openly flouting the law and advertising on Instagram and Telegram. Influencers who left the country after receiving summons from law enforcement agencies, are endorsing these websites to Indians. Blocking a few betting apps or social media accounts can't tackle this menace. The Online Gaming Authority of India should create a special team to continuously monitor and block such apps and social media handles."

### ❖ Section 10(5) of FEMA, 1999

- An authorised person shall obtain **such declaration and information** as will reasonably satisfy him that the transaction will not involve any contravention or evasion of the provisions of the Act or rules/regulations made thereunder.
- In case of **refusal or unsatisfactory compliance**, the authorised person shall refuse in writing to undertake the transaction
- Where any such contravention or evasion is contemplated, the matter shall be reported to RBI

### ❖ Section 10(6) of FEMA, 1999

- Foreign exchange acquired or purchased shall be **used only for the purpose mentioned in the declaration**, and any unused foreign exchange shall be surrendered to the authorised person within the specified period. **Use of such foreign exchange for any other non-permissible purpose** under the Act/rules/regulations shall be deemed as contravention of the Act.

## Documentation by the remitter

- ❖ The individual will have to **designate a branch of an AD** through which all the (*capital account?*) remittances under the Scheme will be made.
- ❖ The applicants should have maintained the **bank account** with the bank for a **minimum** period of **one year prior** to the remittance **for capital account transaction**.
- ❖ For permissible **current account transactions**, AD should carry out **due diligence**.
- ❖ The resident individual seeking to make the remittance should furnish **Form A2** for purchase of foreign exchange under LRS.
- ❖ AD bank may insist to produce **Form 145 (erstwhile Form 15CA)** and CA Certificate in **Form 146 (erstwhile Form 15CB)**.
- ❖ It is mandatory for the resident individual to provide his/her **PAN** to make remittance

## Retention of funds abroad

- ❖ Investor, who has remitted funds under LRS can **retain/ reinvest the income earned on the investments**.
- ❖ However, received/ realised/ unspent/ unused foreign exchange, unless reinvested, shall be repatriated and surrendered to authorised person **within 180 days** from the date of such receipt/ realisation/ purchase/ acquisition or date of return to India.
- ❖ Further, resident individual who has made **ODI within the LRS limit shall have to repatriate within 90 days of investor receivables becoming due / liquidation. No option of reinvestment.**

# TCS on LRS

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# Section 394 of Income Tax Act, 2025 (Erstwhile Section 206C(1G) of Income Tax Act, 1961)

## ❖ Section 394(1):

- At the time of debit / at the time of receipt, whichever is earlier.

Sl. No.	Nature of receipt	Person	Rate of Tax Collected at Source
7.	Remittance under LRS of an amount or aggregate of the amounts > 10 lakh	AD Bank	(a) 2% for purposes of education or medical treatment; (b) 20% for purposes other than education or medical treatment
8	Sale of "overseas tour programme package" including expenses for travel or hotel stay or boarding or lodging or any such similar / related expd.	Seller	2%

- ❖ Section 394(4): TCS is not applicable on the amount being remitted out is a loan obtained from any financial institution for the purpose of pursuing any education.
- ❖ Section 394(5): TCS is not applicable where TDS is also applicable and it has been deducted

# FAQs on Interplay and Transition from the Income Tax Act, 1961 to the Income Tax Act, 2025

<b>Q 1.20</b>	<b>Do old circulars, instructions and notifications issued by the tax department continue even after the new Act comes into force?</b>
Answer	Yes. As per the provisions of section 536(2)(j) of the Income Tax Act, 2025, circulars, notifications, instructions, approvals, etc, issued under the old Act will remain valid as long as they do not conflict with the new Act.

**Poser:**

- ❖ Whether provisions of Section 394 of the Income-tax Act, 2025 are inconsistent with erstwhile Section 206C(1G)?

