

## Liberalized Remittance Scheme (LRS) under FEMA

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In Feb-2004, RBI announced a Liberalized Remittance Scheme (LRS), simplifying remittance outside India by resident individuals upto a sum of USD 25000 per financial year (Apr-Mar) for various purposes vide it's A.P (DIR Series) Circular No. 64 Dt: 04<sup>th</sup> Feb 2004. Under the scheme, resident individuals may freely remit upto USD 25,000 per calendar year for any purpose (current or capital account transactions or a combination of both). The scheme underwent multiple amendments in the last 10 years and the **current limit under LRS is USD 75000** per financial year w.e.f 14<sup>th</sup> August 2013.

The detailed LRS scheme is explained in RBI's Master Circular No. 6/2013-14 dated 01<sup>st</sup> July 2013 "Master Circular on Miscellaneous Remittances from India –Facilities for Residents"

A brief summary of the Liberalised Remittance Scheme (LRS) and other miscellaneous payments as applicable for resident individuals as on date is enumerated hereunder :

### Applicability :

- LRS applicable to all Resident Individuals including Minors (i.e., Person resident in India under FEMA 1999) [ Not applicable for HUF, Partnership Firm, Trust, Society, Association of Persons, Body of Individuals, LLP, Company etc.,]
- For all permissible Capital and Current account transactions or a combination of both
- Remittances under the Scheme can be consolidated in respect of family members subject to individual family members complying with its terms and conditions

### Prohibited Remittances :

- Remittances which are otherwise not permissible under FEMA
- Remittances for margins or margin calls to overseas exchanges/ overseas counterparty
- Remittances for acquisition of immovable property directly or indirectly outside India (New restriction w.e.f 14<sup>th</sup> Aug 2013 vide circular no. AP DIR 24)
- Remittances directly or indirectly to Bhutan, Nepal, Mauritius and Pakistan
- Remittance to countries identified by Financial Action Task Force (FATF) as non-co-operative countries and territories as available on FATF website ([www.fatf-gafi.org](http://www.fatf-gafi.org)) or as notified by the Reserve Bank
- Transactions listed in Schedule I of Foreign Exchange Management (Current Account Transaction) Rules 2000
  - Remittance out of lottery winnings.
  - Remittance of income from racing/riding etc. or any other hobby.
  - Remittance for purchase of lottery tickets, banned/proscribed magazines, football pools, sweepstakes, etc.
  - Payment of commission on exports made towards equity investment in Joint Ventures/ Wholly Owned Subsidiaries abroad of Indian companies.
  - Remittance of dividend by any company to which the requirement of dividend balancing is applicable.

- Payment of commission on exports under Rupee State Credit Route, except commission upto 10% of invoice value of exports of tea and tobacco.
  - Payment related to "Call Back Services" of telephones.
  - Remittance of interest income on funds held in Non-Resident Special Rupee (Account) Scheme.
- Transactions restricted in Schedule II of Foreign Exchange Management (Current Account Transaction) Rules 2000, subject to prior approval of Central Government

**Permissible Remittances without Prior Approval of RBI:**

- To acquire and hold shares or debt instruments or any other asset outside India
- Remittances for acquiring immovable property within the annual limit of USD 75,000 for contracts already entered before 14<sup>th</sup> August 2013 (subject to satisfaction of the genuineness of the transactions by the AD bank)
- Gifts and Donations by Resident Individuals
- Purchasing objects of art i.e., Paintings, etc., (subject to FTP and other regulations)
- Acquisition of Security under Employee Stock Option Plans (this will be in addition to acquisition of ESOPs linked to ADR / GDR and acquisition of qualification shares)
- Gift in Indian Rupee to NRI /PIO who is a close relative of the resident individual
- Interest free Loan in Indian Rupee to NRI /PIO who is a close relative of the resident individual with a minimum maturity of 1 year
- Remittance to open, maintain and hold foreign currency accounts with a bank outside India for making remittances under the Scheme (Resident Foreign Currency accounts not permitted under LRS)
- Remittance for investment in units of Mutual Funds, Venture Capital Funds, Unrated debt securities, Promissory notes, etc
- Repayment of loans borrowed by individuals (if borrowed while he/she is a non-resident) after returning to India
- Remittance for setting up Joint Ventures (JV)/ Wholly Owned Subsidiaries (WOS) outside India for bonafides business activities (w.e.f 05th August 2013 vide FEMA Notification 263)
- Reinvestment of income earned (interest or dividend) on the investments done through LRS scheme [such reinvestment will not be counted for USD 75,000 limit and individuals are allowed to retain such income abroad]

