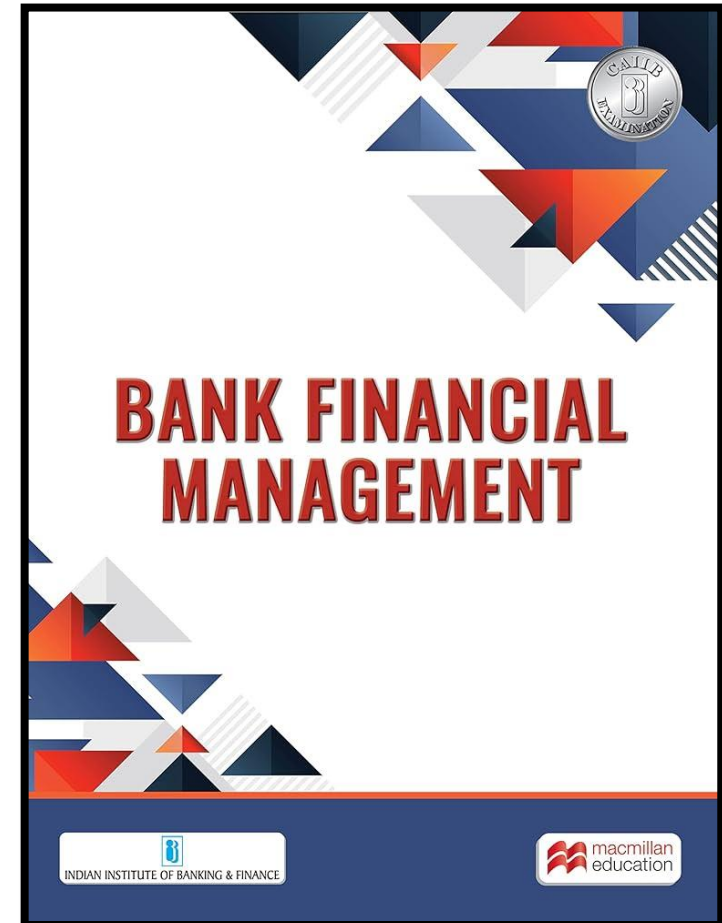


# CAIIB Examination

**Bank Financial Management  
Module A  
Chapter 2 – Liberalised Remittance  
Scheme (LRS) and Other Remittance  
Facilities for Residents - Part 1**





# LRS & OTHER REMITTANCE FACILITIES

**1. FEMA, 1999** - 1. LRS Scheme, 2. Capital & Current Account, 3. Sections of FEMA vis-a-vis LRS, 4. Permissible/ Non-Permissible remittances under LRS, 5. Operational Guidelines

**2. LRS** - 1. LRS Remittances for Current A/c, 2. Tax Collected at Source (TCS), 3. LRS Remittances for Capital A/c 4. Reporting requirements

## 1. Liberalised Remittance Scheme (LRS)

### 1. Features



- 1. **Started** - 4<sup>th</sup> Feb 2004
- 2. **Purpose** - Facilitates for resident individuals to remit funds abroad for permitted current or capital account transactions or a combination of both.
- 3. **Available to** - Resident individuals (including Minors)
- 4. **Not eligible** - Corporates, Partnership Firms, HUFs, Trusts and NRIs

## 2. Capital and Current A/c Transactions

### 1. Capital Account Transaction

**1. Sub-Section 2(e) FEMA** - Capital account trans.= Alters the assets/liabilities of Indian or foreigner outside India or in India respectively  
**2. Example** - Resident Indian invests in shares or property abroad



### 2. Current Account Transaction

**1. Sub-Section 2(j) FEMA** - Transaction that includes payments connected to trade, interest on loans and income on investments, expenses connected to travel, family maintenance, medical treatment, etc  
**2. Example** - Remittances

## 1. FEMA, 1999

## 3. Key Sections of FEMA vis-a-vis LRS



**1. Section 4** - 1. No person resident in India, shall acquire, hold, own etc. foreign exchange or foreign security or immovable property out of India unless acquired as non-resident, 2. Indians can invest

**2. Section 5 - 1.** Person may sell or draw foreign exchange to or from an authorized person for a capital account transaction

**5. Section 13 Penalties for contravention of Act** - 1. 3 x amount involved; 2. Non-quantifiable = Rs. 2lakhs;; 3. 5000/day further

**4. Section 11 - 1.** RBI may direct Authorized Person & impose penalty till Rs. 10,000 & further Rs. 2000/day

**3. Section 10(6)** - About utilization of foreign exchange availed from an Authorized Dealer for purpose which it has been availed

# Concept Check

Q.

The Liberalised Remittance Scheme (LRS) has been launched on \_\_\_\_\_.  
(Select the most appropriate answer from the option given below)

- a) Feb 2004
- b) Jan 2006
- c) Feb 2012
- d) Feb 2020

Answer: Option A

# Concept Check

Q.

**Which among the following are not eligible to send remittances under the Liberalised Remittance Scheme (LRS)?**

1. Resident Individuals
2. Corporate
3. NRIs

**(Select the most appropriate answer from the option given below)**

- a) 1 and 2 only
- b) 2 and 3 only
- c) 1 and 3 only
- d) 1, 2 and 3

Answer: Option B

*Thank You*

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