

## Higher rates of Tax Collected at Source (“TCS”) on Liberalized remittance scheme (“LRS”) extended to October 1, 2023

### Background

The Finance Act, 2023 amended the TCS rates and threshold limits for various remittances undertaken under LRS. The same were to be applicable from July 1, 2023.

Further, the Government vide notification dated May 16, 2023 had amended the FEMA Current Account Rules to bring the transactions undertaken through International Credit Cards (“ICCs”) during a visit outside India within the ambit of LRS. This also resulted in such payments made through ICCs to be subject to TCS.

Pursuant to the said notification, the Government has issued a Press Release dated June 28, 2023 amending various provisions relating to LRS and TCS.

### Press Release dated June 28, 2023

#### 1. Use of International Credit Cards during visit outside India:

The Government has postponed the implementation of the earlier notification dated 16 May 2023. Accordingly, all transactions through ICCs during visits outside India (irrespective of the amount spent) would not be included within the ambit of LRS and thus effectively would not be subject to TCS.

#### 2. Increased TCS rates to be effective from October 1, 2023:

The applicability of the amended TCS rates and threshold limits has been extended to October 1, 2023.

The below table summarizes the TCS rates and threshold limits applicable for various remittances.

Particulars	TCS rate till September 30, 2023		TCS rate with effect from October 1, 2023	
	Upto INR 7 Lakh	Above INR 7 Lakh	Upto INR 7 Lakh	Above INR 7 Lakh
Remittance for Education ** / Medical	Nil	5%	NIL	5%
Use of International Credit Cards in India for foreign purchases	NIL	5%	NIL	20%
Use of International Credit Cards outside India (Refer Point 1)	NIL	NIL	NIL	NIL
Purchases of Overseas tour program package	5%		5%	20%

Remittance for any other purpose (gift or donation, Emigration, Maintenance of close relative abroad, etc.)	Nil	5%	NIL	20%
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\*\* Rate is 0.5% in case of LRS for education financed by loan

### CNK Comments:

- The Government has postponed the implementation of higher rates of TCS to give adequate time to banks and credit card companies to update their IT systems so as to comply with the new law.
- Further, removing the applicability of LRS to use of ICCs while being outside India, is a welcome move and provides relief to many Individuals who travel overseas frequently and who may have already exhausted their LRS limit for the financial year.
- The threshold of INR 7 Lakh for exemption from TCS, which was available only for education and medical purposes, has been extended to all the remittances (other than for the purpose of overseas tour packages) irrespective of the purpose of such remittance.
- It may be highlighted this is only a press release and one would need to wait for the actual changes undertaken to evaluate the implications.

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