



YOUR MONEY

Check mid-market exchange rate when sending money abroad

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Outward remittances through the Liberalised Remittance Scheme (LRS) reached a record \$31.73 billion in financial year 2023-24, a 16.9 per cent increase year-on-year. This surge occurred despite higher Tax Collected at Source (TCS) rates being imposed on foreign remittances from October 1, 2023 onwards.

“The threshold limits from which TCS rates apply are on the higher side compared to regular business ticket sizes. TCS can also be claimed as refund while filing tax return, which is why there has been no impact on outward remittance,” says T C Guruprasad, executive director, EbixCash.

Right exchange rate

The cost of money transfer has two components. “Pay heed to the total amount you pay in a transaction, which includes intermediary charges (the upfront fees) and the foreign exchange conversion rate,”

says Guruprasad.

The exchange rate can carry a hidden cost. On Google, check the mid-market exchange rate, the mid-point between the “buy” and “sell” rates in the global currency markets. “The mid-market rate is considered the most fair exchange rate. However, a lot of providers add a markup, which translates into a hidden fee as it’s not shown transparently to customers,” says SK Saraogi, Asia-Pacific head of expansion, Wise.

Use comparison websites or tools to find the most competitive rates. “Avoid players that offer fixed daily rates and go with the ones that offer live rates,” says Joy PV, senior vice-president & country head-deposits, wealth, & banca, Federal Bank.

Right provider

Ensure the money transfer provider is a licensed entity. “The Reserve Bank of India (RBI) has advised customers to deal in forex only with ‘authorised persons’ and on ‘authorised elec-

tronic trading platforms’ listed on the RBI website,” says Joy.

The brand should also be credible and trusted and have been operating for several years. It should also have customer support that is easily accessible. Guruprasad suggests going with a provider that alerts customers regarding exchange-rate fluctuations.

Speed of transfer is crucial. “Especially for education and healthcare payments, the transfer must be completed by the date the money is needed,” says Saraogi.

Play by the rules

A resident individual can transfer up to \$2,50,000 per financial year under LRS. “This includes loans or gifts in Indian rupees to non-resident Indian (NRI) relatives,” says Joy. Money should not be remitted for purposes prohibited under the Foreign Exchange Management (Current Account Transactions) Rules, 2000.

“The person remitting money needs to have a valid Permanent Account number (PAN) linked to Aadhaar number,” says Vinod AN, general manager & head treasury, South Indian Bank.

The customer must furnish Form A2 to purchase foreign exchange under LRS. “In case of remittance for education purposes, submit the university’s offer letter, the fee schedule, the student ID, and so on. In case of medical treatment, submit the hospital’s medical reports, the invoice, and so on,” says Vinod.

Comply with tax norms

Remitters must deposit the appropriate TCS amount for

KEEP EXTRA MONEY TO MEET TCS REQUIREMENT

Type of remittance and TCS rates effective from October 1, 2023

- For education (money obtained via loan from specified institution)
Nil up to ₹7 lakh; 0.5% of amount*
- For education other than loan from specified institution; and for medical treatment
Nil up to ₹7 lakh; 5% of amount*
- Any other purpose under LRS
Nil up to ₹7 lakh; 20% of amount*
- Overseas tour packages
5% up to ₹7 lakh; 20% of amount*

* (or aggregate amount) over ₹7 lakh per financial year
Source: Federal Bank

LRS remittances. “While TCS can be claimed as refund, there will be a cash flow impact due to it, which one needs to provision for,” says Vishal Dhawan, chief financial planner, Plan Ahead Wealth Advisors.

Overseas assets created by investing money via the LRS route must be reported in tax returns. “Paying tax on income from foreign assets each year is also essential,” says Dhawan.

He also cautions about the need to be aware of the rules regarding repatriation of funds, obtained by liquidating foreign assets, within a stipulated timeframe.

FDs to Invits: Low-risk investment options

A day after their biggest percentage losses in about four years, the Indian stock market benchmarks — the Sensex and the Nifty 50 — made a significant recovery on Wednesday. Amid high market volatility, what should investors do? Amar Ranu, head, Investment Products & Insights, Anand Rathi Shares and Stock Brokers, advises: “Building a portfolio that includes some less-risky assets can help you ride out market volatility.”

LOWER RETURNS IN LONG RUN

While this strategy may lower your risk exposure, it often results in lower returns over the long run. Here are some low-risk investment options to consider for safeguarding your finances:

- Savings accounts
- Post office savings schemes
- Public provident fund account (PPF)
- Fixed deposits (FDs)
- Non-equity mutual funds
- Invits (infrastructure investment trusts)

DIVERSIFY TO SECURE YOUR FINANCIAL FUTURE

“By diversifying their portfolio to include these low-risk options, investors can better withstand market fluctuations and secure their financial future,” says Amar Ranu.