

Remittance Certificate for transfer of funds from INDIA: Income Tax [Section 195 (6) read with Rule 37BB of the Income Tax Rules 1961]

Background:

Cross-border money transfers from India to other countries, are widespread as a result of globalisation. General transactions for non-residents ("NR") include repatriation from a Non-Resident Ordinary ("NRO") account to a Non-Resident External ("NRE") /foreign bank account.

Banks require the remitter to fill Form A2 for payments other than imports and remittances covering intermediary trade. Along with this the banker will ask the remitter to produce electronic Form 15CA/15CB downloaded from the Income Tax Website.

Remittances of money under income tax can generally fall into either of following two categories:

1. Remittance from India Outside India:

Tax Implications:

Funds transferred from an NRO to an NRE/foreign bank account of the self are considered as a self-transfer. This is not chargeable to income tax in India. However, before this remittance is made, the taxability of the amount to be remitted should be verified and can be paid by way of advance tax or self-assessment tax by the remitter.

Funds transferred by India Resident Bank Account to NRO/NRE/foreign bank account can be subject to withholding tax in India. The remitter needs to consult a tax professional (mainly a Chartered Accountant) in order to confirm the taxability and tax to be paid to the Central Government.

[Reference: Sections 9,195, 206AA read with Rules 37BB, 37BC]

Reporting of remittance:

15CA and 15CB would be required for remittance from NRO to NRE account, depending on the amount and purpose of remittance.

[Reference: Rules 37BB and 37BC]

Form 15CA: A declaration by remitter regarding payments made to non-resident

- This form captures the following
 - remitter and recipient information,
 - nature of remittance,
 - country of recipient,
 - amount of remittance,
 - applicable tax treaty provisions.

Parts	Which part to use
Part A	Remittances not exceeding Rs. 5,00,000 during the financial year ("FY").
Part B	Remittances exceeding Rs. 5,00,000 during the FY AND with an order or certificate from the Assessing Officer under sections 195(2), 195(3), or 197 of the Income Tax Act, 1961.
Part C	Remittances exceeding Rs. 5,00,000 during the FY along with a certificate in Form 15CB from a Chartered Accountant.
Part D	Remittances not chargeable to tax under the Income Tax Act, 1961.

B.D. Jokhakar & Co

Chartered Accountants

April 2024

This document is prepared for general information.
Appropriate professional advice should be obtained before taking any decision

Form 15CB:

- A certificate issued by a Practising Chartered Accountant (“CA”) certifying the nature of payment, applicable withholding tax under the Income Tax Act, 1961 and the Double Tax Treaty. It usually covers payments in the nature of royalty, consultancy, rent, technical services and business income.
- Both Form 15CA and 15CB play a crucial role in ensuring transparency, tax compliance, and adherence to regulatory requirements for remittances from India to non-residents.

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