What is the Liberalised Remittances Scheme (LRS)?

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About Liberalised Remittances Scheme (LRS)

- LRS **allows Indian residents to freely remit up to USD $250,000 per financial year for current or capital account transactions** or a combination of both. Any remittance exceeding this limit requires prior permission from the RBI.
- The scheme was **introduced by RBI on February 4, 2004.**
- **Who can remit funds under LRS?**
  - **Only individual Indian residents, including minors**, are permitted to remit funds under LRS.
  - **Corporates, partnership firms, HUF, trusts**, etc., **are excluded** from its ambit**.**
- **Frequency of Remittances:**
  - There are **no restrictions on the frequency** of remittances under LRS.
  - **Once a remittance is made for an amount up to USD 2,50,000** during the financial year, a resident individual **would not be eligible to make any further** remittances under this scheme.
- **Types of transactions permitted:**

    - **Opening of foreign currency account abroad** with a bank;
    - **Acquisition of immovable property abroad**, overseas direct investment (ODI), and overseas portfolio investment (OPI);
    - **Extending loans**, including loans in Indian Rupees to non-resident Indians (NRIs) who are relatives as defined in the Companies Act, 2013;
    - **Private visits abroad** (excluding Nepal and Bhutan);
    - **Maintenance of relatives abroad**;
    - **Medical treatment** abroad;
    - **Pursuing studies** abroad;
- The **Union Budget 2023 introduced a Tax Collection at Source (TCS) for outward foreign remittance under LRS** (other than for Education and medical purpose) **of 20%** on the entire value.
- **Tax liability on profit made**: **If any profit is made** on foreign investments made under LRS, **it is taxable in India based on how long the investment was held.**

Q) What is Tax Collection at Source (TCS)?

Tax collection at source (TCS) is an additional amount collected as tax by a seller of specified goods from the buyer at the time of sale over and above the sale amount and is remitted to the government account.

Banks readying systems to track spends on outward remittances

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