



## Part II Chapter 8 Module A

### Outward Remittances from India

#### Release of Foreign Exchange by Authorized Dealers

Foreign exchange for outward remittances is governed by the **Foreign Exchange Management (Current Account Transactions) Rules, 2000.**

Transactions are classified into:

Category	Description
<u>Prohibited Transactions</u> (Schedule I)	Foreign exchange cannot be released for these transactions.
<u>Require Prior Approval</u> (Schedule II)	Needs approval from the relevant Ministry or Government Department.
<u>Permitted with Limits</u> (Schedule III)	Authorized Dealers (ADs) can approve up to the specified limits. Beyond that, RBI approval is required.

**Exception:** No prior approval is needed if remittances are made from:

Resident Foreign Currency (RFC) Accounts

Exchange Earners' Foreign Currency (EEFC) Accounts

### Prohibited Transactions – Schedule I

Foreign exchange **CANNOT** be used for:

- **Lottery winnings & gambling income**
- **Buying lottery tickets, banned magazines, or football pools**
- **Commission payments** for equity investment in overseas joint ventures
- **Dividends** requiring "dividend balancing"
- **Export commission payments** beyond 10% of invoice value (except for tea & tobacco)
- Payment related to **call-back telephone services**
- Remittance of **interest income on Non-Resident Special Rupee (NRSR) accounts**

#### Example:

A businessman in **Delhi** wants to invest in a foreign lottery scheme.

**Not allowed under FEMA!**

### Transactions Requiring Central Government Approval – Schedule II

Some transactions need **approval from the relevant Government Ministry**.

Purpose of Remittance	Ministry Required for Approval
Cultural Tours	✓ Ministry of Education & Culture
Advertisements in Foreign Print	✓ Ministry of Finance
<b>Media (beyond \$10,000)</b>	
✓ Freight for PSU-chartered vessels	✓ Ministry of Surface Transport
✓ Import via ocean transport (PSUs/Govt.)	Ministry of Surface Transport
Hiring charges for transponders (TV channels, ISPs)	Ministry of Information & Broadcasting / Ministry of Communication
Sports Sponsorship (above \$100,000)	Ministry of Youth Affairs & Sports

**Example:** A State Government department in Mumbai wants to advertise a campaign in **The New York Times**. Since the cost is \$12,000, **Ministry of Finance approval is required** before remitting.

**Transactions Permitted by Authorized Dealers – Schedule III**

Under the Liberalized Remittance Scheme (LRS), individuals can remit up to **\$250,000** per financial year for:

Purpose	Allowed Limit
Private travel (except Nepal & Bhutan)	Up to \$250,000
✓ Gift or Donation	Up to \$250,000
✓ Going abroad for employment	Up to \$250,000

Studies abroad	Up to \$250,000 (more if required by university)
Medical treatment	Up to \$250,000 (more if required by hospital)

**Example:** A student in Chennai needs \$300,000 for their MBA in the USA. The first \$250,000 is allowed under LRS, and for the extra \$50,000, RBI approval is required.

### Fraudulent Remittance Scams – Be Alert!

Scammers ask for transaction fees, tax clearance charges, or processing fees via remittances.

NEVER send money to unknown people for "prize winnings" or fake job offers!

**Example:** A woman in Pune receives an email saying, "You've won \$1 million! Just send ₹50,000 processing fee." This is a scam!