# Guidelines - CBDT Circular No. 10 of 2023

Q. No.	Question	Answer
1	Whether payment through overseas credit card would be counted in LRS?	<ul style="list-style-type: none"> <li>The classification of international credit card usage abroad as LRS has been postponed.</li> <li><b>No, TCS will be applicable</b> on expenditures made through international credit cards while overseas.</li> </ul>
2	Whether the <b>threshold</b> of Rs 7 lakh, for TCS to become applicable on LRS, applies <b>separately for various purposes</b> like education, health treatment and others?	<ul style="list-style-type: none"> <li>The Threshold of Rs 7 Lakh for LRS is the <b>combined threshold</b>.</li> </ul>
4	Whether the threshold of Rs 7 lakh, for TCS to become applicable on LRS, applies separately for each remittance through different AD? If not, how will AD know about the earlier remittances by that remitter through some other AD?	<ul style="list-style-type: none"> <li>The threshold of Rs 7 lakh for LRS continues to apply <b>qua remitter and not qua authorised dealer</b>.</li> <li>The RBI is currently developing a real-time update system for LRS remittances. In the meantime, AD may gather details of previous LRS remittances within the FY through an <b>undertaking from the remitter</b>.</li> <li>If the AD accurately withholds tax based on this information, they won't be considered in default. However, <b>any false information provided may result in legal action against the remitter under the Act</b>.</li> </ul>

# Guidelines - CBDT Circular No. 10 of 2023

Q. No.	Question	Answer
7	There are different rates for remittance under LRS for medical treatment/education purposes and for other purposes. What is the scope of remittance under LRS for medical treatment/education purposes?	<ul style="list-style-type: none"><li>• <b>Remittance for medical purpose include:</b><ul style="list-style-type: none"><li>• Purchase of tickets of patient + attendant;</li><li>• Medical expenses;</li><li>• Other day to day expenses as required.</li></ul></li><li>• <b>Remittance for education purpose include:</b><ul style="list-style-type: none"><li>• Purchase of tickets of the student only;</li><li>• Tuition &amp; other fees to be paid to educational institute;</li><li>• Other day to day expenses as required for study.</li></ul></li><li>• Purpose code for <b>medical treatment</b>- S0304 OR S1108 &amp; Purpose code for <b>education</b> - S0305 OR S1107.</li></ul>



# Guidelines - CBDT Circular No. 10 of 2023

Q. No.	Question	Answer
8	Whether purchase of international travel ticket or hotel accommodation on standalone basis is purchase of overseas tour program package?	<ul style="list-style-type: none"><li>• Buying only international travel tickets or hotel accommodations on a standalone basis is not considered part of the definition of an overseas tour program package.</li><li>• To qualify as overseas tour program package, the package should include at least 2 of the following:<ul style="list-style-type: none"><li>• International travel ticket;</li><li>• Hotel accommodation;</li><li>• Any other expenditure of similar nature or in relation thereto.</li></ul></li></ul>



# Case studies

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## Case Study - I

Sr. No	Particulars	Current a/c	Capital a/c	LRS	TCS	Rate
1	Payment for foreign flight tickets by husband of 12 lakhs for himself as well as spouse & children. No hotel accommodation or other expd.	√	X	√	√	20%
2	Remittance of INR 8 lakhs to LSE for corporate laws summer course	√	X	√	X	-
3	Remittance of INR 8 lakhs to LSE for corporate laws summer course + INR 4 lakhs for LSE accommodation	√	X	√	√	2%
4	(i) Remittance through bank: INR 8 lakhs to a foreign university for corporate laws summer course; (ii) Spend thru ICC: INR 4 lakhs for accommodation while abroad	√	X	√	X	-
		√	X	X		
5	Remittance towards purchase of software licenses	√	X	X	X	-

## Case Study - I

Sr. No	Particulars	Current a/c	Capital a/c	LRS	TCS	Rate
6	Remittance for acquisition of Apple Inc.'s shares of 12 lakhs	X	√	√	√	20%
7	Remittance for the setting up wholly owned subsidiary in UAE for 15 lakhs	X	√	√	√	20%
8	Re-investment out of sale proceeds of Apple Inc.'s shares of 25 lakhs	X	√	X	X	-
9	Overseas travel spending of INR 5 lakhs through prepaid forex card	√	X	√	X	-

## Case Study - II

**Facts:** Mr. Mota is an affluent businessman residing in Mumbai. He wants to make the following remittances outside India during FY 2026-27. He seeks your professional guidance in this regard which of the below are permitted under LRS:

Daughters' college fees for 2 <sup>nd</sup> year course studies	\$ 50,000
Gift to cousin sister with whom daughter is living abroad	\$ 10,000
Gift to cousin sister in NRO a/c	\$ 20,000
Purchase of foreign lottery ticket by credit card	\$ 150
Purchase of annual subscription of foreign magazine by credit card	\$ 10,000
Purchase of bitcoin overseas by credit card	\$ 5,000

# Thank you



**P. R. BHUTA & Co.**  
CHARTERED ACCOUNTANTS

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