

## Important changes with respect to Liberalised Remittance Scheme (LRS) and Tax Collected at Source (TCS)

In Budget 2023 the Ministry of Finance announced certain changes regarding the system of Tax Collection at Source (TCS) on payments under the Liberalised Remittance Scheme (LRS) and on overseas tour program packages. It was also announced in March that credit card payments would be brought under the LRS. These were to take effect from 1 July 2023.

However, in response to the comments and suggestions taken from various stakeholders the MOF decided to make suitable changes, stated as under:

- In Finance Act 2023, section 206(1G) was amended which increased the rate of TCS from 5% to 20% for remittance under LRS as well as for purchase of overseas tour program package and removed the threshold of Rs. 7 lakh for triggering TCS on LRS. These two changes were not applicable when the remittance is for education or medical purpose. These amendments were to take effect from 1 July 2023. However, now it is decided that, **there will be no change in the rate of TCS for all purposes under LRS and for overseas travel tour packages, regardless of mode of payment, for amounts up to Rs. 7 lakh per individual per annum. Beyond 7 lakh threshold TCS shall be:**
  - **0.5% (if remittance for education is financed by education loan);**
  - **5% (in case of remittance for education/medical treatment);**
  - **20% for others;**
  - **For purchase of overseas tour program package the TCS shall be the of 20% rate if it crosses the limit of 7 lakh;**



- The increase in TCS rates; which were to come into effect from 1 July, 2023 shall now **come into effect from 1 October, 2023** with the modification.
- The Government had notified Foreign Exchange Management (Current Account Transactions) (Amendment) Rules, 2023 vide an e-gazette notification dated 16th May 2023 to remove the differential treatment for credit cards vis à vis other modes of drawls of foreign exchange under LRS. Now to give adequate time to Banks and Card networks to implement the entire system, Government **has decided to postpone the applicability of its 16th May 2023 e-gazette notification. This would mean that transactions through International Credit Cards while being overseas would not be counted as LRS and hence would not be subject to TCS.**

Earlier and new TCS rates are summarized in tabular format as stated below for ready reference:

Nature of payment	Earlier rate before Finance Act, 2023 and upto 30 <sup>th</sup> September 2023	New rate w.e.f. 1 October 2023
LRS for education financed by loan.	Nil upto Rs 7 lakh 0.5% above Rs 7 Lakh	Nil upto Rs 7 lakh 0.5% above Rs 7 Lakh
LRS for Medical treatment/ education (other than financed by loan)	Nil upto Rs 7 lakh 5% above Rs 7 Lakh	Nil upto Rs 7 lakh 5% above Rs 7 Lakh
LRS for other purposes	Nil upto Rs 7 lakh 5% above Rs 7 Lakh	Nil upto Rs 7 lakh 20% above Rs 7 Lakh
Purchase of Overseas tour program package	5% (without threshold)	5% till Rs 7 Lakh, 20% thereafter

Source: PIB Delhi, Press Release ID NO 1936105 dated 28th June 2023

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