# Biz trips to be exempted from LRS changes: FinMin

ASIT RANJAN MISHRA &
SANJAY KUMAR SINGH
New Delhi, 18 May

The finance ministry has clarified that changes in the liberalised remittance scheme (LRS) norms do not cover employees' overseas business trips sponsored by their companies.

"When an employee is being deputed by an entity for any of the above, and expenses are borne by the latter, such expenses shall be treated as residual current account transactions outside LRS and may be permitted by the authorised dealer (AD) without any limit, subject to verifying the bona fide of the transaction," the finance ministry said in a set of frequently asked questions (FAQs) released on Thursday.

Under the LRS, all resident individuals, including minors, are allowed to remit up to $250,000 per financial year (April-March) for any permissible current or capital account transaction or a combination of both.

The finance ministry on Wednesday had notified the FY24 Budget announcement to include international credit card transactions under the LRS by putting tax collected at source (TCS) of 20 per cent from July 1. This is expected to impose significant compliance burden on financial institutions.

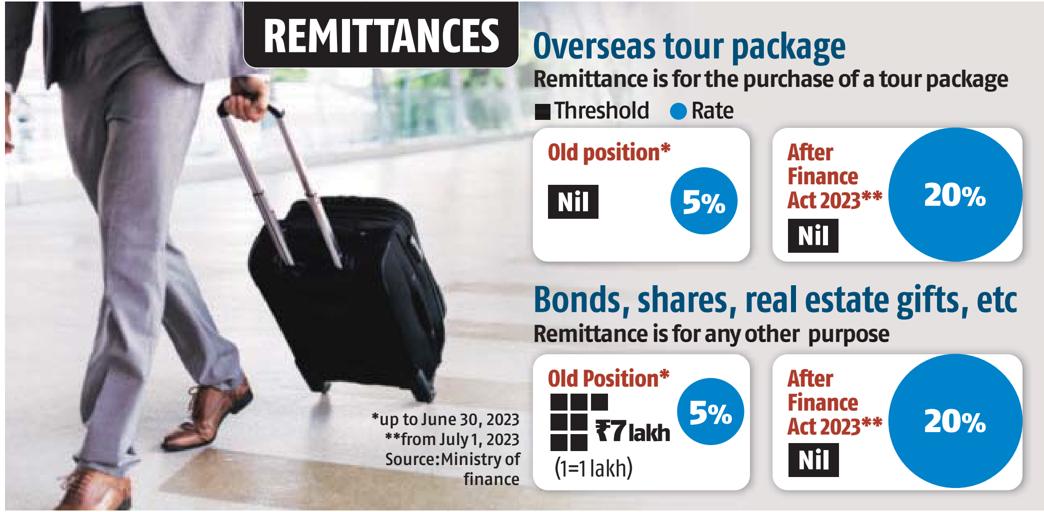
For expenses related to travel, education and medical treatment, the finance ministry said a detailed clarification will be issued later.

The finance ministry clarified that the inclusion of international credit card expenses under LRS is to bring parity with international debit card expenses, which are already under LRS.

"Data collected from top money remitters under LRS reveals that international credit cards are being issued with limits in excess of the present LRS limit of $250,000. The differential treatment between debit cards and credit cards needed to be removed in the interest of uniformity and equity in the treatment of modes of drawal of foreign exchange and for capturing total expenditures under LRS for prudent foreign exchange management and to prevent by-passing of LRS limits," the FAQs said, adding that the RBI had written to the government on more than one occasion, pointing to the need to remove this differential treatment.

"Bringing credit cards under TCS purview is a welcome step and will ensure parity between debit or credit card payments," said Mohit Kabra, Group CFO, MakeMyTrip.

Saurav Sood, practice leader, international tax and transfer pricing at SW India, said the rules will lead to a compliance burden on credit card companies while individuals making petty expenses will have TCS provisions getting triggered.




**How will this impact you?**

This will give rise to cash flows issues for individuals. One concern is that the TCS that is deducted could get blocked for a considerable period of time.

There is confusion regarding how the TCS on credit card spends abroad will be operationalised. "Will the 20 per cent be levied every time you swipe your credit card abroad, or will it get added when your statement is generated?" wondered Archit Gupta, founder and chief executive officer, Clear. Credit card users may need to be careful about hitting the credit limit on their cards when abroad (accounting for additional 20 per cent).

Another issue could arise if errors happen in TCS deduction or if the amount is not deposited and does not get reflected in Form 26AS. "All this will impose a higher burden on individuals to keep track of transactions and ensure compliance," says Gupta.

Tax experts said complete clarity does not exist yet on whether 20 per cent TCS will apply when a credit card is used to buy a foreign magazine or a software subscription from a foreign provider.