Decline in Outward Remittances Under LRS

Source: IE

The recent data from the Reserve Bank of India (RBI) highlights a significant **drop in outward** remittances under the Liberalised Remittance Scheme (LRS), reflecting the impact of global economic uncertainties and domestic policy changes.

- Outward remittances decreased by 43.93% to USD 2.181 billion in June 2024 from USD 3.890 billion in June 2023.
- The introduction of Tax Collection at Source (TCS) at 20% on overseas tour packages has disincentivized remittances, except for education and medical treatment.
    - Travel accounted for over 50% of total outflows, with amounts falling from USD 1.482 billion in June 2023 to USD 1.275 billion in June 2024.
- Global and domestic economic fluctuations and inflation have led individuals to reduce non-essential transfers, causing a decline in outward remittances.
- Outward remittance means the transfer of money from India to another country or region. LRS is governed by **the** Foreign Exchange Management Act, 1999 and regulated by RBI.
    - LRS allows resident individuals, including minors, to remit up to USD 250,000 **per financial year** for permissible current or capital account transactions such as travel, medical treatment, education, gifts, donations, maintenance of relatives, and investment in shares, debt instruments, and immovable properties overseas.
- **TCS is an tax collected by sellers on specific transactions,** including foreign remittances under the LRS. When individuals send money abroad, travel, TCS is collected by the authorised dealer, typically a bank, and deposited with the government. This ensures **tax compliance on overseas financial activities.**
    - TCS is not applicable on international credit card spending.

Read more...