

# TT Alert

May 2023

## Clarification of TCS on the foreign remittance and usage of International Credit Card outside India

### Change in TCS rates on various transactions under LRS

- The Finance Act 2023 has amended the provisions of S. 206C(1G) of ITA to provide that any remittance made under the Liberalised Remittance Scheme ('LRS') (other than education and medical treatment) and on the sale of Overseas Tour Program Packages, the TCS shall be collected at the rate of 20%.
- The TCS rates under S. 206(1G) as amended are tabulated as under:

Sr.No	Nature	Old position (upto 30 June 2023)		After Finance Act 2023 (from 1 July 2023)		Remarks
		Threshold limit	Rate	Threshold limit	Rate	
1	Sale of Overseas Tour Program Packages	Nil	5%	Nil	20%	Incremental TCS would impact the cash outflow in form of tax

		Old position (upto 30 June 2023)		After Finance Act 2023 (from 1 July 2023)		
Sr.No	Nature	Threshold limit	Rate	Threshold limit	Rate	Remarks
2	Remittance under LRS for education and medical treatment	INR 0.7 million	5%	INR 0.7 million	5%	
3	Remittance under LRS for education out of the loan obtained from financial institution as per S. 80E	INR 0.7 million	0.5%	INR 0.7 million	0.5%	There has been no change in the threshold limit and TCS rate
4	Remittance under LRS for any other purpose	INR 0.7 million	5%	Nil	20%	Incremental TCS would impact the cash outflow in form of tax

## Inclusions of transactions within the purview of LRS

- Under the LRS, all resident individuals are allowed to freely avail and remit up to USD 0.25 million per financial year for any permissible current or capital account transaction. Earlier payments made through International Credit Card ('ICC') were not within the purview of LRS. Ministry of Finance, vide Notification No. G.S.R. 369(E) dated 16th May 2023 has amended the LRS.
- With the proposed amendment, such transaction would fall within the ambit of LRS. The primary implication of this change is that credit card spending in foreign currency will now be a part of the LRS annual limit of USD 0.25 million per person. Moreover, TCS would be applicable on such transaction.
- Ministry of Finance has come up with a clarification on 19th May 2023 that any payment by an individual using their international debit ('IDC') or credit cards upto INR 0.7 million per financial year will be excluded from the LRS limit and would not entail any TCS.

## RBSA Comments

The proposed amendments shall increase the compliance burden on the banks and financial institutions in respect of transactions undertaken outside India. The taxpayer can claim the refund of TCS while filing their tax returns, which could result in locked funds until refunds are issued. The amendment is expected to facilitate the monitoring of high-value transactions through IDC or ICC undertaken by an individual outside India.

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