



TCS on Foreign Remittances Slashed to 2%

New LRS Rates Effective April 1, 2026 | Finance Bill 2026

#INCOMETAX

#LRS

#TCS

#CROSSBORDER

#FEMA

What Changed: TCS Rationalization Under Finance Bill 2026

→ Amended Legislation

Finance Bill 2026 amends **Section 394(1)** of Income Tax Act, 2025 (formerly Section 206C(1G) of IT Act, 1961)

→ Uniform 2% Rate

Replaces the old tiered structure of **5% to 20%** — a dramatic simplification across all LRS remittance categories

→ Applies To

Education remittances, Medical treatment abroad, and Overseas tour packages

→ Effective Date

April 1, 2026 (FY 2026-27 onwards) — governed by RBI Master Direction on LRS (January 1, 2016, as amended)

LRS Annual Limit

USD 250,000 per resident individual per financial year — unchanged.


□ "The Seventh Schedule to the Income Tax Act, 2025 has been amended to rationalize TCS rates across all LRS remittance categories."



New TCS Rate Chart: Before vs. After April 1, 2026

A comprehensive comparison of TCS rates across all LRS remittance categories — see exactly what changed and what stayed the same.

| Purpose of Remittance | Old TCS Rate (up to March 31) | New TCS Rate (from April 1) | Threshold |
|--|-----------------------------------|---------------------------------|-------------------------------|
| Education (loan under Section 80E) | Nil | Nil | No threshold |
| Education (self-funded) | 5% above Rs 10 lakh | 2% above Rs 10 lakh | Rs 10 lakh per FY |
| Medical treatment abroad | 5% above Rs 10 lakh | 2% above Rs 10 lakh | Rs 10 lakh per FY |
| Overseas tour packages | 5% up to Rs 10L; 20% above Rs 10L | Flat 2% from first rupee | No threshold |
| Other LRS (investments, gifts, property) | 20% above Rs 10 lakh | 20% above Rs 10 lakh | Rs 10 lakh per FY (unchanged) |

 **Key Highlight:** Education, Medical, and Tour Package categories see a **60–80% reduction** in TCS — a landmark relief for Indian families going global.

How Much You Save: Real Examples

EDUCATION REMITTANCE — RS 25 LAKH

Old TCS Calculation

5% on Rs 15 lakh (above Rs 10L threshold) = **Rs 75,000**

New TCS Calculation

2% on Rs 15 lakh = **Rs 30,000**

 **Savings: Rs 45,000**

60% reduction in upfront TCS outflow

OVERSEAS TOUR PACKAGE — RS 15 LAKH

Old TCS Calculation

5% on Rs 10L (Rs 50,000) + 20% on Rs 5L (Rs 1,00,000) = **Rs 1,50,000**

New TCS Calculation

Flat 2% on Rs 15L = **Rs 30,000**

 **Savings: Rs 1,20,000**

80% reduction — the biggest beneficiary of this reform!

80%

Max TCS Reduction

For high-value overseas tour packages above Rs 10 lakh

60%

Education Savings

For self-funded education remittances above Rs 10 lakh

₹2%

New Flat Rate

Uniform rate replacing the complex 5%–20% tiered structure

Critical Exemptions and Special Cases



Education Loan Exemption

Remittances funded through loans from financial institutions covered under **Section 80E** remain **completely exempt** from TCS. Authorized dealers must verify loan documentation. File **Form 27C** to claim nil TCS.



LRS Framework Constants

Annual remittance limit: **USD 250,000** per resident individual per FY — no change. Continues to be governed by RBI Master Direction on LRS (January 1, 2016, as amended).



Investment Remittances Unchanged

Overseas investments, property purchases, and gifts to non-residents remain at **20% TCS above Rs 10 lakh**. No benefit from this rationalization for these categories.



TCS Credit Mechanism

All TCS collected is reflected in **Form 26AS** (now Form 168 under Income Tax Rules, 2026). Full credit available while filing ITR. TCS is an advance collection — **not a final tax cost**.

Who Is Affected and How

CA Professionals

- Update TCS computation templates for FY 2026-27
- Advise clients on new Section 394(1) rates
- Review advance tax estimates — lower TCS means lower advance tax credits
- Tour operators need updated invoicing systems reflecting flat 2%

Founders and Startups

- Employee overseas training/conference TCS drops from 5% to 2%
- Business development trips via tour packages benefit from flat 2%
- Investment remittances for overseas subsidiaries still at 20% above Rs 10L
- Cross-border expansion planning is now more cash-flow friendly

NRIs and Families

- Parents sending education expenses: ensure bank applies new 2% rate from April 1
- Medical tourism patients benefit from the same reduction
- Verify your authorized dealer has updated systems
- If 5% still being deducted after April 1, raise immediately with your AD

5-Step Action Plan Before Your Next Remittance



Verify with your Bank / Authorized Dealer

Confirm your authorized dealer has updated TCS collection rates effective **April 1, 2026**. Do not assume — ask explicitly before initiating any remittance.



Submit Form 27C

Required for education loan cases to claim **nil TCS**. Must be submitted to your authorized dealer along with loan documentation before the remittance is processed.



Update Advance Tax Calculations

Lower TCS means **lower tax credits** available. Adjust your advance tax estimates for FY 2026-27 accordingly to avoid shortfall in quarterly installments.



Claim TCS Credit in ITR

All collections are reflected in **Form 26AS (now Form 168)**. Claim full credit while filing your income tax return for the year — TCS is not a sunk cost.



Tour Operators — Update Billing Systems

Reflect **flat 2% TCS** on all packages from April 1, 2026. Eliminate the old split calculation at the Rs 10 lakh threshold to avoid compliance errors.

Watch Out: Key Caveats

The 2% rationalization is significant — but it comes with important boundaries. Know what **doesn't** change before you plan your remittances.

Investment TCS Unchanged

Overseas investments, stocks, mutual funds, property purchases, and gifts to non-residents remain at **20% TCS above Rs 10 lakh**. Do not assume 2% applies to everything — it does not.

TCS is Not a Tax Cost

TCS is collected at source and is **fully adjustable** against your final tax liability. The savings are in upfront cash flow and working capital — not in the ultimate tax burden.

Bank System Updates May Lag

Some banks may not update their systems on day one of April 1. If you see **5% TCS being deducted after April 1**, escalate immediately with your authorized dealer and seek a refund of excess collection.

Advance Tax Impact

Lower TCS means **lower tax credits** available throughout the year. If you previously relied on TCS credits to cover advance tax installments, recalculate your quarterly schedule for FY 2026-27.

Key Dates and Next Steps



📅 **Going global?** Join our FREE webinar: *The 5 FEMA Mistakes Indian Startups Make When Going Global* — April 18, 2026. Register at townscript.com

Need Help with Cross-Border Tax Compliance?

Talk to an expert at **A S Banka Advisors Private Limited**

CA Adityavikram Banka Cross-Border Structuring and FEMA Expert

What We Can Help With

- LRS remittance structuring and TCS optimization
- FEMA compliance for startups going global
- Advance tax recalibration for FY 2026-27
- Form 27C filing and authorized dealer coordination