

Overseas debit, credit card payments up to ₹7 lakh a year out of LRS: Govt

These transactions will not attract tax collected at source

TCS RULES FOR OTHER REMITTANCES

- If amount for education purposes is a loan from a financial institution as defined in Section 80E, 0.5% TCS will apply above a threshold of ₹7 lakh from July 1
- If amount is not a loan from a financial institution, 5% TCS will apply
- If remittance is for medical purposes, 5% TCS will apply above the ₹7 lakh threshold
- If remittance is for the purchase of a tour package, 20% TCS will apply with zero threshold
- If the remittance is for any other purpose (to buy shares, bonds, real estate, or gifts), 20% TCS will apply

SANJAY KUMAR SINGH
New Delhi, 19 May

In a step that would come as relief to individuals travelling abroad, the Centre on Friday excluded up to ₹7 lakh of debit and credit card payments in a financial year from the ambit of the liberalised remittance scheme (LRS).

These transactions will not attract tax collected at source (TCS).

“To avoid any procedural ambiguity, it has been decided that any payments by individuals using their international debit or credit cards up to ₹7 lakh per financial year will be excluded from the LRS limits and, hence, not attract any TCS,” the government said in a press statement. It added that the existing

beneficial TCS treatment of education and health payments would continue.

The changes to the Foreign Exchange Management (Current Account Transactions Rules), 2000, will be issued separately.

The finance ministry had on Wednesday notified the Budget 2023 announcement of bringing international credit card transactions under LRS by imposing a 20 per cent TCS from 1 July. A concern that had arisen in the wake of this decision was that travellers' immediate outlay would increase. Even as the money deducted as TCS is set off against the individual's tax liabilities, a considerable sum would get blocked for a significant period of time.

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**COMPLIANCE WITH TCS NORMS
A CONCERN: TRAVEL FIRMS P2 ▶**

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LRS...

“This has now been addressed,” said Bankbazaar.com CEO Adhil Shetty. Deepesh Raghaw, a Sebi-registered investment advisor (RIA) and founder of PersonalFinancePlan, saw the move as fair. “When they travel abroad, most individuals carry foreign currency as well. Therefore, the ₹7 lakh threshold for imposing TCS appears adequate,” he said. Earlier, experts had also pointed out that the deducted amount would not reflect in individuals’ Form 26AS if their credit card issuer made a mistake in TCS deduction or did not deposit the amount in time. “The rollback of the measure will protect individuals from such compliance-related hassles,” said Abhishek Kumar, Sebi RIA and founder of SahajMoney.

Taxmann Deputy General Manager Naveen Wadhwa, however, sounded a note of caution. “This (TCS) relaxation shall not be available for any remittances made from India. Thus, any remittance for investment, ticket booking, purchase of goods, payment of subscription fees, etc, shall continue to be subject to TCS at 20 per cent,” he said.