### Release of Foreign Exchange by AD Category II

Smaller dealers (AD Cat II) are permitted to handle specific transactions:

Purpose	Allowed?
Tour operators remitting to overseas hotels	Yes
Film shooting abroad	Yes

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Medical treatment abroad	Yes
Education fees & exams (GRE, TOEFL, etc.)	Yes
Visa & immigration fees	Yes

~~Example: A film director in Kolkata wants to shoot a Bollywood movie in Paris. An AD Category II bank can handle the remittance!~~

### Prohibition on Drawal of Foreign Exchange

Foreign exchange CANNOT be used for:

- Lottery & prize schemes
- ~~Travel to Nepal & Bhutan~~
- Transactions with people in Nepal or Bhutan (except with RBI permission)

~~Example: A travel agency in Bangalore wants to book a foreign package tour to Nepal using USD. Not allowed under FEMA!~~

### ~~International Credit Cards (ICC)~~

#### Usage Allowed:

- Residents can use ICCs for expenses while traveling abroad .
- Can be used online for permissible foreign purchases, such as:
  - Buying books
  - Downloading software

- Any item allowed under the **Foreign Trade Policy (FTP)**

### Usage Restrictions:

- ICCs **CANNOT** be used for:
  - Buying **lottery tickets**
  - Accessing **banned/prohibited magazines**
  - Participating in **sweepstakes**
  - Payment for **call-back services**
- **No separate monetary limit** for online transactions, as long as the purchase is permitted under FEMA.

### Foreign Currency Accounts & ICCs:

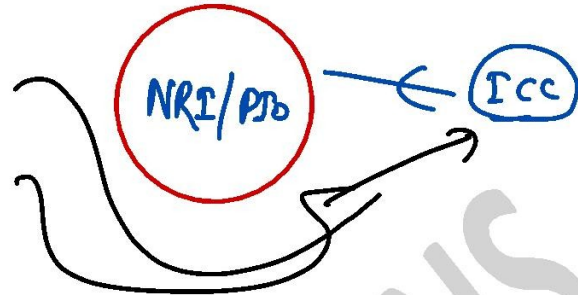
- Individuals with **foreign currency accounts** at an **AD bank in India or overseas** can get an ICC.
- Payments for ICC bills can be made via:
  - Funds in **foreign currency accounts**
  - **Direct remittances** from India (only via a personal bank account)
- **No fixed monetary ceiling** for remittances under this facility.

### Country-Specific Restrictions:

- **Nepal & Bhutan:** ICCs **cannot** be used for payments in foreign exchange.

- **NRIs & PIOs:** Can get ICCs without RBI approval, but payments **must be settled** through:

- Inward remittances
- NRE/ FCNR accounts



### Example:

- A software developer from Bengaluru buys a \$50 online course on an American platform using his ICC. **Allowed under FEMA.**
- A businessman in Mumbai tries to use his ICC to buy a foreign lottery ticket. **Prohibited under FEMA.**

## International Debit Cards (IDC)

### Usage Allowed:

- Issued by AD banks to residents for:
  - Cash withdrawal at ATMs abroad
  - Payments at foreign merchants

### Usage Restrictions:

- **CANNOT** be used for:
  - Lottery tickets
  - Banned magazines
  - Sweepstakes & gambling
  - Call-back services

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**Example**

- A Delhi tourist in Singapore withdraws SGD 500 from an ATM using his IDC. **Allowed.**
- A resident tries to buy a foreign lottery ticket online using IDC. **Not allowed.**

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### Credit/Debit Card Usage for Airline Tickets

Some foreign airlines operating in India select a foreign currency for card payments instead of INR.

— This violates FEMA rules, as Indian transactions must be settled in INR.

**Action Required:** AD Category I banks must warn foreign airlines against using overseas banks for INR transactions.

**Example:** A passenger in Kolkata books a flight from India to Dubai using a credit card, but the payment is processed in USD instead of INR. This is against FEMA rules.

### Summary Table

Feature	International Credit Cards (ICC)	International Debit Cards (IDC)
Issued By	Overseas banks, AD banks	AD banks in India



<p>Where Can Be Used? <del>×</del></p>	Overseas, Online purchases	Overseas, Foreign ATMs & Merchants
<p>Permissible Uses <input checked="" type="checkbox"/></p>	Import books, software, travel, shopping	Cash withdrawal, Shopping abroad
<p>Prohibited Uses </p>	Lottery, banned magazines, gambling, sweepstakes, call-back services	Lottery, banned magazines, gambling, sweepstakes, call-back services
<p>Monetary Limit <del>25000 USD</del></p>	No separate ceiling (as per bank limit)	Within LRS limits & FEMA rules
<p>Can Be Used in Nepal &amp; Bhutan?</p>	No	No

**Conclusion:**

ICCs and IDCs are widely used for international transactions, but they must comply with FEMA rules .

