Is there any relaxation on TCS rates due to the COVID-19 situation?

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No, there is no relaxation on TCS rates due to COVID-19 situation. Therefore, it needs to be collected at a specified rate of 5%.

Some examples to understand how TCS is applicable:

Case 1:

Mr. A made his first international money transfer of INR 5,00,000 in April 2020 – No TCS

Mr. A made his second international money transfer of INR 2,00,000 in June 2020 – No TCS

Mr. A made his third international money transfer of INR 3,00,000 in September 2020 – TCS will be applicable on INR 3,00,000

5 lakhs + 2 lakhs + 3 lakhs = 10 lakhs. As the limit of money transfer of INR 7 lakhs in a financial year is exceeded, a 5% TCS will be applied on INR 3 lakhs.

Case 2:

Mr. B made money transfers of INR 10,00,000 up to September 30, 2020 – No TCS was applied

Mr. B made money transfers of INR 5,00,000 from October 2020 – March 2021 – TCS applied

10 lakhs + 5lakhs = 15 lakhs. In this case, as the threshold limit of INR 7 lakhs in a financial year is already exceeded before October 1, 2020, a 5% TCS will be applied on every money transfer made after October 1, 2020. In this case, on INR 5,00,000.

Case 3:

Mr. C has made a money transfer of USD 20,000 through Western Union on October 5, 2020 towards education fees out of India through his loan borrowed from a bank (qualified loan under Indian Income Tax Act) – TCS applied

– USD 20,000 = INR 14,80,000. In this case, as the threshold limit of INR 7 lakhs in a financial year is exceeded, a 5% TCS will be applied on INR 7,80,000. Though TCS rate is reduced to 0.5% on money transfers for education purpose paid through loans but YES Bank charges the TCS on loan obtained from a financial institute for educational purpose at 5% only.