



Regulatory Alert Tracking change

Increase in LRS
limits and
rationalization of
Capital and Current
Account
Transactions

Issue no: RA/7/2015

In this issue:

Background
Highlights of the Amendment
Conclusion
Upcoming Dbriefs - Register
Contacts

Background

In February 2015, the Reserve Bank of India (RBI) in its monetary policy review had proposed to enhance the limit under Liberalised Remittance Scheme (LRS) for resident individuals from US\$ 125,000 to USD 250,000 per person per financial year (April-March) and further for ease of transactions, it was proposed that all the facilities for release of exchange/remittances for current account transactions available to resident individuals under Schedule III of Foreign Exchange Management (Current Account Transactions) Rules, 2000, to be subsumed under this LRS limit.

In line with the above, RBI has on 1 June 2015 increased the limit under LRS for resident individuals from USD 125,000 to USD 250,000 per financial year per person and this limit is a combined limit on funds that resident individuals in India can remit outside India for any permitted capital and/or current account transactions. In this regards, Government of India (GOI) has also issued the Foreign Exchange Management (Current Account Transactions) Amendment Rules, 2015 (Current Account Transaction Rules) and Foreign Exchange Management (Capital Account Transactions) (Third Amendment) Regulations, 2015 (Capital Account Transaction Regulations). .

Summary of amendments are given hereunder.

Highlights of the Amendment

Current account transactions rules

Facilities for resident individuals

- Resident individuals can avail of foreign exchange facility for remittance outside India for the following purposes within the combined limit of USD 250,000 per financial year per person under Current Account Transaction Rules / LRS as provided below. Any additional remittance will require prior approval of RBI:

Purpose of the remittance	Previous limit (in USD)*	Revised limit (in USD)*
Private visits to any country	10,000	250,000
Gift or donation	5,000	
Going abroad for employment	100,000	
Emigration	100,000	
Maintenance of close relatives abroad	100,000 or upto net salary [#]	
Travel for business, or attending a conference or specialised training or for meeting expenses for medical, or check-up abroad, or for accompanying as attendant to a patient going abroad for medical treatment / check-up	25,000	
Expenses in connection with medical treatment abroad	-	
Studies abroad	100,000	
Any other current account transaction	-	

*per financial year per person

For a person who is resident but not permanently resident in India and –

- a) Is a citizen of a foreign State other than Pakistan; or
- b) Is a citizen of India, who is on deputation to the office or branch of a foreign company or subsidiary of joint venture in India of such foreign company, may make remittance upto his net salary (after deduction of taxes, contribution to provident fund and other deductions)

- For the purpose of emigration, expenses in connection with medical treatment and studies abroad, the resident individual may avail of the exchange facility for an amount in excess of overall limit prescribed under LRS of USD 250,000 per financial year per person, if it is so required by a country of emigration, medical institute offering treatment or the university respectively.
- Gift by resident individuals to NRI relatives including Gift in Indian Rupees is subsumed under the LRS limit.
- Further, if an individual has already remitted any amount under LRS (i.e. within the present limits of USD 250,000) in a financial year for any permitted capital or current account transactions or a combination of both, then the overall limit for such individual would be reduced from the combined limit of USD 250,000 by the amount so remitted.
- A person other than an individual may also avail of the foreign exchange facility, within the limit prescribed under the LRS for the purposes mentioned above.

Capital account transactions regulations

- A resident individual can draw from an authorised person foreign exchange not exceeding USD 250,000 as compared to the previous limit of USD 125,000 per financial year per person for permissible capital account transaction i.e. investment in foreign securities abroad, acquisition of immovable property abroad, setting-up of wholly owned subsidiaries and joint ventures abroad, extending loans including loans in INR to non-resident Indians who are relatives etc. subject to conditions.
- Any amount drawn under the Current Account Transaction Rules for the purposes as mentioned therein shall be subsumed within the overall combined limit of USD 250,000 for permissible capital account transactions.

Requirements to be complied with by the authorised dealers

- Authorised Dealer Bank (AD Bank) shall not extend any kind of funded and non-funded facilities to resident individuals to facilitate capital account remittances under LRS.
- The applicants to maintain bank account with the AD Bank for a minimum period of 1 year prior to the remittance for capital account transactions. In case of new customer, AD Bank shall carry out due diligence on the operations and maintenance of the account before effecting the remittances.
- No part of the foreign exchange of USD 250,000 shall be used for remittance directly or indirectly to countries notified as non-cooperative countries and territories by the Financial Action Task Force (FATF) from time to time and communicated by the RBI.