**Remittances requiring Prior Approval of RBI :**

- Remittances by resident individuals in excess of USD 75,000 per financial year under LRS scheme
- Release of exchange exceeding USD 10,000 or its equivalent in one financial year, for one or more private visits to any country (except Nepal and Bhutan).
- Exchange facilities exceeding USD 100,000 for persons going abroad for employment
- Exchange facilities for emigration exceeding USD 100,000 or amount prescribed by country of emigration
- Remittance for maintenance of close relatives abroad (USD 100,000 or Net Salary of Resident Individual in India effecting the remittance)

- Release of foreign exchange, exceeding USD 25,000 to a person, irrespective of period of stay, for business travel, or attending a conference or specialized training or for maintenance expenses of a patient going abroad for medical treatment or check-up abroad, or for accompanying as attendant to a patient going abroad for medical treatment/check-up
- Release of exchange for meeting expenses for medical treatment abroad exceeding the estimate from the doctor in India or hospital/doctor abroad
- Release of exchange for studies abroad exceeding the estimate from the institution abroad or USD 100,000, per academic year, whichever is higher
- Commission, per transaction, to agents abroad for sale of residential flats or commercial plots in India exceeding USD 25,000 or 5% of the inward remittance whichever is more

**Remittances not counted under LRS Limits :**

- Amount drawn / remitted for overseas travel purpose, Cultural tours & Private visits
- Amount drawn / remitted for Medical treatment abroad (upto USD 1,00,000 remittance without hospital / doctor estimate permitted)

**Documentation :**

- Submission of filled in Form A-2
- Application-cum-Declaration for purchase of foreign exchange under the Liberalised Remittance Scheme of USD 75,000 for Resident Individuals (Annex – 3 of Master Circular)
- If nature of remittance is subject to TDS requirements, certificate in Form 15CA / 15CB
- Endorsement in Passport by AD Bank (not mandatory now)

**Miscellaneous :**

- Remittance permitted in any freely convertible foreign currency (equivalent of USD 75000)
- PAN is mandatory requirements for effecting remittance under LRS
- Demand Draft (DD) is also permitted under the LRS in favour of investor or investee
- Banks should not extend any kind of credit facilities to resident individuals to facilitate remittances under the Scheme
- No loans are permitted against security of “investments held outside India”.
- AD Bank to submit monthly report to RBI containing all information of remittances under the LRS scheme (soft copy before 5<sup>th</sup> of next month through Online Return Filing Systems [ORFS]).
- Use of International Credit Cards (ICC) for payment of Expenses while on international travel will not attract any restriction or limits.
- No limits specified for purchase of permitted articles (books, softwares, etc.,) on internet using International Credit Cards [ no monetary ceiling fixed for ICC usage ]
- Payment in Foreign Exchange in Nepal & Bhutan using International Credit Card is Prohibited
- Usage of International Debit Cards (IDC), Store Value Cards, Charge Cards, Smart cards etc., are subject to monetary limits as fixed for transactions specified in Schedule III FEMA Current Account Rules.

In this liberalized investment regime, the remittances by individuals are also liberalized to a great extent except for some monetary ceiling on such remittances which are amended from time to time depending upon the dollar reserve and economic situation of the nation. As the foreign exchange laws are amended very frequently, one has to be extra careful while entering into any Financial

commitment in Foreign Currency or effecting any remittance outside India as the AD banks may sometimes overlook the compliance check, resulting in FEMA contravention by the Individuals.