Using them for prohibited transactions like lotteries or sweepstakes can result in penalties .

Choosing the right card for foreign travel & purchases ensures smooth & legal transactions.

## Store Value Cards, Charge Cards & Smart Cards

### What Are These Cards?

Authorized Dealer (AD) banks **issue** special prepaid cards for residents **traveling abroad** for:

- ✓ Private visits
- Business travel

#### Usage:

- ✓ For payments at foreign merchants
- ✓ For cash withdrawals from ATMs abroad
  - ~~Limited to current account transactions~~ under FEM (CAT) Rules, 2000

#### Restrictions:

- ~~Cannot be used for prohibited transactions~~ (e.g., lottery, gambling, banned magazines).
- ~~Only permitted for eligible international expenses~~.

#### Example:

- A Delhi businessman traveling to the UK uses a Store Value Card to pay for a business dinner.
- A resident tries to load funds on a Smart Card for purchasing a foreign lottery ticket. **Not allowed!**

## Redemption of Unutilized Balance on Prepaid Travel Cards

When resident Indians purchase travel cards and return home, they

can claim the unspent balance **only after 10 days**.

### Redemption Rules:



- AD banks must process refunds immediately upon request after 10 days.
- A small balance (up to \$100) may be retained for pending transactions.

### Example:

- A Bangalore tourist in France loads **\$2,000** onto a Travel Card for expenses.
- After returning to India with **\$300 left**, she can redeem the balance after 10 days, except for a small portion (\$100) held for pending transactions.

### Summary Table

Feature	Store Value Card / Charge Card / Smart Card
Issued By	AD banks
Purpose	<u>Business &amp; private travel abroad</u>
Where Can Be Used?	<u>International merchants &amp; ATMs</u>

Prohibited Uses	Lottery, gambling, banned items
Balance Redemption	Allowed after <u>10 days</u> of last transaction
Retained Amount	Up to <u>\$100</u> for pending transactions
Transaction Fees	Must be paid in INR

### Conclusion:

Store Value, Charge, and Smart Cards offer a convenient way to manage foreign travel expenses .

However, they must comply with FEMA rules and cannot be used for restricted transactions .

Refunds are available after 10 days, ensuring smooth fund management for travellers.

### Liberalized Remittance Scheme (LRS)

What is LRS?

Current A/c

The Liberalized Remittance Scheme (LRS) allows resident individuals to send money abroad for various purposes, such as travel, education, investment, and medical treatment.

Introduced by RBI in 2004

Replaces older current account transaction rules

Gives flexibility for international payments

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Example: A student in Mumbai sends \$50,000 to a university in the UK for tuition fees. Allowed under LRS!

### Who Can Use LRS? (Eligibility)

Category	Allowed?
Resident Individuals (Including Minors)	Yes
Corporates, HUFs, Trusts, Partnership Firms	No
Families	Yes, but each member must comply separately
Capital Account Transactions for Co-owners	Yes, if joint owners

Example: A family in Delhi wants to send \$100,000 for property investment in Dubai. Allowed, but split as \$25,000 per member.

