

# Indians double remittances to overseas deposits, equity

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**Mumbai:** Indians doubled their average monthly remittances allocated to deposits in foreign banks and investments in debt and equity instruments overseas in September 2023.

This trend coincided with the impending October 1 deadline for implementing the government's directive to collect higher tax at the source (TCS) from individuals remitting funds overseas.

According to data released by RBI, the total money sent abroad in September 2023 was \$3.5 billion — a 30% increase compared to \$2.7 billion in the year-ago period.

Remittances in September were 15% higher than the average monthly remittances of \$3 billion recorded until August 2023. However, compared to August, there was only a marginal increase of 3% because August sees a seasonal spike in money being sent abroad for education, which also bumps up travel spending.

In September, resident Indians sent \$118 million abroad towards deposits in foreign banks — nearly twice the \$60 million sent in August. Equity and debt investments increased 121% to \$208 million from

## Jump Amid Higher TCS Rule

### Outward Remittances under the LRS (in \$ million)

■ Aug 2023 ■ Sept 2023



\$94 million in August. There was also a drop in the money sent abroad for donations and medical treatment. These are, however, a small portion of overseas remittances.

The government introduced higher TCS to curb Indians' forex spending. The average monthly outgo through the Liberalised Remittance Scheme (LRS) route — which was \$1.1 billion in FY19 — rose to \$1.5 billion in FY20, dipped to \$1.1 billion in FY21 due to Covid and recovered to \$1.6 billion in FY22. In FY23, there was a spike in average monthly remittances to \$2.2 billion due to the resumption of travel. The current financial year's monthly average is

around \$3 billion.

According to an official at a forex firm with an authorised dealership licence, the forex demand for travel has been steady, and the actual impact will be known only after the figures for October are released. Post-Covid remittances arising from foreign travel accounted for half of total remittances.

The LRS allows individuals to send \$250,000 abroad annually. In this year's budget, the government raised the tax collection at source on foreign remittances to 20% for travel. The higher rate of TCS does not apply to remittances for education expenses or medical treatment.