

FAQ on Tax Collected at Source (TCS)

1) What is Tax Collected at Source (TCS) on Forex and when is it applicable from?

The new Tax Collected at Source (TCS) provision under section 206C (1G) of the Income Tax Act on all forex products i.e. foreign currency notes, prepaid forex cards, remitting money overseas and demand drafts and is applicable with effect from 1st October, 2020. For the purpose of calculating the overall limit, transactions done during the entire financial year will be taken in to consideration.

2) When is TCS applied?

TCS is applicable in the Liberalized Remittance Scheme (LRS) quota of the individuals (includes proprietary concern). LRS quota for all resident individuals is up to \$2,50,000 per financial year. TCS will be collected once the amount exceeds ₹ 7 lakhs. The customer will have to pay **5% TCS** on the transaction amount (+charges). In case of non-availability of PAN or Aadhaar, TCS will be deducted at **10%** on the transaction amount (+charges). In cases where the amount is taken for the purpose of education through a loan which is obtained from any bank or financial institute registered under section 80E of the Income Tax Act, rate of TCS shall be **0.5 %** on the amount exceeding Rs 7 lakhs.

For example, if you buy currency worth ₹ 10 lakhs, TCS will be applicable on ₹ 3 lakhs.

3) To whom will the TCS be applied?

TCS will be collected from the traveler/remitter whose LRS is used for availing the Forex/Remittance.

4) Will TCS be applicable on Overseas Tour Packages?

Yes, TCS is applicable on Overseas Tour Package meaning, any tour package which offers a visit to a Country or Countries or Territory or Territories outside India.

The customer will have to pay **5% TCS** on the transaction amount (+charges). In case of non-availability of PAN or Aadhaar, TCS will be deducted at **10%** on the transaction amount (+charges). There is no minimum threshold limit for tour operator to collect TCS on Overseas Tour packages.

5) How does the calculation work?

TCS is applicable on the amount exceeding ₹ 7 lakhs on the customers current financial year's LRS limit. Rate of TCS is @ **5%** of the forex amount including charges. Where the purpose is education and where the forex is procured through a loan obtained from any bank or financial institution which is registered under section 80E, the rate of TCS shall be **0.5%** on the amount (exceeding ₹ 7 Lakhs).

Below are few scenarios to understand this better:

Scenario	Forex purchased – period and amount	TCS Implication
Customer A	Purchases forex of ₹ 5,00,000 in September, 2020	No tax will be collected since TCS is applicable from October,2020 onwards
Customer B	Purchased forex of ₹ 5,00,000 up to September, 2020 and does one more transaction of ₹ 3,00,000 in October, 2020	5% tax will be collected on ₹ 1,00,000 (5 lakhs + 3 lakhs = 8 lakhs)
Customer C	Purchases forex of ₹ 10,00,000 in October, 2020	5% tax will be collected on ₹ 3,00,000 (₹ 10,00,000 - ₹ 7,00,000) i.e. ₹ 15,000
Customer D	Purchases forex of ₹ 10,00,000 in September, 2020 and does another transaction of Rs. 6,00,000	5% tax will be collected 6,00,000 i.e. ₹ 30,000
Customer E	Remits for the purpose of pursuing education through a loan obtained from a financial institute of ₹ 10,00,000.	0.5% TCS will be collected on ₹ 3,00,000 (₹ 10,00,000 - ₹ 7,00,000) i.e. ₹, 1500

6) Will GST be applicable on TCS?

GST will not be applicable to the TCS amount.

7) Are there any exemptions?

No TCS will be charged to the customer if his current financial year's LRS limit is below ₹ 7 lakhs. Similarly, payments for foreign education originating an education loan from a financial institution in India are subject to a lower 0.5% TCS. Following are exempt

- The Central or State government
- An Embassy, a High Commission, legation, commission, consulate or trade representative of a foreign State and a club
- Local authority [as defined in explanation to section 10(20)]
- Any other person as may be notified

8) Can I claim this back?

Please note that TCS is not an additional charge and can be adjusted against your total income tax liability & claimed while filing your personal income tax returns.

9) Will TCS be refunded on cancellation of transactions post debit from the account?

TCS will not be reversed once debited. Customers can approach for refund from income tax authority by filing his personal income tax return.

10) What documents do I submit to as proof of Source of funds for remittance under Education purpose?

The below documents can be uploaded in the WSFx Smart Fx App while doing the transaction or handed over physically to our branch outlets.

- Education loan sanction letter with student / parent name
- Declaration on the LRS application from client that the source is from loan
- Bank statement showing the source of funds as unutilized disbursed Education loan by a financial institute
- Certificate issued by the Income Tax authority where the financial institution has been registered under section 80E

11) Is this applicable to NRI's too?

Non-residents and Foreign Nationals (non-resident) will not be considered and thus, TCS will not be applicable.