### How Much Can You Send? (LRS Limit)

- Maximum: \$250,000 per person per financial year
- No restriction on the number of transactions
- Above \$250,000 requires RBI approval

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✓ **Example: A doctor in Bengaluru needs \$300,000 for his daughter's**  
 ✓ **education in Canada. First \$250,000 is allowed, extra \$50,000**  
 ✓ **needs RBI approval.**

✓ **Permitted & Prohibited Uses Under LRS**

Category	Allowed / Not Allowed	Example
Private Travel (Excl. Nepal & Bhutan)	Yes	A Delhi businessman travels to Europe & spends \$20,000.
Gift/Donation	Yes	A resident gifts \$100,000 to his son studying abroad.
Employment Abroad	Yes	A techie from Hyderabad moves to Canada for work & sends \$200,000 for relocation.
Studies Abroad	Yes	A Mumbai student pays \$250,000 for university tuition fees in the US.
Medical Treatment <i>Attendant</i>	Yes	A Chennai family sends \$250,000 for cancer treatment in the UK.
Buying Property Abroad	Yes	A businessman buys an apartment in Dubai for investment.
Investing in Foreign Stocks & Companies	Yes	A resident invests in US stocks (Tesla, Apple, etc.).



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<del>Lottery &amp; Gambling</del>	No	A resident tries to buy foreign lottery tickets.
<del>Margin Trading &amp; Crypto Investments</del>	No	A Kolkata trader wants to send money to trade forex options abroad.
<del>Terrorist Activities</del>	No	Remittance to sanctioned persons or terror organizations.

**Important Note:**

No remittance for visiting Nepal/Bhutan.

No remittance for speculative investments (e.g., trading in derivatives).

**Special Cases: When You Can Send More Than \$250,000**

**Emigration** – If required by the destination country

**Medical Treatment** – If required by a foreign hospital

**Studies Abroad** – If the university requires more funds

**Example:** A student in Pune gets admission to Harvard with a fee of \$300,000. Can remit \$250,000 under LRS, extra \$50,000 needs RBI approval.

## Modes of Remittance Under LRS

Mode of Transfer	Allowed?	Usage
Bank Wire Transfer	Yes	Sending tuition fees abroad.
Demand Draft (DD)	Yes	Making payments for real estate investment abroad.
Foreign Currency Accounts	Yes	Holding foreign earnings abroad.
Investment in Overseas Companies	Yes	Buying shares of foreign companies.
Cryptocurrency & Margin Trading	No	Investing in Bitcoin abroad.

## Procedure & Documents Required for LRS Remittance

- Step 1:** Choose an **Authorized Dealer (AD) bank** for remittance
- Step 2:** Fill **Form A2** for foreign exchange purchase
- Step 3:** Provide **PAN Card** details for tracking
- Step 4:** Mention the **purpose of remittance** (Education, Business, Travel, etc.)
- Step 5:** Submit **supporting documents** (e.g., university fee invoice, medical bill, etc.)



**Example:** A Bengaluru businessman wants to invest \$100,000 in US real estate. He:

Selects **HDFC Bank** as his **AD bank**.

Fills **Form A2** mentioning "**Investment in property abroad.**"

Submits his **PAN card & purchase agreement.**

### Important Prohibitions & Restrictions Under LRS

No loans/ credit for capital remittances

No payments under FEMA Schedule I or II transactions

No remittance to high-risk countries (as per FATF blacklist)

No funding to terrorist-linked individuals/entities

*Financial Action Task Force*

### Summary Table: LRS At a Glance

Feature	Details
Who Can Use?	Resident Individuals (including minors)
Max Limit (Per Year)	<u>\$250,000 per person</u>
Permitted Uses	<u>Travel, Studies, Investments, Medical, Business</u>
Not Allowed	<u>Crypto, Gambling, Lottery, Terrorist Financing</u>
Required Docs	<u>Form A2</u> , <u>PAN Card</u> , <u>Proof of Purpose</u> (e.g., university invoice, medical bills, etc.)



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<b>RBI Approval Needed?</b>	Yes, if exceeding \$250,000/year
<b>Popular Uses</b>	Buying foreign stocks, tuition fees, real estate investment abroad

### **Conclusion**

The **Liberalized Remittance Scheme (LRS)** makes it **easy for Indians to send money abroad for education, medical, investments, and travel**. **However, strict FEMA rules apply** to prevent misuse. Choosing the **right remittance method** ensures smooth, **hassle-free transactions**.

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