Conclusion

The erstwhile facility of utilizing LRS limits in addition to the permissible current account transactions limits has been done away with. The consolidation of remittance limits outside India for any permissible capital or current account transactions or combination of both by a resident individual per financial year per person to USD 250,000 including remittance under LRS would facilitate ease of transactions and has rationalised the existing guidelines in this regards.

Source: G.S.R. 425(E) and G.S.R. 426(E) dated 26 May 2015 issued by Ministry of Finance, Government of India and A.P. (DIR Series) Circular No. 106 dated 1 June 2015 issued by RBI

Upcoming Dbriefs - Register

Income Computation and Disclosure Standards (ICDS): What Will be the Impact on Your Tax Outgo?

Wednesday, 3 June, 11:30 AM – 12:30 PM IST

Recently, the Central Board of Direct Taxes (CBDT) has issued Income Computation and Disclosure Standards (ICDS) which will come into effect from 1 April 2015, and apply accordingly for assessment year 2016-2017 onwards. These have far-reaching impact on the tax computation, deferred tax, and Minimum Alternative Tax (MAT) credits. What is the key impact on tax positions that arises out of ICDS? Register for the upcoming webcast and Stay up to date on the latest developments in ICDS and discover what they could mean for your organization. For more information, visit the [Dbriefs](#) page.



[Register now](#)

Contacts

Ahmedabad

Heritage, 3rd Floor,
Near Gujarat Vidyapith,
Off Ashram Road,
Ahmedabad – 380 014.
Tel: + 91 (079) 2758 2542
Fax: + 91 (079) 2758 2551

Coimbatore

Shanmugha Manram
41, Race Course,
Coimbatore
Tamil Nadu - 641018
Tel: + 91 (0422) 439 2801
Fax: +91 (0422) 222 3615

Kolkata

Bengal Intelligent Park Building Alpha,
1st floor, Block EP and GP Sector V,
Salt Lake Electronics Complex,
Kolkata - 700 091.
Tel : + 91 (033) 6612 1000
Fax : + 91 (033) 6612 1001

Bangalore

Deloitte Centre, Anchorage II,
100/2, Richmond Road,
Bangalore 560 025.
Tel: +91 (080) 6627 6000
Fax: +91 (080) 6627 6010

Delhi/Gurgaon

Building 10,
Tower B, 7th Floor,
DLF Cyber City,
Gurgaon 122 002
Tel : +91 (0124) 679 2000
Fax : + 91 (0124) 679 2012

Mumbai

Indiabulls Finance Centre,
Tower 3, 28th Floor,
Elphinstone Mill Compound,
Senapati Bapat Marg, Elphinstone (W),
Mumbai – 400013
Tel: + 91 (022) 6185 4000
Fax: + 91 (022) 6185 4101

Chennai

No.52, Venkatanarayana Road,
7th Floor, ASV N Ramana Tower,
T-Nagar,
Chennai 600 017.
Tel: +91 (044) 6688 5000
Fax: +91 (044) 6688 5050

Hyderabad

1-8-384 and 385, 3rd Floor,
Gowra Grand S.P.Road,
Begumpet,
Secunderabad – 500 003.
Tel: +91 (040) 6603 2600
Fax: +91 (040) 6603 2714

Pune

106, B-Wing, 7th Floor,
ICC Trade Tower,
Senapati Bapat Road,
Pune – 411 016.
Tel: + 91 (020) 6624 4600
Fax: +91 (020) 6624 4605

[Home](#) | [Add Deloitte as a safe sender](#)

Follow us on:



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

This material and the information contained herein prepared by Deloitte Touche Tohmatsu India Private Limited (DTTIPL) is intended to provide general information on a particular subject or subjects and is not an exhaustive treatment of such subject(s). This material contains information sourced from third party sites (external sites). DTTIPL is not responsible for any loss whatsoever caused due to reliance placed on information sourced from such external sources. None of DTTIPL, Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this material, rendering professional advice or services. The information is not intended to be relied upon as the sole basis for any decision which may affect you or your business. Before making any decision or taking any action that might affect your personal finances or business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this material.

© 2015 Deloitte Touche Tohmatsu India Private Limited. Member of Deloitte Touche Tohmatsu Limited.